
Janet Cheng Lian Chew
B.Com. (Hons) (Murdoch University)

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I declare that this thesis is my own account of my research and contains, as its main content work which has not previously been submitted for a degree at any tertiary education institution.

Janet Cheng Lian Chew
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Employee retention is one of the challenges facing many business organisations today. For many organisations, strategic staffing has become a concern because the ability to hold on to highly talented core employees can be crucial to future survival. This empirical study examined the current human resource management (HRM) practices of Australian organisations in the retention of their core employees. In particular, the research identified the core elements of HRM practices, which strongly influence the decision for core employees to stay.

The study comprise three phases: (1) a preliminary investigation, utilising the Delphi Technique to obtain the opinions of an expert panel of thirteen, (2) in-depth interviews, involving twelve human resource managers of Australian organisations and (3) a quantitative survey of 800 employees from nine Australian organisations.

The findings revealed greater insights into the HRM-retention relationship and provided empirical validation of the relationship. More specifically, the research identified eight retention factors that influence the decision of core employees to stay. These specific factors consisted of two bundles of practices: HR factors (e.g., person organisational fit, remuneration, reward and recognition, training and
career development, challenging job opportunities) and Organisational factors (e.g., leadership behaviour, company culture and policies, teamwork relationship and satisfactory work environment). The outcome of the HRM-retention relationship was examined through organisational commitment and turnover intention using multiple regression analysis.

The findings of this study revealed positive significant co-relationships between the eight factors and organisational commitment. Moreover, it was highlighted that commitment acted as a partial mediator of remuneration, recognition and reward, training and career development and work environment on intent to stay. Commitment fully mediated the relationship person organisational fit, teamwork relationship, culture and policies and intention to stay.

The study produced a model suitable for use by human resource practitioners as a guide in determining what initiatives an organisation should adopt to retain their critical employees.

This research has also made a contribution by illuminating the current employment relationships in Australian organisations and providing relevant empirical evidence to support the theoretical model of Human Resource Architecture, developed by Lepak and Snell (1999) and, as a result, creating a configuration for an Australian Human Resource Architecture model.
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CHAPTER ONE

INTRODUCTION

The Influence of Human Resource Practices on the Retention of Core Employees

Introduction

Organisations today constantly wrestle with revolutionary trends: accelerating product and technological changes, global competition, deregulation, demographic changes, and at the same time, they must strive to implement trends towards a service and information age society (Kane 2000). Due to this tumultuous business environment, one of the challenges facing many business organisations is the retention of critical (core) employees. Society has now become knowledge-based where clearly human capital is considered a key resource and indispensable to the survival of businesses. Increasingly, organisations are competing for the best talent employees (Porter 2001). New paradigm companies recognise that an important element in business management practices is the need to successfully motivate and retain high talent employees who survive organisational restructuring, downsizing, consolidation, reorganising or re-engineering initiatives (Clark 2001).
For many organisations, strategic staffing has become an important issue because the ability to hold on to highly talented core employees can be crucial to future survival (Ettorre 1997; Whitner 2001). The loss of needed talent is costly because of the resultant bidding up of market salaries for experienced hires to replace them; the costs of recruiting and assimilating new talent; the lost investment in talent development; and the hidden costs of lost productivity; lost sales opportunities; and strained customer relationships (Eskildsen and Nussler 2000). Statistics show that while the annual turnover rate at established organisations is only 6 percent, the cost of replacing an employee usually amounts to a quarter of an individual’s annual salary. A company with 50,000 employees incurs replacement costs approaching $18 million a year (Davies 2001; Ettorre 1997).

According to a study released by Accenture (2001), 80 percent of global business leaders believe that ‘people issues’ are more important today than they were three years ago, and 68 percent believe that retaining talent is more important than acquiring ‘new blood’. That recognition and the extraordinary efforts some companies are making to attract and retain top talent represent fundamental shifts in employer-employee relationships. Essentially more organisations are now realising that retention is a strategic issue and represents a competitive advantage (Walker 2001).

As the retention of talent with critical skill sets is acknowledged by organisations as vital for the achievement of business growth and
the building of organisational competencies, some organisations strive to be the ‘employer of choice’ by creating a positive environment and offering challenging assignments that foster continued personal growth. An ‘employer of choice’ (EOC) is an organisation that outperforms its competition in the attraction, development and retention of people with business-required aptitude, often through innovative and compelling human resource programs (Clarke 2001; Dessler 1999).

By adopting an effective total retention strategy with the support of relevant HR programs, businesses may successfully keep critical employees. This research examines the current human resource practices on the retention of core employees in twelve Australian organisations. It explores the relationship between human resource (HR) practices and retention and further identifies the elements of HR practices which strongly influence the decision for core employees to stay. This is a three phase study and the results from this study may assist in the development of an effective HRM retention program for organisations.

**Changes in the workforce**

Over the last fifteen years, the workforce has changed dramatically in terms of age, gender, ethnic and racial composition, family structure, and job expectations. Consequently, such social developments have had significant impacts on the nature and operations of organisations.
(Ferris Hochwater, Buckley, Harrell-Cook and Frink 1999; Kemske 1998) especially in the management of human resources (e.g. recruitment and selection, training and development and performance management programs). According to the Australian Bureau of Statistics Report (2001), future work trends indicate reductions in the growth of the Australian permanent workforce, a continued aging population, a significant decline in the numbers of trades-persons and related workers, and an increase in associate professionals and professionals. These trends also predict shorter term careers, as professionals have the capacity to move between jobs to optimise their salary packages and to seek more challenging work tasks and the imperative for continual change in particular jobs, organisational directions or work structures (Beck 2001; Kitay and Lansbury 1997). The whole structure of employment has changed from mainly full time permanent employees to organisations with small stable cores of permanent employees, supplemented as desired with contractors, either semi or highly skilled (Hamel and Prahalad 1990; Lepak and Snell 1999).

A number of researchers have assessed the many changes to organisations both in terms of organisation structure and employer and employee relationships (Allan and Sienko 1997; Fierman 1994; Kitay and Lansbury 1997; Kraut and Korman 1999). During this period, changes in the economic environment have impacted on both the formal and informal contracts of employment. This, in turn, has affected employee motivation and organisational commitment.
Adjusting successfully to this relationship change, “have enormous implications in terms of sustained competitive advantage based on the ability to access and retain a committed skilled workforce” (Kissler 1994, p. 335).

In today’s business environment employees appear to be less committed to their respective organisations. An employer cannot guarantee the stability and longevity of corporate career paths or the security of employees’ jobs. The old contract of employee loyalty in exchange for job security and fair work has broken down (Overman 1998). The trend, these days, seems to be geared towards having a ‘career portfolio’ (Handy 1995). It is important to note that employees today realise that they have to take the initiative in job resiliency, developing the skills and flexibility needed to quickly respond to shifting employer requirements (Beck 2001). Loyalty to one’s professional growth has replaced organisation loyalty (Levin 1995). Employees recognise that the traditional psychological contract that existed between employer and employee is now dissolved (Hays and Kearney 2001).

Overall, powerful and unstable market forces have overwhelmed non-market institutional structures, resulting in decreased employee commitment and increased flexibility of employment. However, this increased flexibility for employers coincides with decreasing tenure and job instability for workers. The use of these non-standard employment arrangements may have long-term consequences. Flexibility may be good business for the
employer, but in many cases it may be devastating for the worker. Employment instability is contributing to the growing inequality in income, status, and economic security in Australia.

As workers face a pace of change unprecedented in history, and as “empowerment” and the need for risk taking, coupled with longer hours and less leisure time, have increased their risk of ‘burnout’ tenfold, employees’ values have shifted discernibly (Withers 2001). High talent personnel see the greatest opportunities by moving from one company to another. Increasingly, organisations will have to compete for the best talent (Porter 2001). Consequently, this will have a significant impact on the nature of recruitment and selection, training and development, performance management and retrenchment programs.

**The Influence of Human Resource Management on Retention**

Organisations develop human resource policies that genuinely reflect their beliefs and principles and the relationship between management and employees, or they may merely devise policies that deal with current problems or requirements. These practices include recruitment and selection, training and development, performance management, remuneration systems, occupational health and safety, industrial relations, Human Resource Information System, impact of recent legislation (EEO/AA/OHS/FOI etc., Delery and Doty 1996; Jackson and Schuler 1995; Oakland and Oakland 2001).
Several theoreticians have argued that the human resources of the company are potentially the only source of sustainable competitive edge for organisations (Becker and Gerhart 1996; Ferris, Hochwarter, Buckley, Harrell-Cook and Fink 1999; Pfeffer 1994; Wright and McMahan 1992). Pfeffer (1998) advocates that a human resource system helps create a workforce whose contributions are valuable, unique, and difficult for competitors to imitate. A plethora of academic research conducted at the organisational level also suggests that human resource practices affect organisational outcomes by shaping employee behaviours and attitudes (Arthur 1994; Huselid 1995; Tsui, Pearce, Porter and Tripoli 1997).

Whitener (2001) indicates that employees interpret organisational actions such as human resource practices (Delery 1998; Settoon, Bennett and Linden 1996; Ostroff and Bowen 2000; Wayne, Shaw and Linden 1997), and the trustworthiness of management (Eisenberger, Huntington, Hutchison and Sowa 1986; Settoon et al. 1996) as indicative of the personified organisation's commitment to them. They reciprocate their perceptions accordingly in their own commitment to the organisation. A well-established stream of research rooted in social exchange theory has revealed that employees' commitment to the organisation derives from their perceptions of the employers' commitment to and support of them (Eisenberger et al. 1986; Hutchison and Garstka, 1996; Settoon et al. 1996, Shore and Tetrick 1994; Shore and Wayne 1993; Wayne et al. 1997). In this regard, a useful framework in which to visualise
commitment behaviour is to view them as components of fair exchange between a company and its employees. This approach to motivation postulates that employees and the organisations are involved in an exchange relationship (Pinder 1984).

Employee attitudes and behaviours (including performance) reflect their perceptions and expectations, reciprocating the treatment that they receive from the organisation. In their multilevel model linking human resource practices and employee reactions, Ostroff and Bowen (2000) depicted relationships suggesting that human resource practices are significantly associated with employee perceptions and employee attitudes. Studies by Tsui, Pearce, Porter and Tripoli (1997), found that employee attitudes (specifically employee commitment) were associated with the interaction of human resource practices and perceptions.

Numerous studies suggest that high-involvement work practices will enhance employee retention (Arthur 1994; Huselid 1995; Koch and McGrath 1996). Most efforts on retention and commitment are considered from the employer’s point of view. As a result, new and refined programs are continuously introduced which are expected to have a positive impact. Too often, these initiatives are blanket programs offered as a ‘cafeteria’ of options to all employees. Flexible work schedules and childcare assistance was offered, but only a small share of the workforce takes advantage of them (Perry-Smith and Blum 2000). However, if the value proposition is viewed from the individual’s perspective, different factors assume different
weights. Baby boomers are more interested in job security and benefits; young employees are more interested in pay, advancement opportunities and time off. Such differences may reflect stages in the career cycle or deeper generation differences. Additionally, there are often gender differences within demographic groups; e.g., young women may want different things from what young men want (Beck 2001).

Over recent years, there has been a widespread assertion that HRM has become more strategic in its focus and operation (Beer 1997; Hays and Kearney 2001). HRM is purportedly being viewed as a strategic staff enterprise aligned with organisational values, mission and vision. As a consequence, there is now much greater attention to measuring and enhancing employee and organisational performance; equal employment opportunity and affirmative action policies designed and implemented by personnel offices have contributed greatly to the diversity of the workforce; staffing techniques have become much more sophisticated; employee benefit systems have expanded; and job designs and processes have become more creative (Hays and Kearney 2001; Oakland and Oakland 2001).

Although most current organisations opt for policy formulation strategies that reflect their own cultures and priorities, the crucial issue is whether the employees have been consulted, and whether the resultant policy reflects a compromise between management and employee interests, acceptable to both, or is it simply a management or HR directive?
As change has remained a constant in the practice of HRM, many of the assumptions on which HRM operates have been severely challenged in the last two decades due to a series of inexorable reforms (Lesperance 2001). In contemplating the future prospects of HRM, it is worthwhile to examine the developments and directions of HR policies in terms of their relevance to the contemporary workforce especially in the area of attraction and retention of employees.

**Retention Management – A Strategic Tool**

Researchers on retention have defined retention management as a strategic, coherent process that starts with an examination of the reasons that employees join an organisation (Davies 2001; Fitz-enz 1990; Solomon 1999). Studies have indicated that it is driven by several key factors, which should be managed congruently: organisational culture and structure, recruitment strategy, pay and benefits philosophy, employee support programs, and career development systems (Fitz-enz 1990). Careful career development and planning, as well as the more typical rewards and incentives, can be powerful retention tools. These should be effectively addressed as a corporate-wide initiative. Studies of progressive HRM practices in training, compensation and reward sharing have revealed that these can lead to reduced turnover and absenteeism, better quality work, and better financial performance (Arthur 1994; Delaney and Huselid 1996; Huselid 1995; Ichniowski, Shaw and Prennushi 1997; Snell...

An employee's decision to resign from a company is rarely due to a single event, such as being passed over for a promotion, a plum assignment or for monetary reasons. One such event may however serve as a catalyst, but most employees leave because of multiple factors - the turnover drivers such as diminished job satisfaction, a tense work environment and better advancement opportunities elsewhere (Davies 2001; Oh 1996; Walker 2001). Isolating these factors requires a disciplined research effort.

A 1999 Gallup Poll cited the lack of opportunities to learn and grow as a top reason for employee dissatisfaction. Kimko Incorporated, took this information to heart and implemented a training program that gave employees a training path and career direction. Turnover tumbled from 75 percent to 50 percent (Withers 2001).

As turnover is a symptom of a larger systemic problem such as ineffective retention management, companies' ought to understand what causes people to commit themselves to being productive and loyal. Then they must design jobs, systems and organisations that support rather than inhibit it. Fostering commitment means an understanding that people need to have a stake in their work, and that employees respond when employers pay attention to their needs and involve them (Benkhoff 1997; Dobbs 2001). Such were the findings of the Hawthorne experiments, which were conducted at
Western Electric sixty years ago (Parson 1992). The results of these tests were responsible, in part, for the movement toward participative management in the late 1970s. The principles of employee participation are currently reflected in many current productivity and quality programs (Fitz-enz 1990).

Therefore, to achieve quality retention programs, organisations ought to determine the retention factors relevant to each of their employee groups and then focus strategies on these factors. For each employee group, information can be gathered from current and former employees on their perceptions of why people stay or leave. The more focused the analysis, the more focused the prescriptive actions may be (Cavouras 2000). Employee surveys are designed to focus on commitment and retention factors. Exit interviews and follow-up surveys with former employees are being adapted to yield more accurate, useful information. Interviews, focus groups, and surveys among current employees provide perceptions of the relevant factors and their importance. Finally, it is advocated that there may be a distinctive edge in simply doing all of the key things well. By providing a reasonably high level of attention to the factors important to employees, a strong organisational culture is built and maintained.

Universum, a Stockholm, Sweden-based competence relations firm, surveyed 1,945 first and second-year MBA students in twenty-three U.S. business schools and 5,105 business, engineering and science students in sixty-five European universities and technology schools separately. The study found that students were positioning
themselves as picky buyers in today's tight labour market, demanding everything from a challenging and lucrative career to a balanced lifestyle. There are however some differences in what American students and their European counterparts expect from a first employer. U.S. respondents cited competitive compensation, inspiring colleagues and a variety of assignments as the top characteristics of their employer of choice. For the European students, the most attractive characteristics are international career opportunities and inspiring colleagues (Universum 1999).

Several studies also suggest that high-involvement work practices will enhance employee retention (Arthur 1994; Huselid 1995; Koch and McGrath 1996). Various frameworks or models are used by organisations to address retention and commitment and some of the key factors are increasingly adopted and they include the following (Beck 2001; Clarke 2001; Parker and Wright 2001; Stein 2000):

*Compensation:* Companies often provide pay packages superior to the market for critical talent. These include special pay premiums, stock options or bonuses. Base pay reflects fair pay; supplemental programs reflect individual, team or organisational performance and success (Parker and Wright 2001; Stein 2000; Williams 1999).

*Challenging work:* High talent individuals want work that is interesting, challenging and that has an impact. They also expect
work to be appropriately designed, with adequate resources available and with effective management. Increasingly, companies are redesigning work, relationships, workflows, and teams to create more exciting and challenging work (Beck 2001; Clarke 2001; Guest 1999; Messmer 2000; Stein 2000).

**Work relationships:** Employees stay when they have strong relationships with others with whom they work (Clarke 2001). Companies encourage team building, project assignments involving work with peers and opportunities for social interaction both on and off the job (Johns, Sanchez, Parmeswaran, Phelps, Shoptaugh & Willaims 2001). One value of team-based organisations is the bond that they establish among members. Effective relationships with immediate managers are also important. Companies are also using survey measures and management feedback to identify ways to improve relationships and the context of work.

**Recognition:** Employees tend to stay when they feel that their capabilities, efforts, and performance contributions are recognised and appreciated by others. They want a sense of accomplishment. Compensation provides recognition, but other forms of non-monetary recognition are also important, for example from managers, team members and peers, customers, and others. Particularly important are opportunities to participate and to influence actions and decisions (Boyd and Salamin 2001; Davies 2001).
Work/life balance: For some employees, personal priorities or circumstances make the difference between leaving and staying. Individuals will stay with a company that clearly considers and cares for their career priorities (life stage needs), health, location, family, dual-career and other personal needs (Gonyea and Googins 1992; Kamerman and Kahn 1987). For example, many companies are providing flexible schedules and work arrangements and are experimenting with other ways to help individuals manage their work and personal life issues (Perry-Smith and Blum 2000; Solomon 1999).

Communication: Effective communications strengthen employee identification with the company and build trust. Increasingly, companies provide information on values, mission, strategies, competitive performance, and changes that may affect employees (Gopinath and Becker 2000; Levine 1995). Many companies are working to provide information that employees want and need, through the most credible sources (e.g., CEO for strategies, first-line managers for work issues) on a timely and consistent basis.

Through such practices, companies are striving to improve employee retention. Why then, do employees continue to leave? What is missing from today’s retention strategies?
Despite the substantial literature on HRM “best practices and high performance practices,” there is however, little consensus among researchers with regard to precisely which HRM practices should be included as the "ideal type" of HRM system that is universally effective to combat attrition. Given these different approaches to HRM, it is evident that a more consolidated field of investigation would be beneficial to the development of knowledge in this area. Essentially, it is the need to address this situation that has led to the purpose of this study.

**Purpose of the Study**

The aim of this study is to investigate and determine the current human resource practices on the retention of core employees in Australian organisations. It will examine the relationship between HR practices and retention and further identify the elements of HR practices, which strongly influence the decision for core employees to stay. Results from this study will assist in the development of an effective HRM retention program for organisations. Employee retention is a highly important strategic tool for corporations. It may improve employers’ chances of selecting employees who will become committed to their organisation and also improve their ability to retain highly skilled and motivated employees.
**Significance of the Study**

With the attention paid to downsizing in recent years, few companies have invested time and money in retaining employees. The focus has been on separating employees from the company, not reinforcing the bonds. The high attrition rate of core employees is costly to corporations. Loss of key talent results in the stripping of valuable human capital, critical skills and institutional memory (Entrekin 2001). Organisations not only suffer from lost productivity but also lose the knowledge that these critical employees possess that can be beneficial to the company. High-performing employees know the industry, competitive strengths and weaknesses, products, customers and processes. The information in their heads is a significant part of corporate equity (Gutherie 2001; Hom and Griffeth 1995; Huselid 1995; Oh 1997). There has also been considerable interest in the management literature concerning the development of core competences in order to enhance corporate competitiveness and performance (Prahalad and Hamel 1990). Retaining these valued core employees is therefore a strategic issue and a competitive business advantage.

Management scholars argue that how employees are managed is becoming a more important source of competitive advantage because traditional sources (product and process technology, protected or regulated markets, access to financial resources and
economies of scale) are less powerful than they once were (Lawler 1996; Pfeffer 1994).

Reviewing the current HRM literature, there is to date no empirical study of large Australian organisations with regard to their HR practices on retention. This raises unexplored issues such as: are these organisational HRM systems “best practices fit all” or “differential HR practices for different types of employees” (core, contractors, alliance, and acquisitions)? How do these practitioners perceive their effectiveness? These questions call for theory refinement and the development of a more comprehensive theoretical model of the HRM-retention relationship especially in the Australian business environment. These unexplored issues will be the focus of this study. Moreover, this research will advance the HRM literature on the emerging trends of the twenty-first century. Essentially, this study will seek to illuminate the current employment relationships in Australian organisations and to provide relevant empirical evidence to support the theoretical model of HR Architecture, developed by American researchers, Lepak and Snell (1999), or pioneer an Australian HR architecture model.

In order to gain better insights into the process and practices that companies utilise to retain their employees, key research questions were formulated to guide this research.
Research Focus

What are the most influential HRM factors in encouraging core employees to remain with their organisation?

Research Questions

Phase 1: Delphi Study

1. Is there a relationship between retention and HR practices?
2. Which HR factors most influence the decision of employees to stay?
3. What is a core employee?
4. Do core employees have different needs to other types of employees?
5. What are the factors affecting an Australian Human Resource Architecture Model?

These results (Phase 1) will form the basis for an interview schedule for HR managers and a questionnaire for core employees.

Phase 2: In Depth Interview with HR Managers

6. Is the importance placed on HRM factors linked to retention?
7. How are these influential HR factors managed in organisations?
8. How do these differ from non-core employees?

These results (Phase 2) will assist in the development of a questionnaire to conduct a survey on core employees.
**Phase 3: Survey of Core Employees**

9. What HRM factors influence core employees’ decisions to stay?

10. Do these correspond to those perceived by employers as being influential?

11. How could core employees be encouraged to remain?

**Conclusion**

This is a three phased study comprising (1) a three round Delphi survey of expert opinions, (2) an in-depth interview of HR Managers and (3) a quantitative survey of employees (Figure 1). This empirical research examined the effect of HR practices on the retention of core employees.

This chapter described the importance of retention in the context of HRM. It explained the objectives and significance of the research and identified the research questions.

**Thesis Overview**

This thesis is comprised of seven chapters. Chapter Two provides an overview of the literature relating to retention and the HR factors that might impact on the retention of employees. It illustrates a range of variables that should be considered when evaluating the influence of HR practices on retention. It also offers the conceptual schema and discusses the Human Resource Architecture models adopted in this study. Chapter Three provides the research methods employed in Phase 1 (Delphi Study), Phase 2 (Interview) and Phase 3
Figure 1.1. A Three-Phased Study to determine key HR Factors that Influence Retention of Core Employees
(Employee Survey) of the study and describes the constructs and their operationalisation. Chapter Four reports the qualitative results of the findings of Phase One. In Chapter Five, the qualitative results and findings of Phase Two are explained and discussed. In Chapter Six the quantitative results and findings of Phase Three are reported and discussed. Finally, Chapter Seven discusses the overall findings of the three phase study, provides the implications, identifies the recommendations, reports the limitations of the study, indicates areas of further research and offers the final conclusion.
CHAPTER TWO

THE LITERATURE REVIEW

Examination of the Relationship between Human Resource Management Practices and Retention

Introduction

Over the past decade, the way in which people are managed and developed at work has come to be recognised as one of the primary factors in achieving improvement in organisational performance (BQF 1998; Marchington and Wilkinson 1997; Phillips 1997). This is reflected by popular idioms such as ‘people are our most important asset’ (Accenture 2001).

From the review of the extant literature, it is acknowledged that successful organisations share a fundamental philosophy of valuing and investing in their employees (Anand 1997; Maguire 1995). In fact, several research studies have described human resource management as a means of achieving competitive advantage (Delery 1998; Huselid 1995; Pfeffer 1994; Walker 2001). Consistent with this perspective, is an equally important issue for organisations, the retention of their critical (core) employees.

With the average attrition rate in the Australian workplace currently approaching 40 percent and more than 50 percent of
individuals planning to leave the workplace within two years, retention and re-recruiting is essential (Accenture 2001). Most organisations today continue to struggle with retention because they are relying on salary increases and bonuses to prevent turnover (Accenture 2001; Gumbus and Johnson 2003). Essentially, more organisations are now realising that retention is a strategic issue and represents a competitive advantage (Walker 2001; Youndt, Snell, Dean and Lepak 1996).

This chapter describes the relationship between human resource practices and the retention of core employees in the context of the Human Resource Architecture. It examines the causes of poor employee commitment and specifically explores relevant literature to identify elements of HR practices that influence employee retention. The related literature is presented in this chapter to provide an overview of the areas covered in the study.

**Human Resource Architecture Models**

A model of human resource architecture is a framework by which to distinguish employees in order to design human resource support processes. Between the 1980s and 1990s, massive downsizing was undertaken by companies to improve productivity and reduce costs. However, the endless round of restructuring and re-engineering by corporations had transformed the new employment relationship (Wright 1995). The evolving model for this employment relationship took several forms.
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The Atkinson’s labour flexibility model (1985), suggests that organisations can design their workforce proactively to meet their business needs using flexible staff arrangements. Atkinson identified three types of flexibility employment modes: (1) numerical flexibility (2) functional flexibility and (3) financial flexibility. This model recognises “core” and “peripheral” employees. Peripheral employees consist of temporary, part time or contractual workers. Traditionally these workers have been referred to as atypical workers in Europe, while the term ‘contingent labour’ is often used in the American literature. However, in Australia, these employees would be referred as non permanent or casual staff. This group of the labour force is utilised when organisations adopt numerical flexibility which involves the expansion and contraction of their employees based on market fluctuations and competitive pressures (Lesperance 2001).

Core or fulltime employees provide organisations with functional flexibility and their skills can be moved within the organisation due to changes in product market and technology. This group of the labour force is multi-skilled and cross trained to facilitate a quick and smooth deployment of employees between activities and tasks. Finally, financial flexibility is defined as a situation where the amount an employee is paid depends on the job done, hours worked, or the amount the organisation can afford (Atkinson 1984; Nollen 1996). It may involve a shift to remuneration systems such as performance related pay (PRP) to facilitate either
numerical or functional flexibility. Profit sharing and employee share ownership plans (ESOPS) are other examples of financial flexibility.

Similarly, the Shamrock Model envisioned by Handy (1995) provides an organisation with the flexibility it needs to meet its operational, production and environmental demands. This model consists of three employment components, each part representing an essential human resource base for the organisation. The first employment sector contains the organisation’s core professional permanent employees. The second sector consists of the flexible workforce, or peripheral employees, and this included temporary contract holders and part time workers. The final component contains individuals or organisations that provide a complete non-essential work that could be done better and more cost effectively than using core and peripheral employees.

In 1999, American researchers, Lepak and Snell developed the foundation of a human resource ‘architecture’ that aligns different employment modes and employment relationships. This theoretical model segmented employees into four quadrants according to the value and uniqueness of their skills in relation to the “core processes” of the organisation. The four employment modes are (1) internal development (core), (2) acquisition, (3) contracting and (4) alliance. The characteristics of these four types of employees are outlined in Table 2.1.
<table>
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<tr>
<th>Quadrant 1: Internal Development</th>
<th>Quadrant 3: Contracting</th>
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<tr>
<td>High value, high uniqueness employees are ‘core’ employees and a source of competitive value. Their value and uniqueness may be based on ‘tacit knowledge’ that would be valuable to a competitor. These employees would be developed internally and the organisation would invest in their training and development.</td>
<td>Low value, low uniqueness employees are those with low-level skills that are widely available in the market. In this case labour is treated as a commodity to be acquired when needed. There is no long term relationship, rather a short-term economic exchange. No investment in training and development.</td>
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<tr>
<th>Quadrant 2: Acquisitions</th>
<th>Quadrant 4: Alliance</th>
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<td>High value, low uniqueness employees are those whose skills are valued but are widely available in the market, for example, accountants. These employees are likely to be career-focused and have a conditional loyalty to a specific organisation. HR strategy is to buy from the market, emphasising recruitment and immediate deployment of skills. Little investment in training and development.</td>
<td>Low value, high uniqueness employees are those who are not essential to creating value and are therefore not ‘core’ but who have skills that the organisation needs from time to time, such as lawyers. This is an alliance relationship for example, a law firm who looks after a company’s legal affairs. There would be little or no training and development.</td>
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Quadrant 1 represents core employees that a company will invest in, in terms of training and development, remuneration and benefits and other self enhancement HR programs that will protect their investment (Entrekin and Court 2001; Lepak and Snell 1999).

Quadrant 2 represents to a considerable extent, autonomous professionals such as accountants, lawyers, academics, software
engineers. These people have valuable skills that are not unique to a specific organisation and are fairly widely distributed in the labour market. These employees have a conditional loyalty at best and are committed to their profession (Entrekin and Court 2001; Lepak and Snell 1999).

*Quadrant 3* represents employees whose skills are low in value and uniqueness and essentially represent labour as a commodity which is widely available and can be purchased and disposed of as required. Staffs are usually contractual and out-sourced. Temporary relief staff in clerical and secretarial areas, call centre staff, cleaning and maintenance are jobs that fall into this category (Entrekin and Court 2001; Lepak and Snell 1999).

*Quadrant 4* represents low value high uniqueness staff that the company need not directly employ. They are low in value and fail to add value to the core processes or contribute to a competitive advantage. The skills are unique in that a company does not need them often enough to justify their full time employment. An example could be an alliance between a company and a university to provide certain types of research inputs on a continuing basis where the synergistic value of the relationship exceeds the value each institution can generate on its own. (Entrekin and Court 2001; Lepak and Snell 1999).
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The human resource architecture discloses two viewpoints: the first view is that each employment mode carries with it an inherently different form of employment relationship. Rousseau (1995) describes employment relationships as the "psychological contract [of] individual beliefs, shaped by the organisation, regarding terms of an exchange agreement between individuals and their organisations" (see p.9). As employment modes differ, so too does the nature of the psychological contracts.

Researchers have categorised psychological contracts into two forms: transactional and relational contracts (Rousseau and McLean Parks 1993; Robinson, Kraatz and Rousseau 1994; Shore and Tetrick 1994). Transactional contracts relate to specific monetary exchanges over a limited period of time and they included rapid advancement, high pay, and merit pay (Robinson, Kraatz and Rousseau 1994). Relational obligations, in contrast, included long-term job security, career development, training and development opportunities, and support with personal problems (Robinson, Kraatz and Rousseau 1994).

Rousseau (1990) proposes that transactional and relational components denote opposite ends of a continuum that correspond to economic and social exchange. However, the factor analytic evidence suggests that the contract terms cannot be consistently categorised as either transactional or relational (Rousseau and Tijoriwala 1998) and that employment relationships may contain elements of both (Arnold 1996).
The second view of the human resource architecture considers the patterns of HR practices or HR configurations to help define the employment mode, maintain the employment relationship and ultimately support the strategic characteristics of human capital.

**Applying Holistic or Differential HR Practices?**

The HR architecture indicated that there may be different HR configurations within a single organisation’s architecture. The HR architecture models (Atkinson 1985; Handy 1995; Lepak and Snell 1999) clearly advocated a differential investment strategy for different categories of employees. Essentially, these different human resource models indicated that certain forms of human capital are more valuable to organisations and more available in the open labour market than others (Wright and Snell 1998). For example, firms will logically realise greater benefits by simply out-sourcing generic work than by relying upon internal development. As a consequence, organisations engaging in multiple sourcing modes are likely to require distinct configurations of human resource practices that facilitate the utilisation and deployment of human capital for each separate employment mode.

With the emergence of this new organisational structure of employment, it raises the questions of Australian organisations’ HRM systems? Do they apply “best practices fit all “or differential HR practices for different types of employees (e.g., core, contractors, alliance and acquisitions)? How do these practitioners perceive their
effectiveness? It may be the case that some firms manage all employees the same way, regardless of their value and uniqueness. We anticipate that most firms make significant distinctions in the methods they use for different skill sets and that these are important determinants of firm performance (Delery and Doty 1996; Jackson and Schuler 1995). Thus, just as there may be no universally best set of HR practices for every firm, it is therefore argued that there may actually be no one best set of practices for every employee within a firm.

Since the 1980s, employers have made employment relationships more contingent and flexible. Continued cost pressures and the need for fast-market responses have forced employers to build workforces that are extremely flexible and cost-effective. A key result for workers during this structural change was decreasing job tenure and employment uncertainty (Abraham 1998; Gordon 1996). Increasingly, employees are told that it is unrealistic to expect a guarantee of long-term job security (Allan and Sienko 1997; Cappelli 1995; Fierman 1994; Kitay and Lansbury 1997). Rather, contingent and market-mediated employment such as part-time, temporary, and subcontracting-out have replaced the traditional, long-term relationships (Cappelli 1999a).

Traditionally, employers viewed employees as a permanent part of the organisational architecture and have assumed that they must add personnel in direct proportion to business growth. The economic instability of the last ten years has forced employers to reassess this
assumption and begin to view employees as a variable, rather than a fixed, business cost (Allan and Sienko 1997; Caudron 1994; Gomez-Meija, Balkin and Cardy 1995). Studies by several researchers (Allan and Sienko 1997; Gramm and Schnell 2001; Hall 2000; Hipple and Stewart 1996; Wiens-Tuers 2001) have revealed that the traditional organisational structure, with its dependence on a large, permanent employee base, has now been replaced with a more adaptable structure consisting of three groups.

1. **Core employees**

   Critical job functions will be retained by a small, relatively permanent "core" of employees with broad skills allowing them to tackle a variety of jobs.

2. **Supplemental employees or contingents**

   A larger group will consist of just-in-time employees, who can be added or eliminated quickly as needed. These workers will be retained through contract or temporary services to meet shifting demand.

3. **Out-sourced work function**

   Organisations will use out-sourcing more and use it more strategically. Companies currently use out-sourcing as a hands-off process for farming out whole product and service
functions; in the future, companies will view out-sourcing agencies as an integrated part of the organisational team.

The changes in the organisational structure and the decline in job security have changed the psychological contract between employer and employee (Holm and Hovland 1999; Schmidt 1999). The essence of attachment between employer and employee has changed. Nowadays employers emphasise “employability” rather than long-term loyalty in a specific job (Cappelli 1999; Ko 2003). This new form of psychological contract is more evident because businesses are increasingly using non-core and part-time workers to gain flexibility at lower cost. The increased use of non-core employees and lack of commitment to a firm is cited as a reason for decreased levels of employee loyalty and lower levels of employee productivity (even though costs may decrease in the short run) (Allan 2002; Sengenberger 1992). Other concerns related to the use of non-core labour and decreased employee attachment include the social costs due to lack of job security and pension, health, and other non-wage benefits (Belous 1989; Gordon 1996; Ferber and Waldfogel 1998). The decline in job security is perhaps the most radical change accompanying the restructuring of employment relationships (Cappelli 1999b; Jacoby 1999).

McLean, Kidder, and Gallagher (1998) provide a theoretical framework for understanding how perceptions of the psychological contract may differ according to employment relationships. They
suggest that part-time employees who have a more tenuous relationship with the organisation will focus less on relational elements than their permanent counterparts. These researchers also posit that part-time employees plan on working for a given organisation for a shorter, more finite time frame, whereas, full-time core employees expect to have a longer, more indefinite relationship with the organisation. The formalisation of employment practices is another way employers guarantee core employees a secure job future (Osterman 1999). The extent of formalisation can thus affect an employer’s attitude toward employees: the higher the level of formalisation, the stronger the employer’s intention to protect core employees. Therefore, the attainment of employees’ commitment and cooperation can be linked to the implementation of internalisation practices which usually represent the employers’ intention to guarantee job security and to train core employees (Abraham 1990; Kochan and Osterman 1994; Morishima 1998; Osterman 1999).

Core employees
American researchers, Lepak and Snell (1999) describe core employees of today’s organisations as high value, high uniqueness employees whose skills and knowledge are a source of competitive value to the organisation. Their value and uniqueness may be based on ‘tacit knowledge’ that would be valuable to the competitor and these skills and knowledge are related to core processes developed internally and built up overtime (Entrekin and Court 2001; Lepak
and Snell 1999). These researchers advocate the theoretical model of HR architecture that segmented employees into four quadrants according to the value and uniqueness of their skills in relation to the “core processes” of the organisation.

Generally, core employees are regarded as permanent workers (Segal and Sullivan 1997). As the primary labour market, core employees become the glue that holds an organisation together, and their knowledge, experience and commitment become critical to its success. However, a review of prior literature revealed that a number of researchers (Allan and Sienko 1997; Gramm and Schnell 2001; Segal and Sullivan 1997) have defined core employees abstractedly. This paucity emphasises the need to determine the key attributes and characteristics of core employees, especially in the Australian context. So what are organisations looking for when they select their core employees? This study will identify these characteristics and further examine the needs of core employees.

**Needs of core employees**

Managing core employees effectively means identifying their needs. Employees bring their needs, aspirations and hopes to their jobs, and expect to find a work environment where they can utilise their abilities and satisfy many of their basic needs. When the organisation provides such a vehicle, the likelihood of increasing commitment seems to be enhanced. When the organisation is not dependable, however, or where it fails to provide employees with challenging and
meaningful tasks, commitment levels tend to diminish. Individuals become committed to employers that take concrete steps to help them to develop their abilities and to achieve their potential. For example, young graduates or new recruits often start their jobs expecting challenging assignments to help them test and prove their abilities (Dessler 1999). Employee attitudes and behaviours (including performance) reflect their perceptions and expectations, reciprocating the treatment they receive from the organisation (Tsui, Pearce, Porter and Tripoli 1997).

Today, employee commitment has become a casualty of the transition from an industrial age to an information society. Employees used to exchange their loyalty and hard work for the promise of job security. Instead of job security, employees now seek job resiliency; developing the skills and flexibility needed to quickly respond to shifting employer requirements (Barner 1994). Commitment to one’s professional growth has replaced organisational commitment (Bozeman and Perrewe 2001; Powers 2000). Today, employees seem to take responsibility for their own professional growth to increase their career marketability. Kraut and Korman (1999) advocated the self-enhancement model of HR practice, which relates to an employee’s need for personal achievement and development.

Replacing the old employment deal, the new contract indicates that the employer and the employee meet each other’s needs for the moment but are not making long-term commitments (Finegan 2000).
The absence of any commitment can be counter productive to both parties, and it is the responsibility of human resources managers to find ways to engage workers for the duration of their employment. Employee commitment to the organisation remains a critical issue for many organisations, the primary factor in attracting and retaining their core employees so necessary for corporate success (Kaman, McCarthy, Gulbro and Tucker 2001; Powers 2000). As a consequence, there is a need to examine the human resource systems that support this primary labour force. It may be that organisations may have to redesign their HR systems to meet the changing needs of core employees.

**Human Resource Management Practices**

Basically, core employees perform the essential tasks within the organisation, and organisational human resource systems are designed to support and manage this human capital (Gramm and Schnell 2001). Current HRM thinking emphasises the benefits of meeting employee needs and enabling workers to have control over their work lives. Many firms recognise the necessity to provide the information, flexibility and voice that employees require to contribute to organisational success (Becker and Huselid 1998; Capelli 2000).

Academic research conducted at the organisational level supports that human resource practices affect organisational outcomes by shaping employee behaviours and attitudes (Arthur 1994; Huselid 1995). Ostroff and Bowen (2000) found that human
resource practices shape work force attitudes by moulding employees' perceptions of what the organisation is like and influencing their expectations of the nature and depth of their relationship with the organisation. There is also a general notion that human resource practices interact with perceptions of organisational support to affect employee commitment.

More specifically, systems of "high commitment" human resource practices increase organisational effectiveness by creating conditions where employees become highly involved in the organisation and work hard to accomplish the organisation's goals (Arthur 1994; Bishop 1998). Many managers today recognise the benefits of "high commitment" human resource management practices that respond to employees' needs, encourage employees to take responsibility for their work lives, and motivate employees to behave in ways that benefit the organisation (Baron and Kreps 1999; Becker and Gerhart 1996). Information sharing, open channels of communication, extensive training, and incentive compensation are some of the practices consistently found in this "high commitment" category.

Baron and Kreps (1999) describe high commitment HRM as "an ensemble of HR practices that aim at getting more from workers by giving more to them" (p. 189). "High commitment" practices are those that make it easier for employees to take responsibility for their own work lives as they contribute to organisational goals. Employees are more pivotal in a high-involvement organisation because such a firm
is employee-centered by design; information and decision-making power are dispersed throughout the organisation, with employees at all levels taking on greater responsibility for its operation and success. To facilitate this approach, high-involvement organisations use human resource practices that develop and support a workforce that is self-programming and self-managing (Lawler 1992). A number of texts has appeared in recent years promoting the advantages of using high-involvement or high-commitment human resource practices, a system of human resources practices thought to enhance employees' levels of skill, motivation, information, and empowerment (Kochan and Osterman 1994; Lawler 1992; Levine 1995; Pfeffer 1998).

The extensive use of high-involvement work practices represents a significant investment in human capital. Basic microeconomics suggests that investments in human capital (employees) are justified when such investments are more than offset by future returns in the form of increased productivity. Thus, firms will make greater use of such practices when employees are viewed as particularly vital to firm success (MacDuffie 1995).

With respect to retaining these critical human assets, greater use of high-involvement work practices is likely to have two broad implications. First, previous work (Arthur 1994; Becker and Gerhart 1996; Huselid 1995; Shaw, Delery, Jenkins and Gupta 1998) indicated that high-involvement work practices will enhance employee retention. At the same time, there is also the argument that
the greater use of high-involvement work practices will increase the cost of employee departures. This is consistent with the resource-based view of the firm. From this perspective, firms can achieve sustainable competitive advantage by creating value in a rare and inimitable manner (Barney 1991). However, because the use of these practices increases the uniqueness and value of employees, it will also increase the costs associated with the loss of these employees.

Summaries of HRM research on "best practices" (Becker and Gerhart 1996; Pfeffer 1998), which are similar to "high commitment practices," indicate that in large firms such practices have a measurable, positive impact on firm performance. Huselid (1995) contends that there are certain "best" HRM practices that will contribute to increased financial performance, regardless of the strategic goals of the firm. Whereas other scholars have concurred with this assumption (e.g. Osterman 1994; Pfeffer 1994), there has been little work that provides a definitive prescription as to which HRM practices should be included in a “best” practices system.

However, there are some human resource practices that are more likely than others to have significant relationships (Delery 1998). They can either provide direct and substantial harm or benefit to employees (Mayer and Davis 1999). Motivation-oriented human resource activities are more likely to be associated with perceived organisational support and commitment than skill-oriented activities.

In a study of over 900 organisations in the United States, Huselid (1995) suggested that human resource practice be grouped
into two categories: those practices that improve employee skills and those that enhance employee motivation. This study found that skill-enhancing human resource activities included selection and training activities and were associated with turnover and financial performance, and that motivation-enhancing activities included performance appraisal and compensation activities and were associated with measures of productivity. The common theme is utilising a system of management practices giving employees skills, information, motivation and latitude, resulting in a workforce that is a source of competitive advantage.

Most strategic HRM researchers have tended to take a holistic view of employment and human capital, focusing on the extent to which a set of practices is used across all employees of a firm as well as the consistency of these practices across all employees (eg. Kochan and Osterman 1994; Pfeffer 1994) They suggest that there is an identifiable set of best practices for managing employees that has universal, additive, positive effects on organisational performance (universalistic approach).

The contingency approach differs from the universalistic perspective in that the studies have attempted to link HRM systems and the complementarity of variations of HRM practices to specific organisational strategies (e.g., Arthur 1994; Youndt, Snell, Dean and Lepak 1996).

Similar to the contingency approach, the configurational approach argues that fit of HRM practices with organisational
strategy is a vital factor in the HRM-firm performance relationship (Becker and Gerhart 1996). However, the configurational approach takes this argument a step further in asserting that there are specific "ideal types" of HRM systems that provide both horizontal and vertical fit of HRM practices to organisational structure and strategic goals. Delery and Doty (1996) identified seven practices consistently considered to be "strategic" in nature. Practices identified were internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms and job definition. Pfeffer (1994), however, advocated the use of sixteen management practices to achieve higher productivity and profits.

The practices that represent a high commitment strategy include sets of organisation-wide human resource policies and procedures that affect employee commitment and motivation. Arthur (1994) found very strong correlations between employee retention and productivity in high-commitment HR systems. The identified HR practices included selective staffing, developmental appraisal, competitive and equitable compensation, and comprehensive training and development activities (Ichniowski, Shaw and Prennushi 1997; MacDuffie 1995; Snell and Dean 1992; Youndt, Snell, Dean and Lepak 1996). These human resource practices can be classified as "control" or "commitment" practices (Arthur 1994; Walton 1985; Wood and de Menezes 1998). Control approaches aim to increase efficiency and reduce direct labour costs and rely on strict work rules

The preceding arguments of set of practices also support the concept of "bundles" of HR practices. A bundle of interrelated, overlapping HR practices provides several ways for workers to acquire skills (for example, off-the-job and on-the-job training, job rotation, problem-solving groups) and multiple incentives to boost motivation (for example, extrinsic rewards such as performance-based pay and intrinsic rewards from participating in decision-making and good job design) (Lawson & Hepp 2001). Therefore, innovative human resource practices affect performance not individually but as interrelated elements in an internally consistent HR "bundle" or system (MacDuffie 1995). There is now ample empirical support for the bundling or systems view (MacDuffie 1995; Pfeffer 1998; Wright 1998).

**Human Resource Management Factors influencing retention**

There is growing evidence that human resource management can play an important role in retaining a high-quality workforce. Studies of progressive HRM practices in training, compensation and reward sharing have revealed that these can lead to reduced turnover and absenteeism, better quality work, and better financial performance (Arthur 1994; Delaney and Huselid 1996; Ichniowski, Shaw and
Prennushi 1997; Snell and Youndt 1995; MacDuffie 1995; Meyer and Allen 1991; Solomon 1992; Snell and Dean 1992). Furthermore, an extensive study (Accenture 2001) on high performance issues identified the retention strategies of organisations primarily from US, Europe, Asia and Australia. These strategies included the following:

- offering comprehensive training and development—to all staff, be it permanent, part-time or contract,
- allowing staff to work on project-based assignments, broadening their skills whilst keeping them challenged and interested in their work,
- empowering and entrusting staff with responsibility,
- ensuring that a balance exists between work and lifestyle, and that the culture is such that it supports this philosophy,
- providing flexible work arrangements,
- connecting staff by means of mentors or coaches,
- ensuring staff know where they stand with regular performance appraisals, skills development programs and clear career paths
- embracing emerging technologies,
- ensuring an effective management style, ensuring good relationships are formed and nurtured with "the boss"
- aligning people strategies with business strategies
- providing employee benefits such as social clubs, financial services,
- providing free career advice, life insurance, fitness and health options
- rewarding staff well
- offering competitive salaries

According to Fitz-enz (1990), retention management of employees is influenced by several key factors, which should be managed congruently: organisational culture and structure, recruitment strategy, pay and benefits philosophy, employee support programs, and a training and career development system.

Consequently, organisations utilise a wide range of these HRM factors driving retention and commitment (Beck 2001; Clarke 2001; Parker and Wright 2001; Stein 2000). For the purpose of this study, these factors are reviewed and categorised into HR factors (person organisation fit, remuneration, training and career development, challenging opportunities) and organisational factors (leadership behaviour, teamwork relationship, company culture and policies and satisfactory work environment).

**Human Resource Factors influencing retention**

*Person Organisation Fit (Selection)*

The concept of person-job (P-J) fit emphasises matching people and jobs in terms of qualifications based on knowledge, skill, or ability, and overlooking other personal characteristics of applicants that might be more suitable for the assessment of "fit." (Edwards 1991;
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However, as the complexity of work increases, organisations now use more selection methods that capture the applicant’s capability to do the work. Research on person-job fit has found that workers gravitate to jobs with complexity levels commensurate with their ability (Wilk, Desmarais, and Sackett 1995; Wilk and Sackett 1996). However, selection should also improve fit between the applicant and other aspects of the work such as e.g. personality fit and organisation fit (Smith 1994).

Person-organisation fit is considered in the context of personnel selection and can be based on the congruity between personal and organisation beliefs (Netemeyer, Boles, Mckee and McMurian 1997; O’Reilly, Chatman and Caldwell 1991) or individual and company goals (Kristof 1996). The concept of organisational fit (Brown 1969; Kidron 1978; Steers 1977) identifies convergent goals and values between the individual and the organisation as an important element to affective commitment. Barnard (1938) defined organisation fit as an individual’s willingness to cooperate in an organisation as cohesion and proposed that “its immediate cause is the disposition necessary to ‘sticking together’” (p, 84). Selection should therefore consider improving fit between an applicant’s values and the organisation culture (Cable and Judge 1997).

Lauver and Kristof-Brown (2000) found that both person-job fit and person-organisation fit predicted job satisfaction; however, person-organisation fit was a better predictor of intention to quit. Thus, people who are not well suited for the job and/or organisation
are more likely to leave than those who have a good person-job or person-organisation fit. The organisation should not only match the job requirements with the person’s knowledge, skills and abilities, but should also carefully match the person’s personality and values with the organisation’s values and culture. Lee, Ashwood, Walsh and Mowday (1992) espoused the theory that states an employee’s satisfaction with a job, as well as propensity to leave that job, depends on the degree to which the individual’s personality matches his or her occupational environment.

Many person organisation fit studies emphasised the match between people’s values and the values of the organisation, because values are conceived of as fundamental and relatively enduring (Kristof 1996; Van Vianen 2000). In this study, value congruence and person-culture fit are treated as equivalent terms.

Remuneration, reward and recognition of employee value
Compensation "is the most critical issue when it comes to attracting and keeping talent" (Willis 2000, p. 20). A fair wage is the cornerstone of the contractual and implied agreements between employees and employers, the underlying assumption being that money can influence behaviour (Parker and Wright 2001). Companies often provide pay packages superior to the market for critical talent. These include special pay premiums, stock options, or bonuses. Base pay reflects fair pay; supplemental programs reflect individual, team or organisational performance and success.
Bassi and Van Buren (1999) found that "leading edge" firms, defined as firms that use high performance work practices such as total quality management and training, provide innovative compensation such as profit sharing and group-based incentive pay.

Organisations in most industries are implementing innovative compensation approaches to differentiate themselves (Parker and Wright 2001). Innovative practices reflect the individual player contract model, focusing on "what it will take" to attract and retain each individual, regardless of the pay of others (Boyd and Salamin 2001). This "let's make a deal" approach is a radical departure from traditional pay equity approaches, but seems to work in a highly competitive, individualised talent market. Others act more broadly, ensuring that all "players" are paid near the top of the market, whether through base salary or bonuses (Stein 2000; Williams 1999). This raises overall compensation costs but may reduce the risk, and therefore the cost, of attrition.

Wages influence the recruitment and retention of workers (Highhouse, Stierwalk, Bachiochi, Elder and Fisher 1999; Parker and Wright 2001; Rynes and Barber 1990; Williams and Dreher 1992) and therefore play a role in the staffing process. However, these studies recognise that pay, by itself, will not be enough to retain people. Low pay will often drive employees out the door, but high pay will not necessarily keep them. Ultimately, they stay because they like their co-workers and are engaged and challenged by work that makes them better at what they do.
Pay continues to be important in determining motivation to perform (McCallum 1998). Past motivational theories such as expectancy and equity theories have predicted variations in motivation as a result of varying valences of outcomes as pay (Das 2002). However, in practice, pay is treated as just one of the outcomes and often measured with little precision (Mitchell and Mickel 1999). Although an association exists between compensation satisfaction and commitment and is one of the drivers of organisation commitment, nevertheless, it has to be considered as one of the pieces in a complex picture (Boyd and Salamin 2001; Parker and Wright 2001). Just as important is the organisation’s need to communicate its total compensation package to its employees. It must emphasise not only the salary, bonuses and benefits, but other highly valued aspects of employment such as supporting life style balance initiatives and flexible work arrangements. These are non-monetary benefits known as intrinsic rewards and they have a significant role in compensation satisfaction (Mitchell and Mickel 1999; Parker and Wright 2001).

According to a study by Mercer (2003), employees will stay if they are rewarded. Employees are usually rewarded based on quality based performance. A sense of accomplishment is recognised as important and a strong motivator. Employees tend to remain with the organisation when they feel their capabilities, efforts and performance contributions are recognised and appreciated (Davies 2001). Employers are increasing their commitment to the use of rewards as
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essential elements of talent management programs. It is increasingly important for companies to use their reward budget effectively to differentiate the rewards of the top performers, thus driving an increase in the return on investment (ROI) on human capital investments. The alternatives are decreased employee performance or the attrition of key performers to competitors in an increasingly competitive environment.

Thus companies that are committed to their employees typically invest more than similar firms in progressive HRM practices such as training and education, and in the total package of compensation (Arthur 1994; Huselid 1995). They also distribute rewards more equitably and generously. Compensation provides recognition, but other forms of non-monetary recognition are also important. Recognition from managers, team members, peers and customers enhance commitment (Walker 2001). Particularly important to the employees are opportunities to participate and to influence actions and decisions (Davies 2001; Gold 2001).

There are three recent studies that have highlighted the rewards-retention link (Mercer 2003; Tower Perrin 2003; Watson Wyatt 1999) and provided insights into what employers are doing, how they feel, and what employees have to say on the rewards issue. These recent studies give further support to the belief that a broad and well-implemented rewards program assists in talent management.
Mercer’s Human Resource study measured the return on reward investments of 302 companies. The research assessed the effectiveness of specific reward and identified the reward program issues and challenges confronting US companies. Mercer’s findings indicate that most companies are increasing their focus on attracting and retaining top talent.

The Watson Wyatt annual survey of employees’ attitudes toward their workplace and their employers, Work USA, 2002, reflected the views of 12,750 workers at all job levels and in all major industries on a number of workplace issues, including rewards. The findings of the study revealed that recognition matters to employees and they need to hear that they are appreciated.

The Towers Perrin study examined twenty-two large US employers and their talent attraction and retention practices. Participants in the year-long study ranged from companies with 2,500 employees to those with more than 364,000; their revenues ranged from $1.6 billion to $58 billion. This research identified a strong correlation between incentive pay and retention.

Training and career development
Training is considered a form of human capital investment whether that investment is made by the individual or by the firm (Goldstein 1991; Wetland 2003). Once employees are hired, training programs enhance employee job skills. Employees are expected to acquire new skills and knowledge, apply them on the job, and share them with
other employees (Noe 1999). Lauri, Benson and Cheney (1996) found that firms often delay training to determine whether workers are good matches and therefore have a lower probability of leaving the firm.

Training provides employees with specific skills or helps to correct deficiencies in their performances; while development is an effort to provide employees with abilities the organisation will need in the future (Gomez-Mejia, Balkin and Cardy 1995; Wilk and Cappelli 2003). Skill development could include improving basic literacy, technological know-how, interpersonal communication, or problem solving abilities.

Employees want good training opportunities to increase their marketability. The conventional wisdom used to be that if the company makes them marketable, employees will leave at the first opportunity. But today, companies are finding that the more training employees get, the more likely they are to stay. Indeed, when the training ends, the turnover tends to begin (Jamrog 2002; Wien-Tuers and Hill 2002).

A firm has the incentive to invest in the human capital of its workers only if there is an expectation of a return on its investment. Increasingly, companies are strengthening development for talent, thorough competency analysis, input on individual interests, multi-source assessment of capabilities and development needs, and the formulation of action plans (Clarke 2001; Messmer 2000).

A survey of the literature on training by Bishop (1998) revealed that larger, established, unionised, manufacturing firms tended to
provide training as did multi-establishment firms with high performance or flexible production systems. Findings of Black and Lynch (1996) indicated that larger employers, establishments with high performance systems and those which use more physical capital were more likely to train their employees. Firms in industries with rapid technical progress and output growth trained more as well as those which had experienced no competitive crisis in the last decade. Frazis, Gittleman, Horrigan and Joyce (1998) found that firms that provide more benefits and have innovative work practices train their employees more than other firms.

According to Storey and Sisson (1993) training is a symbol of the employer’s commitment to staff. It is also reflective of an organisational strategy based on adding value rather then lowering cost. Leading companies have acknowledged that providing employees with a comprehensive range of career and skills-development opportunities is the key to attracting and retaining the kind of flexible, technologically-sophisticated workforce that companies need to succeed in the digital economy (Accenture 2001; Bassi and Van Buren 1999).

The training and development of people at work has increasingly come to be recognised as an important part of HRM (Oakland and Oakland 2001). An analysis of employee commitment among hospital administrators, nurses, service workers and clerical employees as well as among scientists and engineers from a research lab concluded that the employer’s ability to fulfill the employee's
personal career aspirations had a marked effect on employee commitment (DeToro and McCabe 1997; Marchington and Wilkinson 1997). Consistent with this work is a study of employees of a manufacturing plant where it was similarly found that internal mobility and promotion from within, company sponsored training and development and job security were all correlated with employee commitment (Bassi and Van Buren 1999). Training plays an important role in the success of many organisations (Bassi and Van Buren 1999).

Level of employee turnover and training are expected to be inversely related: the higher the level of turnover, the lower the amount of training. This expectation is based on the reasoning that the longer an employee stays with an employer, the higher will be the return to training. A recent study by Frazis et al. (1998) indicated that employees working in low-turnover establishments spent about 59 percent of their total training time in formal training, compared with 18 percent for employees in high-turnover establishments. From the employee’s view, if the training involves skills specific to the establishment, it is likely to contribute to an increase in productivity at that establishment. Greater productivity at the establishment, in turn, will tend to raise a worker's wage above what he or she would earn elsewhere, thus providing an incentive to stay. In other words, training can serve to lower turnover (Frazis et al. 1998; Wetland 2003).
Challenging employment assignment and opportunities

Employees need to be stimulated with creative challenges or they will go where the excitement is, be it another department, industry or company. Companies are countering this by allowing employees to choose what projects they want to work on and allowing cross-departmental and cross-disciplinary migration (Accenture 2001; Jamrog 2002). Providing employees with challenging assignments with well-defined performance measures and feedback is important for a high performance environment in which employees can achieve their personal objectives (Furnham 2002). The necessity of mastering new skills keeps employees satisfied and creative (Ferguson 1990; Walker 2001). Employees want a job with broad duties and a lot of task variety. In part, it is because they want to have more job skills on their resume when they are forced to get another job (Jamrog 2002; Jardine and Amig 2001).

A further extension of these efforts to provide job challenges is cross-functional career development. This technique allows the long-term employees which the organisation views as having overall leadership potential to move from one area of the company where they have succeeded (e.g., management) to another area where they have no experience (e.g., acquisitions). Moving high-calibre employees in this manner not only assures that they will be challenged, but begins to build employees with enough breadth of experience to
assume senior leadership roles with the organisation. General Electric and IBM have been doing this for years (Ferguson 1990).

Employees who felt that the organisation failed to give them challenging and interesting work, freedom to be creative, opportunities to develop new skills, and autonomy and control were more likely to express negativity and lack of loyalty toward their employer. More specifically, when the promises related to autonomy and growth and rewards and opportunities were breached, an employee was more likely to report negative feelings and attitudes toward the organisation, lower levels of commitment, and greater intentions to leave the organisation (Phillips 1997).

Organisational Factors influencing retention

Leadership

Leadership is defined as the behaviour of an individual that results in non-coercive influence when that person is directing and coordinating the activities of a group toward the accomplishment of a shared goal (Bryman 1992). Leadership is conceptualised in terms of four tasks that need to be accomplished in any organisation: providing direction, assuring alignment, building commitment and facing adaptive challenges (Risher and Stopper 2002). Leaders are central to the process of creating cultures, systems and structures that foster knowledge creation, sharing and cultivation (Bryant 2003).

Research findings suggested that leadership enhanced organisational commitment (Alimo-Metcalfe and Alban Metcalfe 2001;
Allen 1996; Ferres, Travaglione and Connell 2002; Podsekoff, Mackenzie and Bommer 1996). Though there are differences between the transformational and charismatic leadership theories, scholars are now viewing them as sharing much in common and referring to this body of work as the "new leadership" theory (Gumbus and Johnson 2003) or "neo-charismatic" leadership theory (Nanus 1992). Transformational leaders are regarded as active leaders that have four distinguishing characteristics: charisma, inspiration, intellectual stimulation and individualised consideration (Kouzes and Posner 1995; Yammarino and Bass 1990).

Numerous leadership studies in a wide variety of organisations have examined the impact of transformational and charismatic leaders, and findings indicate that transformational and charismatic leadership styles "result in a high-level of follower motivation and commitment as well as well-above-average organisational performance (Bryman 1992; Elby, Freeman, Rush and Lance 1999; Nanus 1992; Podsakoff, McKenzie and Bommer 1996; Steyrer 1998).

Furthermore, several studies have identified high levels of peak performance under transformational leadership (Stoner-Zemel 1988), high correlation between charismatic leadership and effectiveness (Bass and Avolio 1995; Conger and Kanungo 1988; Seltzer and Bass 1990). Yammarino and Bass (1990) found transformational leadership more highly related to employees' perceived satisfaction and effectiveness than transactional leadership.
Several researchers have highlighted the positive influence of transformational leaders in organisational outcomes which resulted in lowered intention to leave and increased organisational behaviour (Alimo-Metcalfe and Alban-Metcalfe 2001; Pillai, Shreissheim and Williams 1999; Yammariono and Bass 1990) and lead to stronger organisational commitment (Alimo-Metcalfe and Alban-Metcalfe 2001; Podsokoff et al. 1996).

Therefore, based on the literature review, it appears that leadership behaviour has a positive influence on organisational commitment and turnover intention.

Company culture and structure (policies)
Corporate culture is described as the invisible forces that shape life in a business organisation (Fitz-enz 1990; Sheriden 1992). Management philosophy and style, communications protocol and policies, rituals and taboos interact to create the uniqueness of each company (Furnham 2002; Guzzo and Noonan 1994; Schein 1990). People often join a company or seek employment within a particular industry because they find its culture appealing. However, in the past decade the cultural characteristics of some industries and, therefore, the companies within them have changed markedly. And when the culture changes, whether through growth, new management or economic and regulatory interventions, some people become uncomfortable and leave to find a culture that fits them better (Stum 1998).
The complement of culture is structure, which is shaped by culture and technology. Structure starts with job design and workflow patterns, and includes policies and procedures, spans of control, reporting relationships and other factors that dictate how work is to be done and business conducted. Both IBM and Apple Computer Inc., for example, make and sell computing equipment. Yet, it would be difficult to find two companies with more disparate cultures or structures (Koene, Boone and Soeters 1997).

Since people join organisations partly because they are attracted to the culture and structure, this is where retention management begins. Managers who want to examine how effective their corporate culture and structure are at retaining employees need to do so from the ground up (Judge and Cable 1997; Sheriden 1992).

From an organisational development standpoint, the concept of organisational culture suggests an avenue for fostering changes in behaviour and attitudes in order to bring about desired results. But to do this successfully, organisational development experts must find out whether they can predict certain behaviours and attitudes based on patterns of organisational culture.

Advocates of strategic cultural change typically make a number of implicit assumptions. First, organisations possess discernible cultures, which affect quality and performance. Second, although cultures may be resistant to change, they are to some extent malleable and manageable. Third, it is possible to identify particular cultural attributes that facilitate or inhibit good performance, and it
should therefore be feasible for managers to design strategies for cultural change. Finally, it is assumed that any benefits accruing from the change will outweigh any dysfunctional consequences.

Employee commitment may be fostered by employer-employee relationships that allow the accomplishment of corporate financial goals as well as cater to employee needs (Allen 1996). Research has shown that employees’ commitment to an organisation affects how well the organisation performs in various ways. If it turns out that employee commitment varies in certain predictable ways from one cultural pattern to another, organisational development specialists could try to strengthen employee commitment and, therefore, organisational effectiveness by changing the organisational culture. These studies and anecdotal evidence suggest a positive link between strong organisational cultures and employee commitment (Koene et al 1997).

*Communication and consultation*

Effective communication has emerged from the comprehensive literature review as an essential facet of people management be it communication of the organisation’s goals, vision, strategies and business policies or the communication of facts, and information and data communication structure (Hart, Miller and Johnson 2003; Larkin and Larkin 1994; Purser and Cabana 1997; Yingling 1997). Effective communications strengthen employee identification with the company and build trust (Clarke 2001; Levine 1995).
For business success, a regular two-way communication, particularly face to face with employees, was identified as an important factor in establishing trust and a feeling of being valued (Fourtou 1997; Mumford and Hendricks 1996). Essentially, a two way communication is regarded as a core management competency and as a key management responsibility. For example, the management responsibilities for effective communication include (1) ensuring people are briefed on key issues, (2) communicating honestly and as fully as possible on all issues affecting the people, (3) encouraging team members to discuss company issues and give upward feedback and (4) ensuring issues from team members are fed back to senior management and timely replies given (Fourtou 1997; Mumford and Hendricks 1996).

Research conducted by TNT (1998) revealed that successful organisations place great emphasis on communication channels that enable people at all levels (TNT 1998). Many formal and informal communication mechanisms exist; all designed to foster an environment of open dialogue, shared knowledge and information as well as a trust in an effective upward, downward, lateral and cross functional structure. Regular employee meetings and other updates allow employees to adjust their efforts to support company objectives. Opportunities for feedback give employees an avenue to influence their work and company policies. Grievance procedures provide a more formalised mechanism by which workers can be heard when they are dissatisfied with a decision or outcome (Gopinath and
Supervisors and co-workers are therefore principally responsible for communicating role expectations and feedback about role performance (Miller and Jangwoo 2001).

Hence, organisations that carry out effective communications ensure that their internal communications help their employees make the connection between positive aspects of their workplace and effective management policies (Walker 2001).

**Team working relationships**

Employees stay when they have strong relationships with their work colleagues (Clarke 2001). Organisations today encourage team building, project assignments involving work with peers, and opportunities for social interaction both on and off the job (Marchington 2000). One value of team-based organisation is the bond they establish among members. As Ray (1987) observed, "Talking about stress may provide workers with a sense of camaraderie and esprit de corps that adds value to the meaning of their work environment" (pp. 188-89).

Co-worker supportiveness refers to the friendliness of and the extent to which co-workers pay attention to employee comments and concerns (Campion, Medsker and Higgs 1993; Hart, Miller and Johnson 2003). Interactions with co-workers may serve "an affective-psychological function by providing emotional support against the stresses of the organisation’s socialisation initiatives and uncertainties of the work setting" (Jablin 1987, p.702). In addition,
newcomers and incumbents who have co-worker support while experiencing socialisation tactics and learning new roles are also less likely to feel a mismatch in their fit to the organisation, attenuating their intention to voluntarily leave the organisation (Kristoff 1996).

Today, the focus on teamwork, empowerment, and flatter organisations puts a premium on organisational citizenship behaviour that supports a membership that employees act instinctively to benefit both the organisation and one's team. Fundamentally, employees who work as a team are more likely to feel an increased commitment to the work unit's efforts and the organisation as a whole (Cohen and Bailey 1997; Meyer and Allen 1997). Consequently, employees tend to remain in organisations due to the strong teamwork relationship they have established at the workplace (Clark 2001; Marchington 2000).

*Satisfactory working environment*

The factor most significantly affecting workforce commitment is management's recognition of the importance of personal and family life (Stum 1998). For some employees, personal priorities or circumstances make the difference between leaving and staying. Individuals will stay with a company that clearly considers and cares for their career priorities (life stage needs), health, location, family, dual-career and other personal needs (Gonyea and Googins 1992; Kamerman and Kahn 1987). For example, many companies are providing flexible schedules and work arrangements and are
experimenting with other ways to help individuals manage their work and personal life issues (Perry-Smith and Blum 2000; Solomon 1999).

Gumbus and Johnson (2003) attribute the improvement to many work-life initiatives aimed at a corporate culture based on performance and employee commitment. She says, "We believe in a healthy, well-balanced workplace that treats the employee as an individual, a family member, and a member of the community." Therefore, many companies have successfully created an employee-friendly environment by integrating specialised work arrangements such as flexible hours, telecommuting, and family-leave assistance to support employees in creating a work/life balance.

Some researchers suggest that for positive work experiences to increase commitment significantly, employees must believe that such work experiences are a result of effective management policies (Parker and Wright 2001). So parlaying a constructive culture into increased commitment might depend on how well managers succeed at getting employees to credit good management for their positive experiences.

Prior research in organisational behaviour and human resource management has shown that an organisation’s commitment to its employees (OCE) tends, in turn, to create a more committed and responsible workforce (Eisenberger et al. 1990; Organ 1990; Moorman, Blakely and Niehoff 1998; Mowday, Porter and Steers 1984; Shore and Wayne 1993; Steers and Porter 1987, pp. 575-83).
Therefore, it appears that the person/environment-fit hypothesis assumes that, as employees amass positive work experiences, affective commitment rises accordingly (Lahiry 1994).

**Organisational Commitment**

*The concept of commitment*

The reason for the prevalent interest in the commitment concept in the field of organisational behaviour has been its assumed connection with turnover behaviour and performance (Benkhoff 1997b). Over the years, it has emerged as the most recognised and investigated construct of employee attachment or loyalty to organisations (Sommer, Bae and Luthans 1996). In research, the term commitment is broadly used to refer to antecedents and consequences, as well as to the process of becoming committed or attached (O'Reilly and Chatman 1986).

The author identified variations in the definitions of commitment among the studies. The mere number of different definitions sheds light on the fact that no real consensus exists regarding the very construct of commitment. Hence, commitment can be considered a multidimensional concept that has been interpreted in a variety of different ways (Meyer and Allen 1997). The main contenders appear to be affective or attitudinal (Buchanan 1974; Mowday *et al.* 1982; Porter *et al.* 1974), normative (Allen and Meyer 1990), behavioural (Staw 1980) and calculative (Becker 1960; Ritzer and Trice 1969). Fundamentally, the definition of commitment relies
on the notion that committed employees have a desire to remain employed with their organisation (Meyer and Allen 1997).

With regards to commitment, researchers differ on the basis of attachment. Meyer and Allen (1991) suggest that “commitment develops as a result of experiences of satisfying employees' needs motivational and/or are compatible with their values” (p.70). They add that if organisation better manage the experience of the employees than they may be able to foster the development of the desired “commitment profile” (p.15).

According to Porter, Steers, Mowday and Boulian (1974), commitment is a “strong belief in and acceptance of the organisation’s goals and values, a willingness to exert considerable effort on behalf of the organisation, and a definite desire to maintain organisational membership” (p. 604). Given that values play such an important role in the definition of commitment, it stands to reason that a person whose personal values matched the operating values of the organisation would be more committed to the organisation than a person whose personal values differed from the organisation.

The most popular method of examining this concept is through an individual’s attitudes and feelings towards his or her employing organisation. Legge (1995, p.182) states that "virtually all the research conducted on organisational commitment, per se, has used the attitudinal conceptualization." This conceptualisation suggests that committed employees have a strong belief in and acceptance of the organisation's goals and values, show a willingness to exert
considerable effort on behalf of the organisation and have a strong desire to maintain membership with the organisation (Cook and Wall 1980; Lambert, Barton and Hogan 1999; Mowday, Steers and Porter 1979).

Aspects of commitment examined in this study include identification (Banai and Reisel 1993) and reciprocity (Roehling 1996) with the organisation, as well as intentions to remain with the organisation (Black and Stephens 1989; Feldman and Thomas 1992; Stephens and Black 1991).

The basic tenet of the reciprocity thesis is that the need to reciprocate is universal yet contingent upon the receipt of benefits. The psychological contract focuses on the employee-employer exchange relationships. In the context of exchange relationships, individuals may reciprocate employer treatment by enhancing their attitudes, engaging in organisationally supportive behaviours, or both (Roehling 1996). Researchers have suggested that reciprocity is a mechanism underlying commitment (Angle and Perry 1983; Powers 2000) and that employees will offer their commitment to the organisation in reciprocation for the perceived organisational support (POS).

The term perceived organisational support (POS) is used to describe the extent to which employees believe that the organisation values their contribution and cares about their well-being (Eisenberger, Huntington, Hutchison and Sowa 1986). In this regard, a useful framework in which to visualise commitment behaviour is to
view them as components of fair exchange between a company and its employees. This approach to motivation postulates that employees and the organisations are involved in an exchange relationship (Pinder 1984). In order to make people loyal, the organisation must be able to satisfy them (Cohen 1993; McLean and Andrew 2000; Stroh and Reilly 1997).

Essentially, the development of organisational commitment is related to the notion of a psychological contract. This term is used to describe an employee's belief regarding the terms and conditions of a reciprocal exchange agreement between that employee and the employer (Robinson and Rousseau 1994). Psychological contracts recognise that most people seek to balance their contributions (what they put into an organisation) and their inducements (what they get from the organisation in return). Therefore, "within the boundaries of the psychological contract, employees will agree to do many things for the organisation because they think they should" (Schermerhorn, Hunt and Osborn 1982, p.480). Eisenberger et al. (1986), on the other hand point out that the concept of commitment also encompasses the notion that employees may perceive the degree to which their employing organisation is committed to them.

An organisation can therefore exhibit commitment to its employees in many ways. A firm may be solicitous of workers' physical and emotional well-being, devote itself to a high level of job satisfaction and employee development, provide fair and ample compensation and share its profits (Eisenberger et al.1990; Huselid
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Conversely, there are some specific behaviours that may indicate employee commitment to the organisations including a willingness to remain with the organisation (Solomon 1992; Meyer and Allan 1991); productivity that exceeds normal expectations, (Mowday, Porters and Steers 1982); altruistic behaviour (Laabs 1996) and reciprocity, that is the employee’s commitment to the organisation must be matched by the organisation’s commitment to the employee (Solomon 1992).

According to Meyer and Allen (1991), "Employees with strong affective commitment remain [with the organisation] because they want to, those with strong continuance commitment because they need to, and those with strong normative commitment because they feel they ought to do so" (Roberts et al. 1999, p.3). The following definitions are ascribed to each of the three forms of commitment by Meyer and Allen (1991):

1. Affective commitment refers to employees' emotional attachment to the organisation. As employees amass positive work experiences, affective commitment rises accordingly. Some researchers suggest that for positive work experiences to increase commitment significantly, employees must believe that such work experiences are a result of effective management policies.
2. Continuance commitment is based on the costs that employees associate with leaving the organisation. A high level of continuance commitment may well keep an employee tied to an organisation, but it is unlikely to produce a high level of performance. According to Meyer and Allen, employees who showed a high degree of continuance commitment were more likely to earn poor marks from their supervisors on performance and potential.

3. Normative commitment is employees' feelings of obligation to remain with the organisation. A feeling of obligation to remain with an organisation develops from familial and societal norms, before an individual ever enters an organisation. Development of normative commitment also might result from organisational socialisation, especially in organisations that value loyalty and that systematically and consistently communicates that value to employees.

Alternatively, Mowday et al. (1979), define organisational commitment as the relative strength of an individual's identification with and involvement in a particular organisation that is characterised by three factors: (1) a strong belief in and acceptance of the organisation's goals and values, (2) a willingness to exert considerable effort on behalf of the organisation, and (3) a strong desire to maintain membership in the organisation. This most widely used organisation instrument: Organisational Commitment.
Questionnaire (OCQ) measures three dimensions: moral commitment, calculative commitment and alienative commitment (Gainey 2002). A morally committed employee has accepted and can identify with an organisation’s goals and values. A calculatively committed employee exchanges his/her contributions for inducements provided by an organisation. An alienatively committed employee perceives a lack of control over his/her internal organisational environment and perceives an absence of alternatives for organisational commitment. The combinations of commitment types that an employee may encounter in an organisation depend on the organisation’s culture, the leadership style of its managers, and the preferred personalities through the organisation’s philosophy and criteria for hiring (Commeiras and Fornier 2001).

Additionally, Becker's (1960) ‘side bet’ theory led to the development of propensity to leave/stay: employees are inclined not to quit (calculative commitment) because they do not want to lose the non-transferable advantages acquired. Some researchers have suggested that the propensity to commit accounts for the variations in these interactions, and suggest it is an important factor, perhaps the most important factor, in sustained organisational commitment (Angle and Lawson 1993; Finegan 2000; Pierce and Dunham 1987; Somers 1995; Steers 1977). Current research suggests that the key to propensity lies within groups of values pre-existing within the individual, but researchers have had limited success in determining which groups of values matter (Finegan 2000).
Among the various types of commitment examined, affective commitment (or loyalty) is considered the most desirable and beneficial (Meyer and Allen, 1997). Reviews by Mathieu and Zajac (1990) and Meyer and Allen (1997) indicate that antecedents to affective commitment typically are categorised as personal characteristics, job (work experiences), and organisational characteristics. Personal characteristics pertain to age, gender, education, marital status, job level and tenure. Job characteristics focus on skill variety, task autonomy, job challenge and job scope. Organisational characteristics include organisational policies, supportiveness, communication and recognition. Over the years, research results have shown that, among these categories, organisational characteristics are strongest in predicting affective commitment (Nyhan 1999; Steers 1977; Wallace 1997; Zangaro 2001).

In their comprehensive review, Meyer and Allen (1997) reported a positive relationship between affective commitment and employee retention. Both affective and continuance (calculative) commitment are expected to increase the likelihood that an individual will remain with an organisation (Meyer, Bobocel and Allen 1991). However, the reasons for remaining differ between affective and continuance (calculative) commitment. Employees with high levels of affective commitment remain “because they want to”, whereas those who have a strong continuance remain because they “have to.” On the other hand, Wiener and Vardi (1980) found a negative relationship between
normative commitment and intention to turnover. A study by Meyer, Allen and Smith (1993) found that affective and normative were negatively related to intention to quit.

Some researchers (Mathieu and Zajac 1990; Wiener and Vardi 1980) however, found a weak direct relationship between organisational commitment and intention to turnover. Their studies support organisational commitment as mediating and moderating turnover intention.

In précis, employee commitment to an organisation is viewed as a critical success factor in today’s corporate environment (Pfeffer 1998; Somers 1995). The focus directed at employees by an organisation is demonstrated by the monetary and non-monetary benefits they receive (Williams 1999) and the service that is devoted to them (Payne 2000). If employees believe the organisation is less committed to them then they may respond by feeling less committed to the organisation. This lack of employee commitment to the organisation will be reflected in their intention to stay or leave (Meyer and Allen 1997).

**Turnover intention**

*Intention to stay/Intention to leave*

Turnover intention is defined as a conscious and deliberate wilfulness to leave the organisation (Tett and Meyer 1993, p. 262). According to Fishbein and Ajzen (1975, p. 369), “The best single predictor of an individual’s behavior will be a measure of his intention to perform
that behavior." It is therefore legitimate to use it as an outcome variable in turnover studies (Gutherie 2001; Gutmann, DeWald and Nunn 2001). Employers also consider intention to quit a more important measure than the actual act of turnover. (Lambert et al 2001). Empirical evidence strongly supports the position that intent to stay or leave is strongly and consistently related to voluntary turnover (Dalessio, Silverman and Schuck 1986; Gutmann, DeWald and Nunn 2001; Mathieu and Zajac 1990).

Employees leave for many reasons, some of which organisations have no control over, such as retirement, a family member being transferred or the desire to stay home to start a family. Some of the most common reasons employee leave include: employees perception of poor leadership or supervision, unchallenging positions, limited opportunity for advancement, no recognition for good performance, limited control over the work and customer, salary benefits are not commensurate with job requirements; and the opportunity for a better compensation package elsewhere (Accenture 2001; Jardine and Amig 2001).

Wagar (2003) examined the relationship between an individual’s intention to quit his job and the human resource management activities of the organisation. The study revealed that employees of organisations with more sophisticated human resource systems were significantly less likely to indicate they intended to quit over the next two years.
Furthermore, this study identified that it was not the presence or absence of any one HR practice which was considered the determining factor, but rather the "bundle" or system of practices that will affect the decision to quit. This research also provided evidence that older employees and individuals with more seniority within the organisation were less likely to report they planned to resign.

According to Wager (2003), employees who did not intent to quit were more likely to be employed in organisations that adopted a certain set of HR practices such as employee voice procedures, programs that recognise employee contributions (e.g. merit-based promotion, individual merit pay and a formal employee recognition program), mechanisms for sharing information with employees, use of problem-solving groups and training in employee involvement. In addition, the results of this study showed that employee perceptions regarding the organisation's retention strategy were significant. For instance, employees who indicated they were not planning to quit also were more likely to report their organisation was committed to retaining the best employees; saw the retention of top employees as very important; and has established programs designed to retain quality employees (Boyd 2000; Dobbs 2001; Eskildesn and Nussler 2000).

For this study, organisational commitment and intention to stay (turnover intention) were selected as the focal dependent variables for the following reasons. First, there is evidence that before
actually leaving the job, employees typically make a conscious decision to do so. These two events are usually separated in time. Second, it is more practical to ask employees of their intention to quit in a cross-sectional study than actually to track them down via a longitudinal study to see if they have left or to conduct a retrospective study and risk hindsight biases.

**Turnover Intention Predictors**

*Organisational commitment*

Organisational commitment is also examined in several studies as a predictor of both the intention to quit and turnover. According to Mowday, Steers, and Porter (1979), an employee who is committed to the organisation has values and beliefs that match those of the organisation, a willingness to exert effort for the organisation, and a desire to stay with the organisation. Employees with lower levels of commitment are less satisfied with their jobs and more likely to plan to leave the organisation (Bennett, Blume, Long and Roman 1993; Schnake and Dumler 2000; Zangaro 2001).

*Availability of employment*

Availability of employment has a significant positive effect on turnover intent (Tett and Meyer 1993). Employees are more likely to express turnover intentions when they perceive that there are other acceptable employment opportunities. Many researchers argue that most people will not leave their current job without reasonable
probability of finding other employment (e.g., Bame 1993; Hom and Griffeth 1995). Some studies have used the local unemployment rate as a measure of alternative employment opportunities (e.g., Mueller and Wallace 1992; Vorhies and Harke 2000; ). However, this may not adequately measure an individual person's availability of alternative employment opportunities.

**Demographic Factors**

Demographic factors were among the most common and most conclusive predictors in the turnover literature. A number of studies found age, education, job level, gender and tenure with the organisation to be significant predictors of turnover (Jinnett and Alexander 1999; Miller and Wheeler 1992). It was generally accepted that younger and better educated (as well as less trained) employees are more likely to leave than are their counterparts (Manlove and Guzell 1997). The higher the job level one has within the organisation, the lower is one's likelihood of quitting (Bedian, Ferris and Kacmar 1992). Level of education was related to turnover only for employees holding mid-level jobs (Galang, Elsik and Russ 1999). This means that those who have highly specialised skills, as well as those with limited education, tend to remain on the job for longer periods of time than those who have a moderate degree of educational attainment.

Gender and marital status generally do not appear to be related to turnover (Bendian et al 1992; Koeske and Kirk 1995; Jinnett and
Alexander 1999), though having children at home is a fairly strong correlate of turnover, especially for women (McKee, Markham, and Scott 1992; Miller and Wheeler 1992). McKee, Markham and Dow Scott (1992) find marital status to be indirectly related to intention to leaves in that employees who are married are more satisfied with their jobs and feel more support and less stress than their unmarried colleagues.

There is considerable evidence of an inverse relationship between tenure and turnover. Turnover rates are significantly higher among employees with a shorter length of service than among those who are employed longer (Pfeiffer 1995; Somers 1996; Whitfield and Poole 1997). This may be because longer tenured employees have more investment in the company and are less likely to leave. Becker (1960) theorised that, over time, an employee invests in an organisation (e.g. retirement, pensions, pay raises, benefits, stock, position, etc.), and these investments bond the individual to the organisation. Since these investments, or what Becker calls "sunken costs," increase with age and tenure, an employee tends to become more committed to the employing organisation, and the bond reduces the likelihood that the employee will quit (Meyer and Allen 1984; Wallace 1997).

In this study, age, gender, occupation and industry were the four demographic factors that were considered as predictors for the HRM-retention link model. Tenure was excluded because the surveyed employees were all core or permanent employees and
therefore the relevance of tenure as a predictor held little significance. Therefore age was considered a better predictor for this study. Mathieu and Zajac (1990) found a positive correlation between age and commitment.

However, it is also important to note that the links between demographic characteristics and commitment are indirect and disappear when other factors such as work rewards and work values are controlled (Mottaz 1988). Mottaz (1988) commented that “while demographic characteristics such as age, tenure, gender, education, marital status and the like may correlate to commitment, they are not determinants” (p. 471).

**Conceptual Schema**

This research seeks to identify the factors of human resource management practices (HR factors and organisational factors) that will influence the retention of core employees of Australian organisations. It aims to examine the relationships between the following variables: intent to stay (turnover intention) (outcome) and organisation commitment (dependent) to: Independent variables: person organisation fit (selection), remuneration, recognition and reward, training and career development, challenging opportunities, leadership behaviour, company culture and policies, team work relationship and work environment. Figure 2.1 illustrates the relationships and influences, which have been claimed to impact on retention. This study investigates these linkages and impacts in three
phases: Phase 1, Delphi Method; Phase 2, Interview (qualitative) and Phase 3, Survey (quantitative).

**Conclusion**

The common theme in this literature review is an emphasis on the utilisation of human resource management factors that influence retention of core employees. First, it presented different types of human resource architecture models of employment, describing the employment modes and the employers-employees psychological employment relationships. Second, it discussed empirical evidence of the relationships between the human resource practices and organisational commitment and intent to stay (turnover intention). Third, the identified HR factors which included person organisation fit (selection), remuneration, recognition and reward, training and career development, challenging opportunities, leadership behaviour, company culture and policies, and satisfactory work environment were discussed to establish relationships to organisation commitment and intent to stay. Finally, turnover predictors such as age, gender, occupation and industry were highlighted in relation to its influence on organisation commitment and intent to stay.

The following chapter, Chapter three will present the overall research methods employed in this study. The methods of research involve three phases and they include Delphi Technique, interview (qualitative) and survey (quantitative).
CHAPTER THREE

RESEARCH METHODOLOGY

A Three-Phased Study: The Delphi Method, In-depth Interview and Quantitative Survey

This chapter explains the overall methodology used to collect the data to address the research issues of this three phased study. It starts with the selection and justification of the three phased approach of the study: (1) the Delphi technique, (2) the In-depth interview and (3) the Employee Survey. It provides information about the sample population of each of the phases. It further describes the instruments, the data collection processes and the type of analysis carried out on each phase of the study.

Justification of three phased approach

The objective of this study was to investigate and determine the current human resource practices on the retention of core employees in Australian organisations. In order to successfully achieve this aim, this study was divided into three phases:

Phase One involved a Delphi procedure, with participants on the expert panel responding to a series of questionnaires (3 rounds)
to achieve a consensus in defining the functions and knowledge domains of human resource practices on retention. This method was selected as a preliminary investigation to obtain the current HRM-retention practices adopted by Australian organisations via experts experienced in the field of HRM in the Australian business environment. The initial data collected from the Delphi method combined with a comprehensive literature review provided a more robust interview schedule for the next phase—the in depth interview with HR practitioners.

**Phase Two** involved an in-depth interview with HR practitioners from Australian organisations. This qualitative approach was employed with the objective to acquire richer data from the Australian HR policy makers. The acquisition of this set of data enabled the researcher to construct a more effective instrument for Phase Three.

**Phase Three** involved a survey of core (critical) employees of Australian organisations.

The three stages of the study were deemed necessary to best address the eleven (11) research questions. Each phase of the study extracted essential data to assist and contribute to the development of the instrument of the subsequent phase.
This study aimed to rectify the gap in the extant literature and provide valuable insights that may explain the differences in human resource management practices that affect the retention of core employees of Australian organisations. It is therefore pertinent that the research captures the essential information more amenable to evaluation and discussion. As a result, the three-phase approach was considered the most efficient research design to effectively explore the broad objectives of the study.

**Sample population (Phase One – The Delphi study)**

*Panel selection*

The success of a Delphi study is largely dependent on the quality of the participants (Dalkey and Helmer 1963; Delbecq and Van de Ven 1971). Dalkey and Helmer (1963) reported specific criteria for the selection of panel experts. The first is that the experts exhibit a high degree of knowledge of experience in the subject matter. Another is that they exhibit “representativeness” of the profession so that their suggestions may be adaptable or transferable to the population.

In choosing panellists for this study, the following criteria were considered: HR policy makers, extensive theoretical knowledge, experience in the field of human resource management both in the industry and academia and an advanced degree in management or a closely related field. To identify potential participants, the researcher enlisted the assistance of Associate Professor Lanny Entrekin and Professor Shelda Debowskí.
Potential participants for this study were identified through their expertise in the area of human resource management in the Australian environment. They included academics, human resource practitioners and industrial psychologists. The latter were included because of their role in the workplace. Industrial psychologists work consistently with management to re-organise the work setting to improve productivity or quality of life in the workplace. In addition, they conduct applicant screening, training and development, organisational development and analysis and counselling.

The nomination of people, who would be appropriate “experts” for this study, was based on the following general criteria:

**Academics**

a. Participants must have a minimum of five years teaching experience in management at an Australian university.
b. Evidence of fairly extensive publications in management (specifically with regards to the Australian business sector).
c. Research interest in areas of human resource management.

**Human Resource Practitioners**

a. Currently working as a HR practitioner in an Australian organisation.
b. Minimum five years working experience in human resource management.

**Industrial Psychologists**

a. Minimum of three years working experience as an industrial psychologist in Australia.
b. Minimum five years teaching experience in psychology in Australia.

From the initial pool of nominations, twenty (20) respondents were formally invited to participate, and of these, thirteen (13) agreed to complete the required three rounds of the survey.

.Panel size

Delphi procedures tend to depend on the questions being asked, sample size and degree of consensus being reached (Rowe and Wright 1999). As this study is a preliminary investigation, the small number of participants was deemed by the researcher to be acceptable for determining a meaningful outcome. The panel size of thirteen fits within the guidelines recommended for Delphi studies. Helmer and Dalkey used a panel of seven experts in their original Delphi experiment in 1953 (Helmer 1983). Linstone and Turoff (1975) suggests a panel size of anywhere from ten to fifty participants (p. 86).

The panel nominees were asked to express their expert opinions and judgements on the current development of retention management in Australia and to identify the key HR factors influencing retention in the workplace. These experts consisted of senior academics, human resource managers and industrial psychologists. Initially a personal letter was sent to each of the nominees (See Appendix 1). The letter invited them to participate in a three-round Delphi study. In addition, the letter included an
explanation of the study and provided an estimate of the time commitment for participation. In the introductory letter, nominees were informed that participation was voluntary and confidential and that three rounds of responses would be required.

Follow-up telephone calls were made and letters were sent to non-respondents after two weeks. Nominees were advised that each round of the study would require approximately twenty minutes and that data collection would occur over a two-month time period. Return of a signed consent form served as the panel member’s agreement to participate in the study (Appendix 2).

**Methodology (Phase One- Delphi Study)**

For this research, the Delphi Technique was chosen as a suitable preliminary research method because the results will offer a better-informed look at the current and potential status of retention management carried out by Australian organisations. Based on the attitudes and beliefs of a carefully selected group of expert respondents, the expected prospects for reform in the areas of retention management and human resource practices will also be captured. A substantial literature review has identified some key HR practices that influence retention. However, there is little consensus among researchers with regard to precisely which HRM practices should be included (Becker and Gerhart 1996; Cappelli 1999). Due to these glaring discrepancies in the prescriptions made by different scholars in this area, the results of this Delphi study will be relevant
and provide clarification as well as substantially enhance the literature review on retention. In addition, it will expose the current retention management practices adopted by Australian organisations.

Previous studies using such an approach have typically used thirty experts based on the finding that larger groups create few additional ideas and limit the in-depth exploration of the ones generated (Rowe and Wright 1999; Van De Ven and Delbecq 1974). However, for this study, a smaller number of participants were selected (20). The small sample size was deemed acceptable due to the preliminary exploratory role of the Delphi technique in the first stage of this research. It was, however, critical to secure the participation of the right kinds of experts, who understand the issues, have a vision and represent a substantial variety of viewpoints.

The Delphi technique uses problem solving and expert consultation methods in a structured manner. First, the problem was identified and divided into its component parts. Relevant data was analysed and different perspective of problem sought from interested parties. Second, specialists were consulted to address each section of the problem, using a structured and weighted questionnaire. The first round of the procedure was unstructured (Martino 1983), allowing the individual experts relatively free scope to identify and elaborate on those issues they see as important. These individual factors were then consolidated into a single set. After each of these rounds, responses were analysed and summarised, which were then
presented to the panellists for further consideration. Hence, from the second round onwards, panellists were given the opportunity to alter prior estimates on the basis of the provided feedback. This procedure continued until consensus in the panellist responses was achieved.

**Application of the Delphi Technique**

The Delphi procedure used in this study consisted of three mailed survey rounds completed over a two-month period (Figure 3.1). Results of each round were analysed and fed back to the respondents who were asked to re-examine their opinions in light of the overall results. The first round survey consisted of open-ended questions designed to elicit expert opinions on HR factors that influence retention of core employees.

In the second round, the responses suggested in the first round were presented to each respondent in the form of survey statements and accompanying response selections, each selection serving to complete the initial statement. The respondents were asked to indicate the degree to which they agreed with each completed statement on a scale of 1 to 5, with 1 indicating strongly agree and 5, strongly disagree (Likert Scale). The responses that received the greatest support for each of the questions were fed back to the experts during Round Three.

In the third and final round, the respondents were asked to rank the responses that accompanied each statement according to their perceived importance with 1 being the most important and 5 the
least. This was done to help the respondents further refine their opinions and assist in achieving consensus.

**Instrument (Delphi)**

This preliminary questionnaire was generated from a review of retention management literature (eg Cappelli 2000; Huselid 1995; Kraut and Korman 1999; Lepak and Snell 1999). Subsequent questionnaires (Rounds 2 and 3) were modified and focused, based upon responses to the first questionnaire. The iterative process stopped when consensus had been reached among participants. Analysis of the questionnaires was used to prioritise research areas and to rank specific research issues within these areas.

**Round I**

The preliminary instrument (Round 1) was developed following an extensive review of the literature of the relationship between retention and human resource policies (Appendix 3). The questionnaire was designed and formulated based on the four key research questions (Q1-4). The questionnaire consisted of two sections (A and B). In Section B of the instrument, participants were asked to provide demographic data (gender, age, experience and professional status). In Section A, the style of questions chosen was open-ended in order to enable the respondents to express their responses in any way they choose. This open-ended style was considered suitable as it provided minimum direction to respondents.
This type of question removes the need for the researcher to pre-judge appropriate categories for response, allowing groupings of
similar responses to be constructed if necessary after the data have been collected.

**Round 2**

Two major changes were made to the Round 2 instrument (Appendix 4). First, the general demographics and open-ended questions were omitted. Second, responses contributed by participants during Round I were incorporated verbatim under the appropriate categories on the instrument. In Round 2, participants were instructed to review the comments from Round 1 and to rate each comment (1-5), bearing in mind that the researcher sought validation based on the items most critical to the retention process.

**Round 3**

In the third and final round survey, the experts were asked to agree or disagree with the final wording of an item as well as provide additional comment under the specified concept areas. This procedure stopped at three questionnaires or rounds which seems fairly typical of many studies. Consensus or trends towards consensus were documented at the conclusion of Round 3.

**Delphi data collection and analysis**

Table 3.1 provides the summary of the Delphi process. It outlines the detailed action plans of the three rounds.
Data collection and analysis were based on Schmidt’s method (1997), in which the Delphi survey process is divided into three rounds, as shown in Table 3.1. Participants answered general, open-ended questions on the first round survey. Responses to the open-ended question in the first round were analysed qualitatively and categorised or grouped by frequency or similarity of response in order to reduce the number to a manageable level yet keeping the essential meaning of the responses. The results were then grouped together under a limited number of headings and statements (eg. Definitions of core employees; Needs of core employees) and this was then drafted for circulation to all participants in a second questionnaire.

The second round used questions developed from responses to the first questionnaire. The participants were asked to rank each statement on a 1 to 5 scale (1 being the most important) and to optionally comment on each question. Responses to the second round were analysed to determine the ranking of the items. Ranking votes (1-5) assigned to items by participants in Questionnaire 2 were tallied. In the final round, participants re-ranked their agreement with each statement in the questionnaire, with the opportunity to change their scores in view of the group’s responses. The re-rankings were summarised and assessed for the degree of consensus. This resulted in the selection of a) five key characteristics of core employees, b) nine core employee needs and c) five major factors that impact on the Australian human resource architecture.
# Table 3.1. Summary of the Delphi Process

A content analysis (Denzin and Lincoln 1998) was conducted to examine panellists’ responses to open-ended questions regarding HR factors that influence retention; HR Architecture; core employees. The researcher sorted themes. Information from the content analysis provided additional insights into the perceptions and attitudes of the
panel towards the HR Architecture Model, core employees and the HR factors that contributed to retention effectiveness. Descriptive statistics were used to describe demographic information and summarised panellists’ ratings of items (Wright, Lawrence and Collopy 1996). Means and standard deviations were obtained for each item and each category following Rounds 1 and 2.

Sample population (Phase 2 and Phase 3)
Large Australian organisations from various industry sectors were targeted as the sample population for Phase 2 (in-depth interview) and Phase 3 (employee survey) of this research. The researcher approached organisations that met the following criteria: (1) Australian organisation (2) number of employees > 500 signifying a large organisation and (3) must be established > 10 years.

The criteria for the sample was set on the basis that the size of the organisation and the years of establishment attest to more developed human resource systems (Jackson and Schuler 1995). This is relevant due to the nature of this study. Industry sectors represented by these organisations were mining, energy, oil, gas, engineering, construction, electronics, financial, education, health, food, retail and manufacturing. This ensured a broad spectrum of industries.

A letter (Appendix 5) and consent agreement form (Appendix 6) were sent to each selected company requesting an opportunity to conduct an interview with their human resource manager and a
survey of their core employees. Subsequently, follow up calls were carried out to contact non-responsive firms and to confirm interview times with respondents who had agreed to participate.

Twelve organisations responded and agreed to participate in Phase 2 (interview). However, only nine organisations agreed to commit to both the interview and employee survey. Organisations that participated in the interview process consisted of industries such as engineering, diversified, health care, education, manufacturing and public sector. Participating firms for Phase 3 included industries such as health care, education, manufacturing and public sector.

**Methodology (Phase 2- Interview)**

The research method involved in Phase 2 was the interviewing of human resource managers or representatives of twelve Australian companies, using a structured interview schedule, which incorporated a list of HRM best practices on retention. These questions were based on the best practices identified through Phase 1, Delphi study and the literature reviewed. The objective of Phase 2 is to identify other HR elements not captured by the Delphi study but considered to be important by practitioners. This final set of HR practices was identified during the interview process and utilised for the Phase 3, employee survey instrument.

Phase 2 of this research was conducted via face to face interviews, lasting between 30-45 minutes with the use of the semi structured interview schedule (Appendix 7). The interview schedule
was developed in order to provide some standardisation across interviews.

Although somewhat limiting the extent for spontaneous questioning, this interview schedule reduced the possibility of interview inclination and the problem of obtaining different levels of information from interviewees (Patton 1987). All interviews were recorded using a tape recorder with the permission of the participants and descriptive notes were taken during the interviews.

**Interview Format**

The first section of the interview schedule sought information on the characteristics of their core employee (using the results obtained from the Delphi), the distinguishing needs of their core employees and non core employees, their application of standardised or differential HRM for different types of employees and the importance of the role of HR in the organisation (strategic or limited to administrative). The second section of the schedule explored the importance of the human resource factors identified from the Delphi study in relation to its influence on retention in the organisations and the effectiveness of its implementation. The final section covered (1) contextual issues that affect the industry and the retention management of core employees (2) effective management of such as hiring practices, performance appraisal practices, training and career development practices, succession planning program, pay practices and leadership practices and finally (3) the turnover rate (Appendix 7).
Additional prompts, which included asking interviewees to explain some of their constraints to achieve effectiveness in their HR practices and the scope for implementation of good practices, were scattered throughout the interview format in order to elicit further information from the participants (Maykut and Morehouse 1994).

**Interview Data Collection and Analysis**

The data from the interviews were content analysed. Content analysis is a research technique which systematically examines the content of communications—in this instance, the interview data. The transcribed data were coded based on the key factors and issues identified in the literature review and the Delphi study. The responses were analysed thematically and emergent themes ranked by their frequency and subsequently categorised. The constant comparison method was used to identify major themes (Glaser and Strauss 1967; Lincoln and Guba 1985). This qualitative research process is known as the Grounded Approach, introduced by Glasser and Strauss (1967). Data obtained through the interview were qualitatively and quantitatively analysed. Qualitative data in the form of comments and descriptions were used to provide the basic research evidence, while quantitative data in the form of frequencies and percentages were used to support the qualitative data.
Methodology (Phase 3 Employee Survey)

This final phase tested the identified HR practices (results from Phases 1 and 2) on employees, and obtained the employees’ perspective of the effectiveness of the identified factors in relation to their retention in their organisation.

The research method employed for Phase 3, involved a survey of core employees of organisations. All employees who participated were identified as core employees by their organisations. The questionnaire was developed based on literature studies, results from the Delphi study as well as the interviews with human resource managers. Simple random sampling was then carried out in each organisation, with about 60-100 core employees from each organisation randomly selected to survey. The questionnaire was distributed to 800 employees, with 457 returned. This 57 percent returned rate was deemed acceptable (Comrey and Lee 1992).

Employees of participating organisations were administered with the survey and a self-addressed envelope. Some organisations opted for electronic survey. They were given two weeks to complete the survey. For some organisations with poor response, a second survey was initiated with a request that it be completed within a week. Further follow-ups were undertaken as necessary.
**Phase 3 Instrument**

The Phase 3 survey explored the employees’ perspective of their organisation’s human resource practices in relation to their decision to stay with their employer. The employee questionnaire (Appendix 8) explored eleven (11) areas including the following demographic details: organisational fit, reward and recognition, training and career development, challenging assignments and job opportunities, leadership, organisational policies, communication and work environment/relationships, commitment and turnover intention. The demographic details requested basic information regarding age, level of education, occupation, number of years in current job and number of years in the organisation.

**Measurement and Construct**

Table 3.2 provides the summary of the measurement and construct of the employee survey.

**Phase 3 Data collection and analysis**

The statistical package for the social sciences was used to analyse the quantitative data (SPSS for Windows version 11.05). Initially, all items were reversed coded from “1” to “7”, “2” to “6” and so on. Thereafter, summaries of the data were undertaken, including frequency percentage distribution, mean and mode. The statistical analyses used included correlation, reliabilities, exploratory factor analysis and multiple regression.
For this study, the primary goal of the regression analysis is to investigate the relationship between the dependent variable (DV) and several independent variables (IVs) and to further estimate population parameters and test the hypothesis of the study. The regression model selected for this study is the stepwise regression used to develop a group of independent variables that is useful in predicting the dependent variables and to eliminate those independent variables that do not provide any additional prediction to the independent variables already in the equation (Tabachnick and Fidell 2001).

**Conclusion**

This chapter provided an overall explanation of the research methodologies used for this study. The three phases: the Delphi technique, the Interview and the Quantitative survey were described sequentially. The development of the instruments for each phase was described and the qualitative and quantitative techniques employed in analysing the data were presented.

Subsequent Chapters, 4, 5 and 6 will report the results and findings of Phases 1, 2 and 3.
### Table 3.2. Phase 3 Measurement Scales

<table>
<thead>
<tr>
<th>Researchers</th>
<th>Measurement</th>
<th>Scale No of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>organisational goal clarity and planning.</td>
<td>Communication and Consultation Feedback</td>
<td>5 items</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>----------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Meyer and Allen 1997; Porter, Steers, Mowday and Boulain 1974</td>
<td>Organisational Commitment Affective Caculative</td>
<td>5 items</td>
</tr>
</tbody>
</table>
Identifying the Human Resource Management Factors that influence the Retention of Core Employees

A human resource system helps create a workforce whose contributions are valuable, unique, and difficult for competitors to imitate (Pfeffer 1998, p. 55).

This chapter reports the results of Phase 1 of the research which examines the human resource factors influencing retention of core employees of Australian organisations. As a preliminary research method, this first stage used the Delphi technique, which consisted of three rounds of questionnaires integrating the judgments and comments of a panel of thirteen selected experts (academics, practitioners and industrial psychologists) to achieve consensus among the diverse groups of participants. The thirteen experts were asked to identify key characteristics of core employees, key HR factors that influence retention of core employees and the key factors that affect the Australian HR Architecture model.

Final responses of the Delphi procedure were recorded, analysed and statistically summarised. Descriptive statistics were
used to describe demographic information and the panel rating of identified items.

This chapter provides descriptive summaries of the panel responses and explores the outcomes through the use of expert statements.

**Demographic characteristics of Delphi Panellists**

The panellists' knowledge of the subject matter at hand is the most significant assurance of a quality outcome, and so participants were chosen because of their expertise related to the subject (Stone-Fish and Busby 1996).

A total of twenty professional experts were invited to participate in the Delphi Study and thirteen accepted. The panel members consisted of six (6) academics, four (4) HR practitioners and three (3) psychologists. Ten of the panel members were male and three female. The majority (9) held a Ph.D. and advanced masters degrees. Table 4.1 reports the demographic data of the Delphi panel.

The results of the three round Delphi study were reported in two ways. First the categorical responses provided by the panel members were presented in Table 4.2, Table 4.3, Table 4.4, Table 4.5 and Table 4.6 to enable an understanding of the key trends evident. This information was then further explored using comments provided by participants to highlight key issues on human resource retention.
Research Question: What is a core employee?

Descriptions of a core employee

Table 4.2 reports the panel’s top five descriptions of a core employee. The core employee descriptions included key characteristics such as (1) possesses knowledge, skills and attributes (KSA) aligned with business operation and direction, (2) is central to the productivity and wellbeing of the organisation (3) provides a competitive edge to the organisation, (4) supports the organisational culture and vision and (5) possesses skills, knowledge and abilities that are relatively rare or irreplaceable to ensure the success of the organisation. The results indicated that all the descriptions seem to focus on KSA that are of strategic value to the organisation. Basically, a core employee
Chapter 4

is someone whose knowledge and performance contributes significantly to what his/her organisation does and what his/her organisation does better than its competitors (Panellist 7).

In terms of core competencies, one of the respondents (Panellist 8) highlighted a detailed classification of his company’s core competencies:

A core employee of our organisation core competencies included Action Oriented, Adaptability, Communication, Customer Focus / Quality, Interpersonal Skills and Teamwork, Integrity, Time and Task Management. This would also reflect our cultural characteristics that focus on caring, developing, being multi-cultural, achieving through teamwork, being innovative and customer focussed (Panellist 8).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Panel Selection of Top Five Core Employee descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Possesses knowledge, skills and attributes that are closely aligned with the existing or possible future operational direction of the business.</td>
</tr>
<tr>
<td>2.</td>
<td>Is central to an organisation’s productivity and wellbeing.</td>
</tr>
<tr>
<td>3.</td>
<td>Provides a competitive edge to the organisation.</td>
</tr>
<tr>
<td>4.</td>
<td>Supports the organisational culture and vision.</td>
</tr>
<tr>
<td>5.</td>
<td>Possesses skills, knowledge and abilities that are relatively rare or irreplaceable to ensure the success of the organisation.</td>
</tr>
</tbody>
</table>

Table 4.2. Top Five Descriptions of a Core Employee

*Expert Comments on the characteristics of core employees*

The definition should include both individuals who would fit the traditional “line” and those in “support” roles who have responsibilities for sustaining the effective operation of the organisation (Panellist 3). The person should also be a key motivator, mentor role model to other staff and extremely difficult to replace (Panellist 10).

They fit the organisational culture closely and they are on the succession plan and therefore of importance to the organisation (Panellist 5, 12).

Core employees are full time or permanent employees that aligned with organisational fit and culture and working on essential tasks (Panellists 1, 9, 11, 13).
Research Question: Do core employees have different needs to other non core employees?

Needs of Core employees

Table 4.3 shows the panel’s selection of core employee needs. According to the panel, core employees needs consisted of a satisfying working environment, training and career development opportunities, reward and recognition, good pay and conditions, good working relationships, good resources – state of the art equipment, status, challenging job and autonomy. For this section the panel was not asked to rank each item in order of importance.

<table>
<thead>
<tr>
<th>Non Ranking</th>
<th>Panel’s Selection: Needs of Core Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Satisfying working environment</td>
</tr>
<tr>
<td>2</td>
<td>Training and career development opportunities</td>
</tr>
<tr>
<td>3</td>
<td>Reward and recognition</td>
</tr>
<tr>
<td>4</td>
<td>Good pay and conditions</td>
</tr>
<tr>
<td>5</td>
<td>Good working relationships</td>
</tr>
<tr>
<td>6</td>
<td>Good resources – state of the art equipment</td>
</tr>
<tr>
<td>7</td>
<td>Status</td>
</tr>
<tr>
<td>8</td>
<td>Challenging job</td>
</tr>
<tr>
<td>9</td>
<td>Autonomy</td>
</tr>
</tbody>
</table>

Table 4.3: Needs of Core Employees

Expert comments on Core employees needs

One of the respondents noted that:

pay was critical but felt that the level of responsibility and ability to utilise and develop skills were key features that attracted individuals to jobs. Different factors such as gender, age and social status would also influence the decisions of core employees to remain with the organisation (Panellist 6).

Several respondents commented that:

Younger employees’ needs are focused on remuneration, training and development, career advancement, challenging job, growth opportunities and recognition of their capabilities and acquisition of new skills. For older employees, salary and career advancement is not
so important. However, they require autonomy, liberty from mundane things, and opportunities to mentor so that they can make greater contribution to the organisation. Job challenge is preferred to repetitive, boring jobs (Panellists 2, 3, 13).

According to one of the respondents:

Core employees will be singled out by management for special treatment in terms of training and career development. They will be subject therefore to more efforts at retention and such efforts would be closely related to their needs for compensation, training, promotion and recognition (Panellist 4).

A number of panellists agreed that:

All the care and maintenance factors are needed i.e. offer opportunities for development of talents, offer cross functional assignments to test against each other and grow skills (Panellists 10, 12, 13).

Panellist 1 commented that:

The fine balance between relative security and opportunities for flexibility (of task, projects, competencies, work teams, career options, reward systems) and a degree of job excitement (Panellist 1).

In summary, the experts highlighted several salient needs of core employees and they included satisfactory work environment, training and career development opportunities, challenging assignments and pay, reward and recognition. However, these needs vary based on age and gender.

**Research Question: What are the factors affecting the Australian Human Resource Architecture Model?**

*Factors affecting the Australian Human Resource Architecture model*

Table 4.4 outlines the main factors affecting the Australian Human Resource Architecture Model. The five key factors selected by the panel in order of importance included strategic focus of the organisation, organisational structure, competitiveness of the
industry, type of industry and the type of worker included in the organisation.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factors of the Australian HR Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strategic focus of the organisation (eg. Project, Growth and Maintenance).</td>
</tr>
<tr>
<td>2</td>
<td>Organisational Structure (eg. international, local franchisee).</td>
</tr>
<tr>
<td>3</td>
<td>Competitiveness of the industry.</td>
</tr>
<tr>
<td>4</td>
<td>Type of industry (eg. mining, manufacturing, and service).</td>
</tr>
<tr>
<td>5</td>
<td>Types of worker included in the organisation (eg. managerial, technical, trade).</td>
</tr>
</tbody>
</table>

Table 4.4. Factors affecting the Australian Human Resource Architecture Model

The majority of the panel members considered strategic focus, organisational structure, competitiveness and type of the industry as critical in shaping the human resource architecture in the Australian business environment. However, the levels of work (worker to CEO), type of worker (managerial, technical, trade), functional expertise of worker (e.g. marketing, finance, computing, HR, production) have lesser impact but are still relevant to the structure of the model.

**Expert comments on Lepak and Snell Model (1999)**

Several respondents noted that:

The Human Resource Architecture Model is only applicable for large organisations and not small businesses. In smaller businesses one person may take on several of this role (Panellists 3, 5.).

One of the respondents commented that:

I am cautious of a model which places so much emphasis on competitiveness and exclusivity in an increasingly networked environment. The limitation of the model is its assumption that
innovation and development can be engineered as opposed to grown (Panellist 12).

Some panellists argued that:

This model has some validity in Australia however it is a US model developed in the US industrial context (Panellists 7, 9).

A few of the respondents stated:

Yes, it very much reflects the Atkinson’s Flexibility Model and a practice of lot of Australian organisations, especially government organisations. It is an emerging trend in Europe and UK” (Panellists 1, 2, 10, 13). However, one of the respondents acknowledged that “this model has limitation; it is grafted on to industrial era structures and practices. The employment modes are not linked to anything- not to performance, not to customers, not to building human and intellectual capital and not to vision (Panellist 11).

One of the respondents agreed that:

It is a rational model of organisation and in this sense perhaps appropriate to the Australian business mindset (Panellist 8).

The general theme derived from the experts’ comments indicated support for the Lepak and Snell (1999) Human Resource Architecture Model but it was suggested that for the model to fit into the Australian environment several factors should be considered. These factors included strategic focus, organisational structure, the competitiveness and type of the industry, the levels of work, type of worker and functional expertise of worker.

Expert comments on factors affecting Australian Human Resource Architecture not considered in the Lepak and Snell Model

One of the respondents pointed out that:

people should be linked to environment with a business model that is systematic, holistic and developmental with the dominant discipline being organisational ecology (Panellist 13).
Panellist (9) stated that:

I think organisations tend to see HR as a number of processes or systems, not as a strategic contributor. Therefore they are unlikely to be as sophisticated in their thinking as required by the model (Panellist 9).

Several respondents suggested that:

Other models could use different criteria and still provide conceptual insights into the HR Architecture. For example, levels of work (worker to CEO), type of worker (managerial, technical, trade) and functional expertise of worker (marketing, finance, computing, HR) (Panellists 4, 6, 8).

Overall, the panel assessment of the Lepak and Snell HR architecture model highlighted several missing factors. These factors were recognised as critical for the model to be successful in the Australian business environment. The identified factors included level of work, type of worker, the occupation and type of industry.

Interestingly, some panel members commented that HRM in Australia is still regarded as fragmented functional processes and struggling to be a strategic contributor. Consequently, the desire to create a more strategic and sophisticated model would be problematical.

**Research Question: Which HRM factors most influence the decision of employees to stay?**

Human resource factors influencing retention

Table 4.5 reports the panel’s selection of the top five human resource management factors influencing retention. In order of importance, they included effective selection, reward and recognition, training and
career development, challenging employment structures and opportunities and equity of compensation and benefits.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Panel Selection of Top Five Human Resource Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Effective Selection.</td>
</tr>
<tr>
<td>2.</td>
<td>Reward and recognition of employee value</td>
</tr>
<tr>
<td>3.</td>
<td>Training and Career Development.</td>
</tr>
<tr>
<td>4.</td>
<td>Challenging Employment Structures and Opportunities</td>
</tr>
<tr>
<td>5.</td>
<td>Equity of compensation and benefits.</td>
</tr>
</tbody>
</table>

Table 4.5. Top Five Human Resource factors influencing Retention

How the Experts view the Influence of Human Resource Practices on Retention

Some of the expert’s comments were particularly revealing, as indicated in the following comments:

Importance of HRM on retention

Panellist (5) commented that:

This is a generalised perception but I believe that in many respects human resources have been undervalued in the Australian context and that shifts in this situation are only now beginning to occur. The reasons for this lie in a strong regulatory (as opposed to participatory) ethic and perhaps in the tradition of oppositional labour relations (Panellist 5).

Other respondents agreed that:

The award system and industrial environment is very restrictive. That is awards are job specific and do not facilitate multi-skilling through different award coverage, developed within a confrontational, negative, litigious framework. As such, they do not facilitate flexible arrangements that assist in skill and knowledge development (Panellists 7, 9).
A respondent admitted that:

HR staff does not get closely involved in the high level strategic discussions that could result in implementing retention practices (Panellist 4).

According to Panellists (1 and 3):

Acquisition, retention and development should be integrated within a holistic business model, otherwise they mean little in practice, and in terms of performance (Panellists 1, 3).

Others commented that:

Pay strategies seek to not only attract but retain core personnel, particularly there is a clear link between intellectual capital of the individual and the firm's competitiveness (Panellists 2, 11, 12).

A number of respondents agreed that:

HR practices have nothing to do with retention because they remain fragmented activities” (Panellists 3, 4).

Several believed that:

HR practices are focussed more on the acquisition of employees and their performance appraisal rather than on ways to retain people (Panellists 2, 6, 7, 10, 13).

Overall, the experts’ comments revealed some mixed concerns about the influence of HRM on retention in the Australian context. Some did not believe HRM had any influence on retention. However, the general consensus seems to be the limitations placed on HRM. The constraints highlighted included the lack of importance placed on the role of HRM, the impact of industrial relations regulations and the application of fragmented functions diminished its impact.

The influence of HR factors on retention

Panellists (1, 3, 5) noted that:

pay is critical for employees. I also think however that the level of responsibility and ability to utilise and develop skills are key features that attract individuals to jobs (Panellists 1, 3, 5).
Another panellist stated that:

in terms of influencing retention positively his organisation focusses on strategic human resources – ensuring there is a link between our functional responsibilities and our business strategy. The aim is to demonstrate a commitment for employees ensuring we enhance our employee’s capabilities and receive a benefit through employment (Panellist 10).

Several respondents commented that:

reward and recognition, training and development influence retention (Panellists 2, 6, 8, 9, 10).

Some respondents agreed that:

Security in tenure is particularly important for older workers, as they are less likely to move to a new organisation and risk redundancy (Panellist 4, 5).

However, one of the panellist’s (2) highlighted that:

Younger people are linked to remuneration, training and development, challenging job, growth opportunities, trying new things, fitting the job properties to their educational training, recognition of their capabilities and acquisition of new skills (Panellist 2).

The analyses of the panel members’ responses highlighted some common issues. Firstly, older workers are more interested in job security and benefits; young employees are more interested in pay and advancement opportunities. Secondly, the panel identified recruitment, pay, recognition and reward, training and career development and challenging job opportunities as key HR factors that will influence retention.

**Organisational factors influencing retention**

Table 4.6 lists the panel’s selection of the top five organisational factors that influence retention. In order of importance they include influential and sensitive leadership style, company policies and
culture, communication and consultation, effective integration of working relationships and satisfactory working environment.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Panel Selection of Top Five Organisational Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Influential and sensitive leadership style.</td>
</tr>
<tr>
<td>2.</td>
<td>Company policies and culture.</td>
</tr>
<tr>
<td>3.</td>
<td>Communication and consultation.</td>
</tr>
<tr>
<td>4.</td>
<td>Effective integration: working relationships.</td>
</tr>
<tr>
<td>5.</td>
<td>Satisfactory working environment.</td>
</tr>
</tbody>
</table>

*Table 4.6:* Top Five Organisational Factors influencing retention

**Expert Comments on organisational factors influencing retention of core employees**

Several panellists (4, 7, 8) commented that:

employees would remain in an organisation due to a satisfying working environment: suitable work conditions and good workmates provide comfort and security needed to support work activity. A quality of working life that allows sufficient monetary reward to meet individuals’ needs, challenging work and a workload that allows balance for individuals' lifestyle needs to be met (Panellists 4, 7, 8).

According to a large number of panellists (3, 4, 5, 6, 10, 13):

Leadership management relates to sound supervision and direction: clear work standards, good instructions on how to do the job, objective performance assessment and an influential and sensitive leadership style from supervisor/manager provides an understandable and acceptable context in which to get jobs done as required (Panellists 3, 4, 5, 6, 10, 13).

With regards to communication and consultation, some of the respondents stated that:

Quality and timeliness of feedback to employees is the hallmark of an effective organisation (Panellists 8, 10, 13).
Several respondents stated that:

Focus would obviously be on a positive working environment, leadership style, terms and conditions of employment, availability and allocation of resources, communication and consultation (Panellists 7, 9, 11).

Two other panellists (8, 10) echoed similar ideas. They felt that clearly defined company policies and culture play an essential role in allowing employees to know that they fit in.

In précis, the expert responses disclosed some common themes. Leadership style, positive work environment, company culture and policies, communication and consultation and work relationships were identified by the panel as the organisational factors that would influence retention of core employees. These broad themes were identified as organisational factors not HR factors. As a result of these reflections from the panel, the researcher separated the HRM factors into two bundles: HR factors and organisational factors.

**Discussion and Implications**

*How would a core employee be defined and supported in Australia?*

There is recognition that the nature of work is changing in Australia, as is the nature of workers themselves. While there is recognition of the need to clarify the types of workers to be found in organisations, there has been little agreement on what constitutes a core employee. A review of prior literature revealed that most researchers (Allan and Sienko 1997; Gramm and Schnell 2001; Segal and Sullivan 1997)
have provided limited or broad definitions of core employees. Findings from this study will offer a more current and extensive description. By defining the characteristics of a core employee, it also discloses the organisational perception of their primary workforce. This perception is translated into the selection process adopted by organisations.

As core employees are identified as a key resource and of strategic value to organisations, it highlights the importance of managing and retaining this valued human capital. The findings of the study identified the following five characteristics of core employees (1) possess knowledge, skills and attributes (KSA) aligned with business operation and direction, (2) is central to the productivity and wellbeing of the organisation (3) provide a competitive edge to the organisation, (4) support the organisational culture and vision and 5) possess skills, knowledge and abilities that are relatively rare or irreplaceable to ensure the success of the organisation. The results indicated that all the descriptions seem to have a focus on knowledge, skills and attributes (KSA) that are of strategic value to the organisation.

Effectively managing core employees means identifying their needs. The results from the Delphi study indicate that the needs of core employees have changed and greater emphasis is now placed on (a) training and development, (b) career advancement and growth opportunities, (c) recognition of capabilities and acquisition of new skills and (d) challenging work. Instead of job security, employees
now will seek job resiliency - developing the skills and flexibility needed to quickly respond to shifting employer requirements (Barner 1994).

Findings from the Delphi study revealed that the needs of core employees differ with age. Younger employees’ needs are focused on remuneration, training and development, career advancement, challenging job, growth opportunities and recognition of their capabilities and acquisition of new skills. For older employees, salary and career advancement is not so important. However, they require autonomy, liberty from mundane things and opportunities to mentor so that they can make a greater contribution to the organisation. Job challenge is preferred to repetitive jobs.

These initial findings further supports Becker and Gerhart’s (1996) theories that over time an employee invests in an organisation (e.g. pensions, pay raises, benefits, stock, position, etc.), and these investments bond the individual to the organisation. Since these investments increase with age and tenure, an employee tends to become more committed to the employing organisation, and the bond reduces the likelihood that the employee will quit (Meyer and Allen 1993; Wallace 1997).

As a consequence of the changes in the relationship between employers and core employees there is a need to examine the human resource systems that support this primary labour force. Are they relevant and effective? Do they need to be redesigned to meet the changing needs of core employees? The next two phases (2 and 3) of
the research will confirm as well as clarify some of these unanswered
issues.

**Factors that impact on the theoretical Human Resource
Architecture in an Australian business environment?**

The HR architecture models (Handy 1995; Lepak and Snell 1999)
advocated a differential investment strategy for different categories of
employees.

The findings of this study indicate that the shaping of these
employment modes is dependent on the influence of several factors in
the Australian business environment. These factors include the
strategic focus of the organisation, organisational structure,
competitiveness of the industry, type of industry and the type of
worker included in the organisation. The Delphi panel suggested that
these factors were not considered in the theoretical model developed
by Lepak and Snell in1999 for the American business environment. It
is suggested that the impact of these factors may therefore be the
determinants of the type of HRM systems adopted by various
Australian organisations (holistic or differential).

With the emergence of the new organisational structure of
employment, it raises the questions of Australian organisations HRM
systems? Do they apply “best practices fit all or differential HR
practices for different types of employees” (e.g. core, contractors,
alliance, and acquisitions)? How do these practitioners perceive their
effectiveness? Although it may be the case that some firms manage
all employees the same way regardless of their value and uniqueness, it is anticipated that most firms make significant distinctions in the methods they use for different skill sets and that these are important determinants of firm performance. These unexplored questions will be examined in Phase 2 of the study.

**HRM factors that influence the decision of employees to stay**

The findings from the Delphi study imply a relationship between retention and human resource management factors. The panel identified some key HR and organisational factors influencing retention. The factors identified by the panel included selection, reward and recognition, training and career development, challenging job opportunities, equity of compensation, leadership style, company culture and culture, communication and consultation, effective working relationships and satisfactory work environment. This belief is supported by studies of progressive HRM practices in training, compensation and reward sharing. These studies have revealed that these can lead to reduced turnover and absenteeism, better quality work, and better financial performance (Arthur 1994; Delaney and Huselid 1996; Huselid 1995; Ichniowski, Shaw and Prennushi 1997; Snell and Youndt 1995; MacDuffie 1995; Meyer and Allen 1991; Solomon 1992; Snell and Dean 1992).

However, it is important to note that a few of the experts in the panel indicated that perhaps there is no relationship between HR practices and retention. They argued that HRM is undervalued in the
Australian environment and relegated to fragmented functional activities and not a strategic contributor. Hence this view contradicts the considerable debate in the HRM literature about the importance of aligning HRM practices with company strategy. According to Ulrich (1996) HRM is often assigned the role of steward of the corporate culture, expected to contribute to its development through programs and policies that enhance it.

This alignment of HRM with company strategy raises an interesting inquiry of whether Australian organisations do consider retaining their valued core employees as a strategic issue and a competitive advantage. This compelling argument is subsequently investigated in Phase 2 of this research. Phase 2 examines retention management practices of twelve Australian organisations.

**Conclusion**

This chapter reported the results of the Delphi study (Phase 1). The results presented addressed the five research questions for this initial phase:

1. Is there a relationship between retention and HR practices?
2. Which HR factors most influence the decision of employees to stay?
3. What is a core employee?
4. Do core employees have different needs from other types of employees?
5. What are the factors affecting the Australian Human Resource Architecture Model?
The findings of the Delphi study were discussed and the implications outlined. The purpose of the Delphi study was to obtain information from a carefully selected group of expert respondents, with regards to the HRM retention relationship (e.g. the key HRM factors that influence retention of core employees). The findings would assist in the development of a suitable instrument for the next phase of the study (Phase 2). Phase 2 involved using a semi-structured questionnaire to conduct an in-depth interview with human resource managers of twelve Australian organisations. Results of Phase 2 are reported on in the next chapter (5).
CHAPTER FIVE

The Retention Management Practices of Australian Organisations

Retention management is driven by the following factors, which should be managed congruently: organisational culture and structure, recruitment strategy, pay and benefits philosophy, employee support programs, and career development system (Fitz-enz 1990, p. 1).

Introduction

This chapter provides the results of Phase 2 of the study. A semi-structured schedule designed from the results of Phase 1 was used to conduct in-depth interviews with human resource managers of twelve Australian organisations. The questionnaire was designed to address three research questions:

1. Is the importance placed on HRM factors linked to retention?

2. How are these influential HR factors managed in organisations?

3. How do these differ for non-core employees?

Demographic information of participating organisations was summarised and reported (Table 5.1). The results of the interviews of the twelve respondents are reported in two ways. First the categorical
responses provided by the interviewees are presented in Table 5.2, Table 5.3 and Table 5.4 to enable an understanding of the key trends evident. This information is then further explored using interview comments provided by the participants.

Respondents were asked to rate the ten identified factors from Phase 1, using the scale, 0= not important, 1=somewhat important, 2=important and 3=very important. The scores from each factor were aggregated and the identified elements ranked accordingly (highest to the lowest).

Based on the results obtained from the Delphi study, the ten identified HRM factors were classified into two bundles or sets of HR practices: (1) Human Resource Factors (effective selection, challenging employment assignments and opportunities, training and career development, reward recognition of employee value, equity of compensation) and Organisational factors (leadership, company policies and culture, communication and consultation, effective integration: working relationships and satisfying working environment). The reason for separating the HRM factors into two distinct bundles of practices was to distinguish the human resource management related practices from organisational management related practices thereby providing greater clarity. Several studies (Lawson and Hepp 2001; MacDuffie 1995) also support the concept of bundling of HR practices.
Respondents’ Profile

Table 5.1 provides a profile of the twelve organisations that participated in this study. The participating organisations were from various industry sectors and they included three health-care, three higher education, three public sector, two diversified industries and one manufacturing. The interviewed organisations were deemed to be large, with the number of employees over 3000. Three out of five of these organisations had employees less than 3000.

It is important to note that two-thirds (7) of the participating organisations had in their employment more than 50 percent of core (critical) employees and the remaining one third (5) acknowledged their core employees were less than 50 percent. The reason for obtaining the percentage of core employees of these participating organisations was to determine the importance these organisations placed on keeping a reasonable level of core employees within their organisations. These organisations did however admit that cost constraints and the nature of the industries were the determining factors for their smaller intake of core employees.

Twelve human resource managers were interviewed. They consisted of six females and six males. In terms of their length of service with their organisation, six of the HR managers worked with their organisation more than five years, three interviewees less than two years and the remaining three between three and four years working with their organisations.
Additionally, these interviewees were asked what HRM factors would motivate them to remain in their organisation and the majority (80 percent) identified good leadership and challenging job opportunities as key influencing factors.

<table>
<thead>
<tr>
<th>Type of industry</th>
<th>Number of organisations</th>
<th>Size of organisation (No of employees)</th>
<th>Number of core employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care</td>
<td>1</td>
<td>&gt;10,000</td>
<td>Less 50%</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&gt;10,000</td>
<td>Greater 50%</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&gt;10,000</td>
<td>Greater 50%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>1</td>
<td>&lt;3000</td>
<td>Less 50%</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&lt;3000</td>
<td>Less 50%</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&gt;10,000</td>
<td>Greater 50%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>1</td>
<td>&lt;3000</td>
<td>Less 50%</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&gt;10,000</td>
<td>Greater 50%</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>&gt;10,000</td>
<td>Greater 50%</td>
</tr>
<tr>
<td>Diversified</td>
<td>1</td>
<td>&lt;1000</td>
<td>Less 50%</td>
</tr>
<tr>
<td>Industries</td>
<td></td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Manufacturer</td>
<td>1</td>
<td>&gt;10,000</td>
<td>Less 50%</td>
</tr>
</tbody>
</table>

Table 5.1. Demographic characteristics of Participating Organisations

**Interview Outcome**

**Descriptions of core employees**

Initially, the respondents were asked to indicate the definition of their core employees based on the list of characteristics identified in the Delphi study (Phase 1). In order of importance the interviewees selected the following characteristics:

1. Possesses knowledge, skills and attributes that are closely aligned with the existing or possible future operational direction of the business.

2. Supports the organisational culture and vision.
3. Provides skills/or knowledge to ensure the success of the organisation.

The interviewees were asked to identify additional characteristics not acknowledged in the results of Phase 1. They included: 1) Possesses personal attributes and attitude towards commitment and 2) Possesses values and ethical behaviour to support organisational culture.

It is noteworthy that the participating organisations did not consider the following two definitions from the results of Phase 1 equally important i.e. 1) core employees are central to an organisation’s productivity and wellbeing and 2) core employees provide a competitive edge to the organisation. The respondents however identified personal attributes, attitude towards commitment and values and ethical behaviour to support organisational culture as more significant. These additional descriptions provided a clearer picture of how organisations define their core employees and this is obviously translated in the selection of their employees. Interestingly, several (45 percent) of the respondents highlighted the importance of hiring employees with strong ethical values to match the organisational values. This emphasis on ethical behaviour was not considered by the panel of experts in the Delphi study.
**Interviewees’ comments on their core employees**

Our core employees relate to our core business and support staff (Interviewees 5, 10).

Our core employees are critical, high value (Interviewees 8, 12).

Our core employees are key, critical and high talent (Interviewees 3, 4).

Core employees are permanent staff...Our core employees are in technology and maintenance (Interviewee 1).

**Interviewees’ comments on their non-core employees**

Our non-core are casual (Interviewee 6).

There is a casual pool of nurses (Interviewee 2), they are teaching staff (Interviewees 4, 6).

Our non-core are contractual—project management (Interviewees 1, 9).

Our non-core are contractual 12 months and they include engineers, IT and technicians (Interviewee 3).

Non essential staff are regarded as non-core (Interviewees 7, 8.).

A review of the interviewees’ comments on the differences between their core and non-core employees disclosed some key attributes. Core employees were regarded as permanent, critical, high talent, valued and contribute to the core of the business. Whilst non-core employees were considered contractual, casual, non-essential and project management related. Occupations that lean towards a greater number of non-core employees were engineers, IT, nurses, project managers and technicians.
HRM Factors influencing retention

In the next section of the interview schedule, respondents were asked to rate the ten identified HRM factors (HR factors and Organisational factors) from Phase 1, using the scale, 0=not important, 1=somewhat important, 2=important and 3=very important. The scores from each factor were aggregated and the identified elements ranked accordingly (highest to the lowest). The results are tabulated in Table 5.2 and Table 5.3.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Interviewees Selection of Top Five Human Resource Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Effective Selection.</td>
</tr>
<tr>
<td>2.</td>
<td>Challenging employment structures and opportunities</td>
</tr>
<tr>
<td>3.</td>
<td>Training and career development.</td>
</tr>
<tr>
<td>4.</td>
<td>Reward and recognition of employee value.</td>
</tr>
<tr>
<td>5.</td>
<td>Equity of compensation and benefits.</td>
</tr>
</tbody>
</table>

Table 5.2: Phase 2 Interviewees selection of top five HR factors influencing retention

Results depicted in Table 5.2 indicate the order of importance interviewees placed on the identified human resource factors in relation to retention of their core employees. The human resource factors ranked by the interviewees, in order of importance included the following: (1) effective selection, (2) challenging employment assignments and opportunities and (3) training and career development, (4) reward recognition of employee value and (5) equity compensation.
Effective selection had the highest aggregated score and ranked most important by the majority of the respondents (83%). Challenging employment structures and opportunities had the second highest aggregated score and was regarded by seventy five percent (75%) of respondents as very important. Training and career development was acknowledged by sixty seven percent (67%) of the respondents as very important. Evidently, equity of compensation had the lowest aggregated score and ranked as the least important. Several respondents (50%) indicated that equity of compensation and benefits were not such an important concern for employees because most organisations pay comparable wages especially in the public sector. Apparently, fifty seven percent (57%) of the respondents felt that reward and recognition was a greater influence on retention than equity of compensation.

Results depicted in Table 5.3 indicate the order of importance interviewees placed on the identified organisational factors in relation to retention of their core employees respectively. The organisational factors ranked by the interviewees, in order of importance included the following: (1) leadership (2) company policies and culture, (3) communication and consultation, (4) effective integration: working relationships, (5) satisfying working environment
<table>
<thead>
<tr>
<th>Rank</th>
<th>Interviewees Selection of Top Five Organisational Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Leadership</td>
</tr>
<tr>
<td>2.</td>
<td>Company policies and culture</td>
</tr>
<tr>
<td>3.</td>
<td>Communication and consultation</td>
</tr>
<tr>
<td>4.</td>
<td>Effective integration: working relationships</td>
</tr>
<tr>
<td>5.</td>
<td>Satisfying work environment</td>
</tr>
</tbody>
</table>

**Table 5.3.** Phase 2 Interviewees selection of top five organisational factors influencing retention

Good leadership behaviour ranked the most important because it had the highest aggregated score. The majority of the respondents (92%) indicated that good leadership was a crucial factor as it flowed down to better company policies, culture and effective communication and consultation. Company culture and policies was regarded by 75% of the respondents as important and communication and consultation was viewed by 67% of the respondents as very important. Work Relationships was identified by 50% of the respondents as very important. Satisfactory environment (lowest aggregated score) was considered the least important of the list of organisational factors. Only 33% of the respondents considered satisfactory work environment as very important.

Based on what has been identified, it is important to highlight a significant difference between the results of Phase 1 and the results of Phase 2. With regards to the level of importance of organisational factors influencing retention, the interviewees’ (Phase 2) preferences matched those of the panellists’ ranking in Phase 1 (Table 4.6). However, in terms of the level of importance of the human resource
management factors, there is a slight difference in order of preference. The panellists (Phase 1) considered reward and recognition as the second most important factor after effective selection but the interviewees (Phase 2) ranked it as the fourth most important. The interviewees selected challenging assignments and opportunities as the second most important factor ahead of training and career development whilst the panellists ranked training and career development as more important than challenging assignments and opportunities.

In summary, the results presented in Tables 5.2 and 5.3 reflect the current retention management practices of organisations.

**Interviewees’ comments on HR practices**

It was commented by several of the interviewees (8, 9, 11 and 12):

> In the public sector, pay is not an issue more the motivation and deployment. Training, job challenges and work environment especially work relationships, team work and shared camaraderie is important.

Interviewee 10 noted that with regards to career changes and challenging jobs:

> People are seeing more career changes, Generation Xs are starting to impact – career changes- we are seeing people interested in moving laterally rather than upward. We see society generally putting greater emphasis on work life balance (Interviewees 4, 5, 6, 9, and 10).

> This organisation won awards from government for being the friendliest workplace. We go to great lengths to promote the culture (Interviewee 9).

Several interviewees commented that:
Good leadership was crucial factor as it flowed down to better company policies, culture and effective communication and consultation (Interviewees 1, 3, 7, 11).

Overall comments of the interviewees indicate recognition of work-life balance, teamwork relationships and satisfactory work environment as important issues that are changing the nature of work. Challenging job opportunities and training and career development were also highlighted as key concerns for Generation X. Many of the respondents regarded good leadership as a vital factor for the retention of core employees.

Is the importance placed on HRM factors linked to retention?

The twelve organisations that participated in the interview process were asked to rate the ten identified HRM factors using the scale, 0=not important, 1=somewhat important, 2=important and 3=very important. An assumption is also made that the higher importance an organisation placed on the HRM factors will be reflected in the application of these factors. The HRM factors consisted of HR factors (effective selection, challenging employment assignments and opportunities, training and career development, reward recognition of employee value, equity of compensation) and Organisational factors (leadership, company policies and culture, communication and consultation, effective integration: working relationships and satisfying working environment). The total score for the ten factors was calculated for each participating organisation to assess the level of importance placed on the identified HRM factors. These scores
were aggregated and presented in Table 5.4 which shows the association between the level of importance of HR practices and the retention rate of the participating organisations.

Each of the twelve respondents was asked to identify their turnover rate. The turnover rates were classified into four categories: less than 10 percent, 10 percent-15 percent, 16 percent-20 percent and 21 percent and above. Results show that five organisations admitted their voluntary turnover rate was approximately less than 10 percent, five acknowledged 10 percent-15 percent, one owned up to between 16 percent and 20 percent and one reluctantly revealed a turnover rate of more than 21 percent.

<table>
<thead>
<tr>
<th>Organisations</th>
<th>Less 10%</th>
<th>10% -15%</th>
<th>16% -20%</th>
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<th>Level of importance of HR practices (Aggregated score)</th>
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Scale: 0=not important, 1=somewhat important, 2=important, 3=very important

Table 5.4. Level of importance of Identified Human Resource and Organisational factors in relation to voluntary turnover rate
Voluntary turnover rate of less than 10 percent

The five organisations with less than 10 percent turnover rate consisted of two higher education institutions, one manufacturing firm, one public sector establishment and one diversified firm. Data showed that each of these five companies had revealed that their organisation placed a high level of importance on all the identified HRM factors (i.e., high aggregated score: 20, 17, 16, 16, 15).

These five organisations revealed that their HR systems were sophisticated and they acknowledged the need to constantly improve the quality of the management of their employees. They also recognised the need to hold on to their core employees. The responses from these respondents indicated that the identified HRM factors were rigorously applied within the organisations.

It is interesting to note that all the five respondents acknowledged that their organisations had good leadership which led to effective communication and consultation process and strong company culture and policies. Three out of five of these respondents also emphasised on the important role HRM played in the strategic planning process in their organisations.

Voluntary turnover rate of 10 percent-15 percent

There were five participating organisations with a moderate voluntary turnover rate of 10 percent-15 percent. They comprised two health care institutions, one higher education institution, and two public sector establishments. These five respondents placed moderate
emphasis of importance on the HRM factors (moderate aggregated score: 15, 13, 12, 11, 8).

These five respondents were selective in their recognition of the importance of some of the HRM factors. The health care institutions highlighted the importance of work like balance and flexible work schedules but placed little emphasis on recognition and reward and career development. On the other hand, the public sector establishments placed moderate importance on most factors (work environment, work relationships, reward and recognition), but greater emphasis on leadership and company culture and policies.

Three of these respondents cited that leadership issues were a concern within their organisations. This has led to poor communication and lack of direction.

Voluntary turnover rate of 16 percent to 20 percent

One of participating organisations reported a high turnover rate (16%-21%). This health care institution indicated less emphasis on the HRM factors. This is reflected with a low aggregated score (7).

The respondent stated that there were several external forces impacting on the health care sector such as government regulation changes, changes in the business environment and shortages of specific labour force (e.g., doctors and nurses) and the outcome is uncertainty for employees and management.
Voluntary turnover rate of 21 percent and above

One of the participating organisations acknowledged a high turnover rate of 21 percent. This respondent placed little importance on some of the identified HRM factors (aggregated score: 10). The respondent indicated that the company did not give strong recognition to career development and recognition and reward. The company was also undergoing restructuring with major changes in leadership, corporate culture and policies.

In summary, the overall results implied an association between retention and the level of importance placed on the ten identified HRM factors. Clearly, the sample size is too small to verify this link and this relationship should be examined further with a larger sample size. However, this qualitative approach provided a preliminary examination of the association between retention rates and the application of the identified HRM factors (i.e., HR factors and Organisational factors). These HRM factors were identified as retention factors in Phase 1 as well as Phase 2.

In addition, the results of this qualitative study also highlighted several external constraints that may affect the retention of core employees. These constraints include market competition, government regulations, changes in the business environment, technological changes and labour shortages. These external forces could act as moderators and therefore be included during the examination of the relationship between retention rates and the ten HRM factors identified.
How are these influential HR factors managed in organisations?

The twelve respondents were asked to rate the effective management of the ten identified human resource factors and organisational factors in their organisation. The responses were categorised as good or poor.

The data from the interview revealed that organisations that placed high importance on the ten identified HRM factors also provided responses of positive management of these HRM factors. A further examination of these results attempts to marry the effective practices carried out by participating organisations and the perceived level of importance declared by the said organisations.

Assessment of the data revealed that five organisations (2, 3, 4, 6, 9) with a high aggregated score (15-20) of the level of importance displayed effective management of these practices and consequently had low voluntary turnover. Conversely, two organisations (1, 11) exhibiting low aggregated score (7-10) of level of importance exhibited low effective management of the identified practices and consequently high voluntary turnover. Furthermore, five organisations (5, 7, 8, 10, 12) that indicated moderate emphasis on the importance of the identified HR practices demonstrated moderate effective management of these practices. As a result, these organisations exhibited reasonable turnover rates.
In summary, these results imply that effective retention management practices (using the ten identified HRM factors) will result in better retention rates.

Comments from interviewees regarding the reasons their core employees leave their organisations

One of the respondents reported that:

The company does not believe that managing human resource is a competitive advantage because they treat people as tools – poor management. We need to treat our core employees better. It is costing us money (Interviewee 1).

Concerns expressed by the respondents:

Succession planning in this company is still in the infancy stage (Interviewee 11).

Training and career development practices are problems for this company (Interviewee 7).

We do not have an attraction problem but we do have a retention problem (Interviewee 1).

It is not the pay but the management style—poor leadership. It creates uncertainty (Interviewee 12).

Skilled development and family relocation are the two reasons employees leave (Interviewee 10).

One of the respondents commented that:

Compensation is the reason the employee leave (Interviewee 3).

Comments from interviewees in support of effective retention management

Effective management is a competitive advantage—key indicators of success of this approach adopted by the organisation, is the reduction of turnover from 26 percent to 13 percent (Interviewee 10).

It was pointed out by one of the respondents (Interviewee 9) that HR department in this organisation is still viewed as a process department rather than being involved in planning the strategic
effort. Interviewee (1) stated quite categorically that her organisation does not have a problem attracting employees,

but we have a retention problem. We do not believe that managing human resource is a competitive advantage and therefore treat our people as tools. We need to treat our core employees better. It is costing us money.

According to interviewee (10) her:

organisation’s succession planning—mixed feelings—like to use the word contingency planning and multi-skilled. Succession planning in theory is fantastic but not an ideal model. Not just identifying key people but provide more training to allow people to step into that role. We like to test the market at that level. It does not mean that we do not train people but I think if these people are so valuable to the organisation we owe it to our shareholders to adopt strategy to rope these people in. For our employees at a lower level but key people significant to the organisation we address it through multi-skill.

The Government idea of HR is linked to industrial relations (Interviewee 9.)

HR department in this organisation is still viewed as a process department rather than being involved in the strategic effort (Interviewee 11).

With regard to performance appraisal, several interviewees (4, 8, and 10) noted that it was time consuming; very few organisations do it well.

We do have a performance appraisal system here that is linked to our training needs- the timing of it can be improved (Interviewee 10).

Our organisation focuses on career development and succession planning, performance development (Interviewee 2).

We focus on culture and innovation (Interviewee 12).

We are effective in performance appraisal and succession planning (Interviewee 3).

Performance appraisal and training is effectively managed in our organisation (Interviewee 4).

In precis, these results highlighted some key factors for effective retention of employees. They include effective leadership, effective
succession planning, effective performance appraisal, effective training and career development programs and good remuneration. Further, it acknowledged some key difficulties confronting the management of HR. The importance of the role of HR still lack strategic importance. Focus is still functional. Moreover, the government’s view of HR is linked to industrial relations. These difficulties are regarded as barriers for HR managers to carry out effective management practices.

**How do these differ for non-core employees?**

Respondents were asked whether their company adopted one standardised human resource practice for every employee (holistic approach) or whether they applied differential HR practices for different types of employees.

Six of the participating organisations (1, 3, 7, 8, 9, 12) acknowledged that they adopted a differential approach and the six others (2, 4, 5, 6, 10, 11) used a holistic approach. Several respondents acknowledged that, although their company adopted a holistic approach, there is a distinction made between different sets of employees (core, contractual and casual).

**Interviewees’ comments**

All employees are regarded as valuable. We use a holistic approach (Interviewees 4, 5).

Not differential. A holistic approach—from medical to administrative staff (Interviewee 11).

We use a differential approach for our core and non-core employees (Interviewees 1, 3, 7, 8, 9, 12).
Discussion and Implications

There is growing recognition that successful organisations share a fundamental philosophy to value and invest in their employees (e.g. Benchley 2001; Maguire 1995). There has also been considerable debate in the HRM literature about the importance of aligning HRM practices with company strategy (Ulrich 1996). Given the findings of this qualitative study, clearly Australian organisations do acknowledge that retaining their valued core employees is considered a strategic issue and a competitive business advantage (Clarke 2001; Hom and Griffeth 1995; Huselid 1995). However, the results also revealed that not all organisations apply this philosophy efficiently. The reasons for poor implementation were attributed to several external constraints identified in this study such as market competition, government regulations, changes in the business environment, technological changes and labour shortages.

Moreover, the findings also revealed that there are obstacles confronting the management of HR. The obstacles highlighted by the respondents included the lack of strategic importance placed on the role of HR, and unfortunately it is still perceived as functional. Additionally, the government often view HR as just related to industrial relations. These issues are considered by respondents to hinder the ability of HR to be recognised as a competitive advantage.

In this qualitative study, there were several findings that are noteworthy. Firstly, the study provided a comprehensive description of core employees. The descriptions depicted five essential attributes:
Possesses knowledge, skills and attributes that are closely aligned with the existing or possible future operational direction of the business, (2) supports the organisational culture and vision, (3) provides skills/or knowledge to ensure the success of the organisation, (4) possesses personal attributes and attitude towards commitment and (5) possesses values and ethical behaviour to support organisational culture.

Further review of the interviewees’ comments on the differences between their core and non-core employees disclosed some key attributes. Core employees were regarded as permanent, critical, high talent, valued and contribute to the core of the business. Whilst non-core employees were considered contractual, casual, non-essential and project management related. Occupations that lean towards a greater number of non-core employees were engineers, IT, nurses, project managers and technicians.

In 1995, Huselid reported from a sample of 968 firms that those using comprehensive employee recruitment and selection procedures, extensive employee involvement and training, and formal performance appraisal linked to incentive compensation were likely to have lower employee turnover, higher productivity, and enhanced corporate financial performance. Huselid referred to these HR practices as ‘high performance work practices’ (p. 635). Other studies seem to support this perspective (Delaney and Huselid 1996; Delery and Doty 1996; Huselid and Becker 1996; Kalleberg 2000; MacDuffie 1995).
Results of this qualitative study suggest that organisations that managed their human resource effectively may have higher retention of their employees. More specifically, the findings provide relatively strong supports for the existence of a positive relationship between HRM practices and its influence on the retention of core employees. The study supports findings of American studies conducted by Fitzenz in 1990, which advocate retention management as driven by the following factors, which should be managed congruently: organisational culture and structure, recruitment strategy, pay and benefits philosophy, employee support programs, and career development system.

Phase Two study verified the retention management practices of the participating Australian organisations. It also reaffirmed that the HR factors and Organisational factors identified in Phase One were adopted by participating organisations as factors of retention of their core employees. These retention factors consisted of two sets of bundles and included the following: HR Factors (effective selection, challenging employment assignments and opportunities, training and career development, reward recognition of employee value, equity compensation) and Organisational factors (leadership, company policies and culture, communication and consultation, effective integration of working relationships and satisfying working environment).

Thus, the findings of Phase Two imply an association between retention and the level of importance placed on the ten identified
HRM factors. Clearly, the sample size is too small to verify this link and this relationship should be further examined with a larger sample size. However, this qualitative approach provided a preliminary examination of the association between retention rates and the application of the identified HRM factors (i.e., HR factors and Organisational factors).

Moreover, this qualitative study was also able to illuminate the current retention management practices of large Australian organisations. It revealed the current HRM—retention issues in the Australian business environment and consequently provided greater insights into the decision making process of HR practitioners.

From a theoretical viewpoint, it could be argued that these findings about current human management practices in these Australian organisations are hardly surprising, since the management literature is strewn with examples of the benefits of continuous improvement in HRM. None the less, from a practical viewpoint, the real value of the findings reported here is twofold. Firstly, the findings encourage the spread of good practice by revealing, in some detail, the retention management activities that are currently being used to good effect in Australian organisations. Secondly, the research findings described in this study present a compelling argument for the real value of putting management theory into practice.

Phase Two of this study also examined the theoretical HR architecture model developed by Lepak and Snell 1999 which
advocated a differential investment strategy for different categories of employees. The findings revealed that Australian organisations as a whole adopted both holistic and differential approaches when managing their employees. However, although it may be the case that some firms manage all employees the same way, regardless of their value and uniqueness, results of this study verify that most firms do make significant distinctions in the methods they use for different skill sets and that these are important determinants of firm performance. Several comments from respondents supported this view.

In summary, the findings of this phase of the research has provided the researcher sufficient data to develop an HRM-retention model. The dynamics of this HRM-retention model is further tested empirically in the next phase (3) of the research.

Phase 3 of the study will examine the employees’ perspectives and provide a more definitive empirical validation of the "HRM-retention relationship.

**Conclusion**

This chapter presented the results of the in-depth interviews with twelve human resource managers. The interviews explored the relationship between the identified HRM factors and the retention rates of the participating organisations. Furthermore, it examined the effective management of these HRM factors by the participating organisations. Phase 2 results are invaluable as it provides a
comprehensive account of the current HRM practices of Australian organisations in relation to the retention of their core employees. This information would be utilised to create the employee survey for the third and final phase. The next chapter provides the results and findings of Phase 3 of the study—the employee survey.
Commitment to a particular entity is a distinct phenomenon, albeit a complex one that may differ depending upon how certain factors, pertinent to all commitments, are perceived and evaluated by an individual (Brown 1996, p. 232).

Introduction
The preceding chapters (4 and 5) reported the results and findings of Phase 1 (Delphi Study) and Phase 2 (interview) of the study. The purpose of this chapter is to introduce the quantitative results of Phase 3 (employee survey). It describes the research questions, the HRM – retention theoretical model and the hypotheses of Phase 3 of this study. The model is operationalised through the use of established scales of measurement for each of the eleven components in the model. Reliability and validity of the research instruments are reported. The chapter further describes and reports the results of the statistical analyses, which sought to identify which factors influence commitment of core employees and intentions to stay.
Theoretical Background and Hypotheses

A continuing organisational issue for management and human resource personnel has been the retention of high performance employees. Researchers have suggested that reciprocity is a mechanism underlying commitment (Angle and Perry 1983; Scholl 1981) and that employees will offer their commitment to the organisation in reciprocation for the organisation having fulfilled its psychological contract (Angle and Perry 1983; Robinson, Kraatz and Rousseau 1994). By fulfilling obligations relating to, for example, pay, job security, and career development, employers are creating a need for employees to reciprocate, and this can take the form of attitudinal reciprocity through enhanced commitment.

In this study, organisational commitment and turnover intention behaviour (intent to stay) were selected as the focal dependent variables for the following reasons. First, employees purportedly view organisational commitment and turnover intention as acceptable commodities for exchange (Settoon, Bennett and Liden 1996). Second, these variables have been demonstrated as salient with regard to a variety of exchange relationships (Eisenberger, Fasolo and Davis-LaMastro 1990; Moorman 1991; Organ and Konovsky 1989; Shore and Wayne 1993).

Studies of the concept of commitment (Mowday, Porter and Steers 1982; Meyer and Allen 1991) have established that employee commitment to the organisation has a positive influence on job performance and a negative influence on intention to leave or employee
turnover. Empirical evidence strongly supports the position that intent to stay or leave is strongly and consistently related to voluntary turnover (Dalessio, Silverman and Schuck 1986; Fishbein and Ajzen 1975; Griffeth and Hom, 1988; Lambert, Hogan and Barton 2001; Mathieu and Zajac 1990).

**Research Questions**

Phase three of this study addresses the research question, “What HRM factors influence core employees’ decisions to stay? The following model provides a graphical representation of the key components and relationships tested in this study (Figure 6.1). The nature of the research question and the resultant theoretical model requires the examination of a number of relationships. The model suggests that several HR factors (selection, recognition and reward, training and development, challenging assignments) and organisational factors (leadership, team work relationship, policies and work environment) exert a positive influence on organisational commitment.

**Hypothesis**

The hypotheses formulated for the theoretical HRM-retention model of this study (Fig 6.1), conceptually considered the independent variables as "bundles" of HR practices (Marchington and Grugulis 2000, MacDuffie 1995). The independent variables consisted of eight factors grouped into two sets or bundles (i.e. HR factors and organisational factors). The decision to group them into bundles was initially
highlighted by the panel of experts from the Delphi procedure (Phase One) and further reinforced during the interview with HR managers in Phase Two. Consequently, the notion of bundling of HR practices was adopted and tested in the final phase of this study.

Previous studies (MacDuffie 1995, Wright, Dunford and Snell, 2001) support the notion that practices within bundles are interrelated and the combined impact of practices in a bundle could be specified in two simple alternatives: an additive approach and a multiplicative approach.

Statistically, the additive combination of practices has the desirable property that the sum of normally distributed variable scores is still normally distributed, which is not true for the multiplicative product. Conceptually, a multiplicative relationship implies that if any single organisational practice is not present, the "bundle" score (and effect) should be zero. However, Osterman (1994) argues that, “although practices in a bundle are expected to be interrelated, the absence of a particular practice will not eradicate the effect of all other practices, but will weaken the net effect of the bundle” (p. 176.).

Given the preceding arguments, this study has adopted the bundles of HR factors and organisational factors as complementary.

Drawing on the conceptual bundling of HR practices, the following hypotheses were developed for this study. The HRM retention model posits that:
Human Resource Factors Bundle

H1: Person–organisation fit (Selection) positively influences organisational commitment.

H2: Remuneration, recognition and reward positively influence organisational commitment.

H3: Opportunities for training and career development positively influence organisational commitment.

H4: Challenging employment assignments and opportunities positively influence organisational commitment.

Organisational Factors Bundle

H5: Strong leadership direction and coordination positively influence organisational commitment.

H6: Company culture (goals, vision and values) and policies (structure, rituals, and protocol) positively influence organisational commitment.

H7: Teamwork relationship positively influences organisational commitment.

H8: Satisfactory work environments positively influence organisational commitment.

Organisational Commitment as a conditional variable

H9: Organisational commitment positively influences intention to stay.
H10: Organisational commitment impacts upon the relationships between the:

(a) HR factor bundle and intent to stay, and

(b) Organisational factor bundle and intent to stay.

Conceptually, the organisational commitment construct can be characterised by at least three factors: (a) a strong belief in and acceptance of the organisation’s goals and values; (b) a willingness to exert considerable effort on behalf of the organisation; and (c) a strong desire to maintain membership in the organisation (Mowday, Porter and Steers 1982). Previous research has indicated that commitment is linked to lower turnover rates (Mowday, Porter and Steers 1982; Steers 1977), and increased intention to stay with the firm (Singh and Schwab 2000). Further, Hom and Griffeth (1995) found that organisational commitment enters into a motivational and decision-making process that produces an intention to leave.

In their comprehensive review, Meyer and Allen (1997) reported a positive relationship between affective commitment and employee retention. Both affective and continuance (calculative) commitment are expected to increase the likelihood that an individual will remain with an organisation (Meyer, Bobocel and Allen 1991).

Some researchers (Mathieu and Zajac 1990; Travaglione 1998; Wiener and Vardi 1980) however, found a weak direct relationship
between organisational commitment and intention to turnover. Their studies support organisational commitment as conditional variable.

Thus, implicit in this HRM-retention model is that organisational commitment moderates the relationship between the study’s independent variables and intention to stay, is conditional upon organisational commitment.

**The Sample Population**

The sample population used in this study consisted of core employees of nine large Australian organisations. The participating organisations were from various industry sectors and they included health-care, higher education, public sector, diversified industries and manufacturing.

**Data Collection Process**

An employee self-completion questionnaire was the instrument employed in Phase three of this study. Results from Phase 1 and Phase 2 of this study identified nine factors that influence retention of core employees. These were person-organisation fit (selection), remuneration and recognition, training and career development, challenging assignment, leadership behaviour, team relationship, communication and consultation, company culture (i.e. vision, mission, objectives and values) and policies (i.e. structure, rituals, protocol), work environment. Organisational commitment and turnover intention were the outcomes examined.
The questionnaire was designed to allow the researcher to collect the relevant information to test the proposed model. Sixty questions were incorporated into the questionnaire for the purpose of this study. A copy of the original questionnaire is provided in Appendix 8. Five questions were used to obtain demographic information on age, gender, industry, and occupation. The remaining fifty-five questions measured the following variables:

- Organisational Commitment (7 questions)
- Turnover Intention (4 questions)
- Person Organisation Fit (Selection) (4 questions)
- Remuneration and recognition (5 questions)
- Training and Career Development (4 questions)
- Challenging assignments (5 questions)
- Leadership behaviour (4 questions)
- Team relationship (4 questions)
- Organisational culture and policies (4 questions)
- Communication and consultation (5 questions)
- Work environment (7 questions)

The nine organisations that participated in this study selected their core employees and these employees were surveyed via two methods: 1. mail via reply paid envelope and 2. electronic mail. A total of 800 surveys were distributed with 457 returned, indicating a response
rate of 57 per cent. This was deemed a good sample size (Comrey and Lee 1992). According to Green (1991), the required sample size depends on the number of issues, the desired power of relationship, alpha level, number of predictors and expected effect sizes. The simplest rules of thumb are $N \geq 50 + 8m$ (m is the number of independent variables) for testing multiple correlation and $N \geq 104 + m$ for testing individual predictors. Hence, the sample size of the study was deemed suitable.

**Measurement of Constructs**

The Employee Questionnaire was designed to examine the dependent variables organisation commitment and turnover intention. The independent variables were based on eight variables previously identified and validated in Phase 1 and Phase 2 of the study. Each independent variable was assessed using a minimum of three items to a maximum of eight items (Table 6.1). All items were scored along a seven point scale ranging from (1) strongly disagree to (7) strongly agree (Likert 1961). Scales used in previous research were employed to measure the independent and dependent variables of the study.

**Independent Variables**

*Person-organisation fit (Selection)*

Person organisation fit is considered a key part of organisational selection and is generally defined as "the compatibility between individuals and organisations" (Kristof 1996, p. 3).
Person organisation fit was measured with a four items scale developed by Netemeyer et al. (1997). The measure reflects the fit between personal values and organisational values (Cable and Judge 1997), for example “I feel that my personal values are a good fit with the organisational values.” According to Jose and Thibodeaux (1999), employees prefer an ethical organisational environment. The fit between a company and its employees is strengthened when principled conduct is encouraged in organisations (Sims and Kroeck 1994) and this component of organisational value is also included in this measurement scale.

Remuneration and recognition

Employees tend to remain with the organisation when they feel their capabilities, efforts, and performance contributions are recognised and appreciated (Davies 2001).

Remuneration and recognition was measured with a five item scale focused on intrinsic and extrinsic rewards (Cammann, Fichman, Jenkins and Klesh 1979; Broadfoot and Ashkanasy 1994; Seashore, Lawler, Mirvis and Lawler, Cammann 1982). Extrinsic reward measures were designed to measure the employee’s view of the economic rewards from his/her job. It includes pay, benefits, and job security. The scale also measured the degree to which intrinsic rewards such as recognition are present in the organisation.
Training and Career Development

Training provides employees with specific skills or helps to correct deficiencies in their performance; while development is an effort to provide employees with abilities the organisation will need in the future (Gomez-Mejia, Balkin and Cardy 1995; Wilk and Cappelli 2003).

A four item scale developed by Broadfoot and Ashkanasy (1994) focused on whether the organisation expends sufficient effort in providing opportunities for people to develop their skills, and the adequacy of the training (Seashore, Lawler, Mirvis, Lawler and Cammann 1982).

Challenging assignments

Providing employees with challenging assignments with well-defined performance measures and feedback is important for a high performance environment in which employees can achieve their personal objectives (Boyer 1994).

A five item scale was derived from the Job Diagnostic Survey to measure challenging assignments (Hackman and Oldham 1975; Jackson, Wall, Martin and Davids 1993). The scale explored job elements of skill variety, task significance, task identity, autonomy, high order needs and feedback.

Leadership Behaviour

Research findings suggest that leadership enhances organisational commitment (Allen 1995; Bykio, Hacket and Peterson 1994; Ferres,
Travaglione and Connell 2002; Podsekkoff, Mackenzi and Bommer 1996). Studies by Yammariono and Bass (1990) revealed a positive influence of transformation leaders on organisational outcomes, resulting in lowered intention to leave, and increased organisational citizenship behaviour.

A four items scale measured leadership behaviour. The scale consisted of items adapted from two validated scales: (1) the Multifactor Leadership Questionnaire devised by Bass and Avolio (1990), which measured transformational leadership and (2) the eight-item scale by Hartog, Van Muiijen and Koopmen (1997) which measured inspirational leadership. The adapted scale used in this study measured leadership behaviour in terms of leadership effectiveness, extra effort and leadership satisfaction.

**Teamwork relationship**

Employees stay when they have strong relationships with others they work with (Clarke 2001). Team building, assignments involving work with peers, and opportunities for social interaction both on and off the job encourage these relationships (Johns et al. 2001).

A four item scale developed by Bass and Avolio (1990) measured the team leadership and relationship of employees and peer leadership, in this study.

**Organisational culture and policies**

Corporate culture is described as the invisible forces that shape life in a business organisation (Fitz-enz 1990; Sheriden 1992).
Management philosophy and style, communications protocol and policies, rituals and taboos all interact to create the uniqueness of each company culture.

A five item scale modified from The Organisation Profile Questionnaire (Kerr and Slocum 1987; Kopelman et al. 1990; O'Reilly, Chatmen and Caldwell 1991; Morita, Lee and Mowday 1989; Peters and Sheridan 1988) and developed by Broadfoot and Ashkanasy (1994) was used to measure organisational culture. The profile is a descriptive instrument, one that paints a picture of respondents’ views of their organisation’s culture. The scale measures the degree the organisational structure limits the action of employees, the focus on the influence of policies and procedures, and tests organisational goal clarity and planning.

**Communication and consultation**

Effective communications strengthens employee identification with the company and builds trust (Clarke, 2001; Levine, 1995).

A five item scale validated by Sims, Szilagyi and Keller (1976) and Broadfoot and Ashkanasy (1994) was used to measure the communication, consultation and feedback processes of participating organisations in the study. Three items examined the communication process, and two items explored the consultation and feedback process.

**Work environment**

Many companies are providing flexible schedules and work arrangements and are experimenting with other ways to help
individuals manage their work and personal life issues (Perry-Smith and Blum 2000; Solomon 1999).

Individuals will stay with a company that clearly considers and cares for their career priorities (life stage needs), health, location, family, dual-career, and other personal needs (Gonyea and Googins 1992; Kamerman and Kahn 1987).

A seven-item scale derived from several scales (Broadfoot and Ashkanasy 1994; Cammann, Fichman, Jenkins and Klesh, 1979; Smith, 1976) was designed to measure humanistic and socialisation, physical work conditions and organisational climate. Three items measured the extent to which the individual is respected and cared for by the organisation. Three items measured perceptions about the organisational climate in the workplace. One item measured the physical conditions experienced in the workplace.

**Dependent Variables**

**Organisational Commitment**

Organisational commitment consists of three components: ‘(1) identification, pride in the organisation and the internalisation of its goals and values; (2) involvement – psychological absorption in the activities of one's role for the good of the employing organisation; and (3) loyalty – affection for, and attachment to the organisation’ (Shepherd and Mathews 2000, p. 557).

Organisational commitment was measured using nine items from the fifteen item Organisational Commitment Questionnaire (OCQ) scale
developed by Mowday, Steers and Porter (1979). O’Reilly and Chatman (1986) and Reichers (1985) criticised the original fifteen-item version because of the overlap of some items with the concept they are supposed to predict, turnover. This criticism has led some researchers to use a shorter version of the OCQ that omits the problematic items (for example see Banai and Reisel 1995, Shepherd and Mathews 2000). Meyer and Allen (1991), Morrow (1993), and McElroy et al. (1995), recommended using the short version of the OCQ to measure organisational commitment. Compared to other measures of employee commitment, the OCQ has received the most thorough and generally positive evaluation (Meyer and Allen 1997). Research has consistently shown that the instrument yields satisfactory internal and temporal stability, and discriminant, convergent and predictive validity (Mowday et al. 1982; Mathieu and Zajac, 1990; Ketchand and Stawser 2001), with the shorter (nine-item) version being superior to the original (fifteen-item) version (Commeiras and Fornier 2001).

The scale draws, upon Angle and Perry’s (1981) classification of commitment into two components: 1) affective commitment (and calculative commitment. Affective commitment refers to employees’ emotional attachment to the organisation and a calculatively committed employee exchanges his/her contributions for inducements provided by an organisation (Gainey 2002).
Intent to Stay (Turnover Intention)

According to Fishbein and Ajzen, "the best single predictor of an individual’s behavior will be a measure of the intention to perform that behaviour" (1975, p. 369). Empirical evidence strongly supports the position that intent to stay or leave is strongly and consistently related to voluntary turnover (Dalessio, Silverman and Schuck 1986; Griffeth and Hom 1988; Mathieu and Zajac 1990).

Intent to stay (Turnover intention) was measured with a four-item scale consisting of items adapted from the Michigan Organisational Assessment Questionnaire (Camman, Fichman, Jenkins and Klesh 1979; Seashore, Lawler, Mirvis and Camman 1982) and the Lyons’ Propensity to Leave scale (Cook, Hepworth, Wall and Warr 1981). Using a seven-point scale, respondents rated the likelihood of staying at the job for two to three years; whether they thought about quitting; their degree of loyalty and the likelihood of looking for a new job in the near future.

Data Analysis

All data were initially analysed via SPSS (Statistical Package for the Social Sciences). No outliers of concern were present as the majority of the scores were within range (Tabachnick and Fidell 2001). The eleven variables were screened for normality by examining kurtosis and skewness value. Most often, variables rarely conform to a classic normal distribution. The distributions are usually skewed (positive or negative) and display varying degrees of kurtosis (positive or negative). The decision to transform variables depends on the severity
of the departure from normality (Neter, Kutner, Nachtsheim and Wasserman 1996).

**Missing data**

The data collected in this study had missing data scattered randomly throughout the data matrix. When there are only a few data points missing in a random pattern from a large data set, the problems are less serious and almost any procedure for handling missing values yield similar results to no real value (Cohen and Chen 1983). All missing data were treated with list wise deletion.

Factor analysis is best suited to identifying the interrelationships among a set of items in a scale, all designed to measure the same construct.

Exploratory factor analysis was carried out in this study for two reasons. The first reason leads to a relatively mechanistic use, that is the factors become inputs into another analysis (regression). The second reason for using factor analysis is to run a reliability test to determine whether items being measured were coded as the same construct (Churchill 1994). Reliability analysis evaluated the inter-correlations among variables.

**Means, and standard deviations and correlations**

Correlation coefficients were calculated for initial exploration of the relationships between variables. Correlation is used to measure the size and direction of the relationship between two variables.
(Tabachnick and Fidell 2001). In this study, a correlation analysis was carried out to measure the inter-relationship between independent variables (person organisation fit, remuneration and recognition, training and career development, challenging assignments, leadership behaviour, teamwork relationship, company culture and policies, work environment), dependent variables (organisational commitment and intention to stay) and the demographic information (age, gender and occupation).

On completion of the correlation analysis, a regression analysis was conducted in order to further evaluate and understand the relationships between the dependent and independent variables of the study, and to test the hypotheses of interest.

**Multiple Regression Analysis**

The regression model selected for this study is stepwise regression and the dependent variables examined were organisational commitment and intent to stay (Turnover intention). The purpose of stepwise regression analysis was to develop a group of independent variables that are useful in predicting the dependent variables and to eliminate those independent variables that do not provide any additional prediction to the independent variables already in the equation (Tabachnick and Fidell 2000).

In this study, the stepwise regression analysis was conducted to test the relationship between the eight independent variables of the study: person organisation fit, remuneration and recognition, training
and career development, challenging assignments, leadership, teamwork, policies, and work environment and the dependent variables: Commitment and Intent to stay (Turnover Intention). Age and gender were the demographic factors included as control variables. Occupation and industry were excluded because the correlation matrix indicated insignificant relationships. Residuals were examined for magnitude, normality, homoscedasticity, and linearity after each step (Cohen and Cohen 1983; Tabachnick and Fidell 2000). No violations of these assumptions were identified.

Results

This section reports the results of the study and they include the following: demographic profiles, means, standard deviations construct validity and reliability, the results of the factor analysis and correlation analysis, and the outcomes of the regression tests. For this study, the sample was not severely skewed and therefore no data transformation occurred.

Demographic Profile

Table 6.1 presents the demographic data of the respondents, depicting the proportion of gender and age of the participants, the
Table 6.1. Demographic data of respondents (Age, Gender, Industry and Occupation)

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<th>Gender</th>
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different types of industry segments and the different occupations of the participants. A total of eight hundred employees were surveyed. Fifty seven percent (n=457) of these employees responded, of which fifty five percent were male and forty five percent were female. The age of the respondents, were identified in three specific categories; 21 percent were aged between twenty and twenty-nine; 21 percent between thirty and thirty-nine; 26 percent between forty and forty-nine and 31 percent between fifty and sixty-five.
The respondents of this study consisted of core employees from nine large organisations of different industries. Forty five percent of these respondents were from tertiary education, 15 percent from health-care, 34 percent from public sector and 6 per cent from the private sector. As shown in Table 6.1, the occupations of the respondents consisted of 15 administrators, 5 percent information technology technicians, 15 percent managers, 2 per cent librarians, 16 percent lecturers, 3 percent accountants, 11 percent engineers, 1 percent HR personnel, 1 percent physicians, 1 percent researchers, 12 percent nurses, 3 percent veterinary personnel, 12 percent navy officers and 3 percent personnel. This study surveyed a good range of employment services and therefore provided a much broader scope for generating the research.

*Exploratory Factor Analysis Outcome*

The nine independent variables (1) person organisation fit, 2) remuneration and recognition, 3) training and career development, 4) challenging assignments, 5) leadership behaviour, 6) communication and consultation, 7) teamwork relationship, 8) company culture and policies, and 9) work environment were factor analysed (principal components with varimax rotation). The goal of varimax rotation is to simplify factors by maximising the variance of the loadings within factors, across variables. The spread in loadings is maximised, loadings that are high after extraction become higher after rotation and loadings that are low become lower. Consequently, interpreting a
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<td>.592</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intention to stay 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.675</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intention to stay 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.484</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis. Rotation Method: Oblimin with Kaiser Normalisation. Rotation converged in 17 iterations

**Table 6.2** Factor analysis of HRM factors.
factor becomes easier because it is obvious which variables correlate (Neter, Kutner, Nachtsheim and Wasserman 1996).

The correlation of the factors is ascertained from the pattern matrix displayed in Table 6.2. The results support the factorial independence of eight of the nine constructs. The two dependent variables, organisational commitment and intention to stay (turnover intention), were also factor analysed (varimax rotation) in a separate analysis.

As a result of the exploratory factor analysis several items were deleted, due to cross loadings. Cross loading score of <0.30 were deleted, as they were not considered to be adding to the measure, reducing the dependent and independent variables to ten factors. The resultant ten factors included person organisation fit, remuneration and recognition, training and career development, challenging assignments, leadership behaviour, teamwork relationship, company culture and policies, work environment, organisational commitment and intention to stay.

For greater clarity of the process, Appendix 9 depicts the changes in the items for each of the factors as a result of the exploratory factor analysis. The four items of communication and consultation construct clustered onto the leadership behaviour scale. The clusters of items under teamwork relationship formed a new construct. As shown in Appendix 9, several items were deleted.

The results of the factor analysis meant H7 had to be revised. The revised hypothesis summarised that teamwork relationship in the workplace positively influences organisational commitment. Once the
factor structures were determined, the next procedure involved testing the reliability of the measures.

**Measures of Reliability**

Reliability refers to the degree to which measures are free from random error and therefore yield consistent results (Zikmund 1997). The scales of the ten factorised variables were checked for reliability using Cronbach’s Alpha (Zikmund 1997). The results of the tests for each scale (10) are shown in Table 6.3.

An alpha of 0.70 or above is considered to be reliable as suggested by many researchers (Davis 1996; Nunnally 1978). Apart from the person organisation fit scale ($\alpha = 0.54$), the Cronbach’s alphas for all other scales in the study were judged to be reliable ($\alpha \geq 0.7$) (Hair *et al.* 1992). The items of measurement for person organisation fit (selection) and the items of measurement for organisational commitment were shown to have common characteristics (indication of overlapping in factor analysis). This may have affected the reliability of the person organisation fit scale because it lacked discriminating power.

**Means, standard deviations and correlations**

Table 6.3 presents the means, standard deviations, inter-correlations, and reliabilities of the scales. The standard deviations of the main study variables ranged from 1.06 to 1.58, suggesting that none of the measures were marked by excessive restrictions in range.
At this juncture, it is important to note that the communication and consultation variable does not appear in Table 6.3 because this variable was removed from further analyses. Descriptive statistics and correlations are displayed in Table 6.3. As can be seen from this table the correlations between the independent variables are as expected, providing further evidence of construct reliability.

The correlation matrix presented in Table 6.3 revealed that all the eight variables (person organisation fit, remuneration and recognition, training and career development, challenging assignments, leadership behaviour, teamwork relationship, culture and policies and work environment) have significant positive correlations with a) organisational commitment and b) intention to stay. The direction of the association ranged from $r= 0.42$ to $r=0.66$. These results indicate no multicollinearity and singularity problems.

The correlation results meant that H1, H2, H3, H4, H5, H6, H7, H8, H9 were supported. However, the demographic variables showed only weak associations with the commitment dimension and intention to stay. Both age ($r= .17$, $p<0.001$) and gender ($r =.18$, $p<0.001$) were positively correlated to organisational commitment but occupation and industry had no significant relationship. Therefore occupation and industry were removed from further analyses in the interests of parsimony.

The association between organisational commitment and intention to stay ($r =.66$, $p<0.001$) was strong, positive, and significant. Thus, as the correlation analysis indicated significant relationships between the
identified HRM factors and organisational commitment and intent to stay.

**Multiple regressions**

In this study, a stepwise multiple regression process was used to examine the relationships between eight HRM factors, organisational commitment and intent to stay. In addition, age and gender were used as control variables in the regression analysis.

The regression analyses ran with two separate sets of independent variables (HR factors and organisational factors). The reason for this is conceptually based. In this study, the choices about bundling HR practices began with the design of the theoretical model. The independent variables were divided into two bundles (HR factors and Organisational factors) identified from Phase 1 and Phase 2. The participants of both phases suggested the separation of these HRM factors.

Each of these bundles is made up of interrelated, internally consistent and even overlapping practices. The two bundles are complementary. It is the combination of practices in a bundle, rather than individual practices that shapes the pattern of interactions between the employers and employees (Cutcher-Gershenfeld 1991).

Statistically it also makes sense to separate out these bundles to show the true effect. Regression is best when each IV is strongly related to the DV but uncorrelated to other variables (Tabachnik and Fidell 2001). Thus the regression solution is extremely sensitive to the
combination of variables that is included in it. Whether or not independent variables (IVs) appear particularly important in a solution depends upon the other IVs in the set. Clearly, there were strong correlations between the HRM factors.

As such, four separate regression equations were developed and tested in this study. The regression equations tested were of the following form:

Equation 1: HR Factors bundle + constant = Organisational commitment,

Equation 2: Organisational Factors bundle + constant = Organisational commitment,

Equation 3: HR Factors bundle + commitment + constant = Turnover intention (intent to stay) and

Equation 4: Organisational Factors + commitment + constant = Turnover intention (intent to stay).

Age and gender were the control variables included in all the regression analyses.

The results of these four regression runs are reported in Table 6.4, Table 6.5, Table 6.6 and Table 6.7.

Table 6.4 shows that the demographic features and four HR factors all have a positive and significant impact on commitment as predicted. Of interest is the weak effect of training and career development on commitment in comparison to the other HR factors. Thus, the study hypotheses (H1, H2, H3 and H4) that predicted person organisation fit, remuneration, recognition and reward and
challenging opportunities positively influence organisational commitment are supported by the data.

<table>
<thead>
<tr>
<th>Human Resource Practices</th>
<th>Organisational Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
<td>Step 1</td>
</tr>
<tr>
<td>Control Variables (demographics)</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.14**</td>
</tr>
<tr>
<td>Gender</td>
<td>0.37***</td>
</tr>
<tr>
<td>Response Variables</td>
<td></td>
</tr>
<tr>
<td>Person Organisation Fit</td>
<td>0.23***</td>
</tr>
<tr>
<td>Remuneration/recognition</td>
<td>0.31***</td>
</tr>
<tr>
<td>Training/Career development</td>
<td>0.10*</td>
</tr>
<tr>
<td>Challenging opportunities</td>
<td>0.22***</td>
</tr>
</tbody>
</table>

| R2                                        | 0.05***                    | 0.52***|
| Adjusted R2                               | 0.04                       | 0.52   |
| F                                         | 10.62***                   | 77.49***|
| \(\Delta R2\)                             | 0.05                       | 0.47   |
| F for \(\Delta R2\)                       | 10.62                      | 105.76 |

*p< 0.05  
**p< 0.01  
***p<0.001

Table 6.4: Regression Results (Unstandardised Coefficients) for Organisational Commitment as Dependent Variable
Table 6.5: Regression Results (Unstandardised Coefficients) for Organisational Commitment as Dependent Variable

Table 6.5 presents the results of organisational commitment as dependent variable with independent variable as organisational factors.
The results supports earlier findings that organisational factors of leadership, teamwork relationship, company culture and policies and work environment, have a strong and positive influence on commitment, accounting for 47% of the variance in commitment.

Thus, the four hypotheses (H5, H6, H7, H8) that predicted leadership, teamwork relationship, company culture and policies and work environment positively influence organisational commitment are supported by the data.

Table 6.6 reports the results of Equation (3) regression analysis testing for the indirect effect of commitment on intention to stay when the independent variables are the HR bundle. The results from table 6.6 suggest that commitment plays a differential role in affecting the relationship between HR factors and intent to stay. The standardised coefficients were reported.

For instance, the results suggest that commitment completely mediates\(^1\) the relationship between the factors of personal organisational fit and challenging opportunity and intention to stay; whilst only partially mediating the relationship between remuneration, recognition and reward and training and career development and intent to stay.

A mixed result is also evident when the organisational factors are used as independent variables.

---

\(^1\) Baron and Kenny (1986) highlight that a variable is considered mediator if: (a) the predictor variable are significantly correlated with the hypothesis mediator, (b) the predictor and mediator variables are all significantly correlated with the dependent variable, and (c) a previously significant effect for the predictor variables when the dependent variable is regressed into them, becomes non-significant or significantly reduced in predicting power when the hypothesised mediator is added to the analysis.
### Table 6.6: Regression Results (Unstandardised Coefficients) for Turnover Intention as Dependent Variable

<table>
<thead>
<tr>
<th>Human Resource Practices</th>
<th>Turnover Intention (Intent to stay)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Step 1</td>
</tr>
<tr>
<td><strong>Variables</strong></td>
<td></td>
</tr>
<tr>
<td>Control Variables (demographics)</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.38***</td>
</tr>
<tr>
<td>Gender</td>
<td>0.33*</td>
</tr>
<tr>
<td>Response Variables</td>
<td></td>
</tr>
<tr>
<td>Person Organisation fit</td>
<td>0.17*</td>
</tr>
<tr>
<td>Remuneration/recognition</td>
<td>0.42***</td>
</tr>
<tr>
<td>Training/Career development</td>
<td>0.16**</td>
</tr>
<tr>
<td>Challenging opportunities</td>
<td>0.12*</td>
</tr>
<tr>
<td>Commitment</td>
<td></td>
</tr>
<tr>
<td><strong>R2</strong></td>
<td>0.09***</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>F</strong></td>
<td>19.90***</td>
</tr>
<tr>
<td>△R2</td>
<td>0.09</td>
</tr>
<tr>
<td>F for △ R2</td>
<td>19.90</td>
</tr>
</tbody>
</table>

*p< 0.05  
**p< 0.01  
***p<0.001

Table 6.7 specifically reveals that commitment mediates the relationship between teamwork, culture and intent to stay and acts as a possible partial mediator of the relationship between work environment and intent to stay.
Table 6.7: Regression Results (Unstandardised Coefficients) for Turnover Intention as Dependent Variable

Of interest is that leadership has no direct effect on intent to stay, despite the earlier identified relationship in Table 6.3. In all, it appears that the relationship between HR factors, organisational factors and intention to stay is conditional upon commitment.
Discussion and Findings of the Study

The regression results revealed that commitment mediated the relationship between person organisation fit and intent to stay and was a partial mediator of remuneration, recognition and reward and training and career development.

People who are well suited for the job and/or organisation are more likely to stay. The concept of organisational fit (Weiner 1982; Brown 1969; Kidron 1978; Steers 1977) identifies convergent goals and values between the individual and the organisation as an important element of affective commitment.

Results revealed that organisational commitment mediates teamwork relationships and organisational culture and policies and act as a partial mediator of work environment. Commitment however, did not have an impact on the relationship between leadership and intent to stay.

The finding that employees who have close friends at work are less likely to leave is widely supported (Kristoff 1996; O’Reilly, Caldwell, and Barnett, 1989). Implicit in work group cohesion is the notion of "coworker support", whereby having many close friends enhances the support of employees. Meyer and Allen (1997), after observing that “stayers” were higher on work group cohesion than “leavers”, reported that the decision to leave was directly influenced by both the job challenge and the amount of social support available. Prior research by Granovetter (1986) focused on the social networks of employees and the degree of social integration, identified the role of "strong ties" and "weak
ties" between employees in explaining the process by which employees decide to leave or stay in organisations.

Research has shown that employees' commitment to an organisation affects how well the organisation performs in various ways. If it turns out that employee commitment varies in certain predictable ways from one cultural pattern to another, organisational development specialists could try to strengthen employee commitment and, therefore, organisational effectiveness by changing the organisational culture. These studies and anecdotal evidence suggest a positive link between strong organisational cultures and employee commitment (Lahiry 2000; Sheriden 1992; Stum 1998).

These relationships are supported by the extant literature, which reports direct relationships between the eight variables and organisational commitment. This supports H1-H8.

One of the purposes of this study however was to build on these findings by testing the proposal that the relationships between the HR bundle, Organisation bundle and the outcome, intention to stay, is conditional upon commitment. Prior research reports mixed results with respect to the relationship between organisational commitment and turnover intention (Mathieu and Zajac 1990).

The purpose of this final phase of the study was to test the HRM-retention model that examined the relationships among, HR factor bundle, organisational factor bundle organisational commitment, and turnover intention (intent to stay). Specifically, the study attempts to postulate HRM management processes in the development of employees'
commitment to the organisation, and the *conditional* nature of the commitment-intention to stay relationship.

For this study, organisational commitment and intention to stay (turnover intention) were selected as the focal dependent variables for the following reasons. First, there is evidence that before actually leaving the job, employees typically make a conscious decision to do so. These two events are usually separated in time (Frazis *et al.* 1998; Larwood, Wright Desrochers and Dahir 1998). Second, it is more practical to ask employees of their intention to stay in a cross-sectional study than actually to track them down via a longitudinal study to see if they have left or to conduct a retrospective study and risk hindsight biases.

The findings of this study revealed positive significant co-relationships between the eight HRM factors and organisational commitment. These specific HRM factors consisted of two bundles of practices: HR factors (e.g., person organisational fit, remuneration, reward and recognition, training and career development, challenging job opportunities) and Organisational factors (e.g. leadership behaviour, company culture and policies, teamwork relationship and satisfactory work environment).

The findings of the study also confirmed a significant relationship between organisational commitment and intent to stay. In their comprehensive review, Meyer and Allen (1997) reported a positive relationship between affective commitment and employee retention. Both affective and continuance (calculative) commitment are expected to
increase the likelihood that an individual will remain with an organisation (Meyer, Bobocel and Allen 1991).

There are however, studies by Mathieu and Zajac (1990) and Randall (1990) that have also demonstrated that the relationships between organisational commitment and turnover have produced few large correlations. One explanation for the low commitment-turnover correlations is that other variables probably moderate this relationship (Mathieu and Zajac 1990).

The results of this research highlight the conditional role of commitment. Implicit in HRM-retention model is that organisational commitment mediates the relationships between person organisation fit, teamwork relationship, culture and policies and the outcome variable intention to stay. Additionally, the study also revealed that commitment has a partially mediating effect on remuneration, recognition and reward, training and career development and work environment. However, the results revealed that organisational commitment does not have any significant impact on the relationship between challenging opportunities, leadership behaviour and intent to stay.

Wagar (2001) examined the relationship between an individual's intention to quit his job and the human resource management activities of the organisation. The study revealed that employees of organisations with more sophisticated human resource systems were significantly less likely to indicate they intended to quit over the next two years. According to Wager (2001), employees who did not intend to quit were more likely to be employed in organisations that adopted a certain set of HR practices
such as employee voice procedures, programs that recognise employee contributions (e.g. merit-based promotion, individual merit pay and a formal employee recognition program), mechanisms for sharing information with employees, use of problem-solving groups and training in employee involvement. Several of the factors investigated by Wagar were further re-examined in this study (i.e., training, pay, recognition, communication and consultation).

The results of this study supported Wager’s findings. The study identified eight factors that influence the core employees’ decision to stay. These factors are bundled into two set of practices: HR factors bundle (person organisation fit, remuneration, recognition and reward, training and career development and challenging opportunities) and organisational factor bundle (leadership, organisational culture and policies, teamwork relationship and work environment). Thus this study focused on the impact of these two bundles of practices on the retention of core employees rather than individual HR practice.

Another key finding of this study is a strong correlation between gender and organisational commitment. This is supported by studies conducted by Angle and Perry (1981) and Miller and Wheeler (1992) who noted that women are more committed to organisations than male.

The results of this study also postulated a significant and positive relationship between age and organisational commitment. This research provided evidence that older employees and individuals with more seniority within the organisation were less likely to report they planned to resign. This finding is consistent with previous research (Alutto,
Hrebinia and Alonso 1973; Cohen and Lowenberg 1990). Mathieu and Zajac (1990) found that age is significantly more related to affective commitment than to continuance (calculative) commitment. Tenure was excluded from this study because studies by Meyer and Allen (1997) supported that employees’ age may be the link between tenure and affective commitment.

A prior study by Werbel and Gould (1984) revealed an inverse relationship between organisational commitment and turnover for nurses employed more than one year, but Cohen (1991) indicated that this relationship was stronger for employees in their early career stages (i.e. up to thirty years old) than those in later career stages.

Past studies revealed that employees interpret human resource practices as indicative of the personified organisation’s commitment to them (Eisenberger et al. 1990; Settoon et al. 1996). They reciprocate their perceptions accordingly in their own commitment to the organisation. Some researchers suggest that for positive work experiences to increase commitment significantly, employees must believe that such work experiences are a result of effective management policies (Parker and Wright 2001). The findings of this study (i.e. mediating role of commitment) have therefore provided further empirical evidence to support these studies.

In summary, the findings of the empirical tests of the model put forward in this thesis demonstrates that commitment can be influenced by bundles of HR factors (i.e. selection (person organisation fit), remuneration, reward and recognition, training and career development,
challenging assignments) and Organisational factors (i.e. leadership behaviour, organisational culture and policies, teamwork relationship and satisfactory work environment.) Moreover, commitment acts as a partial mediator of the relationship between remuneration, recognition and reward, training and career development and work environment on intent to stay. Commitment fully mediates the relationship between person organisation fit, teamwork relationship, culture and policies and intention to stay.

**Conclusion**

This chapter provided a comprehensive account of the results of Phase 3 of the study (The Employee Survey). It described the sample population, the instrument, measurements of construct and the construct validity of all the variables used in the study. Factor analysis, correlations and multiple regressions and were discussed and reported. Final discussion and findings of the study will be discussed in Chapter Seven.
CHAPTER SEVEN

DISCUSSION AND CONCLUSION

Validating the HRM- Retention Model

The best single predictor of an individual's behaviour will be a measure of his/her intention to perform that behaviour (Fishbein and Ajzen 1975, p. 369).

The main purpose of this chapter is to synthesise the qualitative and empirical results from chapters’ four to six to provide an answer to the primary research question of this thesis namely, whether HRM practices can actually influence the retention of core employees. The other objectives are to highlight the contributions of the research to the development of knowledge in the field, as well as to acknowledge its limitations and to set future directions for research.


The influence of HRM factors on retention of core employees was examined in three phases.

Phase One Study

The results of Phase One provided a significant contribution to the study. It identified five characteristics of core employees of Australian organisations. They included 1) possessing knowledge, skills and
attributes (KSA) aligned with business operation and direction, 2) is central to the productivity and wellbeing of the organisation 3) provide a competitive edge to the organisation, 4) support the organisational culture and vision and 5) possess skills, knowledge and abilities that are relatively rare or irreplaceable to ensure the success of the organisation. The descriptions of core employees seem to have a focus on knowledge, skills and attributes (KSA) that are of strategic value to the organisation. This comprehensive description of a core employee was used as a template in the phase two, to further determine the characteristics of core employees of the participating organisations.

With regards to the needs of core employees, the Delphi results indicated that instead of job security as identified in literature, employees now placed greater emphasis on a) training and development, b) career advancement and growth opportunities, c) recognition of capabilities and acquisition of new skills and d) challenging work. The findings also suggested that the needs of core employees also differ with age.

Younger employee needs are focused on remuneration, training and development, career advancement, challenging job, growth opportunities and recognition of their capabilities and acquisition of new skills. For older employees, salary and career advancement are not so important. However, autonomy, liberty from mundane things, and opportunities to mentor so that they can make greater contribution to the organisation is of great importance. Job challenge
is preferred to repetitive jobs. Findings by Dessler (1999) and Finegan (2000) support these outcomes.

The HR architecture models (Handy 1995; Lepak and Snell 1999) advocated a differential investment strategy for different categories of employees. The findings of this study indicate that the shaping of these employment modes is dependent on the influence of several factors in the Australian business environment. These factors included the strategic focus of the organisation, organisational structure, competitiveness of the industry, type of industry and the type of worker included in the organisation. According to the Delphi panel of experts these factors were excluded in the theoretical model developed by Lepak and Snell in 1999 for the American business environment. It is suggested that the impact of these factors may therefore be the determinants of the type of HRM systems adopted by various Australian organisations (holistic or differential). This finding is another key contribution of this research.

The preliminary results of Phase One (the Delphi study) identified eight factors that may affect retention. The identified factors were classified into two bundles: HR factors and Organisational factors. The HR factors reflected the human resource policies/practices of firms and consisted of four elements: (1) selection (person organisation fit), (2) remuneration, recognition and reward, (3) training and career development and (4) challenging opportunities and assignments. Whilst the organisational factors focused on organisational characteristics, philosophies and structure
such as (1) leadership behaviour, (2) organisational culture and policies, (3) teamwork relationship and (4) work environment. These findings also provided credence to the notion of bundling of HR practices to achieve an organisational outcome.

This concept of “bundles” of HR practices to achieve an organisational outcome is supported by several studies (MacDuffie 1995; Pfeffer 1998). In 1993, Ichniowski, Shaw, and Prennushi, found that the combination of practices in a bundle, rather than individual practices, shapes the pattern of interactions between employers and employees. Thus any research that focuses on the impact of individual HR practice on an outcome may produce misleading results (Cutcher-Gershenfeld 1991).

**Phase Two Study**

The second phase of the study (Interview) set out to confirm the findings from Phase One by examining the current retention management practices of Australian organisations. Thus, this qualitative approach provided greater insights to the views of the HR policy makers on the retention of their employees.

Firstly, the findings of the second phase confirmed the validity of the HRM-retention factors identified in Phase One. More specifically, the findings provide evidence that these retention HRM factors were current practices adopted by participating organisations to combat attrition.
Secondly, results from this qualitative study highlighted that organisations that managed their human resource effectively may have higher retention of their employees. Huselid (1995) reported from a sample of 968 firms that those using comprehensive employee recruitment and selection procedures, extensive employee involvement and training, and formal performance appraisal linked to incentive compensation were likely to have lower employee turnover, higher productivity, and enhanced corporate financial performance. Other studies seem to support this perspective (Delaney and Huselid 1996; Delery and Doty 1996; Huselid and Becker 1996; MacDuffie 1995).

Thirdly, the findings of Phase Two indicate that holistic and differential HR practices were equally adopted by participating organisations. However, although it may be the case that some firms manage all employees the same way, regardless of their value and uniqueness, results of this study verify that most firms make significant distinctions in the methods they use for different skill sets and that these are important determinants of firm performance. This result further supports the Lepak and Snell (1999) theoretical HR architecture model which advocates a differential investment strategy for different categories of employees.

**Phase Three Study**

The final phase of the study, tested the HRM retention model, developed from the results of Phase 1 and Phase 2. The quantitative study examined the relationships between the HR factor bundle,
organisational factor bundle, organisational commitment and intention to stay.

The findings of this study revealed positive significant co-relationships between the eight factors and organisational commitment. These specific factors consisted of two bundles of practices: HR factors (e.g. person organisational fit, remuneration, reward and recognition, training and career development, challenging job opportunities) and Organisational factors (e.g. leadership behaviour, company culture and policies, teamwork relationship and satisfactory work environment).

Research on social exchange theory has shown that employees’ commitment to the organisation is derived from their perceptions of the employers’ commitment to and support of them. Past studies also revealed that employees interpret human resource practices as indicative of the personified organisation’s commitment to them (Eisenberger et al. 1990; Settoon et al. 1996). They reciprocate their perceptions accordingly in their own commitment to the organisation. Some researchers suggest that for positive work experiences to increase commitment significantly, employees must believe that such work experiences are a result of effective management policies (Parker and Wright 2001).

The findings of the study also confirmed a significant relationship between organisational commitment and intent to stay. In their comprehensive review, Meyer and Allen (1997) reported a positive relationship between affective commitment and employee
retention. Both affective and continuance (calculative) commitment are expected to increase the likelihood that an individual will remain with an organisation (Meyer, Bobocel and Allen 1991).

There are however, studies by Mathieu and Zajac (1990) and Randall (1990) that have also demonstrated that the relationships between organisational commitment and turnover have produced few large correlations. One explanation for the low commitment-turnover correlations is that other variables probably moderate this relationship (Mathieu and Zajac 1990).

It is therefore important to acknowledge that other antecedents of commitment not measured in this study were the lack of available alternative employment opportunities (Meyer and Allen 1991) and magnitude or number of investment lost in leaving the organisation (Rusbult and Farrell 1983). The reason for the exclusion was based on the desire to limit the number of measures to achieve parsimony of the model. More specifically, this was not one of the objectives of this research.

The results also draw attention to the mediating role of commitment. Implicit in the model is that organisational commitment mediated the relationships between person organisation fit, teamwork relationship, culture and policies and the outcome variable (intention to stay). It was found that commitment does have a partially mediating effect on some of the independent variables and intent to stay. The results revealed that it moderates remuneration,
recognition and reward, training and career development and work environment, and intent to stay.

The results of the study also postulated a significant and positive relationship between age and organisational commitment. This finding is consistent with previous research (Alutto, Hrebiniak and Alonso 1973; Cohen and Lowenberg 1990). Mathieu and Zajac (1990) found that age was significantly more related to affective commitment than to continuance (calculative) commitment. Tenure was excluded from this study because studies by Meyer and Allen (1997) supported that employees’ age may be the link between tenure and affective commitment.

Werbel and Gould (1984) revealed an inverse relationship between organisational commitment and turnover for nurses employed more than one year, but Cohen (1991) indicated that this relationship was stronger for employees in their early career stages (i.e. up to thirty years old) than those in later career stages.

Another finding of this study was a strong correlation between gender and organisational commitment. This is supported by studies conducted by Angle and Perry (1981) and Beutell and Brenner (1986) who noted that women are more committed to organisations than male.

In summary, the findings of the empirical tests of the model put forward in this thesis demonstrated that commitment can be influenced by selection (person organisation fit), remuneration, reward and recognition, training and career development, challenging
assignments, leadership behaviour, organisational culture and policies, teamwork relationship and satisfactory work environment. Moreover, commitment acts as a moderator of remuneration, recognition and reward, training and career development and work environment on intent to stay. Commitment also mediates person organisation fit, teamwork relationship, culture and policies on intention to stay.

Of particular interest however is that commitment acts as a mediator between the factors identified and intent to stay.

**Contributions**

Whetten (1989) put forward seven simple questions, which determine the value of a theoretical contribution. These questions provide a useful framework within which to discuss the theoretical and methodological contributions of this thesis. The questions are:

1. What’s new
2. So what?
3. Why so?
4. Well done?
5. Done well?
6. Why now? and
7. Who cares?
Each question is dealt with next, followed by a discussion of the limitations of the research and future directions.

**What’s new?**

Bacharach (1989) stated that the field of organisational theory is in danger of sinking under its own weight because of the sheer number of different theoretical perspectives applied to a given phenomenon. There is a need for amalgamation and assimilation of the theories into universally accepted frameworks that will guide further developments in theory and practice. Mitchell (1997) has stated that very little work is done to integrate motivational theories and principles. This thesis sought to do this by attempting to integrate three significant bodies of knowledge relevant to human resource management: HR practices, organisational commitment and turnover intention.

A legitimate value added contribution needs to go beyond simply adding or deleting factors from an existing model and offering alternate explanations of relationships between variables (Whetten 1989). The present research extends the knowledge of human resource management by developing an HRM-retention model which examined the relationships between HR factors, organisational factors, organisational commitment and intention to stay in the Australian business environment.

From a management perspective, this model maybe used by human resource practitioners as a guide or template in designing a
strategic retention tool that an organisation may adopt so that a productive form of employee commitment is generated.

Furthermore, the qualitative part of the study was able to flesh out the current retention management practices of large Australian organisations. It gave greater clarification to the current HRM – retention issues in the Australian business environment and provides greater insights into the decision making process of HR practitioners.

The present research was also able to test the theoretical HR architecture model developed by Lepak and Snell (1999) in the Australian business environment. These American researchers proposed that within organisations, considerable variance exists with regard to both the uniqueness and value of skills. Juxtaposing these two dimensions, they built a (2 x 2) matrix describing different combinations with their corresponding employment relationships and HR systems. This study identified several factors in the Australian business environment that was not present in the American model. These factors form the framework for an Australian HR architecture model.

One of the original contributions to the field is the operationalisation of new measures of employee retention management efficacy. The HRM-retention model developed from this study informs both the content and process of generating employee commitment to the organisation and the influence on employee intention to remain in the organisation.
The findings have also classified HR practices into “bundles” to combat attrition. The identification of sets of “best practices” to reduce turnover supports the universal superior approach to managed people, which is utilising the best practices in human resource management (Huselid 1995; Pfeffer 1998).

Finally, this study contributed to the literature on perceived organisational support, commitment, and voluntary turnover intention in several ways. It extends recent research on commitment to the organisation by considering multiple factors of HRM support. Of particular importance was the demonstration that the relationship between selection (person organisation fit), teamwork relationship, organisational culture and policies to intention to stay is mediated by commitment acts as a partial mediator of the relationship between work environment, remuneration, recognition and reward, training and career development and intention to stay.

So What?
Lewin’s (1935) proposition that “nothing is as practical as a good theory” suggests that the criteria of a good theory go beyond the mere advancement of knowledge. A good theory must therefore inform research and practice in addition to contributing to knowledge in particular discipline (Poole and Van de Ven 1989).

Wright (1998) has suggested that the basic theory behind "fit" is that the effectiveness of any HR practice or set of practices for impacting firm performance depends upon the firm's strategy (or
conversely, the effectiveness of any strategy depends upon having the right HR practices). In 1995 Dyer and Reeves reviewed four studies of the effects of "bundling" HR practices on firm performance and stated that there was "no convincing evidence that more effective HRM practices are those that fit the business strategy." Gerhart, Trevor, and Graham (1996) argued that there was little empirical evidence supporting the value of achieving synergy between strategy and HR practices. Thus, from a practical perspective, the thesis offers a HRM retention strategic solution for organisations. If properly implemented, the “bundles” of HR practices identified in this empirical study will ensure an alignment between HR and strategy to gain competitive advantage.

*Why so?*

Evidence of a positive relationship between certain HR practices and firm retention may constitute the kind of data needed to encourage HR managers to adopt effective HR management approaches.

In summary, this section highlights the contributions that this study has made towards extending the knowledge base of the HRM with regards to retention. It provided practical implications for Human resource practices and most significantly from an organisational development perspective offers a strategic retention tool for progressive organisations.

The findings support American studies conducted by Fitz-enz in 1990, which advocated retention management as driven by the
following factors, which should be managed congruently: organisational culture and structure, recruitment strategy, pay and benefits philosophy, employee support programs, and career development system.

This study has attempted to understand the process through which employees attach themselves to an organisation. It has concentrated on the immediate precursor of turnover, behavioral commitment. Behavioral commitment is defined as the degree of an employee’s intention to stay in an organisation. It is the process by which employees are able to link themselves to an organisation. Becker (1960), in examining behavioral commitment, concentrated on what he termed the "side-bet theory", where employees attach themselves to organisations through investments such as time, effort, and rewards which become too costly to give up. Whitener(1991) argue that continuance commitment is conceptually very similar to behavioral intentions.

The advantages of studying behavioral commitment over turnover have been noted by Thompson and Terpening (1983). First, the reasons given for leaving may not be true and accurate; second, the use of archival data may not adequately distinguish between voluntary and involuntary turnover; and third, other factors may be prevalent which are not related to the decision to quit.

Martin and Hunt (1980) also claim that behavioral commitment has a preventative role, whereby managers can, after determining the effect of certain variables on an employee’s intention
to leave, make changes to these variables so that employees may reassess their current situation and decide to stay. If changes cannot be made, then intention to leave has important consequences in predicting recruitment and human resource planning needs in organisations. Likewise, Dalessio, Silverman, and Schuck (1986), asserted that more attention should be directed towards behavioral commitment rather than turnover, as once an employee has quit there is little an organisation can do except incur the expense of hiring or training another employee.

Well done?
A number of points can be made in response to the question of whether the research was well done. A lot of care has been taken to address measurement issues such as the use of valid and reliable measures of model constructs in testing the theoretical model.

The HRM–retention model was obtained and tested using a three phased process. Both quantitative and qualitative methodologies have been used in this HRM research and as a result provided considerable strength to the study.

The findings of the present study have shown that the qualitative method has allowed a closer analysis of retention management issues from company’s perspective. An important advantage of the in-depth interview, is the opportunity to probe complex answers, resulting in greater extraction of information from the participant and greater transfer of knowledge as compared to a
mailed out survey (Hayes 1998). Thus, this qualitative approach achieved the generation of richer data for the development of the HRM-retention model. The integration of a qualitative component into an otherwise quantitative research methodology is important for the full understanding of the effects of HRM factors on employee retention. A single quantitative approach would not have offered a robust understanding of current employee retention practices. Therefore it would not have been comprehensive enough to formulate the model.

Done well?

It is also important to establish that the theoretical model has done well in the process of empirical testing. The empirical results placed great credence in Bandura’s (1986) notion that human behaviour cannot be fully understood solely in terms of social structures or psychological factors. He proposed instead that it is necessary to adopt an integrated perspective in which social influences operate through self processes that produce behavioural intentions and actions. By examining the influence of several incorporated factors such as teamwork relationship, work environment, leadership behaviour and corporate culture on employees’ commitment and their intentions to stay or leave their organisations, this study therefore adopted an integrated perspective.

The two qualitative phases of the research identified the HRM factors that are most likely to influence retention. The Delphi process
of obtaining this crucial information was rigorous and the researcher enlisted the assistance of senior academics, experienced HR practitioners and industrial psychologists to initially identify these factors. To further confirm the accuracy of the identified HRM factors, HR managers of twelve organisations were interviewed to assess the current retention management practices of the Australian business environment.

*Why now?*

It was argued in Chapter One that many changes to organisations have occurred both in terms of organisational structure and employer and employee relationships (Allan and Sienko 1997; Fierman 1994; Kitay and Lansbury 1997; Kraut and Korman 1999). Changes in the economic environment have impacted on both the formal and informal contracts of employment. This in turn has affected employee motivation and organisational commitment.

Decreased employee commitment and increased flexibility of employment coincided with decreasing tenure and job instability for workers. The use of these non-standard employment arrangements have long-term consequences. Flexibility may be good business for the employer, but in many cases it may be devastating for the worker. Employment instability is contributing to the growing inequality in income, status, and economic security in Australia (ABS 2001).

Moreover, Pfeffer (1998), in his critical examination of the people management practices of organisations, has suggested that
there is a disturbing disconnect in today’s organisational management of people. He has marshalled impressive evidence to prove a direct, unassailable correlation between good people management and profits. Despite this mounting evidence, he argues that smart organisations still fall into harmful patterns when managing people and this is destructive to employment relationships and organisational performance.

*Who cares?*

In response to this question, it can be argued that both organisations and employees should care about the influence of HRM factors on organisational commitment and intention to stay.

With the average attrition rate in the Australian workplace currently 6 percent and the cost of replacing an employee usually amounts to a quarter of an individual’s annual salary. Consequently, a company with 50,000 employees incurs replacement costs approaching $18 million a year (Davies 2001; Ettorre 1997).

Furthermore, in a time and age when total quality and supreme customer service are germane to success in the world of keen and relentless competition, workers’ dedication has never been as valuable as now to organisations. Barney and Wright (1998) indicated that in order for human resources to contribute to sustained competitive advantage, they must remain hard to imitate, create value, and co-align, uniquely, to the organisation’s business strategy. For progressive organisations pursuing such competitive advantage,
the HRM–retention model developed in this study will assist in their objective to retain critical employees.

From an employee’s perspective, organisational actions such as HRM practices are indicative of the organisation's commitment to them (Whitener 2001). Employees who have their expectations met on the job (Tsui, Porter, and Tripoli 1997) and who perceive they are treated fairly (Huselid 1995) are more likely to stay in the organisation. A plethora of academic research conducted at the organisational level also suggests that human resource practices affect organisational outcomes by shaping employee behaviours and attitudes (Arthur 1994; Tsui, Pearce, Porter and Tripoli 1997).

Dick Kovacevich, CEO of Wells Fargo recently said, "The way I see it is, when you take care of your employees, they take care of your customers and your shareholders wind up winning" (Kover 2000, p. 1).

**Limitations**

Poole and Van de Ven (1989) stated that a good theory is by definition, a limited, fairly precise picture. There is always tension between internal consistency and the scope of theoretical models. The criteria for parsimony, rigour and coherence have driven this thesis to express a small but internally consistent framework. The other side of the coin is the criticism of the model for being an incomplete representation of complex phenomena. A number of extraneous, uncontrolled factors could influence the model variables. However, this has to be balanced with the fact that the thesis was primarily
concerned with retention management of core employees in large organisations.

This study, like all field research, has limitations. As with all studies of this type, common method variance, or mono-method bias, is a concern. However, due to the nature of the dependent variables, it is unlikely that common method variance would be a serious problem in this study. For example, intention to stay can be assessed only by asking the individual his or her thoughts on the matter. Although common method variance is an issue with this type of research methodology, this design can be quite useful in providing a picture of how people feel about and view their jobs (Spector and Brannick 1995). Spector concludes that "properly developed instruments are resistant to the method variance problem" (Spector 1984: 438). To enhance this resistance, efforts were carried out to follow the recommendation of Podsakoff and Organ (1986) to eliminate obvious overlap in items across measures.

One of the limitations of this study is that the model, which was developed and tested in this study, stopped at the level of intention (Ajzen 1988) to demonstrate motivated behaviour in terms of desire to remain in the organisation. Hence, the data collected were cross-sectional, so causality cannot be definitively determined.

In addition, the study is limited to specific categories of industries such as higher education, health care and public sector industries. Hence, the generalisability of the study may be restricted due to the small number of companies.
There are some shortcomings of the three phased approach methodology used in this study that should be acknowledged.

In the Delphi study, bias may have occurred from poorly worded or leading questions or selective interpretation of the results. However in this study, this limitation was addressed via the use of a focus group consisting of a couple of senior academics in the field of HRM. Participant dropout can also be a problem in the Delphi study (Linstone and Turoff 1975). Initially, seventeen experts agreed to participate but only thirteen responded therefore affecting the sample size.

In Phase two, it was an important advantage to use the in depth interview to probe complex answers, obtaining an expansion of answers of the standardized questions, and resulting in greater extraction of information from the participants (Hayes 1998; Zikmund 1997). However, the extraction of this kind of highly sensitive and confidential information (especially the turnover rates) from policy makers can be less accurate due to the reluctance to divulge. To overcome this problem and also reduce the chance of misinterpretation of questions, the semi structured interview style was selected as the appropriate approach to elicit rational and complete responses.

In Phase three, the response rate of each group (health care, higher education and public sector) was different and may cause
inconsistency in the results. To conquer this problem, the sample size of the two diversified industries and the one manufacturer were considered too small and did not have sufficient statistical power. They were removed due to non-significance. In addition, there were also weaknesses intrinsic in comparing the data from diverse perspectives. The researcher had considered limiting this research to specific sectors (either private or public sector), to obtain good consistency of the results. However, if this approach was undertaken a high response rate could not have been guaranteed and therefore the research overall may have been compromised.

**Future Directions and Research**

An obvious complement to this study is to conduct longitudinal research. Some of the arguments and findings of this study may well be a good starting point for such research. Longitudinal studies are needed to establish causal direction among the relationships investigated in this study. For example, in a longitudinal study, it may be possible to observe over time if turnover intention measured at one point is associated with negative beliefs and outcomes at a later point. It would provide more robust data. In addition, a longitudinal study would be able to further examine the changing nature of organisational commitment throughout an employee's tenure, with emphasis on management's policies and reactions to maintain equity and fairness in the exchange agreement.
This research has highlighted the mediating role of organisational commitment on person organisational fit, teamwork relationship and organisational culture and policies and the partially mediating role on remuneration, recognition and reward, training and career development and work environment. Clearly, there is a need for greater analysis of the factors identified. For example, other aspects of the work environment than those that were measured in this study, such as formalisation, role ambiguity, and instrumental communication should be examined. Hence a better understanding of the interrelationships among these variables would serve to illuminate and provide further insights for academics and practitioners.

Further, testing of the model in other industries, and over longer periods of time would also be beneficial. This study only examined the education, health care and public sector industries, future research will need to confirm to what degree the link between commitment and retention does also exist for other industries.

Given the empirical confirmation for many of this study’s predictions, it seems timely and prudent for theorists and researchers to move toward "finer-grained" studies. Future empirical studies should include measures of the psychological linkages and extend the examination to distinguish the dimensions of turnover intention and organisational commitment.

This research precluded other antecedents of commitment such as perceived alternative employment and magnitude or number of
investment lost in leaving the organisation the commitment-turnover relationship. Future work should include these variables to study their impact on the relationship between the independent and dependent variables of the HRM – retention model.

Commitment was selected as a useful construct on which to base this study because it can be correlated with subjects' social identity characteristics and perceptions, and it is organisationally important. Research has shown that organisational commitment is a salient antecedent of turnover intent (Singh and Schwab 2000; Somers 1995). However, job satisfaction is also an important antecedent of commitment (Coyle-Shapiro and Kessler 2000; Mayer and Schoorman 1992). Therefore future studies may explore relationships involving job satisfaction and other commitment foci (e.g. professional commitment, supervisor commitment, commitment propensity). This extended examination may determine if similar patterns emerge.

In conclusion, this study has gone a substantial way towards meeting its main objective, which was to determine the HRM factors that influence the retention of core employees in Australian organisations. The study was able to produce a new model (Figure 7.1) suitable for future use by human resource practitioners as a guide in determining what initiatives an organisation should adopt to retain their critical employees.
Re: A Request to Participate in Research

I am a PhD candidate from Murdoch University, Western Australia, specialising in International Business. I am currently, conducting a research study on retention management. This research is fully endorsed by the School of Business at Murdoch University and my supervisors, Associate Professor Lanny Entrekin and Dr Shelda Debowski.

Employee retention is a highly important strategic tool for corporations. The aim of this study is to examine the influence of human resource practices on the retention of core employees of Australian organisations. The findings would benefit both the organisations and employees in the area of HRM. Results from this study will assist in the development of an effective HRM retention program for organisations.

**Your participation will form a critical part of the research.** To assist in my research, I would like to invite you to participate in a three round Delphi Study. Each round of the study would require approximately 20 minutes and the data collection would occur over a two-month time period commencing on 26 August 2002. This is an intermediate methodology that will be used to develop a measurement instrument for a later stage of the study. The sharing of your knowledge and experience as you answer the three e-mailed surveys will be valuable to me and as such will be treated with the **strictest confidence.** No reference will be made to any individual and the information will be reported in an aggregated form. A summary of my findings will be provided upon request.

I can be contacted via phone or e-mail at the above address. If you have any queries, please do not hesitate to contact me. I thank you in advance for your assistance and consideration.

Yours sincerely

Janet Chew
MIR (London) B Com (Hons) (Murdoch)
Associate Lecturer
Murdoch Business School
RESEARCH PROJECT:
THE INFLUENCE OF HUMAN RESOURCE PRACTICES ON THE
RETENTION OF CORE EMPLOYEES

CONSENT AGREEMENT

I am a PhD student at Murdoch University investigating the management of retention in Australian organisations. The aim of this study is to examine the influence of human resource practices on the retention of core employees of Australian organisations.

You can help in this study by consenting to complete three rounds of an electronic email survey. As a participant you will be asked to express your expert opinion and judgement on the current development of retention management in Australia and to identify the key HR factors influencing retention in the work place. Appendix 1 describes the procedure. Each survey will require approximately 20-30 minutes and the data collection would occur over a two-month period, commencing on 23rd August 2002.

If you are willing to participate in this study, could you please complete the details below. If you have any questions about this project please feel free to contact either myself, Janet Chew on 93602443 or my supervisor, Associate Professor Lanny Entrekin, on 93602528. Alternatively, you can contact Murdoch University’s Human Research Ethics Committee on 93606677.

I understand that I am free to withdraw my consent and discontinue my participation at any time without prejudice. I also understand that all materials in this study are confidential. I agree that the research data gathered for this study may be published, provided that neither my company nor myself are identified.

Name of Participant: ______________________________________________________

Signed: ___________________________________ Date: ______________________

Researcher:    Janet Chew
Signed: __________
APPENDIX 3

Murdoch Business School

DELPHI STUDY
Intermediate Methodology

THE INFLUENCE OF HR PRACTICES ON THE RETENTION OF CORE EMPLOYEES IN AUSTRALIAN ORGANISATIONS

First Round Questionnaire

PhD Researcher: Janet Chew

Supervisors: Associate Professor Lanny Entrekin
Dr Shelda Debowski
Delphi Study
First Round Questionnaire

Dear

Thank you for agreeing to participate in this study. The procedure for this Delphi study will consist of three electronic mailed survey rounds completed over a two-month period. The results of each round will be analysed and fed back to the respondents, who will then be asked to re-examine their opinions in light of the overall results. The first round survey will commence on 26 August 2002 and consists of open-ended questions designed to elicit expert opinions regarding HR factors that influence the retention of core employees of Australian organisations.

Please answer as fully as possible. Once the questionnaire is completed kindly return via electronic mail to jchew@central.murdoch.edu.au or through the postal system before the 9th September 2002.

The second round of questions will be mailed out 2-3 weeks after the returned date of the first survey and participants will once again be allocated 2 weeks to complete the questionnaire. The final round will follow suit.

If you have any queries at any time during the surveys, please do not hesitate to contact Janet Chew on 9360-2443 or at her e-mail address mentioned above.

Please complete both Section A - 8 questions and Section B – Background information
SECTION A
THE INFLUENCE OF HR PRACTICES ON THE RETENTION OF CORE EMPLOYEES OF AUSTRALIAN ORGANISATIONS

1. How would you distinguish a core employee from other types of employees?

2. How would you define a core employee?

3. How do you think Human Resource practices of Australian organisations influence the retention of employees? (core and non core) Please explain your views.

4. Kindly identify the human resource factors/elements that influence the decision of employees to stay with an organisation in Australia. Please explain why you believe that each factor influences retention.

5. Researchers, Lepak & Snell (1999) developed a theoretical model of HR architecture that describes different employment modes, employment relationships and HR configurations. The model
takes into account four employment modes. These are core staff, acquisition, alliance and contracting:

A. Core
High value, high uniqueness employees are ‘core’ employees and a source of competitive value. Their value and uniqueness may be based on ‘tacit knowledge’ that would be valuable to a competitor.

B. Acquisitions
High value, low uniqueness employees are those whose skills are valued but are widely available in the market, for example, accountants.

C. Alliance
Low value, high uniqueness employees are those who are not essential to creating value and are therefore not ‘core’ but who have skills that the organisation needs from time to time, such as lawyers.

D. Contracting
Low value, low uniqueness employees are those with lower-level skills that are widely available in the market. In this case labour is treated as a commodity to be acquired when needed.

Do you agree with this model? If your answer is yes, please elaborate. If No, please indicate your alternate views.
6. Do you think that the model outlined in Question 5 is representative of what is broadly taking place in Australia? If your answer is No, could you please provide a detailed explanation of your contrasting view?

7. How do core employee needs differ from other types of employees? (acquisitions, alliance and contracting).

8. With regards to current human resource management practice, do you think Australian organisations adopt one standardised practice for every employee within the firm (a holistic approach) or apply differential HR practices for different types of employees? (core, acquisitions, alliance, and contracting). Can you give examples to illustrate your answer?

End of Section A
SECTION B: BACKGROUND INFORMATION

1. Current Position:

2. Type of Institute/Industry:

3. Highest Qualifications:

4. Age:

5. Gender:
   Male

End of Section B

Thank you for your kind participation
THE INFLUENCE OF HR PRACTICES ON THE RETENTION OF CORE EMPLOYEES IN AUSTRALIAN ORGANISATIONS

Second Round Questionnaire

PhD Researcher: Janet Chew

Supervisors: Associate Professor Lanny Entrekin
            Dr Shelda Debowksi
Dear Dr Smith

Thank you very much for responding to the Delphi Questionnaire (Round One) which has now been analysed. Your comments were very useful and your responses to the questions have enabled me to move to the next round of the study.

This is the second round questionnaire of the Delphi study on the influence of HR practices on the retention of core employees in Australia. It is estimated that this questionnaire will take approximately 15 minutes to complete depending on the depth of your response.

I wish to assure you again that all information provided through this survey would be handled with strict confidentiality and reported in a way so as to preserve the anonymity of the respondents.

**Survey Instructions**

Please complete all of the questions (1-5). Responses can be written or typed. The completed questionnaire can be returned by postal mail or electronic mail to the following addresses:

E-mail address: jchew@central.murdoch.edu.au
Postal Address: Janet Chew
   Associate Lecturer
   Murdoch Business School
   Murdoch University
   South Street, MURDOCH  WA  6150

Kindly, return your questionnaire by Friday, 8th November 2002. Your responses will be analysed and synthesised in the coming weeks and you will be contacted for the final round (3) in due course.

Once again thank you for your co-operation and support of this study.
SECTION A

Please note any additional comments about your responses or any suggestions or observations you may have concerning the questionnaire in the space below each question.

**QUESTION 1: Defining a Core Employee**

Following is a list of descriptions of a core employee provided by The Panel (Round One). Please rank a minimum of five of the statements in order of importance, with 1 being the most important.

Core employees:

<table>
<thead>
<tr>
<th>Characteristics of a core employee</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Support the organisational culture and vision.</td>
<td></td>
</tr>
<tr>
<td>B Carry out essential tasks.</td>
<td></td>
</tr>
<tr>
<td>C Possess competencies that are unique.</td>
<td></td>
</tr>
<tr>
<td>D Provide a competitive edge to the organisation.</td>
<td></td>
</tr>
<tr>
<td>E Contribute to the organisational memory – their departure would drain the organisation's knowledge and skill bank.</td>
<td></td>
</tr>
<tr>
<td>F Possess skills, knowledge and abilities that are relatively rare or irreplaceable.</td>
<td></td>
</tr>
<tr>
<td>G Are recognised and included on a succession plan.</td>
<td></td>
</tr>
<tr>
<td>H Are central to an organisation’s productivity and wellbeing.</td>
<td></td>
</tr>
<tr>
<td>I Provide skills and/or knowledge to ensure the success of the organisation.</td>
<td></td>
</tr>
<tr>
<td>J Act as key motivators, mentors or role models to other staff.</td>
<td></td>
</tr>
<tr>
<td>K Are innovative and customer focussed.</td>
<td></td>
</tr>
<tr>
<td>L Possess knowledge, skills and attributes that are closely aligned with the existing or possible future operational direction of the business.</td>
<td></td>
</tr>
<tr>
<td>M Display an identification with, and commitment, to the organisation.</td>
<td></td>
</tr>
</tbody>
</table>
Q1 Comments:

QUESTION 2: Human Resource Factors Influencing Retention

The collective responses identified the following human resource factors/elements, which influence the retention of core employees. Please rank the top five factors (1-5) in order of their importance, with 1 being the most important.

<table>
<thead>
<tr>
<th>Human Resource Factors</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Equity of compensation and benefits.</td>
<td></td>
</tr>
<tr>
<td>B Effective Selection.</td>
<td></td>
</tr>
<tr>
<td>C Provision of effective training.</td>
<td></td>
</tr>
<tr>
<td>D Career Development.</td>
<td></td>
</tr>
<tr>
<td>E Challenging Employment Structures and Opportunities.</td>
<td></td>
</tr>
<tr>
<td>F Fair and equitable Performance management.</td>
<td></td>
</tr>
<tr>
<td>G Employee assistance Programs.</td>
<td></td>
</tr>
<tr>
<td>H Security of tenure.</td>
<td></td>
</tr>
<tr>
<td>I Reward and recognition of employee value.</td>
<td></td>
</tr>
<tr>
<td>J Employee Behaviour education (eg OHS, EEO).</td>
<td></td>
</tr>
</tbody>
</table>

Q2 Comments:
QUESTION 3: Organisational Impacts on Human Resource Management

According to the panel, the following is a list of organisational factors that influence human resource management. Kindly rank the top five factors (1-5) in order of their importance, with 1 being the most important.

<table>
<thead>
<tr>
<th>Organisational Factors</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Company policies and culture.</td>
<td></td>
</tr>
<tr>
<td>B Communication and consultation.</td>
<td></td>
</tr>
<tr>
<td>C Satisfactory working environment.</td>
<td></td>
</tr>
<tr>
<td>D Provision of state-of-the-art equipment.</td>
<td></td>
</tr>
<tr>
<td>E Influential and sensitive leadership style.</td>
<td></td>
</tr>
<tr>
<td>F Effective integration: working relationships.</td>
<td></td>
</tr>
<tr>
<td>G Effective dispute resolution.</td>
<td></td>
</tr>
<tr>
<td>H Organisational loyalty and pride.</td>
<td></td>
</tr>
<tr>
<td>I The quality and timeliness of feedback to the employee.</td>
<td></td>
</tr>
</tbody>
</table>

Q3 Comments:
QUESTION 4: Human Resource Architecture: An Australian Model

A model of human resource architecture is a means by which to distinguish employees in order to design human resource support systems. In Round One, you were asked if you agreed or disagreed with the theoretical model of Lepak and Snell (1999). Results indicate that 62% agreed, 30% disagreed and 8% were not sure. Based on your collective comments, we were able to deduce that a theoretical model of human resource architecture in the Australian business environment should also take into consideration the following additional factors. Please rank in order of importance, a minimum of 5, with 1 being the most important.

<table>
<thead>
<tr>
<th>Factors of HR Architecture</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Number of levels in the organisational hierarchy.</td>
<td></td>
</tr>
<tr>
<td>B Types of worker included in the organisation (eg. managerial, technical, trade).</td>
<td></td>
</tr>
<tr>
<td>C Type of industry (eg. mining, manufacturing, and service).</td>
<td></td>
</tr>
<tr>
<td>D Size of the organisation (large, medium, and small).</td>
<td></td>
</tr>
<tr>
<td>E Competitiveness of the industry.</td>
<td></td>
</tr>
<tr>
<td>F Predominant Occupational group (eg. engineers, marketeers).</td>
<td></td>
</tr>
<tr>
<td>G Strategic focus of the organisation (eg. Project, Growth and Maintenance).</td>
<td></td>
</tr>
<tr>
<td>H Organisational Structure (eg. international, local franchisee).</td>
<td></td>
</tr>
</tbody>
</table>

Q4 Comments:
QUESTION 5
In the Australian context, what do you see are the barriers/factors that reduce the influence of human resource practices?

This concludes Round 2 of the Delphi Study
Thank you for your participation. You will be notified when Round 3 begins.
APPENDIX 5

Janet Chew  
Murdoch Business School  
Murdoch University  
South Street  
Murdoch Western Australia 6150  
Tel: 93602443  
E-mail Address: jchew@central.murdoch.edu.au

Name and address of Participant

Dear Participant

Re: A Request to Participate in Research

Strategic staffing has become an important concern for many companies because their ability to hold on to their high potential core employees and to minimise turnover among new hires is critical to their future survival. It is now recognized that companies with the best people practices lead in financial success and generate the best returns for shareholders (Watson Wyatt’s 2002). However, increasingly, organisations are competing for the best talent. With the average attrition rate in the Australian workforce approaching 40% and more than 50% of individuals planning to leave the workplace, the focus on retention is therefore critical.

I am a PhD candidate from Murdoch University, Western Australia, specializing in human resource management. I am currently, conducting a research study on the retention management of Australian organizations. This research is fully endorsed by the School of Business at Murdoch University and my supervisors, Associate Professor Lanny Entrekin (Murdoch) and Professor Shelda Debowski (UWA)

An employee retention program is a highly important strategic tool for corporations. The purpose of this study is to examine the influence of human resource practices on the retention of core employees of Australian organizations. The resulting findings would contribute to, and benefit, both the organizations and employees in the area of HRM. Results from this study will assist in the development of an effective HRM retention program for an organization like yours. My research is designed to
determine key HR factors that influence the retention of core employees of Australian organizations. I recently completed Phase 1 of my study, in which a panel of experts comprising of HR managers/representatives, senior management academics and industrial psychologists were asked to respond to a series of questionnaires, relating to human resource practices and retention. The results of this Delphi study have been the basis for a questionnaire, which I will be using, in the next stage of my research.

I would like to invite you to be part of this next stage. This would involve a) an interview of the HR manager or a HR representative of your firm and b) the conducting of a mail survey of 60 of your core employees. I wish to assure you that all information provided through this two part process would be handled with **strict confidentiality**. All information given will remain confidential and no names or other information that might identify you or your organization will be used in any publication arising from the research. No reference will be made to any organization and the information will be reported in an aggregated form. Feedback on the study will be provided to participants. **Your company’s participation will form a critical part of this research.**

I will contact you directly in the next few days to discuss your willingness to participate and the interview arrangements, at your convenience. In the meantime, I can be contacted via phone or e-mail at the above address. If you have any queries, please do not hesitate to contact me. I thank you in advance for your assistance and consideration.

Yours sincerely

Janet Chew
MIR (London) B Com (Hons) (Murdoch)
Lecturer
Murdoch Business School
Murdoch University
CONSENT AGREEMENT

I am a PhD candidate at Murdoch University investigating the management of retention in Australian organisations. The aim of this study is to examine the influence of human resource practices on the retention of core employees of Australian organisations.

You and your organisation can help in this study by consenting to participate in a) a half an hour interview and b) employee survey of 60 of your core employees. As a participant of the in-depth interview you will be asked to express your expert opinion and judgement on the current development of retention management in Australia and to identify the key HR factors influencing retention in your workplace.

If you and your organization are willing to participate in this study, could you please complete the details below. If you have any questions about this project please feel free to contact either myself, Janet Chew on 93602443 or my supervisor, Associate Professor Lanny Entrekin, on 93602528. Alternatively, you can contact Murdoch University’s Human Research Ethics Committee on 93606677.

************************************************************************************

I have read the information above. Any questions I have asked have been answered to my satisfaction. I agree to take part in this activity, however, I know that I may change my mind and stop at any time.
I understand that all information provided is treated as confidential and will not be released by the investigator unless required to do so by law.
I agree that research data gathered for this study may be published provided my name or other information which might identify me is not used.

Name of Participant: ______________________________________________________

Signed: ___________________________________ Date: ______________________

Researcher:    Janet Chew

Signed: ______________
APPENDIX 7

Murdoch Business School

PHASE 2

THE INFLUENCE OF HR PRACTICES ON THE RETENTION OF
CORE EMPLOYEES IN AUSTRALIAN ORGANISATIONS

INTERVIEW
QUESTIONNAIRE

PHD Researcher: Janet Chew

Supervisors: Associate Professor Lanny Entrekin
Professor Shelda Debowski
SECTION A: Employees (Core and Non Core)

1. Which of the following statement/s best describes your company’s core employees?

Core Employees:

a. Possess knowledge, skills and attributes that are closely aligned with the existing or possible future operational direction of the business.

b. Are central to an organisation’s productivity and wellbeing.

c. Provide a competitive edge to the organisation.

d. Support the organisational culture and vision.

e. Provide skills /or knowledge to ensure the success of the organisation.

f. Possess tacit knowledge not in the public domain.

2. How do you distinguish between your core employees and the non-core employees?

____________________________________________________________

3. Do your core employees have different needs to non-core employees?

____________________________________________________________

4. Approximately how many employees are there in your company?

____________________________________________________________

5. What portion of your employees are ‘core employees’?

------------Less than half        --------About half        -----------More than half
6. Does your company adopt one standardised human resource practice for every employee within the firm (a holistic approach) or apply differential HR practices for different types of employees? (e.g. core vs. non core)

7. Does your company consider effective management of human resources to be a source of competitive advantage? How is this evident in your organizational practices?

8. As the senior HR person who do you report to?

9. Does HR play an important role in the strategic business planning of your organization? How do you contribute to this area?

10. Does your company have a separate Human Resource department?

11. Which of the following are controlled centrally by the HR department?
   - personnel records,
   - training programs,
   - salary
   - performance appraisal guidelines

12. Do you outsource any HR function?

13. How many employees do you have in the HR department?
14. The following factors have been suggested as important to human resource management. Could you identify the top three and explain how you believe this impact on the retention of core employees?

   a. attrition
   b. hiring
   c. promotions
   d. demotions
   e. transfers
   f. changes in workers' skill sets

15. The following list has been identified by research as the top five human resource factors that influence retention. Please indicate the extent of their importance to your company with regards to the retention of your employees. (e.g. Very important, Important, Somewhat important)

   1. Effective Selection
   2. Reward and recognition of employee value
   3. Career Development
   4. Challenging employment assignments and opportunities
   5. Equity of Compensation and benefits

16. How are the HR factors in Question 12 managed?

   (a) Could they be done better?
   (b). What impact do they have on staff retention?
17. The following list was identified by research as the top five organisational factors that influence retention.
1. Influential and sensitive leadership style
2. Company policies and culture
3. Communication and consultation
4. Effective integration: working relationships
5. Satisfactory working environment

(a) Please indicate the extent of their importance in your company.
(b) How is it managed?
(c) What could be improved in the management of these factors?
(d) What impact does it have on staff retention?

SECTION C: RETENTION MANAGEMENT

18. Are any of the following evident in your work context?
A. Marketplace competition has increased dramatically
B. Conditions in our business environment are rapidly changing.
C. Government regulations are rapidly changing.
D. The technology in our product/services is complex.
E. Short supply of skilled people in the labour market.

(a) Can you give examples of how they are impacting on the employee? activities and work environment?
19. Please indicate to what extent your company’s **hiring practices** influence the retention of employees. State the type of performance measure/s used to test the effectiveness of the hiring practices.

20. Please indicate to what extent your company’s **performance appraisal practices** influence the retention of your employees.

21. Please indicate to what extent your company’s **training and career development practices** influence the retention of your employees.

22. Please indicate to what extent your company’s **succession planning program** influence the retention of your employees.

23. Please indicate to what extent your company’s **pay practices** influence the retention of your employees.

24. Please indicate to what extent your company’s **leadership practices** influence the retention of your employees.

25. What voluntary turnover rate has your company had in the last year?

   - None
   - Up to 10%
   - 11% to 20%
   - 21% to 30%
   - 31% to 40%
   - 41% to 50% and above
26. Does your company monitor the turnover rate and the reasons for the turnover? Please state the reasons

_____________________________________________________________
_____________________________________________________________
_____________________________________________________________
_____________________________________________________________

27. How long have you been in this current job?

________________________________________________________________

28. Would your company like to have a copy of the summarised research findings?

[ ] Yes    [ ] No

End of survey

Thank you very much for your participation.
PHASE 3

THE INFLUENCE OF HR PRACTICES ON THE RETENTION OF CORE EMPLOYEES IN AUSTRALIAN ORGANISATIONS

EMPLOYEE SURVEY

PHD Researcher: Janet Chew

Supervisors: Associate Professor Lanny Entrekin
Professor Shelda Debowski
Project Title: The influence of Human Resource Factors on the Retention of Core Employees

Dear Employee,

I am a PHD candidate at Murdoch University investigating the influence of human resource practices on the retention of core employees. Retention of key personnel is a major Human Resource Management challenge facing most Australian organisations. This survey will help to identify many issues, which could affect an individual’s decision to stay with an employer. This study will help shape future human resource policies and assist in the development of an effective retention tool for your organisation, as well as contribute to my PhD.

Your company has kindly agreed to participate in this study. I would like to request your cooperation in completing the attached questionnaire. The questions seek your opinions regarding your company’s human resource management practices in relation to retention issues. There are no right or wrong answers; we simply want your honest opinions. The survey will take approximately 15-20 minutes.

If you have any questions regarding this project please feel free to contact myself, Janet Chew (on 93602443), my supervisor, Associate Professor Lanny Entrekin (on 93602528) or the Murdoch University Human Research Ethics Committee (on 93606677).

This questionnaire does not require you to personally identify yourself. Your information will remain anonymous and confidential and the data will only be reported in an aggregated form.

Thank you for your participation in this study. Your contribution is greatly appreciated.

Janet Chew  M.I.R (London), B.Com (Hon) (Murdoch) PhD Candidate
Lecturer
Murdoch Business School
Murdoch University
SECTION A: HUMAN RESOURCE FACTORS

The following statements relate to the way in which you perceive the human resource practices within your organisation. For each statement, you are asked to mark an X in the box that best describes your response.

How accurately do the following statements best describe your personal fit with your company’s culture and values?

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<td><strong>ORGANISATIONAL FIT</strong></td>
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<td>1.</td>
<td>This organisation has the same values as I do with regard to concern for others.</td>
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<td>2.</td>
<td>This organisation does not have the same value as I do with regard to fairness.</td>
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<td>3.</td>
<td>This organisation has the same values as I do with regard to honesty.</td>
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<td>4.</td>
<td>I feel that my personal values are a good fit with this organizational culture.</td>
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How accurately do the following statements describe your company’s remuneration and recognition system?

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<td><strong>REMUERNATION AND RECOGNITION</strong></td>
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<td>5.</td>
<td>Employees are given positive recognition when they produce high quality work.</td>
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<td>6.</td>
<td>This organisation pays well.</td>
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<td>7.</td>
<td>This organisation offers a good benefits package compared to other organisations.</td>
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<td>8.</td>
<td>This organisation values individual excellence over teamwork.</td>
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<td>9.</td>
<td>This organisation offers good opportunities for promotion.</td>
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How accurately do the following statements describe your company’s training and career development practices?

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<td><strong>TRAINING AND CAREER DEVELOPMENT</strong></td>
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<td>10.</td>
<td>People are properly orientated and trained upon joining this organisation.</td>
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<td>11.</td>
<td>This organisation does provide regular opportunities for personal and career development.</td>
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<td>12.</td>
<td>Innovation and creativity are encouraged here.</td>
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<td>13.</td>
<td>The organisation has career development activities to help an employee identify/improve abilities, goals, strengths &amp; weaknesses.</td>
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How accurately do the following statements describe attributes that are currently present in your job?

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<td><strong>CHALLENGING EMPLOYMENT ASSIGNMENTS AND OPPORTUNITIES</strong></td>
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<td>14.</td>
<td>Employees are offered more challenging work within the organisation.</td>
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<td>15.</td>
<td>Employees can work autonomously on their work assignments.</td>
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<td>16.</td>
<td>Employees are skilled to do a number of different jobs, not just one particular job.</td>
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<td>17.</td>
<td>Employees are given opportunities to learn new things.</td>
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<td>18.</td>
<td>Employees are offered a good amount of variety in their job.</td>
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SECTION B: ORGANISATIONAL FACTORS

How accurately do the following statements describe the effectiveness of your company’s leadership practices at the organisational and the team level? Please respond using the same scale.

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**ORGANISATIONAL LEADERSHIP**

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<td>19. The leadership practices in this organisation help me to become a high performing employee.</td>
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<td>20. The leadership practices in this organisation enhance my satisfaction with my job.</td>
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<td>21. The organisational leadership practices are consistent with my personal values.</td>
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<td>22. The organisational leadership practices make a positive contribution to the overall effectiveness of the organisation.</td>
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**TEAM RELATIONSHIP**

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<td>23. Team working is valued in this organisation.</td>
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<td>24. Members of my team expect and maintain high standards of performance.</td>
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<td>25. Team leaders are recognised for promotion and development.</td>
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<td>26. Each member of my team has a clear idea of the group’s goals.</td>
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How accurately do the following statements best describe your company’s culture and policies?

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**ORGANISATIONAL POLICIES**

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<td>27. Organisational policies and procedures are helpful, well understood and up to date.</td>
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<td>28. Progress towards meeting planned objectives is periodically reviewed.</td>
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<td>29. The organisational structure facilitates the way we do things.</td>
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<td>30. This organisation has a defined vision/mission to meet its goals.</td>
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How accurately do the following statements describe your company’s communication and consultation process?

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**COMMUNICATION**

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<td>31. This organisation keeps employees well-informed on matters important to them.</td>
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<td>32. Sufficient effort is made to determine the thoughts and responses of people who work here.</td>
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<td>33. Communications across all levels in this organisation tend to be good.</td>
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<td>34. Organisational structure encourages horizontal and vertical communication.</td>
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<td>35. There is trust between employees and their supervisors/team leaders.</td>
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How accurately do the following statements best describe your working environment?

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**WORKING ENVIRONMENT**

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<tbody>
<tr>
<td>36.</td>
<td>My working life balances with my family life.</td>
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<tr>
<td>37.</td>
<td>Overall this organisation is a harmonious place to work.</td>
<td></td>
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<tr>
<td>38.</td>
<td>This organisation regards welfare of its employees as its first priority.</td>
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<tr>
<td>39.</td>
<td>Workers and management get along in this organisation.</td>
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<tr>
<td>40.</td>
<td>For the work I do, the physical working conditions are very pleasant.</td>
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<tr>
<td>41.</td>
<td>This organisation offers a lot of security.</td>
<td></td>
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<tr>
<td>42.</td>
<td>A spirit of cooperation and teamwork exists.</td>
<td></td>
<td></td>
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</table>

How accurately do the following statements describe your commitment to your organisation?

<table>
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<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Neither Agree nor Disagree</td>
<td>Strongly Agree</td>
<td></td>
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</table>

**ORGANISATIONAL COMMITMENT**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>43.</td>
<td>I feel a strong sense of belonging to this organisation.</td>
<td></td>
<td></td>
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<tr>
<td>44.</td>
<td>I could just as well be working for a different organisation if the type of work was similar.</td>
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<tr>
<td>45.</td>
<td>Often I find it difficult to agree with this organisation’s policies on important matters relating to its employees.</td>
<td></td>
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</tbody>
</table>
46. This organisation really inspires the very best in me in the way of job performance.  

47. I find that my values and this organisation’s values are very similar  

48. There is little to be gained by sticking with this organisation indefinitely.  

49. I am willing to put in a great deal more effort than normally expected to help this organisation be successful.  

50. I am proud to tell others that I am part of this organisation.  

51. I really care about the fate of this organisation.  

What are your plans for staying with this organisation?  

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
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<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Neither Agree nor Disagree</td>
<td>Strongly Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TURNOVER INTENTION**  

<table>
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<tr>
<th>1</th>
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<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>52.</strong> I plan to work at my present job for as long as possible.</td>
<td></td>
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</tr>
<tr>
<td><strong>53.</strong> I will most certainly look for a new job in the near future.</td>
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<tr>
<td><strong>54.</strong> I plan to stay in this job for at least two to three years.</td>
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</tr>
<tr>
<td><strong>55.</strong> I would hate to quit this job.</td>
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</tr>
</tbody>
</table>
SECTION C: BACKGROUND INFORMATION

PLEASE COMPLETE THIS SECTION. THE FOLLOWING QUESTIONS REQUIRE A WRITTEN RESPONSE.

56) Your Age: ☐ 20-29 ☐ 30-39 ☐ 40-49 ☐ 50-65

57) Gender: ☐ Male ☐ Female

58) Industry: ___________________________________________________

59) What is your occupation? ________________________________

End of survey

Thank you very much for your participation.
Please return the survey to (jchew@central.murdoch.edu.au)
## Factorised Variables of the study

Note: R = reversed scored items. Items were deleted or retained

<table>
<thead>
<tr>
<th>No</th>
<th>Item</th>
<th>Text</th>
<th>Retained/Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Person Organisation Fit</td>
<td>Has the same values as I do with regard to concern for others</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Person Organisation Fit</td>
<td>Does not have the same values as I do with regard to fairness (R)</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Person Organisation Fit</td>
<td>Has the values as I do with regard to honesty</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Person Organisation Fit</td>
<td>My personal values are a good fit with this organisational culture</td>
<td>Deleted</td>
</tr>
<tr>
<td>1</td>
<td>Remuneration and Recognition</td>
<td>Recognition is given when produce high quality work</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Remuneration and Recognition</td>
<td>Pays well</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Remuneration and Recognition</td>
<td>Offers a good benefits package compared to other organisations</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Remuneration and Recognition</td>
<td>Values individual excellence over teamwork</td>
<td>Deleted</td>
</tr>
<tr>
<td>5</td>
<td>Remuneration and Recognition</td>
<td>Offers good opportunities for promotion</td>
<td>Retained</td>
</tr>
<tr>
<td>1</td>
<td>Training and career development</td>
<td>People are properly orientated and trained</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Training and career development</td>
<td>This organisation does provide regular opportunities and career development</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Training and career development</td>
<td>Innovation and creativity are encouraged</td>
<td>Deleted</td>
</tr>
<tr>
<td>4</td>
<td>Training and career development</td>
<td>This organisation has career development activities</td>
<td>Retained</td>
</tr>
<tr>
<td>1</td>
<td>Challenging assignments</td>
<td>Offered challenging work</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Challenging assignments</td>
<td>Work autonomously on their work assignments</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Challenging assignments</td>
<td>Skilled to do different jobs</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Challenging assignments</td>
<td>Given opportunities of learning new things</td>
<td>Retained</td>
</tr>
<tr>
<td>5</td>
<td>Challenging assignments</td>
<td>Offered a good amount of variety in their job</td>
<td>Retained</td>
</tr>
<tr>
<td>1</td>
<td>Leadership Behaviour</td>
<td>Help me to become a high performing employee</td>
<td>Retained</td>
</tr>
<tr>
<td></td>
<td>Leadership Behaviour</td>
<td>Enhance my satisfaction with my job</td>
<td>Retained</td>
</tr>
<tr>
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</tr>
<tr>
<td>3</td>
<td>Leadership Behaviour</td>
<td>Consistent with my personal values</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Leadership Behaviour</td>
<td>Make a positive contribution to the overall effectiveness of the organisation</td>
<td>Retained</td>
</tr>
<tr>
<td>1</td>
<td>Teamwork relationship</td>
<td>Team working is valued in this organization</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Teamwork relationship</td>
<td>Members of my team expect and maintain high standards of performance</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Teamwork relationship</td>
<td>Team leaders are recognised for promotion and development</td>
<td>Deleted</td>
</tr>
<tr>
<td>4</td>
<td>Teamwork relationship</td>
<td>Each member of my team has a clear idea of the group's goal</td>
<td>Retained</td>
</tr>
<tr>
<td>1</td>
<td>Organisational Culture and Policies</td>
<td>Policies and procedures are helpful, well understood and up to date</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Organisational Culture and Policies</td>
<td>Progress towards meeting planned objectives is periodically reviewed</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Organisational Culture and Policies</td>
<td>Structure facilitates the way to do things</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Organisational Culture and Policies</td>
<td>Has a defined vision/mission to meet its goals</td>
<td>Retained</td>
</tr>
<tr>
<td>1</td>
<td>Communication and Consultation</td>
<td>Keeps employees well-informed on matters important to them</td>
<td>Retained for Leadership scale</td>
</tr>
<tr>
<td>2</td>
<td>Communication and Consultation</td>
<td>Sufficient effort is made to determine the thought and responses of people who work here</td>
<td>Retained for Leadership scale</td>
</tr>
<tr>
<td>3</td>
<td>Communication and Consultation</td>
<td>Communications across all levels in this organisation tend to be good</td>
<td>Retained for Leadership scale</td>
</tr>
<tr>
<td>4</td>
<td>Communication and Consultation</td>
<td>Organisational structure encourages horizontal and vertical communication</td>
<td>Retained for Leadership scale</td>
</tr>
<tr>
<td>5</td>
<td>Communication and consultation</td>
<td>There is trust between employees and their supervisors/team leaders</td>
<td>Deleted</td>
</tr>
<tr>
<td>1</td>
<td>Work environment</td>
<td>My working life balances with my family life</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Work environment</td>
<td>This organisation is a harmonious place to work</td>
<td>Retained</td>
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<tr>
<td>3</td>
<td>Work environment</td>
<td>This organisation regards welfare of its employees as its first priority</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Work environment</td>
<td>Workers and management get along in this organisation</td>
<td>Retained for teamwork scale</td>
</tr>
<tr>
<td></td>
<td>Work environment</td>
<td>The physical working conditions are very pleasant</td>
<td>Retained</td>
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<tr>
<td>6</td>
<td>Work environment</td>
<td>This organisation offers a lot of security</td>
<td>Retained for remuneration scale</td>
</tr>
<tr>
<td>7</td>
<td>Work environment</td>
<td>A spirit of cooperation and teamwork exists</td>
<td>Retained for Teamwork scale</td>
</tr>
<tr>
<td>1</td>
<td>Commitment</td>
<td>I feel a strong sense of belonging to this organisation</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Commitment</td>
<td>I could just as well working for a different organisation if the type of work was similar (negative)</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Commitment</td>
<td>I find it difficult to agree with this organisation's policies (R)</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Commitment</td>
<td>This organisation really inspires the very best in me in the way of job performance</td>
<td>Deleted</td>
</tr>
<tr>
<td>5</td>
<td>Commitment</td>
<td>My values and this organisation's values are very similar</td>
<td>Retained for Person Organisation fit scale</td>
</tr>
<tr>
<td>6</td>
<td>Commitment</td>
<td>There is little to be gained by sticking with this organization indefinitely (R)</td>
<td>Retained</td>
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<tr>
<td>7</td>
<td>Commitment</td>
<td>I am willing to put in a great deal more effort than normally expected</td>
<td>Retained</td>
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<tr>
<td>8</td>
<td>Commitment</td>
<td>I am proud to tell others that I am part of this organisation</td>
<td>Retained</td>
</tr>
<tr>
<td>9</td>
<td>Commitment</td>
<td>I really care about the future of this organisation</td>
<td>Retained</td>
</tr>
<tr>
<td>1</td>
<td>Intention to stay</td>
<td>Plan to work at my present job for as long as possible</td>
<td>Retained</td>
</tr>
<tr>
<td>2</td>
<td>Intention to stay</td>
<td>Most certainly look for a new job in the near future (R)</td>
<td>Retained</td>
</tr>
<tr>
<td>3</td>
<td>Intention to stay</td>
<td>Plan to work in my current job as long as possible</td>
<td>Retained</td>
</tr>
<tr>
<td>4</td>
<td>Intention to stay</td>
<td>Would hate to quit this job</td>
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</tbody>
</table>
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