

# **The Impact of Human Resource Management Practices on Marketing Executive Turnover of Leasing Companies in Sri Lanka**

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## **ABSTRACT**

This study empirically evaluated six Human Resource (HR) practices (realistic job information, job analysis, work family balance, career development, compensation and supervisor support) and their likely impact on the Marketing Executive Intention to Leave (MEIL) in the Sri Lankan leasing companies. The sample consisted of hundred marketing executives working for 10 different leasing companies in Sri Lanka. The data were gathered by administering questionnaires. The results indicated job analysis, career development, compensation, realistic job information variables were negatively and significantly correlated with MEIL. The work family balance was not negatively correlated with MEIL. Results of regressing the HR practices on MEIL showed that compensation and job analysis are strong predictors of MEIL.

Keywords: Human Resource Practices, Leasing, Marketing Executive Turn Over

## **INTRODUCTION**

Sri Lankan leasing industry, which commenced in the early 1980s with only three companies, has grown significantly to have 50 institutions actively involved in leasing. Specialized leasing companies, finance houses, major commercial banks are all engaged in leasing today. Under the Finance Leasing Act No 56 of 2000 all companies that wish to engage in leasing should be registered with the Central Bank of Sri Lanka (Wijenaik, 2004).

Success of the leasing companies depends on the amount of quality business brought by the marketing executives operating in a highly competitive environment. These marketing executives are the backbone of leasing companies. It is the responsibility of the

management to retain the marketing staff by motivating them. When a marketing executive leaves a leasing company, the company loses not only the training cost, but also the valuable portfolio handled by the executive. It is revealed that most of the time a marketing executive leaves with his portfolio as the client is psychologically attached to the executive.

The objective of this paper is to examine the effects of HR practices on MEIL in leasing companies in Sri Lanka.

For leasing companies in Sri Lanka to survive in a very competitive environment, they need to design effective human resource (HR) practices that encourage the high performance of employees. Past researches have linked various HR practices to employee turnover. There are theoretical explanations or arguments (Miller & Wheeler, 1992; Pitt & Ramasehan, 1995; Trevor, Barry, & Boudreau, 1997; Abassi & Hollman, 2000; Hoon, Heard & Koh, 2000; Batt & Valcour, 2003; Firth, Mellor, Moore, & Loquet, 2004) in respect of impact of realistic job information, job analysis, work family balance, career development, compensation, supervisor support (or HRM practices) on turnover of employees. It seems that there is a gap in the empirical knowledge available about the effects of HRM practices on turnover of employees in the organizational context particularly marketing executive turnover in leasing companies in Sri Lankan context from the perspective of managers.

The study broadly focuses on the impact of HR practices on intention to leave of employees. In addition to this, the study also focuses on various HR practices in the leasing industry with respect to marketing executives working for leasing companies.

The outcome of the research would help to identify the effective human resource practices to retain the competent marketing staff. Moreover, the findings may help the academics to do further research on this area, as there is a knowledge gap. The present study would be a first step to fill this knowledge gap to a certain extent.

## **LITERATURE REVIEW**

Leasing is a relatively new industry in Sri Lanka. But it is fast growing due to the post 1977 economic reforms and industrial policies of the government.

New business inceptions for March 31, 2003 registered a volume of LKR 32 billion, a substantial growth over the previous year. The improved volume was a direct result of the spontaneous increase in economic activity following the peace process during and after 2001. (Wijenaike, 2004).

## **Employee Turnover Research**

Employee turnover remains one of the most widely researched topics in organizational analyses (Dalton and Todor, 1981). Despite significant research progress there still remains a great deal of confusion as to what factors actually cause employees to leave/remain in their organizations. Among those factors are the external factors (the labour market); institutional factors (such as physical working conditions, pay, job skill, supervision and so on); employee personal characteristics (such as intelligence and aptitude, personal history, sex, interests, age, length of service and so on) and employee's reaction to his/her job (including aspects such as job satisfaction, job involvement and job expectations) (Knowles, 1964).

## **Relationships between HRM Practices and Employee Turnover**

In order for firms to be competitive, they must retain their competent and motivated employees. For that they should understand the relationships between HRM Practices and Employee Turnover. These relationships for selected HRM practices are given below.

### **Realistic Job Information**

Where pre-selection practices are concerned, Pitt and Ramaseshan (1995) found that individuals who displayed a higher tendency to leave their jobs were those who perceived that the job previews that they received during the interview process were not realistic.

### **Supervisor Support**

Firth, Mellor, Moore, & Loquet, (2004) found that emotional support from supervisors and self-esteem mediated the impact of stressors on stress reactions, job satisfaction, commitment to the organization and intention to quit. It is suggested that to ameliorate intention to quit and in turn reduce turnover, managers need to actively monitor workloads and the relationships between supervisors and subordinates.

Monitoring workloads and supervisor-subordinate relationships by management may reduce intention to quit and subsequent turnover, thereby saving organizations the considerable financial cost and effort involved in the recruitment, induction and training of replacement staff.

### **Work Family Balance**

In studies that focused on other HR practices, Bame (1993) found that employee turnover was lower when employees had shorter work hours and were given a choice of work schedules, even though their workload was higher. The results suggested that firms that provide employees with flexible work schedules had the advantage of reducing employee turnover.

Batt and Valcour (2003) found that most effective organizational responses to work family conflict and to turnover are those that combine work family policies with other human resources practices including work redesign and commitment enhancing incentives.

### **Compensation (Benefits and Recognition)**

In studies related to compensation, Park, Ofori-Dankwa, & Bishop, (1994) and Trevor, Barry, & Boudreau (1997) found that salary growth had a pronounced effect on turnover. Particularly, salary growth effects on turnover were greatest for high performers, that is, high salary growth significantly reduced turnover for high performing employees.

Abassi and Hollman (2000) in their study have identified lack of recognition and lack of competitive compensation systems are some reasons for employee turnover in the organization.

### **Career Development**

Miller and Wheeler (1992) found that the lack of meaningful work and opportunities for promotion significantly affected employees' intentions to leave an organization. Organizations were able to improve their employees' retention rate by adopting job enrichment programs and enhancing their advancement opportunities. Besides promotion opportunities, the evaluation criteria used in the promotion and reward system also had significant effects on employees' turnover intentions (Quarles, 1994). Ineffective performance appraisal and planning systems contributed to employees' perceptions of unfairness and they were more likely to consider leaving the organization (Dailey and Kirk, 1992).

## **Job Analysis**

Job Analysis (JA) is the building block for all HRM activities. The job analysis is a process of obtaining information about jobs (McCormick, 1979). Conducting a JA and subsequently providing employees with a job description prevents the situation in which employees do not know what is expected of them to do.

JA forms the foundation upon which virtually all other human resource management systems are built and it therefore impacts on employee turnover in general. JA subsumes all other HR activities and therefore has a significant effect on employee turnover in general (Hoon, et al., 2000). The above review indicates that a firm's HR practices have a significant impact on employee turnover.

Given that a firm's resources are limited, firms may not be able to develop best practices in all of their HR activities in a short span of time. Hence, the purpose of this study is to investigate the impact of HR practices on employee turnover by considering HR practices of selected firms simultaneously. Firms that do not have good HR practices can begin a program of developing HR practices that have the greatest impact on employee turnover in a systematic fashion.

Based on the above-mentioned literature, realistic job information, job analysis, work family balance, career development, compensation and supervisor support can be identified as HRM practices that have impacts on employee turnover.

## **Conceptual Framework**

An analysis and review of the relevant literature on the subject and the various factors highlighted by key industry personnel in the preliminary interviews, it is evident that a single model may not throw light on the multiple HRM practices influencing the turnover as identified in various studies.

Therefore for ease of comprehension and measurement the following conceptual framework has been developed for the purpose of this study (Figure 1).

The framework shows that MEIL is influenced by six (6) main HRM practices. The HRM practices are realistic job information, job analysis, career development, compensation, supervisor support and work family balance. These six (6) HR practices are labeled as the independent variables. MEIL is labeled as the dependent variable.

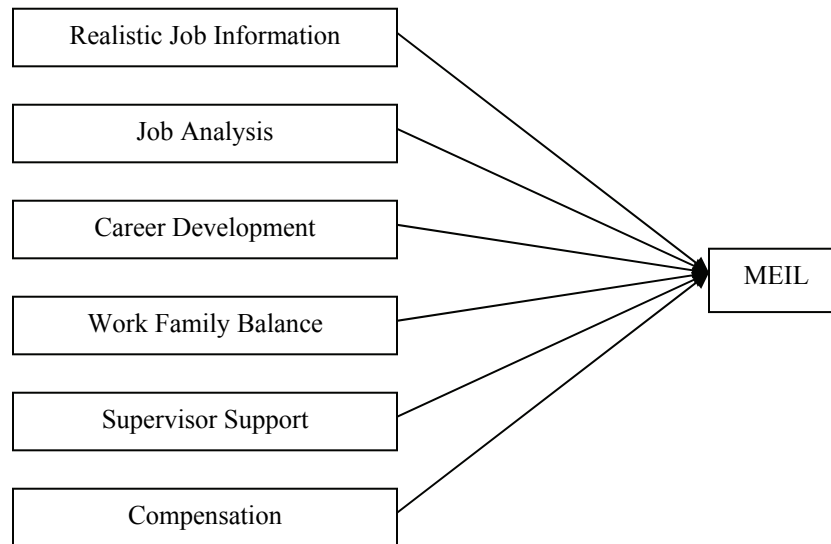


Figure 1 Schematic diagram of the conceptual framework

### **HYPOTHESES**

Based on the above conceptual model the following hypothesis (H) has been formulated for this study.

H: Realistic job information, job analysis, work family balance, career development, compensation and supervisor support are negatively correlated with Marketing Executive Intention to Leave (MEIL).

### **METHODOLOGY**

The sample for this study is 100 marketing executives who are having more than one-year experience in leasing. Ten leasing companies were selected and ten questionnaires were given to each company. These leasing companies represent local specialized leasing companies. Before distributing the final questionnaire the researcher checked the questionnaire with two marketing executives to find out whether the questionnaire was understandable, needs improvements etc.

The questionnaire consists of 55 questions. Questions are designed in a five point Likert scale to measure HR practices and marketing executive intention to leave.

Five point Likert type scale has been used in the questionnaire to measure HR practices. 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly

disagree have been given in order to analyze data. For example to test realistic job information, four questions were asked in the questionnaire. One of the questions is given below (Figure 2).

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
All the information I received at the recruitment process is accurate.					

Figure 2 A question in the questionnaire

Six questions were asked to test job analysis, three questions to test work family balance, eight questions to test career development, nineteen questions to test compensation six questions to test supervisor support and six questions to test intention to leave.

Questions regarding the personal details cover age, experience, sex and education. Researcher believes that the above mentioned factors may affect the outcome of the research. If any classification is required, the factors can be used for categorization. The questions are designed based on literature collected (Luthans, 2002; Anon., 2003).

To test the hypotheses, Pearson's product moment correlation analysis, multivariate analysis and stepwise regression analysis were used. The statistical computer package SPSS version 10.0 was utilized to analyze the data.

The Cronbach's coefficient was used to get the inter item consistency reliability. (Walsh, 1995) Cronbach's alphas were 0.8096 for realistic job information. 0.7152 for job analysis, 0.8120 for work family balance, 0.7247 for career development, 0.8613 for compensation, 0.9132 for supervisor support and 0.8765 for marketing executives intention to leave suggesting that each instrument's internal consistency was satisfactory.

## RESULTS

### Testing of Hypotheses

The results of Pearson's product moment correlation analysis used to test the hypothesis are presented in the Table 1. The desired level of significance is 0.01. As this hypothesis is a directional hypothesis, one-tailed test was used.

According to the Table 1, Pearson correlation coefficient suggests that there is a

negative relationship between all the independent variables, except work family balance and MEIL.

Hence there is a statistical evidence to claim that there is a negative relationship between realistic job information, job analysis, career development, compensation, supervisor support and MEIL. Therefore hypothesis of the above mentioned variables was accepted.

Table 1 Pearson Correlation for all selected variables and MEIL

No.	Independent variables	MEIL (Dependent variable)
1	Realistic job information	-0.315**
2	Job analysis	-0.400**
3	Work family balance	0.104
4	Career development	-0.442**
5	Compensation	-0.486**
6	Supervisor support	-0.122

\*\* Correlation is significant at the 0.01 level (one- tailed)

The results indicated in Table 1 for work family balance rejects the hypotheses formulated. This means that the data does not support the hypothesized relationship (negative) between work family balance and MEIL. The relationship between two variables is positive but not significant.

Multivariate analysis evaluates the simultaneous effects of all the independent variables on dependent variable. The results of regressing the six independent variables against the dependent variable MEIL are shown in the Table 2.

Table 2 Aggregate Impact of the HR practices on MEIL

R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. error of the estimate	F	Sig. F
0.615	0.378	0.319	2.676	6.388	0.0005

The square of the multiple R is 0.378 indicating that the 37% of variance in MEIL is explained by the six independent variables jointly. The F value is 6.388 that is significant at P = 0.0005 suggesting that six independent variables have significantly explained the 37 percent of the variance in MEIL

The strengths of influence that each of the independent variable had on the dependent variable. i.e. MEIL was determined by the use of multiple regression



coefficients of the independent variables. The influence of each independent variable is shown in Table 3.

Table 3 Influence of the independent variables on MEIL

Variable	Std. error	Standard beta	t	Significance
Realistic job Information	0.124	-0.068	-0.535	0.595
Job Analysis	0.102	-0.266	-2.218	0.030
Work Family Balance	0.124	0.330	2.935	0.005
Career Development	0.104	-0.023	-0.145	0.886
Compensation	0.051	-0.389	-2.360	0.021
Supervisor Support	0.079	-0.136	-.1202	0.234

As shown in the table compensation had the strongest significant effect on MEIL with a standardized beta of -0.389. Job analysis had significant effect on MEIL with a standard beta of -0.266. Work family shows a high positive t value further confirming the Pearson Correlation results that is there is no negative relationship between work family balance and MEIL.

A stepwise regression was done to find out the extent of contribution of each variable to R square value or the total explanatory power of the regression model. The results of stepwise regression (Table 4) show that there were three predictor variables that could significantly contribute to the R square value.

Table 4 Stepwise multiple regression analysis: predictors of MEIL

Variables	R <sup>2</sup>	+R <sup>2</sup>	Beta	Sig. t
Compensation	0.236		-0.452	.0005
Work family balance	0.299	0.063	0.298	0.005
Job analysis	0.363	0.064	-0.282	0.012

The results of the stepwise multiple regression analysis indicated that compensation had the highest beta value contributed 23% to the variance in MEIL. Work family balance and job analysis contributed about 6.3% and 6.4% respectively. Supervisor support, career development and realistic job information were not found contributing to the total explanatory power suggesting that compensation, work family balance and job analysis explained about 36% of the variation in MEIL.

## **DISCUSSION**

As hypothesized it was found that realistic job information, job analysis, career development, compensation and supervisor support have negative relationships with MEIL. Out of six variables realistic job information, job analysis, compensation and career development are significantly correlated. The findings empirically confirm the theoretical arguments explained in the literature review.

The relationship between the work family balance and MEIL was found to be not negative. Though the literature supports the negative relationship (Bame, 1993; Batt & Valcour, 2003), it was not true for marketing executives in leasing companies.

When considering the HR practices in the model, it indicated that 37% of the variance in MEIL is explained by six HR practices.

Multivariate analysis suggests that two out of the six HR practices namely compensation and job analysis were found to be explanatory factors having significant effects on MEIL. Compensation was found to be the strongest HRM practice predictor of MEIL.

Descriptive statistics reveal that average marketing executives are neutral (neither agree nor disagree) about HRM practices except supervisor support, where they have indicated that supervisor support had been favorable. These results suggest that all leasing companies should improve the HRM practices.

The sample indicated that the age of 87% of marketing executives are in the range of 21 -34 years and 44.3% of the marketing executives have 1-2 years experience. Majority (91.4%) of the marketing executives are male. This is obvious, as the job demands a lot of field visits and longer hours of work, which discourage the employment of females. More than half (52.9%) of the marketing executives are General Certificate in Education (Advanced Level) qualified. There is 12.3% of graduates and 1.4% of postgraduates among marketing executives considered for the study.

## **CONCLUSION**

It was impossible for six independent variables to account for variation in MEIL. In fact other variables, which were not considered in this study, should be the variables that will account for the unexplained variance in the MEIL. The researcher believes that the important independent variables may be HR and succession planning, due process, training, staffing, performance management, management styles. Future research studies are suggested to find out the effects of these factors on the MEIL.

This study was limited to investigating the impact of HRM practices on MEIL in leasing companies in Sri Lanka. Further investigations in other types of industries may provide additional insights into the findings of the study. Another important limitation is that this analysis was cross-sectional in nature. Additional research is suggested to be done longitudinally in order to assess the impact of the factors over time.

Work family balance and MEIL was positively correlated though the hypothesis is opposite. This can be due to the freedom enjoyed by marketing executives. Findings suggest that most of the marketing executives believe that leasing companies are in support for work family balance. Compensation and job analysis were found to be strong HRM practice predictors of MEIL. The implication of this finding is that compensation and job analysis are the most critical HRM practices to be implemented by leasing companies to reduce MEIL.

The findings of this research study will be important both on the theoretical level and practical level. It was almost possible to substantiate empirically the research model developed for this study. The model could be used as an explanatory model of the MEIL that will be an original contribution to the knowledge in the field of HRM. From the perspective of the leasing companies' executives, these findings should assist in developing a set of HRM practices that can potentially assist a firm to reduce the degree of the MEIL.

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## APPENDIX

### Leasing Companies' Marketing Executives' Survey

Please take a few minutes to complete this survey. Your specific answers will be completely anonymous & confidential, but your views, in combination with those of others, are extremely important.

Please tick one cell for each statement

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1. I received a large amount of information about my job before being employed during the recruitment process					
2. All of the information I received at interviews about my job before being employed was relevant					
3. I was told about all positive and negative aspects of the job at interviews before being employed					
4. All the information I received at recruitment process about the job is accurate					
5. I have clear targets for each of my objectives					
6. I know how my job impacts on the mission of our company					
7. I know very well what is expected from me on my job					

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
8. Management has given me a clear job description (job description is a document that specifies job purpose, duties & responsibilities, working conditions etc.)					
9. Duties which I perform actually match with duties indicated in the job description					
10. Targets given by the company are realistic (achievable)					
11. I am able to balance work priorities with my personal life					
12. I have the flexibility to arrange my work schedule to meet my personal/family responsibilities					
13. Management supports for family values					
14. I have a clearly established career path at company					
15. It takes too long to hire someone when a position becomes vacant					
16. I have opportunities to learn and grow					
17. I get the training from the company for my next promotion					
18. I get the training I need to do my job well.					
19. Job promotions are fair and equitable					

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
20. My last performance appraisal accurately reflected my performance					
21. The performance appraisal system is fair					
22. Benefits available are appropriate for my needs and those of my family					
23. Amount of health care paid is sufficient					
24. Amount of vacation is sufficient					
25. Sick leave policy is satisfactory					
26. Insurance policy (safety, health) is satisfactory					
27. I am happy with assistance given by the company in terms of money, leave for exams, subscriptions					
28. I am happy with company's assistance for housing (ex. Loans)					
29. I am happy with the food provided by the company (meals, tea, drinking water etc.)					
30. Company provides comfortable working conditions (space, light, seating arrangement, air condition ,etc)					
31. I am satisfied with the value of increment in pay					
32. I am happy with the number of increments in the pay					

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
33. I have a clear understanding of our pay policy					
34. I understand the criteria used to decide my pay					
35. The amount of pay I receive for my job is about equal to others doing similar work in other leasing companies					
36. If I do good work I can count on making more money ( incentives for performance, achieving targets)					
37. If I do good work I can count on being promoted					
38. I feel I am valued at the company					
39. Company gives enough recognition for well done work					
40. My salary is fair for my responsibilities					
41. My supervisor treats me fairly					
42. My supervisor treats me with respect					
43. My supervisor handles my work-related issues satisfactorily					
44. My supervisor asks me for my input to help make decisions					
45. My supervisor available to me when I have questions or need help					



	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
46. My supervisor delegates work effectively					
48. I talk up this organization to my friends as a great organization to work for					
49. I feel very little loyalty to this organization					
50. I find that my values and the organization's value are very similar					
51. I would accept almost any type of job assignment in order to keep working for this organization					
52. I am proud to tell others that I'm a part of this organization					
53. I could just as well be working for a different organization as long as the type of work was similar					
54. This organization really inspires the very best in me the way of job performance					
55. It would take very little change in my present circumstances to cause me to leave this organization					
56. I am extremely glad that I chose this organization to work for over others I was considering at the time I joined					

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
57. There's not too much to be gain by sticking with this organization indefinitely					
58. Often I find it difficult to agree with the organization policies on important matters relating to its employees					
59. I really care about the fate of this organization					
60. For me this is the best of all possible organizations for which to work					
61. Deciding to work for this organization was a definite mistake on my part					
62. I do not have any intention to resign from this organization within a shorter time					
63. Whenever I get a job in another company definitely I leave					
64. I am searching for a better job in a better organization at the moment					
65. I am already fed up with working this company					
66. I feel like staying with this company					

The following questions are for analytic purposes only. They will not be used to try to identify any individual. However, if you feel uncomfortable about answering any of them, do not do so. Whether or not you leave any questions blank, please return your questionnaire.

67. How long have you worked for the present company?

- One year to less than two year .....
- Two year to less than three years .....
- Three years to less than five years .....
- Five years to less than ten years.....
- Ten years or more .....

68. What is your age?

- Under 21 .....
- 21 to 34 .....
- 35 to 44 .....
- 45 to 54 .....
- 55 or older .....

69. What is your sex?

- Male .....
- Female.....

70. What is your education?

- GCE A/L .....
- Degree .....
- Diplomas .....
- Professional qualifications (CIMA, etc.) .....

Postgraduate .....

Thank you for your kind co-operation

Ruwan Abeysekera

For any clarifications, you can contact me on 0777 355428