



TALENT RETENTION USING HIGH PERFORMANCE WORK SYSTEMS

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Abstract

This research study is intended to explore the impact of High Performance Work Systems (HPWS) on Employee retention at Will (ERW) in addition to testing mediating role of Employee Commitment (EC). The sampled elements are selected using stratified random sampling technique from oil and gas industry considering its economic importance for the Gulf Cooperation Council (GCC) region. The industry contributes substantially to the GDP and provides enormous employment opportunities to uplift the regional growth and development. The regional energy providers are in competition with each other, hence free employee switching is usual norm in the region that emerge the challenge of employee retention. Therefore, this study is designed to identify the role of HPWS as independent, EC as mediator towards Employee Retention. Using five-point Likert scale self-administered questionnaires, primary data in this cross-sectional study is collected from 303 respondents. Data is analysed using SPSS-25 and mediation of employee commitment is identified between HPWS and ERW. As oil and gas industry is very competitive and volatile, hence there are many political, economic, social, environmental and legal constructs that can't be controlled to maintain organizational economic sustainability. However, companies can generate commitment, motivation and can retain the talented staff by implementing (HPWS) in short and long run. Current study emphasizes on previously focussed elements of HPWS, however testing Employee Retention at Will as dependent and Employee Commitment as mediator in the GCC region are unique additions. Analysis revealed that the High-Performance Work Systems is significantly impacting Employee Retention at Will and further it explicates the noticeable mediation of Employee Commitment. Therefore, companies operating in this industry can use HPWS practices as a tool to retain the employee to attain economies of scale and better performance.

Key words: Human Resource Management (HRM), Employee Commitment (EC), Employee Retention (ER), Higher Performance Work Systems (HPWS), Oil and Gas, and Gulf Cooperation Council (GCC).

Introduction

The Higher Performance Work Systems (HPWS) concept is evolved from the world wide HR practices intended to achieve higher employee performance through greater employee wellbeing. The concept is widely reported with positive link with employee performance, employee commitment, job satisfaction that generates better organizational performance. Higher employee performance can be achieved by employee empowerment, training and motivation. As commitment and retention of employees are matter of apprehension for corporate sector, hence currently these are subjects of interest for organizational behaviour and human resource management researchers. Price of ignoring retention could be deleterious for employee commitment and eventually for organizational existence. While retention of employees in addition to tangible benefits develops the intangible outcomes such as employee motivation, commitment and sense of ownership at workplace. Therefore, HR and top leadership are keen to implement employee retention policies to make them loyal and high performer. The current study is based on oil and gas sector because of its contribution in the regional economy. The GCC oil and gas sector is currently functioning with 361 active projects worth \$331 billion to regain the industry growth momentum again. Hence, companies are recruiting active, semi active and passive job seekers from fresh and working pools. Therefore, there are chances of employees switching in the industry. Whereas the labour process theory claims that the performance gains from HPWS are resultant of increased responsibilities shifted to employees

which increases workload and stress for the employees.

Considering the current oil and gas industry situation and importance of HPWS for the companies operating in the GCC region the study framework is postulated. Study findings will contribute towards the existing body of knowledge and will facilitate the organizational leaders to ponder about the significance for HPWS and employee commitment. This understanding will help them design the short- and long-term employee retention strategies that will ultimately leads organizations to the competitive performance.

Literature Review

A complete set of distinct but unified human resource management practices are called High Performance Work System developed to supplement employee performance that leads to distinctive organizational performance. The important HR practices includes employee recruitment, compensation management, employee training and performance appraisal. (Boxall & Macky 2007). Well managed recruitment practices, labour-management participation programs, performance appraisals, promotions, and compensation & rewards on merit are significantly related with firm performance (Huselid, 1995). All such strategies and practices are recognized as HPWS. Though, the effect of these practices can vary on the behaviours of employees, yet the tools used to link these practices are likely to be constant. Den Hartog and Verburg (2004) postulated that HPWS also includes employee autonomy, performance-based pay, profit sharing and information sharing.

Flexibility in HR practices as a result of HPWS stimulates the firm performance (Beltrán-Martín et al., 2008). It contributes significantly towards innovation and innovative work behaviour of employees (Fu et al., 2015). There exists a significant relationship among HPWS, employee wellbeing, engagement, and job satisfaction. However, HPWS practices indirectly affect the wellbeing through engagement and by the combination of job satisfaction and engagement (Ananthram, Xerri, Teo, & Connell, 2018).

Appelbaum and Berg (2001) reported that HPWS compensates employees for their services and contributions towards organizational success, these rewards and psychological contract ensures the long term stay of employees with an organization. However, a concept of inequality might evolve because of different compensation values among employees having equal qualification. Job security can be a part of HPWS. Luna-Arocas and Camps (2007) found salary and job enhancement policies positively associated with job satisfaction. Job enhancement approaches were positively impacting the employee commitment combined with job stability measures. Whereas, commitment of employees was negatively associated to employee turnover intentions. Based on HPWS importance in Oil and Gas industry, preceding research recommendations and gaps following first hypothesis of the study is formed.

H1: HPWS leads to higher employee commitment

Employee retention is most probably the biggest motive and determinant of employee satisfaction and

wellbeing efforts. Employee retention have long term positive impacts on firm performance. HR practices including training and compensation have direct significant impact on employee turn-over intentions (Sam Gnanakkan, 2010). Messersmith and Guthrie (2010) found that the preceding practices yield constant firm success by empowering the human and developing social capital. Patel and Conklin (2012) concluded that long-term competitive advantage can be achieved through the implementation of HPWS which includes development, retention and motivation of workforce that results in increased employee productivity. While, group culture, mutually with HPWS plays a vital role in employee retention. Selden, Schimmoeller and Thompson (2013) found that the organizations that implemented centralized recruiting plans, extensive trainings, high compensation packages, performance incentives, group bonuses, and job rotation significantly reduced the voluntary turnover of newly hired employees. Wide positive consequences of HPWS have been reported with regards to job safety. The role of firm level factors promotes occupational safety more than the individual level measures (Zacharatos, Barling & Iverson, 2005). Based on literature review and the importance of employee retention for the organizations operating in the oil and gas sector the second hypothesis of the study is developed.

H2: HPWS causes employee retention at will

Employee commitment is a related concept to employee retention, so HPWS researchers also interrogated the topic. According to (Ramsay,

Scholarios, & Harley, 2002) HPWS affects commitment through good management whereas the financial compensation has a weak impact, Commitment increases when equality and management support are there along with the HPWS practices. Many researchers in the field pointed out the research gaps for further research which have been considered in this study. Maślanka-Wieczorek (2014) recommended the hiring of talented minds and careful management for the smooth and effective functioning of HPWS in an organization. It is further suggested by the researcher that the firms should optimize their abilities flexibly in order to familiarize with the changing conditions through their intellectual capital while setting priorities in the construct of HPWS.

Posthuma, Campion, Masimova, and Campion (2013) emphasised the need of examining the negative and positive impact HPWS on employee turnover. It is important to regularly gather data from employees inquiring about their attitudes towards the organizational practices and policies in order to improve organizational performance through HPWS. Being aware of employee perceptions and responding to it effectively play a crucial role in im-

proving organizational effectiveness (Boxall & Macky, 2007). Based on the gaps identified in earlier studies the third hypothesis of the current study is postulated.

H3: employee commitment mediates the relationship between HPWS and employee retention at will

Research Methodology

Theoretical Framework

Based on existing theory in the field of HPWS theoretical framework is proposed reflecting hypotheses of the study. Theoretical framework shown in (Figure I) is proposed based on three important constructs including high performance work systems as independent, employee commitment as mediator and employee retention as dependent variables. This model is proposed on the basis of research recommendations and gaps identified in the studies of (Boxall, & Macky, 2007; Posthuma, Campion, Masimova, & Campion, 2013; Fu, Flood, Bosak, Morris, & O'Regan, 2015; Ananthram, Xerri, Teo, & Connell, 2018). The given schematic diagram of theoretical framework is showing causal relationship of study variables.

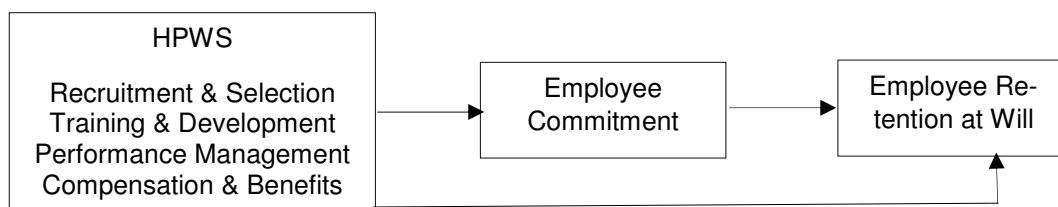


Figure 1: Theoretical Framework

Data Collection and Analysis

In this cross-sectional study for primary data collection from the employees of oil and gas sector organizations operating in the GCC countries, five-point Likert scale question items in survey instrument are adapted and tweaked. Items for high performance work system are taken from (Beer, 1984), while items for employee commitment and retention are taken from (Qureshi, 2013). Five-point Likert scale questionnaire is used to measure nominal, ordinal and scale data. To test the validity of scale Items Objective Congruence (Rovinelli & Hambleton, 1977) is used, where five experts were requested to provide their opinion about each item scale to be included or

not in the final version of the questionnaire. Based on their opinion one items from commitment and two items from HPWS variables were excluded, hence total items in the questionnaire are reduced to 29. Pilot study was conducted on initial data collected from 34 employees of ADNOC an oil company operating in United Arab Emirates, a convincing reliability ($\alpha = .855$) evidenced the instrument reliability. During the period of six months 600 questionnaires were distributed amongst 600 employees working in 12 companies operating in six GCC member countries including Kingdom of Saudi Arabia-KSA, Kuwait, Bahrain, Qatar, Oman, and United Arab Emirates-UAE.

Table 1: Response Rate

No.	Companies	Countries	Questionnaire distributed	Response collected
01	Abu Dhabi National Oil Company	UAE	50	35
02	Emirates Nation Oil Company	UAE	50	34
03	Saudi Aramco Mobil Refinery	KSA	50	28
04	Abdulla Fouad Holding	KSA	50	17
05	Doha Petroleum Construction	Qatar	50	18
06	Qatar General Petroleum Company	Qatar	50	23
07	Al Baraka Oilfield Services Saoc	Oman	50	31
08	Al Ghalbi International Engineering	Oman	50	21
09	Yokogawa Middle East	Bahrain	50	29
10	BAPCO	Bahrain	50	31
11	Kuwait Petroleum Corporation	Kuwait	50	18
12	Qurain Petrochemical Industries	Kuwait	50	18
	Total	6	600	303

Out of the total distributed questionnaires in the employees of 12 companies, 303 (50 %) respondents responded back. The highest response rate was noticed from the companies operating in UAE, while the lowest

was noticed from the companies operating in Kuwait.

Analysis and Discussion

Using SPSS 25.0, the statistical techniques; descriptive statistics, corre-

lation, and regression were applied on coded data. Cronbach coefficient alpha value for high performance work systems ($\alpha = .921$), employee commitment ($\alpha = .867$) and employee retention at will ($\alpha = .722$) evidenced in-

strument and data reliability. To investigate the relationship amongst study variables Pearson product movement correlation was calculated. Correlations (r) values for the tested constructs are given in Table II.

Table II: Correlations

	SD	Gender	Education	Experience	HPWS	EC	ERW
Gender	.4	1					
Education	4.2	-.500	1				
Experience	3.2	.756	.189	1			
HPWS	.546	.756	-.945	.143	1		
EC	.341	.803	-.918	.217	.812*	1	
ERW	.654	.929	-.786	.459*	.945*	.967*	1

* The correlation value is significant at (0.05) level.

Correlation values between employee retention at will and high-performance work systems is ($r = .945$, $p < .05$, S.D = .654) evidencing existence of significant relationship between the constructs. Similarly, there exists a significant relationship between employee retention at will and employee commitment ($r = .967$, $p < .05$, S.D = .654). following the same trend correlation values between employee commitment and high-performance work systems are ($r =$

.812, $p < .05$, S.D = .341). These values demonstrate the presence of significant relationship in same direction, hence presence of these constructs at same are support to each other.

Hypothesis Testing

Regression analysis technique of inferential statistics is used to test the proposed hypotheses, analysis results are given in Table III, IV, and V.

Table III: Regression Analysis-Employee Retention at Will as DV

	Standardized β	t value	Sig/p value.	adjusted R2	F value	Sig/p value.
HPWS	.734	21.0993	.000	.654	399.098	.000

To test the first hypothesis (HPWS leads to employee commitment) of the study data is regressed. The analysis results ($\beta = .734$, $p =$

.000) describes the significant and valuable impact of HPWS on employee commitment.

Table IV: Regression Analysis-Employee Commitment as DV

	Standardized β	t value	Sig.	adjusted R2	F value	Sig.
HPWS	0.628	22.509	0.001	0.564	410.561	0.003

Following the same pattern to test second hypothesis (high performance work system impact employee retention at will) data is analyzed and re-

sults ($\beta = .734, p = .000$) are showing significant impact of tested variable, that supports the proposed hypothesis.

Table V: Medication Analysis-Employee Commitment

Model		Standardized β	t value	Sig.	adjusted R2	F value	Sig.
I	HPWS	.734	21.0993	.000	.654	399.098	.000
Model		Standardized β	t value	Sig.	adjusted R2	F value	Sig.
II	EC	0.543	9.88	0.000	0.654	399.562	0.000
	HPWS	0.238	2.761	0.103			

The third hypothesis (employee commitment mediates the relationship between HPWS and employee retention) is tested. As there exists significant relationship of independent and dependent, independent and mediating, mediating and dependent variables, therefore following the recommendations of (Baron & Kenny, 1986) employee commitment is tested as mediator. Analysis are showing; when HPWS is tested alone as independent variable on employee commitment the values were ($\beta = .734, p = .000$), while employee commitment was included as mediating value then values were ($\beta = .543, p = .000$), however, the value of high performance work systems became insignificant ($\beta = .238, p = .103$). This clearly shows the existence of employee commitment full mediation between the tested constructs.

Conclusion and Recommendations

The current study observed the impact of higher performance work systems, and employee commitment on employee retention at will in the oil and gas sector operating in the GCC countries. The literature reviews

included emphasized the increasing importance of HPWS, EC, and ERW, however gap related with empirical testing of these variable in the GCC region is identified. Present study also explored the mediating role of employee commitment between HPWS and employee retention. Study concludes that the organizations operating in the oil and gas industry of GCC can retain their productive human resources despite their high demand in competitive firms by implementing high performance work systems in true spirit and without being prejudice to any of the practice, policy and person. Existence of employee commitment is added competitive advantage for the organizations, lacking in it means making people ready for the competition after spending heavy budget on their training and development. Current study evidently signifies the latent need to not only orient administration and employees about the concepts of high-performance work systems but also recommends the organizations to develop employee commitment and ownership culture, that will serve as foundation to employee retention, organizational and industry performance in the region to gain the competitive

edge again in the oil and gas industry in near future and long run.

Delimitations of the study

The findings of the study cannot be generalized over oil and gas companies operating in other parts of the world, as GCC region is having different business dynamics. Data is collected from the limited number of elements it can be increased further to upsurge generalizability. Longitudinal study can be conducted to measure organizational performance and employee retention before application of HPWS and afterwards. This study only considered the employees perspectives about the tested concepts, the other side of coin is leadership opinion about the concepts, that can be tested in future studies.

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