

CHAPTER II

REVIEW OF LITERATURE

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Introduction

Organisations today are constantly faced with challenges emanating from revolutionary trends: accelerating product and technological changes, demographic changes, deregulation, global competition, and simultaneously, they must strive to implement trends towards a service and information age society (Kane R, 2000). Due to this tumultuous business environment, one of the challenges facing many business organizations 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 today organizations are competing for the best talent employees (Porter. M. V, 2001). New paradigm companies recognize that an important element in business management practices is the need to successfully motivate and retain high talent employees who survive organisational consolidation, downsizing, restructuring, reorganising or re-engineering initiatives (Clarke, K. F, 2001). This chapter highlights the review of related literature to set the basis for the study.

2.2 Part I – Operational Definitions

Organization fit is the compatibility between people and organizations that occurs when at least one entity provides what the other needs or they share similar fundamental characteristics or both. Maintain the organisation fit is very important for both the employers and employees, particularly is more important for the employers.

Remuneration and recognition: Direct remuneration refers to getting paid for the work that employee performs. Indirect remuneration includes life and health insurances, sick leaves, annual leaves, etc. Recognition refers to the act by the employers that acknowledges the contribution of the employee to the growth of the organisation and for good performances etc.

Training and Development is a vital part of the human resources development. It plays a very important role in the recent times due to the high usage of Information Technology in all organizations and also due to the changing composition of quality and range of services offered in the education sector.

Challenging employment assignments and opportunities means job assignments stretch people, push them out of their comfort zones, and require them to think and act differently. Such assignments may involve roles that are not well defined, and they usually contain elements that are new to the individual leader. They place people in situations full of problems to solve, dilemmas to resolve, obstacles to overcome, and choices to make under conditions of risk and uncertainty.

Organizational leadership is the activities roles, processes and thinking that increase the organization's capacity to deliver benefits and have long term viability. It is the ability of management to understand its employees and company goals enough to bring everyone together.

Team relationship is built on communication, trust, honesty and dedication. Team relationships are essential for developing successful operations which are mutually beneficial to both our clients and our company. Regardless of the population of the members and diversities in a team, building a relationship is a crucially important factor for the success of organizations.

Communication is the process of creating, exchanging, interpreting and storing messages within a system of human relationships. It is the exchange of oral, nonverbal and written messages within and across the boundaries of a system of interrelated and interdependent people working to accomplish the common tasks and goals within the organisation.

Working environment includes the physical geographical location as well as the immediate surroundings of the workplace, such as a construction site or office building. Typically involves other factors relating to the place of employment, such as the quality of the air, noise level, and additional perks and benefits of employment such as free child care or unlimited coffee, or adequate parking.

Organisational commitment encompasses an individual's willingness to extend effort in order to further an organization's goal and the degree of alignment the organization has with the goals and values of the individual. Organizational commitment refers to the extent to which an employee develops an attachment and feels a sense of allegiance to his or her employer. It is the psychological link between an employee and his or her organization that makes it less likely that the employee will voluntarily leave the organization. Organizational commitment is related to job satisfaction in that both deal with the nature of workers' emotional reactions to work.

Turnover intention is the aspect of employee turnover which cannot always be measured adequately through charts or surveys until after the actual turnover occurs. There are two types of turnover intent: voluntary and involuntary. Voluntary turnover is when someone leaves of his or her own accord, either because that person is dissatisfied with the job or has found a better job somewhere else. Involuntary turnover is when a person is fired because of poor performance or wrongdoings, or if the employee dies.

Organizations must understand turnover intent to know how to curb it, because it places monetary and indirect stress on the company

Performance Appraisal is the process of identifying, evaluating and developing the work performance of employees in the organization, so that the organizational goals and objectives are more effectively achieved, while at the same time benefiting employees in terms of recognition, receiving feedback, catering for work needs and offering career guidance (Lansbury, 1988).

Performance appraisal fairness is the impact of justice on effective organizational functioning and is best conceptualized as three distinct dimensions; procedural, distributive and interactional.

The level(s) of justice influence the levels of perceived fairness by employees, which are as follows:

Procedural Justice refers to employees' perceptions of fairness in the means and processes used to determine the amount and distribution of resources (Saks, 2006). Higher perceptions of procedural justice by employees are more likely to reciprocate with greater organizational engagement (Saks, 2006) and an employees' positive evaluation of their supervisor (McFarlin & Sweeney, 1992). The basic tenet of procedural justice – a voice in the development of an outcome - enhances the perceived fairness in the workplace independent of the effects of its implementation (Greenberg, 2002). An organization that provides knowledge to employees about procedures demonstrates regard for employees concerns. Decision-making processes that are unclear to employees violate procedural fairness and trust – damaging the employer-employee relationship.

Distributive justice pertains to an employees' perception of fairness in decision outcomes and resource allocation (Saks, 2006). In order to be "just", the allocation of an outcome should be consistent with the set goals of a particular situation. The "equity rule" associated with distributive justice dictates that rewards and resources be distributed in accordance with contributions.

Interactional Justice refers to the quality of interpersonal treatment employees receive when procedures are implemented (Colquitt et al, 2001). There are four criteria for interactional justice; justification, truthfulness, respect and propriety (Colquitt, 2001). Interactional justice consists of two specific types of interpersonal treatment – interpersonal justice and informational justice (Colquitt et al, 2001). Interpersonal justice deals with how employees are treated with politeness, dignity and respect by leadership and management – those who execute procedures and outcome distribution (Colquitt et al, 2001). Informational justice focuses on the explanations and information given to employees by leadership and management that provide detail on procedures and outcome distribution (Colquitt et al, 2001).

Fairness Perceptions

The labeling of an organization as "fair" can be made off of the basis of perception and reality. Fairness is ideally seen and felt throughout all levels of the organization (thereby confirming it is real rather than just perceived) and can take many forms in the workplace; application of policies, procedures and the presence of unions to help level the playing field. Equity, and in essence - fairness, is a key driver of employee engagement.

Other factors that impact perceptions of fairness include; proximity (how close an employee is to the situation and their level of involvement), expectations and

entitlement (Beugré, 1998). Demographic factors also impact perceptions of fairness; level of education, occupational status, occupational tenure and gender – where men are more likely to perceive fairness as equity, whereas women are more likely to perceive fairness as equality (Beugré, 1998). Employees who perceive unfairness in the workplace may experience feelings of under-appreciation, lack of respect and recognition. Furthermore, the presence of hierarchal divisions and cliques increases the potential for perceptions of unfairness, breaks connections between employees and prevents groups from working together (Axelrod, 2000). There is little doubt that perceptions of unfairness (regardless of whether or not they are warranted) will lead to lower levels of employee engagement. Employees who do not see things as fair in the workplace are more likely to withdraw and display negative behaviors. However, it is not clear as to what extent employee engagement can influence perceptions of (un)fairness, nor how the reality of fairness affects employee engagement. However, fairness is considered to be one of the necessary conditions present leading to trust (Beugré, 1998), which is essential for employee engagement.

2.2 Part II – Reviews of Related Literature

2.2.1 Human Resource Management (HRM)

Armstrong M (2006) defines Human Resource Management (HRM) as “a strategic and coherent approach to the management of an organization’s most valued assets - the people working there who individually and collectively contributes to the achievement of the objectives”. Decision making in HR includes all management decision and practices that directly affects the people, or human resources, who work for the organization.

Pfeffer (1998, p.96) proposed that seven HRM practices: employment security, self-managed teams, hiring of new personnel, and decentralization of decision making as the basic principles of organization design. Currently, organizations have been faced with a great deal of competition which continues to increase day by day. HR managers must therefore be on the constant lookout for ways to maximize the utilization of human resources for improving organizational performance.

Studies have distinguished between an organization's human resources (Wright, McMahan, and McWilliams, 1994) (the experienced and skilled employees) and human resources systems. It is suggested that the organization's human resources have a greater potential to generate value on a sustainable basis. However, in order to create this value, the human resources present an important contribution and must exhibit high levels of skill and the willingness, motivation, and commitment which form part of the productive behaviour of employee. This is facilitated by the HR practices employed by the organisations. Researches argue that human resources can provide a source of sustained competitive advantage when four basic requirements are met, that is, making available the valuable, rare, inimitable and well organized human resources (Barney, 1991).

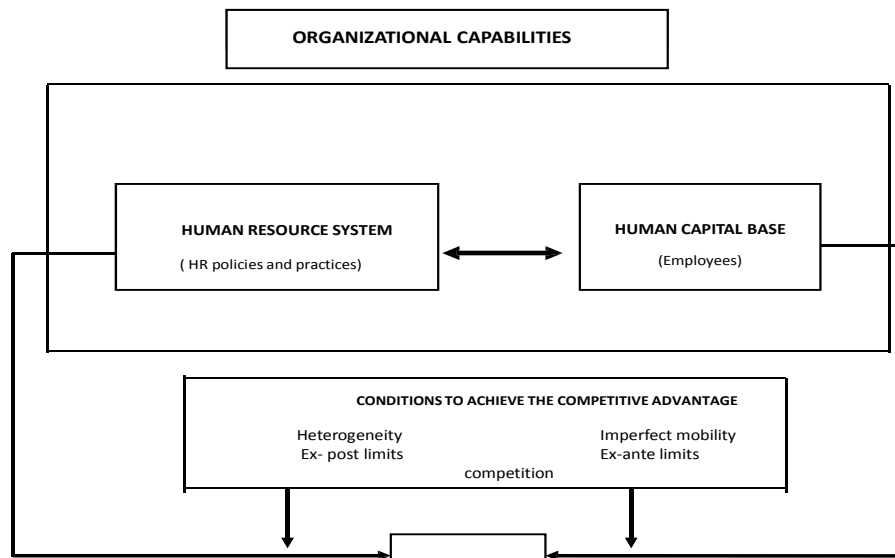
2.2.2 Human Resource Management System

According to Lado, A. & Wilson, M., (1994) HRM system is "a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm's human resources." De Saa-Perez, February (2002). define the HRM system "as an organizational capability which involves the strategic integration of the set of HR activities, functions and processes including: recruitment and selection, training, appraisal, promotion and compensation, etc., carried out to attract, develop and maintain the strategic human resources that allow the firm to

achieve its goals" Dessler, (1994) categorizes HRM systems according to five activities: selection, training, compensation, labour relations and employee security. According to Huselid et al and Becker et al, a human resource system increases organizational performance, develops and maximizes an organization's abilities (Huselid, 1995; Becker, 1996).

Thus, a good HRM system consists of a set of practices that are coherent and those that enhance employee skills and abilities provide information, empowerment and participation in decision-making, and motivation (Pfeffer, 1998; Applebaum et al., 2000). It is accepted that HRM activities may affect organizational performance either directly or indirectly through HRM outcomes. Petra & Juan (2004) proposed a model, presented in figure 2.1, is based on their main hypothesis that human resources constitute a source of competitive advantage. This model also considers that know how to establish a HR system that incorporates HR policies and practices in order to create and maintain the strategic human capital could have a sustainable competitive advantage.

Figure 2.1 - A Strategic Model of Human Resource Management



Source: Pérez, P. D. S. and Falcón, J.M.G (2006), The Influence of Human Resource Management in Savings Bank Performance, The Service Industries Journal, p.53

2.2.3 HRM Practices and Organisational Outcomes

Prior research works on HRM have identified some immediate effects of HRM practices, known as HRM outcomes. These HR outcomes are, in turn, expected to explain some of the variance in employee performance (Becker et al., 1997; Guest, 2000). Such HRM outcomes include knowledge, skill and abilities or competence (Beer et al., 1985; Schuler, 1989; Barney, 1991; Pfeffer, 1994; Becker et al., 1997; Lengnick-Hall, 1999; Sandberg, 2000), teamwork (Susan. G Cohen, 1997, vol 23, No 3), cost effectiveness (Beer et al., 1985), motivation (Pfeffer, 1994; Schuster, 1998), organizational commitment (Beer et al., 1985; Putti et al., 1989; Beaumont, 1993; Storey, 1997; Yeung and Berman, 1997), behaviour (Schuler, 1989; Morrison, 1996; Rucci et al., 1998), flexibility (Pfeffer, 1994; Storey, 1997) and customer orientation (Storey, 1997).

Researchers have also found significant relationships between HRM practices and organizational outcomes such as employee turnover (Arthur, 1994; Huselid, 1995; Sivasubramanyam and Venkataratnam, 1998), productivity (MacDuffie and Krafcik, 1992; Arthur, 1994; Huselid, 1995; Youndt et al., 1996; Hoque, 1999), quality (MacDuffie and Krafcik, 1992; Hoque, 1999; Harel and Tzafrir, 1999; Khatri, 2000), sales (Lau and May, 1998; Harel and Tzafrir, 1999), profits (Huselid, 1995; Delery and Doty, 1996; Lau and May, 1998; Khatri, 2000), return on investment (Sivasubramanyam and Venkataratnam, 1998) and market value (Welbourne and Andrews, 1996; Becker and Huselid, 1998).

HR practices are the core means by which organizations influence and build the skills, attitudes, and behaviour of individuals to do their work thus achieving organizational goals (Martinsons, 1995; Collins & Clark, 2003). In the words of Park et al “HR practices are the levers or mechanisms through which employee skills can be

developed” (Park et al., 2003, p. 1394). Therefore, HR practices are designed to improve the knowledge, skills, and abilities of employees and in turn helps to boost their motivation; minimize or eliminate procrastination on the job; and enhance the retention of valuable employees. HR practices including employee recruitment and selection procedures; remuneration and recognition and performance management policies, providing appropriate training, participation and involvement in decision-making are also found to have significant impact on employee performance.

According to Garibaldi. P.,(2006) HRM practices influence the firm’s human capital through the employee’s acquisition and development of skills necessary for the performance on the job. “Human capital relates to any stock of knowledge or characteristics the worker has (either innate or acquired) that contributes to his or her productivity”. Recruiting procedures that provide a large pool of qualified applicants helps organisations identify the quality and type of skills that new employees possess who then are inducted and are provided further formal and informal training experiences.

These formal and informal training experiences, such as basic skill training, on-the-job experience, coaching, mentoring, and management development, can further influence employees’ development. HRM practices can influence employee skills through the use of valid selection methods to hire appropriately skilled employees and through comprehensive training to develop current employees. Even high skilled workers will not perform effectively if they are not motivated. Managers can use HRM practices for the motivation of employees to work both harder and smarter.

Appelbaum et al. (1994) have provided the widely accepted theoretical basis for the relationship between human resource management and organizational performance is the high-performance work system framework. High performance work practices

(HPWPs) have often been publicized as being good for both employers and employees. However, the organizations must understand and appreciate that these practices require significant investments in human capital via training, coordination of initiatives, and time for managerial and employee input. Also, due to the large investment in human capital, value of these practices may be lost if the investment is not compensated by increased efficiency and effectiveness. Researchers argue that while high performance HRM increases a company's productivity and profits (e.g., Ichniowski, Shaw and Prennushi, 1997), the effect is even more distinct when corresponding bundles are used in collaboration with each other (e.g., Ichniowski et al, 1997; Hoque, 1999).

Delery, J.E & doty, D.H, (1996) propound that there are three approaches namely contingency, configurational and universalistic approaches have been used by the researchers to examine the link between HRM practices and performance. The contingency approach insists that the impact of an organization's HRM practices is contingent on its consistency or fit with other activities (e.g., strategic choice, employee attitudes, type of industry, country characteristics, etc.) in the organization or its environment. From the behavioural point of view, the contingency approach asserts that there is a unique set of employee attitudes and behaviours that are required to implement an organization's strategies successfully (Truss, 2001). According to the configurational approach, HRM practices are bundled or designed to achieve both horizontal and vertical fit to be most effective. Here, horizontal fit refers to the implementation of internally consistent bundles of HRM practices, while vertical fit refers to the harmony of the HRM practices with other organizational characteristics (Arthur, 1994; Delery and Doty, 1996; Khatri, 2000). Therefore, the effectiveness of any HRM practice is dependent on its relationship with other HRM practices; and cannot be used as stand-alone practices (Truss, 2001). The universalistic approach however, argues that there is a fixed set of best HRM

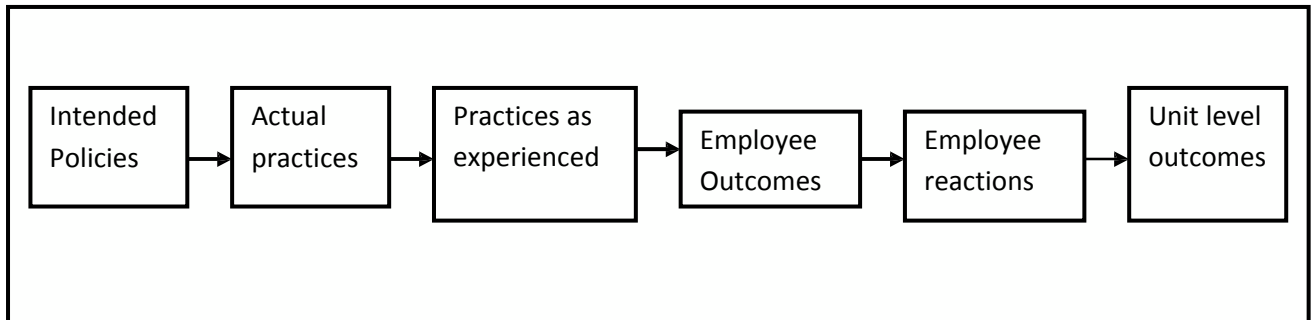
practices that can create value in different situational environments (e.g., cultural, economic, etc.) and that organizations facing the same conditions should adopt a similar mix of HRM practices (Pfeffer, 1994; Ichniowski and Shaw, 1999).

However, Paul A.K and Anantharaman R. N (2003) have found that not even a single HRM practice has direct causal connection with organizational financial performance. However researchers have also found that each and every HRM practice under study has an indirect influence on the operational and financial performance of the organization. Some literature also demonstrates that HRM practices such as extensive training, employee development, compensation systems, rigorous recruitment and selection processes, have a positive relationship with firm performance (Terpstra and Rozell, 1993; Bartel, 1994).

Further, HRM practices such as training, job design, compensation and incentives directly affect the operational performance factors namely, employee retention, employee productivity, product quality, speed of delivery and operating cost. Recent researchers have reported that HR practices are positively linked with organizational and employee performance (e.g. Guest, 2002; Harley, 2002; Gould-Williams, 2003; Tessema and Soeters, 2006).

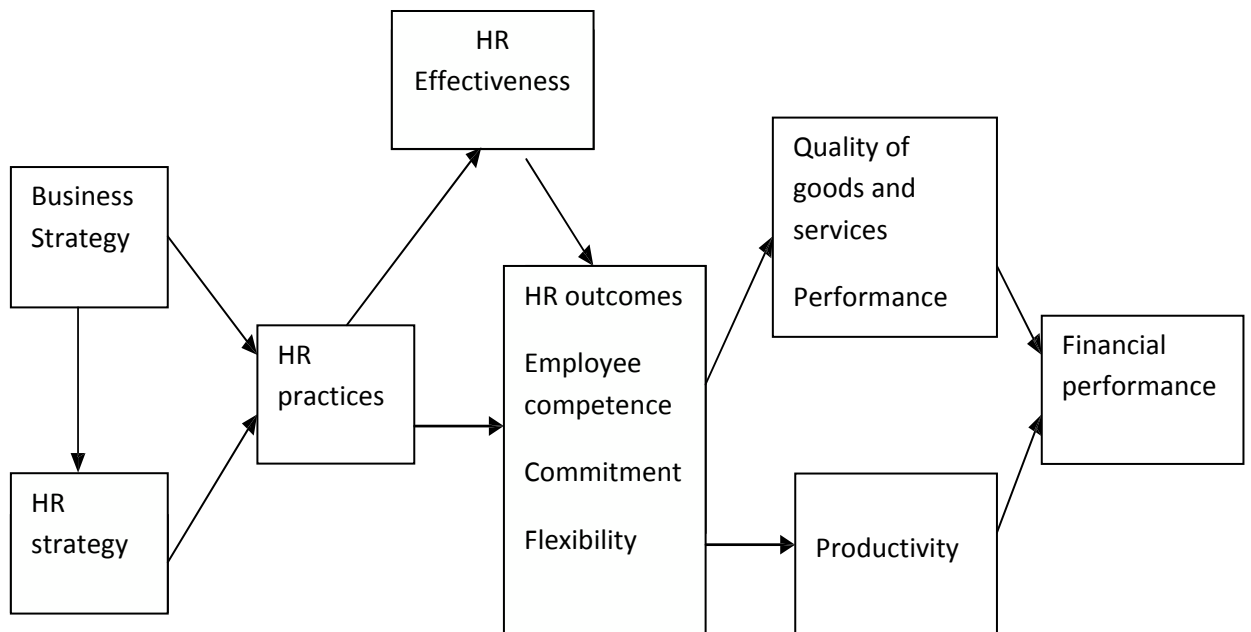
Figure 2.2, shows one of the most elaborated models linking HRM and performance as proposed by Wright and Nishii (2004). Moreover, a developing body of research has reported positive associations between firm-level measures of HRM systems and organizational performance (Cutcher- Gershenfeld, 1991; Arthur, 1994; Delery and Doty (1996) found significant relationships between HR practices and the reported accounting profits among a sample of banking institutions.

Figure 2.2 Links between HR policy and practice, employee experiences and responses and various outcomes.



Wright, P. & Nishii, L. (2004), 'Strategic HRM and organizational behaviour: integrating multiple level analyses, Paper presented at the What Next for HRM? Conference, Rotterdam

Figure 2.4: Model of the link between HRM and performance



Source: Guest et al., (2000b), People management and business performance, p.5

Zheng, Morrison, and O'Neill (2006) have done an empirical study of high performance HRM practices in Chinese SMEs. For the purposes of this research, five well known models that explicitly focus on the linkage between HRM and organizational performance were selected for comparison and use. They classify HRM practices and outcomes, and indicate the relatedness between practices, outcomes and performance. In 1996, Delery and Doty (1996) conducted a survey of senior human resource executives in U.S. banks in order to obtain information on the human resource policies used by the banks for their loan officers. Berger and Mester's (1997) findings suggest that managerial ability may play an important role in explaining bank performance.

2.2.4 Organization fit

Kristoff, (1996) proposes that Organization (PO) fit occurs when there is compatibility between people and the organization in which they work in. Compatibility may exist when the people and organizations are similar in some way. The similarity can be expressed in four ways. First, there can be similarity between individuals and the organization in terms of values or culture (Boxx, Odom and Dunn, 1991; O'Reilly, Chatham and Caldwell, 1991). Second, there can be similarity of goals (Vancouver and Schmitt, 1991). A third way of conceptualizing PO fit is in terms of a match between the needs and desires of individuals and the organization's structures and processes (Cable and Judge, 1996). Finally, there can be congruence between the individual's personality and the organization's climate (Bowen et al, 1991).

Various studies have found that PO fit is correlated positively with job satisfaction and organization commitment, and negatively with turnover intentions. Boxx, Odom and Dunn (1991) found that employees were more satisfied with their jobs and had higher commitment to the organization when excellent fit existed between employees and organization,. Moynihan and Pandey (2008) found that PO fit was negatively correlated to turnover intentions. A metaanalysis carried out by Kristof-Brown, Zimmerman and Johnson (2005) found that PO fit had a strong positive correlation with job satisfaction and organizational commitment and a strong negative correlation with intent to quit. Similar results have been obtained by Scroggins (2007) using survey methodology. Another meta-analysis by Verquer et. al (2003) found that PO fit had a correlation in the range of mid to high 0.20s with satisfaction and commitment, while the mean correlation between PO fit and turnover intentions was -.18. The influence of PO fit has also been studied in a non Western context. Liu, Liu and Hu (2010) explored the relationship between PO fit, job

satisfaction and turnover intentions using a sample of Chinese public sector managers. They found while PO fit directly influenced job satisfaction and turnover intentions, the best model fit was obtained when job satisfaction fully mediated the PO fit-turnover intentions relationship

2.2.5. Remuneration and Recognition

Milgrom and Roberts (1992) advocate that compensation systems, including remuneration and recognition, that organizations offer to the employees play a key role in increasing employee motivation, performance and productivity. Hence, most of the organizations are very much concerned about establishing and maintaining the optimal compensation systems. According to Vroom's expectancy theory (Vroom, 1964), when pay is tied to some measure of individual or group performance, employees are more likely to work harder to increase the individual's, the group's or the organization's performance and an increase in performance in any of these areas will lead to an overall improvement in firm performance. Based on expectancy theory (Vroom, 1964), it can be expected that, if the company provides rewards desired by the employee in question, this employee is more likely to perform in a way that will bring him/her the reward. In the words of Garibaldi, "Choosing an appropriate compensation mechanism is probably the core problem of human resource managers, and represents the heart of personnel economics" (Garibaldi P, 2006).

According to Abassi and Hollmane (2000), salary growth effects on turnover were greatest for high performers, that is, high salary growth significantly reduced turnover for high performing employees. They have identified in their study that lack of recognition and lack of competitive compensation systems are major reasons for employee turnover in the organization. A significant and positive correlation has been

reported between compensation practices and perceived employee performance by Teseema & Soeters (2006). On the basis of above mentioned literature and arguments it can be safely assumed that compensation practices are correlated with the performance of employees.

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). Dailey and Kirk, (1992) state that ineffective performance appraisal and planning systems have contributed largely to employees' perceptions of unfairness and they were more likely to consider leaving the organization.

Internal promotion; the availability of career possibilities within the firm tends to promote a higher degree of organizational commitment among employees (Guest, 1997) who perceive career possibilities with the firm. Additionally, an emphasis on internal promotion is likely to provide a sense of fairness and justice among the employees who note that organizational tenure is valued in the company (Pfeffer, 1995). Teseema & Soeters (2006) found a significant and positive correlation between promotion practices and perceived employee performance; however HR outcomes were used as mediating variables.

2.2.6 Training & Development

Training can be treated as an investment in organizational human assets. In addition, "training is seen as a useful means of with changes fostered by technological

innovation, market competition, organizational structuring, and demographic shifts (Knoke and kalleberg, 1994). Training and development encompasses three main activities: training, education, and development. Waterman et al., (1994) contented that firms that offer training and employee development are making a visible investment in employees. Among its positive outcomes, this investment increases employability for the individual employee.

Peteraf, (1993) state that in a rapidly changing global market place, characterized by increased technological advancement, organizations demand a more flexible and competent workforce to be adaptive and to remain competitive. Thus, demand for a well qualified workforce becomes a strategic objective. The human resource training and development (T&D) system of an organization is a key mechanism in ensuring the knowledge, skills, and attitudes that are necessary to achieve organizational goals and create competitive advantage. Employees invest in human capital after the start of employment, and normally this investment is called training, provided either by the firm itself on the job, or acquired by the worker (and the firm) through vocational training. Economists typically distinguish between two types of training:

Firm – specific training: “This provides a worker with firm specific skills, or skills that will increase her or his productivity only with the current employer” (Garibaldi P., 2006, p.156).

General training: “This type of training will contribute to the worker’s general human capital, increasing his or her productivity with a range of employers” (Gary Becker, 1964)

However, general training and development may increase organizational risk, because, after having training, employees may decide to leave the organization to find a

better job in another organization. It can be expected that firm investments in both technical and non technical training will have a positive impact on the extent to which the firm actually succeeds in developing the skills/knowledge of its employees. Training was included as a high-performance HRM practice in, among others, Huselid (1995), MacDuffie (1995) and Koch and McGrath (1996). Firms with superior training programmes may also experience lower staff turnover than companies that neglect staff development. In firms with good technical and non-technical training programmes, employees are likely to realize that their market value develops more favorably than in other firms. Therefore, it is in their own interest to remain longer in the firm.

Huselid M.A., (1995) describe that training and development is the field concerned with the organizational activity which is aimed at bettering the performance of individuals and groups in organizational settings. HRM practices influence employee skills through the acquisition and development of a firm's human capital. Organizations can adopt various HRM practices to enhance employee skills (Delaney & Huselid, 1996). First, such practices can be used for improving the quality of the individuals hired, or raising the skills and abilities of current employees or for both. Second, organizations can improve the quality of current employees by providing comprehensive training and development activities after selection of workers. Evidences from the previous research suggest that investments in training produce beneficial organizational outcomes (Russell et al, 1985; Bartel, 1994; Knoke & Kalleberg, 1994).

A substantial body of research has been developed that investigated the impact of training on performance. For instance, considerable evidence suggests that firm investments in training result in better organizational performance (Russel et al.1985; Bartel, 1994; Kalleberg and Moody, 1994). Generally, a positive relationship has been

established between employee training and development and organizational performance (Delaney and Huselid, 1996; Koch and McGrath, 1996). Firms with superior training programmes are to experience lower staff turnover than companies that staff development (Arthur, 1994; Fey et al., 1999). Also, more investment in training and employee development is positively related to organizational effectiveness, increased productivity and reduces employees' intent to leave the organization (Harel and Tzafrir, 1996; Lee and Bruvold, 2003; Arago'n-Sa'nchez et al., 2003).

A number of studies have looked at the effect of training on productivity, and they have found positive relationship between training and productivity of an organization (Bartel, 1994). Previous studies have found the relationship between various training & development practices and different measures of organizational performance (e.g., Delery and Doty, 1996; Becker and Huselid, 1998).

Pandey (1975) in his doctoral research work has stated that if all the members are educated and trained, the objectives of the society are likely to be realized in an effective way.

Kulkarni (1981) observed that an adequate number of well qualified and professionally trained staff is an essential requirement for the efficient functioning of a co-operative organization.

Seth (1984) has suggested that training for personnel managers should be directed towards attitudes and beliefs underlying managerial philosophy and their inter-relatedness.

Nanda Kumar (1992) has suggested that the adoption of modern technology requires imparting training to the supervisors and the workers who are really in touch with the machine and tools.

Thamban (1994) in his doctoral dissertation points out that management training is inevitable to implement scientific management. In order to feel the growing challenges and competitions, proper training and education should be given to the personnel and the directors.

Singh (1995) in his research study states that training is the process of changing the attitudes, improving the knowledge and developing the skills of the employees of an organization to enable them to perform their job effectively.

Dayanandan (1997) in his research study has pointed out that training programmes help employees to acquire knowledge, skills and ability which are needed to meet the future challenges.

2.2.7 Challenging Employment Assignments and Opportunities

Morrison (1993) states that work in itself, should be a challenging experience that encourages creativity and self-expression. Luthans (1998) advocated that work itself could be a source of satisfaction. If this is true, it is imperative that managers create organizational climates that facilitate satisfaction in the execution of jobs. Gibson, et.al. (1997) indicated that employees should be given opportunities to advance in their field of work so that they could accept responsibilities entrusted to them. Study leave can be provided for those employees with the desired skills and willingness to perform the job, who want to improve their skills and knowledge. Managers should make sure that employees are given adequate feedback on performed tasks to motivate them to work

harder and better as well as to point out areas that needed attention and provided assistance when needed. Managers should also give employees bigger responsibilities, allow them to exercise autonomy and offer them challenging tasks as means of enhancing the quality of work life. The organizational climate should provide promotional opportunities to motivate the employees to work harder and strive for excellence in his or her job. Thus, rewards attached to the job make the job more enjoyable and improve performance. A job should always be interesting and challenging – never boring. Apart from that, a job or the work itself should also provide a sense of status and achievement.

Work allocated to employees should be such that it encourages creativity and self-expression because in such an environment, employees are able to use their creativity as they discharge their academic duties. Employees tend to see their work as a challenge and then experience.

Job challenge is found to be beneficial for the careers of individual employees, as positive relationships have been found between challenging job experiences and learning (e.g., DeRue & Wellman, 2009; Dragoni, Tesluk, Russell, & Oh, 2009), supervisory promotability ratings and career success (Berlew & Hall, 1966; Bray, Campbell, & Grant, 1974). Less is known, though, about organizational consequences of providing employees with challenging assignments (Van Vianen, De Pater, & Preenen, 2008).

Due to the rapid changes in and increasing complexity of work, it is nowadays vital for organizations to maintain a flexible and capable workforce. Providing employees with challenging assignments may help organizations to face this challenge. First, in recent years researchers have shown that individuals are particularly attracted to organizations that offer challenging jobs (Boswell, Roehling, LePine, & Moynihan, 2003;

Slaughter, Richard, & Martin, 2006), suggesting that offering challenging jobs may be a means to retain employees. Second, challenging assignments are found to result in on-the-job learning and employee development (e.g., DeRue & Wellman, 2009; Dragoni et al., 2009), which can satisfy (inherent) needs of people, such as the desire to acquire and exercise competence (e.g., Elliot & Dweck, 2005; Skinner, 1995). Employees may thus highly value having challenging assignments in their jobs as these assignments lead to learning and development.

2.2.8 Team relationships

Clarke, 2001 have found that employees stay when they have strong relationships with their work colleagues. 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".

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). Jablin 1987, say that interactions with co-workers may serve "an affective- psychological function by providing emotional support against the stresses of the organization's socialization initiatives and uncertainties of the work setting". 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).

2.2.9 Organisational Leadership

During the past four decades, the impact of leadership styles on organizational performance has been a topic of interest among academics and practitioners working in the area of leadership (Cannella and Rowe, 1995; Rowe et al., 2005). Perhaps the most prominent reason for this interest is the widespread belief that leadership can affect the performance of organizations (Rowe et al., 2005). The style of leadership adopted is considered by some researchers (e.g. Awamleh, 1999; Conger, 1999; Dubinsky et al., 1995) to be particularly important in achieving organizational goals, and in evoking performance among subordinates (Zacharatos et al., 2000).

Despite the widespread acknowledgment of the importance and value of leadership, when studying the leadership literature, it is striking that the concept of leadership lacks coherence and agreement. Most of the leadership literature confuses the definition of effective leadership by failing to make clear distinctions in some definitions, such as between leaders and non-leaders, effective and ineffective leaders, as well as overlooking the definition of the levels of leadership (Bennis, 1998; Bergsteiner, 2005; House and Aditya, 1997). Further, there has been limited research that has specifically

addressed the relationship between leadership behavior and organizational performance. Despite these oversights, it is widely believed that leadership creates the vital link between organizational effectiveness and people's performance at an organizational level (Purcell et al., 2004; Yukl, 2002).

Understanding the effects of leadership on organisational performance is also important because leadership is viewed by some researchers (e.g. Zhu et al., 2005) as one of the key driving forces for improving a firm's performance. Effective leadership is seen as a potent source of management development and sustained competitive advantage for organizational performance improvement (Avolio, 1999, Rowe, 2001). For example, transactional leadership helps organizations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring employees have the resources needed to get the job done (Zhu et al., 2005). Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision (Avolio, 1999; McShane and Von Glinow, 2000).

Zhu et al., 2005 suggest that visionary leadership will result in high levels of cohesion, commitment, trust, motivation, and hence performance in the new organizational environments. According to Mehra et al. (2006), when some organizations seek efficient ways to enable them to outperform others, a longstanding approach is to focus on the effects of leadership. This is because team leaders are believed to play a pivotal role in shaping collective norms, helping teams cope with their environments, and coordinating collective action. This leader-centred perspective has provided valuable insights into the relationship between leadership and team performance (Guzzo and Dickson, 1996).

Some researchers (e.g. Judge, et al., 2002; Judge and Piccolo, 2004; Keller, 2006; McGrath and MacMillan, 2000; Meyer and Heppard, 2000; Purcell et al., 2004; Yukl, 2002) have started to explore the strategic role of leadership, and investigate how to employ leadership paradigms and use leadership behavior to improve organizational performance. The reason for this is because intangible assets such as leadership styles, culture, skill and competence, and motivation are seen increasingly as key sources of strength in those firms that can combine people and processes and organizational performance (Purcell et al., 2004).

Thompson (2012) say that good management, defined by strong planning, organisational skills and control, allows managers to compare system behaviours with original plans and intervene when these diverge (Kotter 2009).

2.2.10 Communication

According to Greenberg and Baron (1993), poor communication and inadequate explanations of decisions affecting jobs will lead to dissatisfaction; hence, employees should participate in decision-making. When employees are allowed to make their inputs, they will feel free to participate in decision-making and will see themselves as part of the organization. When decision authority is concentrated in the hands of a few people, employees feel that they are relatively powerless and consequently feel frustrated. Booyens, (1998) state that in order to ensure that all employees are well informed of policies and procedures within their organization and secure their co-operation, two-way communication is to be practiced in organizations to allow dissemination of policies and any changes that are taking place

If policies are not communicated, employees find themselves in a difficult situation as they are expected to accomplish the organization's goals. Employees may

feel frustrated because they do not have guidelines that spell out their responsibilities or form of action and they might experience job dissatisfaction. Communication of policies can be done at unit and organizational level. Some organizations do not involve their employees in policy formulation, which makes it difficult for employees to implement such policies because they were not involved in decision-making and do not always understand the reason behind set policies. Involvement of employees in policy formulation promotes understanding and motivation and leads to job satisfaction.

2.2.11 Working Environment

Work environment is one of the factors that affect employee's decision to stay with the organization. Productivity and efficiency are directly affected by how people work, and this equally is affected by their work environment. This may include issues such as office space, equipments, air conditioning, comfortable chairs just to mention but a few. According to George and Jones, 1999, many people are dissatisfied if working conditions are poor. Working environment that is comfortable, relatively low in physical psychological stress, facilities and attainment of work goals will tend to produce high levels of satisfaction among employees. In contrast, stressful working environment result to low level of satisfaction. Academic staffs also require office space, research and book support to be able to access latest information for their teaching and research outputs.

Obwogi (2011) observed that some lecturers in Kenyan public universities did not have access to some of the basic teaching facilities like offices and desks. Increased workload is the most stressful aspects of faculty careers. Daly et al (2006) observes that heavy workloads, including assignments to teach large classes, may generate hostility toward the organization and diminish levels of faculty commitment to the institution. Gilbert (2000) cited in Yousaf (2010) observes that increasing workload caused by

massification of student numbers certainly impact on the well-being of employees at higher education institutions. Metcalf et al, 2005 observe that it was widely held belief that the workload of the academic staff has been increasing especially due to expansion of higher education and this has contributed to increased stress level.

Waswa et al (2008) observe that in Kenyan Public Universities, heavy workloads manifest themselves in the form of large classes brought about by increasing enrolments and the integration of government sponsored and self sponsored students. More than ever technology is redirecting all facets of education. Academic staffs are expected to use appropriate technology in delivering their services and in their research. Rosser (2004) observes that few institutions provide adequate support for faculty members to integrate technology into their work. The extent to which lectures feel supported in terms of being provided with adequate and favorable facilities including technology is critically important to the overall quality of their work life and may easily influence their intention to stay or leave.

2.2.12 Organizational Commitment

Organisational commitment has been defined as “a psychological state that characterizes an employee’s relationship with an organisation and has implications for the decision to continue membership of the organisation” (Meyer, Bobocel and Allen 1991).

Organizational commitment is defined in terms of the strength of an individual's identification with and involvement in a particular organization (Porter et al., 1974). When commitment is high, it means that an employee's values are aligned with the organization and that he or she wants to do what is best for the organization (Mowday et al., 1979). Robins S.P. (2005, p.79) defined organizational commitment as “a state in which an employee identifies with a particular organization and its goals, and wishes to

maintain membership in the organization”. Further, he compares and contrasts job involvement and organizational commitment. High job involvement refers to identifying with one’s specific job, while high organizational commitment means identifying with one’s employing organization.

Organizational commitment is as “a strong belief in and acceptance of the organization’s goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization” (Mowday, R.T., Steers, R.M., & Porter, L.W. (1979). The concept of organizational commitment has been conceptualized from various perspectives. In this current study, the concept of organizational commitment will be discussed from the behavioral approach and psychological approach. From the behavioral approach, organizational commitment has been studied from the output of rewards/ contribution exchange processes between employers and employees (Morris & Sherman, 1981). On the other hand, the psychological approach looks at organizational commitment from the view of the attachment or identification of employees with the organization at which they work. The model of Meyer and Allen (1997) used in this current study proposed a three-component model of organizational commitment according to the nature of the bond that exists between an employee and employer as below:

1. Affective commitment is employee’s emotional attachment to, identification with and involvement in the organization (Meyer et.al., 1993; Shore and Tetrick, 1991; Romzek, 1990)
2. Continuance commitment that is based on the costs that the employee links with leaving the organization or on a perceived lack of alternative employment

opportunities.(Buitendach and De Witte, 2005;Reichers, 1985; Murray, Gregoire, & Downey,1991)

2.2.13 Turnover Intention

Turnover intention is a topic of interest among management scholars. Shaw et al. (1998) reported about 1500 research studies on the subject. Unlike actual turnover, turnover intent is not explicit. Intentions are a statement about a specific behavior of interest (Berndt, 1981). Turnover intent is defined as the reflection of “the (subjective) probability that an individual will change his or her job within a certain time period” (Sousa-Poza&Henneberger, 2002) and is an immediate precursor to actual turnover. A broad range of literature examining the relationship of turnover intent and actual turnover (e.g. Mobley, 1977/ Hom&Griffeth 1991) exists. Actual intention and turnover intention have been measured separately; however, actual turnover is expected to increase as the intention increases.

The results of the different studies provide support for the high significance of turnover intention in investigating the individual’s turnover behavior. Turnover intention captures the individual's perception and evaluation of job alternatives (Mobley et al., 1979). In Henneberger and Sousa-Poza’s study, it resulted that the decision on job mobility is rather been made by employees in the short run. Turnover intentions imply to one’s intention to leave his employing organization which shows a breach in the relationship between employees and the organization (Cho et al., 2009).

According to Hellman (1997), turnover intention is the behavioral intention illuminating an individual’s intention to leave the organization. Hom & Griffeth (1995) referred turnover intentions as a conscious and deliberate wilfulness of an individual towards voluntary permanent withdrawal from the organization (Davoudi et al., 2013).

Turnover indicates a conflict in the relationship between individuals and the organization (Cho et al., 2009). The cost of turnover in firms, which includes opportunity costs, retraining and reselection and decreased morale of existing employees, may result in serious losses to the firms (Cho et al., 2009).

As Davoudi et al. (2013) stated, researchers do not see personnel turnover to be dysfunctional, however, at the organizational level there is strong evidence to confirm the fact that, higher level of turnover has replacement and recruitment costs (Deery & Iverson, 1996; Manley, 1996; Nadiri & Tanova, 2010). One reason that a high rate of voluntary turnover is alarming for many managers is the fear that the employees with better skills and abilities will be those who are able to leave whereas those who remain will be those who cannot find other jobs (Tanova & Holtom, 2008; Nadiri & Tanova, 2010)

2.2.14 Performance Appraisal

“Performance appraisal represents, in part, a formalized process of worker monitoring and is intended to be a management tool to improve the performance and productivity of workers” (Shahzad, Bashir and Ramay, 2008, p.304). Performance appraisal, the process of observing and evaluating employees’ performance and providing feedback, is a potentially important method for developing an effective workforce. Performance appraisal is also used as mechanism for improving employee performance. It is widely recognized as the primary human resource management intervention for providing feedback to individuals on their work-related achievements (Waddell et al., 2000).

Performance appraisal can be used as an aid in making decisions pertaining to promotion, demotion, retention, transfer, and pay. It is also employed as a developmental guide for training needs assessment and employee feedback. Employee commitment and productivity can be improved with performance appraisal systems (Brown and Benson, 2003).

Performance appraisal or performance evaluation is the process by which a superior evaluates the work performance of a subordinate. Performance appraisal systems include the processes and procedures involved in implementing, managing, and communicating the events involved in performance appraisal. In most organisations performance appraisal is a formal process and is a part of the personnel management policy.

Organizations employ a formal or informal assessment system that measures employee performance and contribution (Carroll & Schneier, 1982). Coens and Jenkins, (2000) suggest that performance appraisal is a mandated process in which, for a specified period of time, all or a group of an employee's work behaviors or traits are individually rated, judged, or described by a rater and the results are kept by the organization. Some researchers also that considered performance appraisal should include a communication event scheduled between a manager and an employee expressly for the purposes of evaluating that employee's past job performance and discussing relevant areas for future job performance. DeNisi, A.S., Cafferty, T. and Meglino, B.M, (1984) point out that performance appraisal is an exercise in social perception and cognition embedded in an organizational context requiring both formal and implicit judgment. A variety of components may be included in the performance appraisal process. Landy and Farr (1980) presented a model of performance appraisal that included 13 interacting factors: position

characteristics, organization characteristics, the purpose of the rating, the rating process, scale development, the rating instrument, rater and rate characteristics, the observation and storage of performance data, the retrieval and judgment of that performance, analysis of this information, performance description and in the end, personnel action. Mohrman, Resnick-West and Lawler, (1989) postulate that there are four essential activities in the performance appraisal cycle in organizations: 1) defining what performance is or should be; 2) measuring and evaluating performance; 3) feeding information about that performance back to the individual; and 4) providing information to other organizational systems that use it. Latham and Wexley (1981) listed similar requisite components but added a review of legal requirements, development of an appraisal instrument, selection and training of observers, and praise or reward for performance.

Regardless of the definition or the specific components included, performance appraisal in most organizations is formal, structured, and required. The process is generally defined to include an interview between the rater and the ratee as well as performance documentation required by the formal evaluation system. One descriptor left out of most definitions is that performance appraisal is often dreaded by participants. Folger and Lewis (1993) suggest that performance appraisals typically engender the same degree of enthusiasm as paying taxes.

Fairness in Performance Appraisal

A significant direction of research regarding performance appraisal efficacy and approaches for evaluation has concentrated on employee satisfaction and perceptions of the process. This direction has lead researchers and practitioners to take a more comprehensive view of performance appraisal system efficacy and evaluation of systems which include these factors. One common theme of recent research is that attitudes of the

system's users toward the process determine to a large degree the ultimate effectiveness of a performance appraisal system (Roberts, 1990).

Employee perceptions of fairness of performance appraisal have been shown to be linked to satisfaction with the system. Performance appraisal fairness has been studied by a number of researchers over time. Bretz, Mikovich and Read (1992), in their review, indicated that the most important performance appraisal issues faced by organizations are, the perceived fairness of the performance review and the performance appraisal system as a whole. Findings of their study have suggested that most employees perceive their performance appraisal system as neither accurate nor fair. Skarlicki and Folger (1997) suggest that the appraisal process can become a source of extreme dissatisfaction when employees believe the system is biased, political or irrelevant. A major problem for organizational leaders is that the performance appraisal process and the performance evaluation system are often perceived as both inaccurate and unfair (Latham & Wexley, 1981).

Landy, Barnes, and Murphy (1978) studied employee perceptions of the fairness and accuracy of a performance appraisal system. Researchers have also found that identification of goals to eliminate weaknesses, frequency of evaluation and supervisory knowledge of a subordinate's level of performance and his specific job duties has a significant impact on perceptions of fairness and accuracy of performance appraisal. Their results confirmed traditionally held perceptions that performance appraisal should be done as frequently as possible, that the supervisor should work with the subordinate to agree on responsibilities; and, that the supervisor should devote sufficient time to observe and evaluate and employee's performance.

Greenberg (1986) studied 217 private sector middle managers and asked them on an open-ended questionnaire what single factor made a recent performance evaluation fair or unfair. Factor analysis of the results indicated that soliciting employee input, two-way performance interview communication, and the ability to challenge or rebut the performance ratings account for a significant proportion of the variance in perceived efficacy of the performance appraisal system.

In a study of 367 Washington state government employees, Lovrich, Shaffer, Hopkins and Yale (1980), found that both ratees (58 percent) and raters (71 percent) believed that participative performance appraisal was a fairer way of conducting appraisals than non-participative methods. They also found that, if given a choice, raters and ratees would choose participative performance appraisal over a non-participative type of system.

Ahmed (1999) investigated the measure of effectiveness that a state agency uses to assess its performance appraisal function. Some of the criteria for assessment as suggested by the respondents included impact on employee motivation, employee satisfaction with the system, employee's perception regarding fairness and objectivity, and the degree to which it provides adequate and valuable feedback.

Gabris and Ihrke (2000) reported that leadership credibility of immediate supervisors is significantly associated with whether employees perceive performance appraisal systems as procedurally fair and instrumentally just and appropriate. Boswell & Boudreau, (2000) found a significant positive relation between employee attitudes and procedurally just performance appraisals and underscored the importance employees place on fairness. The direction of recent research indicates that employee reactions towards performance appraisal variables such as fairness and satisfaction will continue to play a role in the evaluation of performance appraisal systems.