CHAPTER 1

1.1 INTRODUCTION

India is undergoing a major upward economic trend with the progress of the modern Information and Communication Technology (ICT) which is certainly one key ingredient in the process. In India, employee turnover in the ICT sector is a worrying figure; turnover rates averaging 15 to 20 percent but as high as 50 to 75 percent in some sectors (Machado & Kourakos, 2004). Canada which is a major outsourcer for USA’s Information Technology (IT) needs is facing an acute problem in retaining and filling up the gap in human resources need (Grant & Babin, 2006). However, retaining the knowledgeable workforce has become a major problem and of course a challenge in this area. As the ICT field is undergoing major upheavals and fast changes, new knowledge on motivations and commitment of the professionals working in this field is therefore needed.

Attributes and perceptions of ICT professionals themselves are important determinants of their organizational commitment and the best HR practices to attract and retain those professionals (Kinnear & Sutherland, 2000). These professionals possess particular skills that are in high demand. They are autonomous people who enjoy occupational
advancement and mobility and resist a traditional command and control
culture, with their commitment more occupationally than
organizationally oriented. Since they often work in teams dealing with
problems and issues as opposed to tasks, they are more critical to the
long-term success of an organization in this information-based age as
much of an organization’s core competencies reside in them. New HR
systems and skills are therefore required to employ them.

The ICT industry is heavily investing in high involvement human
resources practices (HR practices) to retain and motivate the
information technology professionals. The effect of HR practices is
expected to be multiplicative in nature: it is not just any, but only an
internally consistent and complementary set of HR practices that gives
the best results (Becker & Gerhart, 1996). Therefore, it is of utmost
importance to understand all the individual factors (e.g. career
expectations, alternative career possibilities, family situation, age, etc.),
company factors (e.g. life cycle, market competition, location) and
external circumstances (e.g. economic fluctuation and supply of needed
personnel) that affect the applicability and effectiveness of certain HR
practices (Purcell, 1999).

Globally ICT professionals’ turnover is higher than any other
employee groups (Despres & Hiltrop, 1995; Dessler, 2000). Turnover is
an organizational outcome that carries severe economic consequences for the organization. It can lead to increased administrative costs, losses in productivity, and a reordering of job functions (Muchinsky & Morrow, 1980).

Meeting HR needs with the necessary talent when there is an unacceptably high turnover of ICT professionals is proving increasingly more difficult and costly – up to 2.5 times the annual salary due to re-employment costs (Cascio, 2001). The resulting turnover costs are staggering. Even though difficult to quantify, intangible costs of turnover are no less real and expensive. Such a situation negatively affects the overall efficiency of the business as well as employee morale (Allaux, 1995). The annual expense to organizations of turnover can amount to millions of dollars and the cost each time turnover occurs is generally greater than $1,000 (Cawsey & Wedley, 1979, Griffeth & Hom, 2001). Even in a global economic downturn characterized by downsizing and layoffs, organizations still need to retain key professionals. Failure may undermine the competitive capability, intellectual capital, cultural fabric and institutional memory of such firms. Another profoundly damaging long-term effect of high turnover is a depletion of the talent pool (Trevor et al., 1997).
1.2 STATEMENT OF THE PROBLEM

While a growing body of literature reveals that substantial investment in human capital and the implementation of HR practices may enhance corporate financial performance (Huselid, 1995; Huselid, Jackson, & Schuler, 1997; Vandenberg et al., 1999), actually the overall understanding of the processes or mechanisms through which HR practices impact organizational outcomes is still at an embryonic stage. In this regard, Youndt (2000) found that HR practices do not directly influence organizational performance; rather, these practices help build intellectual capital, which in turn leads to increased organizational value creation.

Several scholars found that HR practices play an indirect role in organizational effectiveness, i.e. by enhancing organizational commitment (Meyer & Smith, 2000; Whitener, 2001), organizational citizenship behaviors (Podsakoff et al., 2000) and turnover intentions (Vandenberg et al., 1999). Notwithstanding these results, the role HR practices play in such attitude-behavior relationships remains unclear. It is also worth noting that the existing literature on organizational commitment, citizenship behaviors, job satisfaction and turnover offers a narrowly focused, a theoretical set of HR practices in research models. Indeed, the choice of HR practices in empirical studies has rarely been
theoretically justified despite a growing consensus about the conceptualization of HR practices (Wright & Boswell, 2002). Lastly, empirical studies have seldom targeted highly skilled workers such as IT professionals as their unit of analysis even though retention of these resources is often referred to as the most critical human issue in the minds of executives today (Evans et al 2000; Ang, Slaughter & Ng, 2002).

In this context, the present study identifies a multidimensional set of HR practices and tested a series of research hypotheses that specifies the relationships between HR practices, organizational commitment, OCB, job satisfaction and turnover intentions.

1.3 RESEARCH OBJECTIVES

The present study concentrates on the following aspects. First, the present study integrates the HR practices with the current understanding of the relationship between employee outcomes (Dyer and Reeves (1995) - organizational commitment, citizenship behaviors and job satisfaction, and turnover intentions.

Second, although sets of innovative HR management practices intended to retain highly skilled professionals exist (Morello & Lehman, 1999), this study defines a multi-dimensional HR practices (Lawler,
1986; Bailey 1993, Appelbaum et al., 2000), and test its influence on turnover intentions of employees.

Lastly, this study considers employee outcomes as potential moderators of the association between HR practices and turnover intentions.

This study discusses the antecedents and/or consequences of OCB, organizational commitment, job satisfaction, HR practices, and turnover intentions. This study tested the theoretical model using cross-sectional data from a large sample of Indian and Canadian Information and Communication Technology (ICT) professionals and presents the results. The cross-sectional data used in this research has the advantage of enabling the researcher to test the entire set of hypothesized relationships simultaneously. The researcher believes that this approach allows a more comprehensive test of whether the data are consistent with the theoretical rationale underlying the hypotheses defined in chapter 2.

1.4 RESEARCH QUESTIONS

The following research questions directly relate to the purposes of this study by seeking to explain the HR practices and turnover intention relationship
1. What set of HR practices impact the turnover intentions of the ICT professionals?

2. What are the relationships among the organizational commitment, OCB, job satisfaction and turnover intention?

3. What are the effects and the relationship between the various employee outcomes and the HR practices and turnover intention relationship?

4. What dimensions of HR practices need more attention?

Based on these questions the following conceptual model (Fig 1) is derived by the researcher. The following propositions were derived based on this conceptual model.

**Proposition 1:** OCB negatively correlates with turnover intentions.

**Proposition 2:** OCB positively correlates with overall job satisfaction.

**Proposition 3:** OCB positively correlates with organizational commitment.

**Proposition 4:** Turnover intention correlates negatively with organizational commitment.

**Proposition 5:** Overall job satisfaction correlates positively with organizational commitment.

**Proposition 6:** Overall job satisfaction correlates negatively with turnover intentions.
**Proposition 7:** HR practices positively influence organizational commitment.

**Proposition 8:** HR practices positively influence OCB.

**Proposition 9:** HR practices positively influence overall job satisfaction.

**Proposition 10:** HR practices negatively influence turnover intentions.

**Proposition 11:** OCB positively moderates HR practices and turnover intentions relationship.

**Proposition 12:** Organizational commitment positively moderates HR practices and turnover intentions relationship.

**Proposition 13:** Overall job satisfaction positively moderates HR practices and turnover intentions relationship.

**Proposition 14:** Demographic factors are positively related to OCB, organizational commitment, and overall job satisfaction; and they are negatively related to turnover intentions.

*In the second chapter, researcher has hypothesized various relationships among the variables in the conceptual model and moderating factors of the employee outcomes on the HR practices and turnover intentions relationship.*
1.5 CONCEPTUALIZED RESEARCH MODEL

DEMOGRAPHIC VARIABLES

ORGANIZATIONAL CITIZENSHIP BEHAVIOR

ORGANIZATIONAL COMMITMENT

TURNOVER INTENTION

HR PRACTICES

- Resourcing and Integration
- Communication
- Job Design
- Training
- Career Development
- Performance Management
- Job Security
- Employability
- Compensation and Reward Systems
- Teamwork

JOB SATISFACTION

Fig 1.
1.6 SIGNIFICANCE OF THE STUDY

Job attitude and employee behaviors are collectively termed in this study as employee outcomes (Kuvas, 2006; Purcell, 1999). Organizational commitment, OCB, job satisfaction, HR practices and turnover intentions has been studied previously by researchers individually and extensively among diverse professional groups. But the moderating effects of these employee outcomes on the HR practices and employee turnover intentions relationship, has not been studied extensively in the high performance ICT industry. However, only a few studies have addressed the respective employee outcomes in the ICT industry. This cross-national study is focused on ICT professionals in India and Canada.

1.6.1 Rationale behind using turnover intentions instead of actual turnover (attrition)

Turnover intention was considered instead of actual turnover, since such intentions are the immediate precursors to actual turnover. As it is extensively and well documented in literature, a close relationship between the intention to quit and actual turnover exists (Hulin et al., 1985; Mobley, 1977; Mobley et al., 1979; Price & Mueller, 1986; Rusbult & Farrell, 1983; Steers & Mowday, 1981). Thus, these
intentions are good at forecasting actual quits (Mobley et al., 1979; Sager & Griffeth, 1998; Steel & Ovalle, 1984). Chatman (1991) and O’Reilly et al. (1991) found that intent to quit predicts actual turnover.

The second important reason for analyzing turnover intentions is that, very few international comparative studies on actual turnovers exist. This is not surprising since there are severe data limitations in such cross-national studies. The main reason is that information on job fluctuations, when analyzed with microdata, usually require a panel, and cross-national panels are very rare (Burgess, 1999). These data limitations can be avoided by analyzing job turnover intentions.

This study should be important to ICT industry for understanding the effects of high performance HR practices in which the ICT industry is heavily investing and innovating a lot and for understanding the effects of employee outcomes on the turnover intention.

1.7 DESCRIPTIONS OF THE VARIABLES USED IN THE STUDY

1.7.1 Human Resources Management Practices (HR Practices)

Recent management literature has been dominated by attempts to identify the HR practices, which in combination, may serve to enhance
some measure of performance through a raised level of employee commitment to the organization. In some literature such bundles of practices are termed either high commitment work practices (HCWP) or high performance work systems (HPWS), the former tending to be UK nomenclature and the latter US derived (Legge, 2001). But this study considers HCWP and HPWS synonymous to HR practices.

Many researchers (Becker & Huselid, 1998; Guthrie, 2001; Huselid, 1995) conceptualized HR practices that together select, develop, retain, and motivate a workforce. Consistent with other scholars (Jackson & Schuler, 1995; Wright & Snell, 1998), Huselid (1995) posit that the actual behaviors (i.e., output) of a firm’s employees is a critical determinant of intermediate indicators of firm performance (e.g., workforce turnover and labor productivity) and sustainable competitive advantage.

The influence of human resources management practices on employee outcomes such as organizational commitment, OCB, job satisfaction and turnover intention has become an important topic of research in the 1990s. Human resource management (HRM) involves the development of an individual’s abilities and attitudes in such away that the individual is able to grow personally and contribute towards organizational interests (Guest, 1987, 1989; Storey, 1989, 1992, 1995;
Kinicki, Carson & Bohlander, 1992). It attaches importance to the motivational aspect of organizational practices in the development and best utilization of human potential. Therefore, HRM is an integrated strategy and planned development process for effective utilization of human resources for the achievement of organizational objectives.

Arthur (1992) showed that human resources practices were significantly associated with variation organizational performance. Pfeffer (1994) have described HRM as a means of achieving competitive advantage. He identified the following types of HRM practices as the ones that seem to characterize organizations that are effective in achieving competitive advantage through their people: (1) employment security, (2) information sharing, (3) participation and empowerment, and (4) incentive pay. Tsui et al. (1997) report an association between organizational investments in employees and levels of affective employee commitment as well as levels of organizational citizenship behavior, and greater intention to stay with the organization. These studies suggest that adopting an integrated set of human resource management practices, can produce high levels of employee affective commitment and subsequent organizational performance. However, the linkage between human resource management strategies and individual level employee commitment needs further exploration by researchers.
Meyer and Allen (1997) believe that the relationship between human resource practices and employee commitment should be examined more fully. They assert that by understanding how commitment develops, practitioners will be in a better position to anticipate the influence of a particular policy or practice even if it has not yet been the subject of empirical research.

1.7.2 Organizational Commitment

Organizational commitment is defined either as an employee attitude or as a force that binds an employee to an organization. Most of the behavioral science researchers differ over the common definition of organizational commitment (Scholl, 1981; Benkhoff, 1997; Mowday, 1998; Suliman & Isles, 2000). Scholl (1981) states that the way organizational commitment is defined depends on the approach to commitment that one is adhering to. According to Suliman and Isles (2000), there are currently four main approaches to conceptualizing and exploring organizational commitment, attitudinal approach, the behavioral approach, the normative approach and the multidimensional approach.

The most popular approach to organizational commitment is the multi-dimensional model of Meyer and his colleagues. In 1984, Meyer
and Allen, based on Becker’s side-bet theory, introduced the dimension of continuance commitment to the already existing dimension of affective commitment. As a result, organizational commitment was regarded as a bi-dimensional concept that included an attitudinal aspect as well as a behavioral aspect. In 1990, Allen and Meyer added a third component, normative commitment to their two dimensions of organizational commitment. They proposed that commitment as a psychological attachment may take the following three forms: the affective, continuance and normative forms.

Meyer and Allen (1984) defined affective commitment as “an employee's emotional attachment to, identification with, and involvement in the organization”, continuance commitment as “commitment based on the costs that employees associate with leaving the organization”, and normative commitment as “an employee's feelings of obligation to remain with the organization”. Each of these three dimensions represents a possible description of an individual’s attachment to an organization.

The definition of organizational commitment that is adopted in this study is that of Allen and Meyer (1990) which looks at commitment as a three dimensional concept which has an attitudinal aspect, a continuance aspect and a normative aspect.
1.7.3 Organizational Citizenship Behavior

The term “organizational citizenship behavior” (OCB) was proposed by Bateman and Organ (1983). Deluga (1998) defines organizational citizenship behavior as spontaneous acts that go beyond prescribed job requirements (in-role behaviors), whereby the follower performs non-obligatory extra-role behaviors. This is close to Organ’s (1988) definition of organizational citizenship behavior as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization”. This means that organizational citizenship behavior could be seen as informal contributions that employees can choose to make or withhold without having to consider either sanctions or rewards. It should be noted that organizational citizenship behavior does not only involve making positive contributions but it also includes forbearance or the willingness to endure the occasional costs and inconveniences for the benefit of the collective good (Organ, 1990).

Organizational citizenship behaviors are considered as vital for productivity because organizations cannot anticipate through formally stated in-role job descriptions the entire array of follower behaviors needed for achieving goals (Deluga, 1998). A distinction between
organizational citizenship behaviors directed towards individuals (OCBI) and organizational citizenship behavior directed toward the organization can be made (OCBO) (Williams & Anderson, 1991).

1.7.4 Overall Job Satisfaction

Job satisfaction is a key variable in many behavioral accounting studies because of its relationship to the well being of both the employee and the organization (Dillard & Ferris, 1989). Job satisfaction is defined as having a positive attitude towards one’s job (Vroom, 1964) and is an important outcome of both employee empowerment (Spreitzer et al., 1997) and organizational commitment (Poznanski & Bline 1997; Harrell et al. 1990; Aranya et al. 1982). Job satisfaction is commonly defined as the extent to which employees like their work (Agho, Mueller, & Price 1993), an attitude based on employee perceptions (negative or positive) of their job or work environment (Reilly, Chatman & Caldwell, 1991; Pool, 1997). Most efforts to explain job satisfaction have been dominated by the person-environment fit paradigm (Mottaz, 1985; Kristof, 1996; Brief, 1998). Simply stated, the more a person’s work environment fulfills his or her needs, values, or personal characteristics, the greater the degree of job satisfaction. In terms of job satisfaction, the person-environment fit approach has been applied to

1.7.5 Turnover Intention

Turnover is an organizational outcome that carries severe economic consequences for the organization. It can lead to increased administrative costs, losses in productivity, and a reordering of job functions (Muchinsky & Morrow, 1980). The annual expense to organizations of turnover can amount to millions of dollars and the cost each time turnover occurs is generally greater than $1,000 (Cawsey & Wedley, 1979, Griffeth & Hom, 2001).
Current explanations of employee turnover fail to offer either predictive or explanatory power (Aquino, Griffeth, Allen & Hom 1997). Despite an enormous literature on turnover in organizations (Price 1977; Mobley 1982), there is as yet no universally accepted account or framework for why people choose to leave (Lee & Mitchell 1994). This prohibits understanding the phenomenon after the event, yet neither is there an accepted means of assessing the likelihood of an individual’s deciding to leave in the future (Terborg & Lee 1984), which prohibits prediction of turnover.

In this research ‘turnover’ is termed as ‘voluntary cessation of membership of an organization by an employee of that organization’. Intention to leave is probably the most important predictor of actual turnover and is defined as the strength of an individual's conviction that he or she will stay with or leave the organization in which she/he is currently employed (Elangovan, 2001). Turnover intentions measure an individual’s thoughts about leaving the organization (Lum, Kervin, Clark, Reid, & Sirola, 1998).
1.8 LIMITATIONS OF PREVIOUS RESEARCH

The existing literature on organizational commitment, citizenship behaviors, job satisfaction and turnover offers a narrowly focused, a theoretical set of HR practices in research models. Indeed, the choice of HR practices in empirical studies has rarely been theoretically justified despite a growing consensus about the conceptualization of HR practices (Wright & Boswell, 2002). Lastly, empirical studies have seldom targeted highly skilled workers such as IT professionals as their unit of analysis even though retention of these resources is often referred to as the most critical human issue in the minds of executives today (Evans et al 2000; Ang, Slaughter & Ng, 2002). The present study found that there is a lack of literature on moderating effects of the employee outcomes in several of the previously mentioned studies in defining the various relationships among the employee outcomes with reference to the HR practices and turnover intentions relationship. These studies are in many varied organizations and there is lack of literature for a similar research in the ICT sector. While the results of these studies are concentrating mostly on effects individual outcomes and the organizational outcomes on the HR practices and turn over intentions. There is also a limited knowledge on the moderating effects of the employee outcomes on the HR practices and turnover intentions. Also
literature on cross-national studies similar to this study is one of the greatest challenges for the researcher to effectively test the assumptions presented in this study.

1.9 ORGANIZATION OF THE STUDY

A five-chapter thesis format was employed in this study. In Chapter 1, the researcher examined the HR practices and turnover intentions of the ICT professionals and its implications on the ICT industry. The researcher included the background for the research, research objectives, research questions, conceptualized model for the research, significance of the study, definitions of variables and limitations of previous research.

In Chapter 2, researcher provided a review of the literature relevant to OCB, organizational commitment, job satisfaction, HR practices and turnover intentions and each of its proposed antecedents and consequences. The relationships among constructs and previous empirical research findings relevant to this study are discussed. The research hypotheses to be tested are presented along with the review of the literature.
Chapter 3 presents a detailed discussion of the research design, and the methodology to be used to test the conceptual model and its hypotheses defined in the second chapter.

Chapter 4 describes the results of the statistical analyses that are used to test the hypotheses.

Chapter 5 identifies the findings of the study concerning the hypotheses, the implications derived from the findings of the study, the limitations of the study, recommendations for future research, and conclusions of the study.

1.10 CONCLUSION

This chapter examined the HR practices and turnover intentions of the ICT professionals and its implications on the ICT industry. The background for the research is discussed and the research questions in this study raise the propositions to be tested. Research problem is discussed with the objective for the study and the variables associated with conceptual model significance of the study are defined and the following chapter will review the literature of previous studies and the propositions are hypothesized.