

High-performance work practices impacting employee satisfaction and retention : Evidence from IT sector

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Abstract

High-performance practices have become essential for improving organisational performance and gaining competitive advantage. Therefore, organisations need to invest and improve employment outcomes in the world of competition to sustain the performance of the organisations. However, most companies worldwide place management objectives over employee satisfaction and retention. Therefore, the study investigated major HR practices prevailing in Delhi-NCR IT companies and explored how high-performance practices influence employee satisfaction and retention. 350 respondents from five IT organizations in Delhi-NCR participated in the study using a quantifiable methodology. Regression and Correlation analysis was employed to analyse the data. Hence, the present study includes a detailed study on linking these high-performance practices with employee satisfaction and retention. The study's findings demonstrate that innovative HR practices significantly impact employee retention and satisfaction in IT organisations. Multiple regression revealed how employee satisfaction, retention and high-performance practices related.

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1. Introduction

In the information technology sector, employees significantly enhance sustained competitive advantage [1]; [2]. Research highlights the efficiency of innovative human resource practices in uplifting performance and productivity levels [3]. In India, an emerging economy competing for global attractiveness, adopting innovative human resource practices is imperative [4]. Indian IT companies have increasingly united these modern practices to excel in the industry [5], with high-performance work systems (HPWS) incorporating elements like particular hiring processes, comprehensive training, and fair compensation [6].

Employee satisfaction and retention are critical for organizational success [7]. Employers must create favourable workplace environments where employees are motivated to perform well, remain productive, and choose to stay [8]. Strategies include adapting to employee needs, involving them in decision-making, and fostering a positive company culture [9]; [10]. High-performance work methods, including self-managed teams and performance-based remuneration, aim to ensure employee happiness and engagement [11], [12]. Strategies like pay-for-performance and reward and recognition programs can foster satisfaction and retention [13], [14]. Recent studies by [15] on Sweden's progressive HR practices, such as flexible work arrangements and gender equality initiatives, offer lessons for promoting employee satisfaction and retention in diverse cultural contexts. Comparative analysis between Swedish and Indian IT companies can highlight the effectiveness of different HR approaches [16]. Further, implementing high-performance work practices, such as job design, training, and employee involvement, significantly impacts employee satisfaction and retention in IT organizations [17]. In summary, the integration of innovative human resource practices plays a crucial role in fostering employee satisfaction and retention within the IT sector and enhancing organisational performance. [18] [19] Therefore, this learning observes the association between high-performance practices, employee satisfaction, and retention.

2. Conceptual Framework

Recent emphasis has been placed on human resource innovation, known as a crucial foundation for achieving gains [20]. The aim is to enhance employee satisfaction and retention, ultimately improving business performance [21]. Employees, being the face of any organization, significantly influence customer interactions, which can impact their decision to stay or leave [22]. Various factors contribute to employee

satisfaction, including training programs, teamwork, compensation, recognition and monetary and non-monetary incentives [23] [24]. In India's IT sector, companies face intense global competition, leading HR managers to grapple with the challenges of maintaining a highly skilled workforce while meeting deadlines and satisfying customer demands. Research [8] on HRM practices in cement factories and IT companies in Myanmar highlighted the pivotal role of these practices in influencing employee satisfaction and retention. Similarly, [25] emphasized the challenge of attracting, selecting, developing, and retaining skilled workers. In the same way, studies by researchers such as [26] and [27] in the United States have emphasized the importance of high-performance work practices, such as employee involvement, training, and performance-based rewards in enhancing employee satisfaction and retention. Moreover, [28] have also explored Germany's approach to human resource management, emphasizing vocational training and employee participation. Comparative studies between German and Indian HR practices highlight the influence of cultural factors on organizational outcomes [29] [30]. In simpler terms, these studies emphasize the importance of effective HR practices in keeping employees happy and committed in the ever-changing IT sector [31].

Hypothesis Development

H1: Employee involvement positively influences employee retention and satisfaction as shown in Figure 1.

H2: Human resource practices positively affect employee retention and satisfaction.

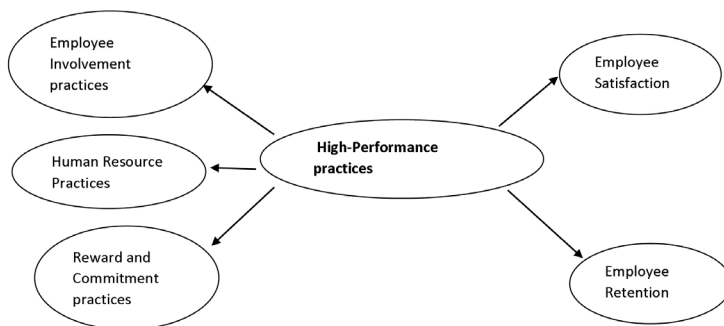


Figure 1
Source: [32]

H3: Commitment and reward practices positively impact employee retention and satisfaction.

These hypotheses aim to explore the relationships between different HR practices and their impact on employee outcomes.

The dependent and independent variables were used to develop the conceptual framework. [32] The first three categories (Employee Involvement (EIP), Human Resources (HRP) and Reward and commitment (RCP) combinedly are known as high-performance practices.

3. Research Methodology

The existing research aims to better understand how high-performance work practices affect employee retention and satisfaction. 350 IT experts were used as the sample and data for the study was gathered from them in April 2023. A questionnaire that was created after a thorough study of pertinent literature was employed to collect the facts [32]. The 350 respondents were questioned using these statements to acquire information. The regression and correlation methods were used to analyse the statistics.

4. Analysis and Outcomes

Statements were formulated from the review of the literature. There were 47 statements, out of which 8 statements have been deleted, which are repetitive. Reliability testing was done, and the value of Cronbach Alpha is 91.4. Hence, the construct is reliable. The table 1 analyses the demographic profile of respondents which is as given below

Table 1
Frequency and Percentage of Respondent

Frequency and percentage of responses to questions		
	N	%
Gender		
Male	241	68.9%
Female	109	31.1%
Age		
< 30 Yrs.	145	41.4
31-40 Yrs.	102	29.1
41-50 Yrs.	103	29.4
Designation		70.6
Software Engineers	247	7.1
System Analyst	25	13.7
IT Consultant	48	8.6
Others	30	

Contd...

Education		
Graduate	130	37.0
Post Graduate	140	40.0
Super specialization	80	23.0
Experience		
< 5 Years	235	67.0
5-10 Years	37	11.0
10-15 Years	22	6.0
> 15 Years	56	16.0

Source: Compiled by the Authors

4.1 Demographic Analysis

Table 2
Demographic Analysis of Employees

Type of Employees	Total	Percent	Cumulative Percent
IT Professional	350	100	100

Source: Compiled by the Authors

Table 2 displays the demographic analysis of all 350 employees surveyed representing 100 % of total workforce

4.2 Descriptive Statistics for Checking Outliers

According to Descriptive statistics, the skewness and kurtosis values for IT professionals fall within the range of +2 to -2. This indicates that the data is not skewed or exhibiting extreme outliers.

4.3 Objective-wise analysis includes testing of hypothesis

Table 3
Model Summary

Model Summary						
		R	R Square	Adjusted R Square	Std. Error	Durbin-Watson
IT Personnels	1	.805a	.648	.646	.43652	2.520
a. (Constant), EIP, HRP and RCP						
b. Employee Satisfaction						

Source: Compiled by the Authors

Table 3 displays the variations in predictors of employee EIP, HRP, and RCP. It demonstrates how creative HR strategies affect 64.6% of employee satisfaction among IT specialists. The model is fit and significant, as shown by the significance values in **Table No. 4** (ANOVA), which are less than 05.

Table 4
ANOVA Table

ANOVA Table							
Personnel	Model		Sum of Squares	df	Mean Square	F	Sig.
IT Personnel	1	Regression	121.13	3	40.377	211.898	.000b
		Residual	65.93	346	0.191		
		Total	187.06	349			
a. Employee Satisfaction is a dependent variable. b Reward and commitment practices, employee involvement practices, and human resource practices are predictors (all constant).							

Source: Compiled by the Authors

Table 5
Regression Coefficient Table (All Variables)

Coefficients ^a									
Personnel			Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
								Tolerance	VIF
			B	Std. Error	Beta				
1 IT Personnel	1	(Constant)	-.021	.103		-.204	.838		
		HRP	.336	.041	.337	8.265	.000	.613	1.630
		EIP	.264	.034	.313	7.723	.000	.620	1.613
		RCP	.392	.033	.402	11.954	.000	.902	1.109
a. Dependent Variable: Employee Satisfaction									

Source: Compiled by the Authors

The relevance of the variables relating to high-performance work practices is displayed in Table No. 5 (coefficients). The presence of

significance demonstrates the importance of the predictive variables on respondents' satisfaction.

Hypothesis Testing

H0.1. The original theory suggested a direct and positive correlation between innovative practices and employee satisfaction.

The equation for Employee satisfaction

$$\text{Equation} = \alpha + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3$$

$$\text{Employee satisfaction of IT personnel} = -.021 + .337 (\text{HRP}) + .313 (\text{EIP}) + .402 (\text{RCP})$$

2nd Objective analysis including testing of hypothesis

Table 6
Model Summary

Model Summary b						
		R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
IT Professionals	1	.725 ^a	.529	.531	.44510	2.310
a. Predictors: (Constant), RCP, EIP and HRP						
b. Dependent Variable: Employee Retention						

Source: Compiled by the Authors

The diversity of employee retention and high-performance work practices is shown in Table No. 6; it reveals that employee retention levels for IT professionals are impacted by HPWP in 53.1% of cases.

Table 7
ANOVA Table

Anova ^a							
			Sum of Squares	Df	Mean Square	F	Sig.
IT Personnels	1	Regression	76.651	3	25.901	128.690	.000 ^b
		Residual	67.493	346	.197		
		Total	144.144	349			
a. Employee Retention							
b. (Constant), RCP, HRP and EIP							

Source: Compiled by the Authors

Table 8
Regression Coefficient Table

Coefficients Table ^a									
Type of Personnels			Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
			B	Std. Error	Beta			Tolerance	VIF
1 IT Professional	1	(Constant)	.480	.105		3.924	.000		
		HRP	.479	.041	.541	11.620	.000	.620	1.630
		EIP	.015	.033	.023	.456	.656	.622	1.613
		RCP	.271	.031	.330	8.420	.000	.900	1.109

a. Dependent Variable: Employee Retention

Source: Compiled by the Authors

Interpretation

Table 7 confirms the model's fit and significance for the investigation, with significance values below 0.05. Additionally, Table No. 8 displays coefficients demonstrating the importance of High-Performance Practices (HRP) and Reward and Commitment Practices (RCP) for IT experts' retention, while Employee Participation Practices show no significance.

Hypothesis Testing

H0.2: According to the second hypothesis, there is a direct correlation between the degree of employee retention and the implementation of innovative practices.

Equation

Employee retention of IT professionals = .480+ .541 (HRP) + .023 (EIP) + .330 (RCP)

3rd objective analysis includes testing of hypothesis

Table 9
Correlation Table

Type of Personnel		HPWPS	ES	ER
IT Personnel	High-Performance work practice	Pearson Correlation	1	.800**
		Sig. (2 tailed)		.000
		N	350	350
	ES	Pearson Correlation	.800**	1
		Sig. (2-tailed)	.000	.000
		N	350	350
	ER	Pearson Correlation	.680**	.685**
		Sig. (2-tailed)	.000	.000
		N	350	350

Correlation is significant at the 0.01 level

Source: Compiled by the Authors

Interpretation

The association between all variables were evaluated using the Pearson correlation approach. It is measurable on a scale from -1.0 to +1.0. This indicates that there is a significant positive correlation among all variables as shown in Table 9.

Hypothesis Testing

H0.3. The study supported the alternative hypothesis, indicating a positive correlation between high-performance practices and employee outcomes.

5. Findings and Discussions

The study, conducted among IT firms in Delhi-NCR, included major corporations such as TCS, IBM, INFOSYS, and HCL, along with Wipro and NIIT Technologies, ensuring a diverse sample. Results revealed a significant effect of innovative practices on employee satisfaction and retention. Involving employees in decision-making processes cultivates a sense of acknowledgment and empowerment, which enhances their satisfaction and dedication to the organization.

6. Conclusion

The research shows the association between high performance and employee satisfaction and retention. These practices support the organisation to improve their efficiency very well in becoming the market leader in the IT industry. The applicability of HPWP would enhance satisfaction levels in IT companies. The outcome revealed that high-performance work practices proved beneficial in satisfying and retaining the employees. IT companies must understand the universality of innovative human resource practices and how it flourishes the company.

7. Implications and Scope for Further Research

The findings emphasize the imperative for HR managers to integrate innovative practices for enhanced organizational performance. Future research should explore additional psychological factors influencing the relationship between innovative practices and employee outcomes while expanding beyond the geographical confines of the current study to ensure broader applicability and insights.

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