

THE EFFECTS OF HUMAN RESOURCE MANAGEMENT PRACTICES ON EMPLOYEE RETENTION IN THAILAND'S MULTINATIONAL CORPORATIONS

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Abstract

The purpose of this study is to determine the effects of human resource management (HRM) practices on employee retention in Thailand's multinational corporations (MNCs) with foreign direct investment (FDI) that had been promoted under Board of Investment (BOI) to invest and based in the key industrial zone of the eastern seaboard industrial estate, Rayong province. Eleven theoretically based hypotheses have been developed that point to possible positive and negative relationships between HRM practices, mediating variables and employee retention. A total of 411 managers, consisting of top management, HR leader and line manager, were examined and then empirically tested using SPSS AMOS for Path Analysis. The results show that HRM practices have a direct and indirect effect on employee retention. In terms of indirect effect, out of the five mediating variables, the one that has the strongest effect on employee retention is employee engagement. Organizational citizenship behaviors (OCBs), however, have no effect on employee retention. Therefore, this study has provided new insight into HRM practices and employee retention, getting to the heart of the role that mediating variables, particularly employee engagement, play in the network of relationships.

Keywords: HRM, human resource practices, employee retention, Thailand, Multinational corporations

INTRODUCTION

In today's competitive world, companies have been implementing tools to measure their performance and stay in business. To gain leverage from their rivals in the market, companies are attempting to find new performance indicators and, so far, one of these competitive advantages is human capital. Since the 1980s, there has been an increasing emphasis in the use of HR measurement (Tootell et al., 2009). In particular, a study by Huselid (1995) marked a new era of measuring the influence of HR to promote effective organizational performance. As HR positions itself as a strategic business partner, one of the most effective ways to do so is to support the strategic business goals through key performance indicators (KPIs). KPIs are defined as quantifiable, specific measures of an organization's performance in certain areas of its business (Lockwood, 2006). The purpose of KPIs is to provide the company with quantifiable measurements of what is determined to be important to the organization's critical success factors and long-term business goals. Once uncovered and properly analyzed, KPIs can be used to understand and improve organizational performance and overall success. Thus, by using HR measures, companies will be able to achieve success and have a competitive advantage over their rivals.

One of the most common ways to choose KPIs is by using the balanced scorecard (BSC) model. This is a comprehensive management control system that balances traditional financial measures with operational measures relating to a company's critical success factors (Kaplan & Norton, 2001; Chow et al., 1997; Kaplan & Norton, 1992). According to Ulrich (1997), BSC is built on the logic that for a business to be considered successful, it must satisfy the requirements of three stakeholders, namely investors, customers, and employees. In relation to employees, retention can be used to show employee commitment. Thus, when employees are dissatisfied with a business, they may show their dissatisfaction by leaving voluntarily. To understand more about employee turnover, emphasis should be made on retention of the right talent. These are employees who are the strongest performers, have high potential, or are in critical jobs (Scott et al., 2012). This is particularly important during economic recoveries when organizations aggressively compete for market share and talent. Key talent disproportionately contributes to current and future organization performance since designated key talent most often become organization leaders. Therefore, the loss of key employees will cost considerably more since their impact and contribution is greater than that of typical employees, and they are more difficult to replace. As such, it is imperative that organizations are equipped with the right HRM practices to retain employees, especially talented ones, which will then increase their performance. Furthermore, as mentioned earlier, the fact that employee retention can be used to indicate employee commitment illustrates how the relationship between HRM practices and

employee retention can be affected by other factors as well. By taking into account employee behaviors like the above employee commitment, they can help determine the best way to implement HRM practices and increase employee retention. While most studies focused on one of these factors (e.g. Morrison, 1996), this study will look at five such behaviors, which are organizational citizenship behaviors, job satisfaction, employee engagement, employee motivation and HR flexibility. They will mediate the relationship between HRM practices and employee retention.

THEORETICAL BACKGROUND

For organizations to succeed in this new competitive world they must have an advantage over their rivals. To understand where this advantage is derived from, it is necessary to look at an organization's resources. Several studies – based on Barney's (1991) resource-based view (RBV) – have suggested that HRM is a source of competitive advantage in a company.

Resource-Based View (RBV)

Barney's (1991) RBV theory claims that a company must have valuable, rare, inimitable and non-substitutable resources to have a sustainable competitive advantage, and that these resources include everything internal to the firm. Barney (1986) listed all of the assets, capabilities, organizational processes, firm attributes, information, knowledge, and so on, as resources. The application of this theory to HRM illustrates the role that people play in building a company's competitive advantage. To explain how this theory can be applied to HRM, Wright and McMahan (1992) referred to the following four features that people, as resources, must have for the company to be competitive. First, they must give value to the company's production processes – meaning, the level of individual performance must be significant. Second, the skills that the company looks for must be rare. According to them, all human resources should meet these two criteria, since they are evenly distributed. Third, the combined human capital investments of a company's employees cannot be easily imitated. Some argue that other types of resources in a company, such as technology and natural resources, are available to anyone and easy to copy nowadays. On the other hand, human resources – particularly HR systems – represent a complex social system (Ulrich and Lake, 1990) and are regarded as invisible assets. Finally, a company's human resources must not be substituted or replaced by technological alternatives; however, the high levels of automation in many industries and the continuing shift towards a service economy have made substitution less likely. Overall, the resource-based theory provides a useful basis for understanding the value that HRM adds to

the performance of the organization. But, beyond RBV, it is important to discuss theories that involve HRM practices to truly understand the effects that HRM have on organizations.

Human Resource Management (HRM)

Guest (1997) and Boselie et al. (2005) have categorically listed HRM theories. According to Guest (1997), there are three types. The first is known as Strategic Theories; in the UK, this means that firms adhering to good HR practices within both the internal and the external contexts will perform superior to those that do not; in the USA, the theory suggests that firms striking a balance between business strategies, structure and HRM policy will have superior performance. The second is known as Descriptive Theories, which either lists areas of HR policy and outcomes (Beer et al., 1984) or adopts a system-based approach that describes the relationships between levels (Kochan et al., 1986). They are mainly non-prescriptive. The third type is known as Normative Theories, which means that firms establish a norm (or standard pattern) in the form of a prescribed best practice.

According to Boselie et al. (2005), there are three types of HRM theory. The first is the Contingency Theory, in which HRM is influenced by an organization's environment and circumstances (Legge, 1978). The second is the RBV, which states that HRM delivers added value through strategic development of the organization's rare, hard-to-imitate and hard-to-substitute human resources (Barney, 1991, 1995). The third is the AMO theory, which is defined by the formula: Performance = Ability + Motivation + Opportunity to Participate. This provides the basis for developing HR systems that will cater to employees' interests, namely their skill requirements, motivations and the quality of their jobs (Appelbaum et al., 2000; Bailey et al., 2001; Boxall and Purcell, 2003).

Models of Human Resource Management

Different research teams have developed numerous models of HRM. Each one of these models has helped HR practitioners effectively manage human resources. Foremost among them is the Harvard Model (Beer et al., 1984), which guides all managers in their relations with employees and concentrates on the human, or soft, aspect of HRM. What is more, it focuses on employee commitment, concluding that employees need to be congruent, competent and cost effective. Another prominent model is the Michigan Model (Devanna et al., 1984), which focuses on hard HRM – meaning, people should be managed like any other resources: obtained cheaply, used sparingly, developed and exploited fully. Then, there is the Guest Model (Guest, 1997), which operates on the belief that a set of integrated HRM practices will result in superior individual and organizational performance. Finally, there is the Warwick Model (Hendry and Pettigrew, 1990),

which recognizes the impact of personnel on HR strategy content and emphasizes identifying the inner (organizational) and external (environmental) context.

Human Resource Management Practices

To effectively manage human resources, organizations will have to implement innovative HRM practices. Of course, HRM practices may differ from one organization to another and from one country to another.

Researchers have classified HRM practices in broad-ranging categories such as 'best practice,' or 'high-performance' (Huselid, 1995), 'formal' (Aldrich and Langton, 1997; De Kok and Uhlaner, 2001; Heneman and Berkley, 1999), 'sophisticated' (Golhar and Deshpande, 1997; Goss et al., 1994; Hornsby and Kuratko, 1990; Wagner, 1998) and 'professional' (Gnan and Songini, 2003; Matlay, 1999). But Pfeffer (1994, 1998) argued that the most appropriate term is 'Best HRM Practices'.

According to Chandler and McEvoy (2000), one question remains in HRM research: is there a single set of policies or practices that represents a 'universally superior approach' to managing people? Theories on best practices or high commitment theories suggest that certain HRM practices, either separately or in combination, are associated with improved organizational performance across the world. Pfeffer (1994) identified seven practices as best practices: employment security, selective hiring, self-managed teams/team working, high compensation contingent on organizational performance, extensive training, reduction in status difference and sharing information. Redman and Matthews (1998) identify an 'HRM bundle' of key practices, which support service organizations' quality strategies. Saxena and Tiwari (2009) also identified training and development, employer–employee relations, recognition through rewards, culture building, career development, compensation and benefits as important HRM practices.

LITERATURE REVIEW AND HYPOTHESES

This section provides a review of the literature concerning the relationships between HRM practices as the independent variable, mediating variables, which are organizational citizenship behaviors, job satisfaction, employee engagement, employee motivation and HR flexibility, and employee retention as the dependent variable. By reviewing the theoretical and empirical literatures, their studies have shown potential hypothetical associations among these variables. Altogether, 11 hypotheses were formulated, which are explained below.

Human Resource Management System

To understand the importance of HR and its role in determining the performance outcome of organizations, the HR process must be viewed as a whole. So far, there have been few researches to measure the impact that the entire human resource management system has on firm performance. By doing so, consideration must be made to human resource inputs, processes (practices) and outputs, leading to sustained competitive advantage (Lado & Wilson, 1994). A model of the human resource management system was developed by Ferguson (2006), based on Barney's (1991) resource-based view of the firm. The latter is explained in the theoretical background section.

Employee Retention

In line with the systems view of HR (Lado & Wilson, 1994), firm performance serves as a final outcome of an effective HR system. As an indicator of firm performance, employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed, by having policies and practices in place that address their diverse needs. Despite efforts to explain what employee retention is, it is clear that the reason such term arose is due to the increasing number of employees leaving the organization for various reasons. Collins and Porras (1994), and Collins (2001) explained that the first key to success for any organizations is people. Organizations need to have the right people and, thus, it is important to retain employees and knowing how an employee can remain in a particular organization.

Human Resource Management Practices

Using the system-based view of HR, this study will examine HR practices (Lado and Wilson, 1994). They are a set of distinct yet interrelated activities, functions and processes aimed at attracting, developing and maintaining a firm's human resources. In most studies, they are viewed as the independent variable (Becker and Huselid, 1998; Rizov and Croucher, 2008; Sang, 2005). They are known to help organizations increase employee retention. For example, compensation is used by organizations to attract and retain their most valuable and worthy assets (Khan et al., 2011). Benefits have been shown to bond an employee to the organization (Shaw et al., 1998). HR policies with career-related practices can improve the knowledge and abilities of employees in organizations, seeing an increase in the retention of quality employees (Huselid, 1995). On the basis of the above, we hypothesize that:

H1. HRM practices affect employee retention.

HRM practices can help organizations raise the level of organizational citizenship behaviors (OCBs) among employees. Employees who participate in decision-making feel that their managers consider them to be important members within the organization. With such a positive outlook towards both the management and the organization as a whole, the employee would be more willing to take on extra roles, thus increasing the likelihood of OCBs (Bateman and Organ, 1983; Miles et al., 2002; Smith et al., 1983). Organizations may also facilitate citizenship by rewarding OCBs (Babaei et al., 2012). A reward system that directly recognizes good citizenship makes it clear to employees that the organization truly values such behavior (Levering and Moskowitz, 2003; Meet Asda's Happy Family Pack, 2002). A career planning system is necessary for employees to achieve their specific career goals. With this in mind, Greenhaus and Callahan (1994) developed a number of career development strategies. They believed that employees needed to go above and beyond the specified requirements of their tasks to realize their career goals. In other words, they had to perform some kind of OCBs. Gong et al. (2010) also show that career planning is positively correlated to OCBs. Employees often view training as organizational support. Such views are positively related with a tendency to help co-workers (Shore and Wayne, 1993). This means that employees who reflect positively on the benefits of training exhibit stronger feelings of citizenship to the organization that provided it. Empowered employees have the ability to invent and express OCBs (Morrison, 1996). Independence and the ability to influence outcomes within the scope of their roles encourage employees to go beyond their job requirements (Watt and Schaffer, 2003). This is further supported by Cushman (2000). From the above, we hypothesize that:

H2. HRM practices affect organizational citizenship behaviors.

Employee participation leads to a sense of satisfaction for achievement, closure and work-related interpersonal contact (Sashkin and Burke, 1987). Thus, their participation is positively correlated with job satisfaction (Bhatti and Qureshi, 2007). Two particular systems, compensation and benefits and reward system, have been found to create job satisfaction (Boyt et al., 2001; Khojasteh, 1993; Miller et al., 2001). Rehman et al. (2010) also found job rewards to be a strong determinant of job satisfaction. It is said that the root of job dissatisfaction is an employee's lack of happiness in his/her career; conversely, the main source of job satisfaction is career happiness, which comes from making a career plan and seeing it out (Henderson, 2000). And so, organizations that invest in career management are more likely to increase employee job satisfaction (Lee, 2000). Carden (2007) also found a positive relationship between career path and job satisfaction. Providing employee training facilitates the updating of skills, increases

professionalism and boosts employee commitment and satisfaction to the organization (Bateman and Strasser, 1984; Bushardt and Fretwell, 1994; Cotton and Tuttle, 1986). Absar et al. (2010) further found training and development to have the greatest and positive influence on job satisfaction. However, some employees require autonomy and a sense of self-actualization to feel satisfied (Khan et al., 2012). This points to a relationship between employee empowerment and job satisfaction (Swarnalatha and Sureshkrishna, 2012). In light of the above-mentioned information, we hypothesize that:

H3. HRM practices affect job satisfaction.

Employees – through participation in decision-making, or engagement – will often give back to the organization (Cascio et al., 1997). Employee engagement depends on staff feeling justly rewarded for their skills, knowledge and contributions (Bhattacharya and Mukherjee, 2009). This is further supported by Ram and Prabhakar (2011) When managers provide opportunities for training and a level of support that clearly relates to career development, they help drive employee engagement (Mone and London, 2009). Shafer (2010) also found a positive relationship between the professional development training program and employee engagement. Therefore, we hypothesize that:

H4. HRM practices affect employee engagement.

Employees who help to make important decisions feel motivated at work, because it fulfills their basic needs of clarity and social relations (Hussein, 2007). There are numerous ways to boost motivation. Al-Nsour (2011), for instance, had shown that the participation of employees in strategic decision-making can lead to increased motivation. According to Ali and Ahmed (2009), a reward system helps to motivate employees. So does a career planning system. Employers or supervisors must provide guidance that encourages employees to set their own goals; employees feel most motivated to meet the ones they set for themselves (Elrod, 2009), especially if these goals might lead to a promotion or some other kind of advancement. Employees, who perform well in training, feeling that they have learned something that will enhance their profile, find themselves motivated at work (Lester, 1999). According to Gawali (2009), there is a positive relationship between employees involved in cross-training and motivation. By the same token, organizational changes that result in skill shortages, time pressures, uncertainties and demanding workloads leave employees feeling powerless and burned out. It is important to empower employees (Kaplan and Norton, 1992, 1996), because

empowerment is one of the most effective intervention programs to increase motivation (Yoon, 2001). From the above-mentioned, we hypothesize that:

H5. HRM practices affect employee motivation.

A reward system allows employees to demonstrate their functional flexibility; it provides them with the confidence to take initiative and quickly adapt at work, because they know that the organization will recognize them for proposing creative solutions to new problems (Frenkel et al., 1999; Unsworth and Parker, 2003). But higher initiative and flexibility at work can result in a greater workload, which may produce stress and anxiety if employee efforts are not rewarded (Unsworth and Parker, 2003). Training and development are also beneficial in building skill flexibility in the workforce. Employees want to improve upon their talents to succeed in their careers; when combined with a sturdy educational foundation, proficiency in certain areas will give them the confidence to master and apply new skills (Wright and Snell, 1998). The positive relationship that training has with flexibility is further supported by Beltrán-Martín et al. (2008). The firm's effort to broaden workforce skills and competency grants employees the freedom to pursue alternative methods of carrying out their jobs, which subsequently fosters behavioral flexibility (Frese et al., 1996; Parker and Axtell, 2000). According to the above-mentioned, we hypothesize that:

H6. HRM practices affect HR flexibility.

Mediating Variables

Organizational Citizenship Behaviors (OCBs)

OCBs are the extra work-related behaviors of employees which go above and beyond the routine duties prescribed by their job descriptions or measured in formal evaluations, and also defined 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. They reflect an employee's true willingness to be involved in an organization (Chen et al., 1998; Shore et al., 1995). OCBs can enhance employee retention by making the organization a more attractive place in which to work (Podsakoff et al., 1997). Thus, we hypothesize that:

H7. Organizational citizenship behaviors affect employee retention.

Job Satisfaction

Job satisfaction is in regard to one's feelings or state-of-mind regarding the nature of their work and is a positive emotional feeling, a result of one's evaluation towards his job and his job experience by comparing between what he expects from his job and what he actually gets from it as well as a function of the range of specific satisfactions and dissatisfactions that he/she experiences with respect to the various dimensions of work. This positive feeling comes from the perception of the individual's job as fulfilling or allowing the fulfillment of their job values, provided these values are compatible with their needs (Dunnette & Locke, 1976). It is generally recognized in the organizational behavior field that job satisfaction is the most important and frequently studied attitude (Islam et al., 2012). There are three important dimensions to job satisfaction (Locke, 1976): first, job satisfaction is an emotional response to a job situation; second, job satisfaction is usually determined by how well outcomes meet or exceed expectations; and third, job satisfaction represents several related attitudes (Mitchell and Larson, 1987). For organizations to be effective, they must ensure the satisfaction of their employees (Likert, 1961; McGregor, 1960). Job satisfaction is known to have a relationship with employee retention (Van Saane et al., 2003). From the above-mentioned, we hypothesize that:

H8. Job satisfaction affects employee retention.

Employee Engagement

Employee engagement is the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. Another definition is employees feel positive emotions toward their work, find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work and employee engagement as the involvement with and enthusiasm for work. To become fully engaged is to be involved in and enthusiastic about work (Falcone, 2006). There are two aspects of employee engagement: cognitive engagement and emotional engagement/physical engagement. Cognitive engagement is the extent to which a worker is aware of their mission at work and their role in the organization. Emotional engagement/physical engagement is the extent to which the worker empathizes with others at work and connects in a meaningful way with their co-workers (Kahn, 1990, 1992; Luthans and Peterson, 2002). According to previous studies, employee engagement has a positive effect on employee retention (Kgombo, 2010). Thus, we hypothesize that:

H9. Employee engagement affects employee retention.

Employee Motivation

Employee motivation is one of the policies managers used to increase effectual job management amongst employees in organizations and defined as something a need or desire that causes a person to act as a psychological process that gives behavior purpose and direction, include as an internal drives to satisfy an unsatisfied need and the will to accomplish. Motivation, itself, is described by Hellriegel et al. (1992) as the force acting on or within a person that causes the person to behave in a specific, goal-directed manner. It stimulates people into action and realizes a desired task (Luthans, 1998). A motivated employee is a productive employee who contributes to the effectiveness of the organization (Matthew et al., 2009). There is a direct relationship between motivation and employee retention (Aguenza and Som, 2012). Thus, we hypothesize that:

H10. Employee motivation affects employee retention.

HR Flexibility

HR flexibility is a dynamic capability of the firm in a sense that it is focused on adapting employee attributes, for instance knowledge, skills, and behaviors, to changing environmental conditions as well as referred the term to the extent to which employees possess skills and behavioral repertoires that can provide a firm with options to pursue strategic alternatives. One of the main features of a flexible workforce is an employee's ability to accomplish a large number of diverse tasks (Wright and Snell, 1998). Employee functional flexibility, which is a cornerstone of HR flexibility, refers to the extent to which employees can be transferred to different activities and tasks within the organization. It forms the basis for workers to be trained to acquire a range of skills, so that they can do other jobs as well as their own when necessary (Goudswaard and Nanteuil, 2000). Functional flexibility has been advocated as a mechanism to improve efficiency in the organization. Access to flexibility leads to higher employee retention (Ramendran et al., 2013). From the above-mentioned, we hypothesize that:

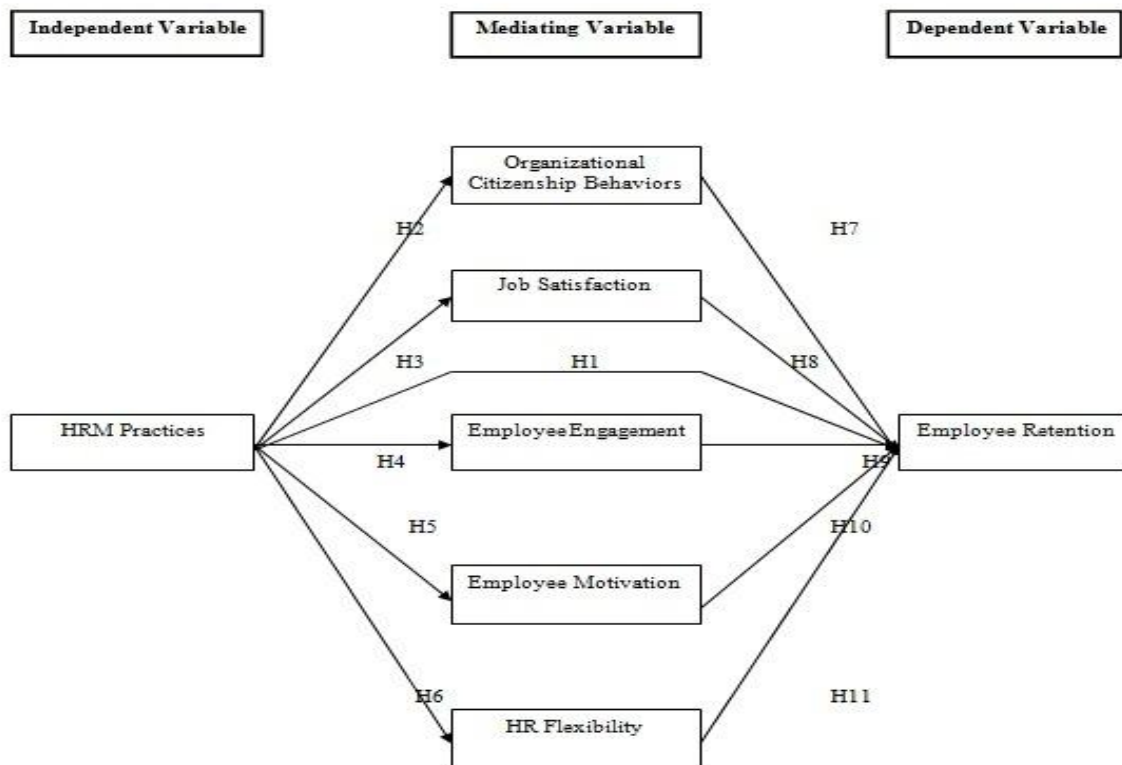
H11. HR flexibility affects employee retention.

Research Framework

This empirical study will concentrate on the relationship between HRM practices and employee retention. Having reviewed previous literature, it is possible to develop a comprehensive framework, presented in Figure 1, consisting of HRM practices as the independent variable. The mediating variables include organizational citizenship behaviors, job satisfaction, employee

engagement, employee motivation and HR flexibility. Employee retention is the dependent variable.

Figure 1: Conceptual Model



RESEARCH METHODOLOGY

Study focuses on the effects of HRM practices on employee retention in Thailand's MNCs in the eastern seaboard industrial estate, Rayong province. The mediating variables include organizational citizenship behaviors, job satisfaction, employee engagement, employee motivation and HR flexibility.

Population and Group Sample

The population being studied are from corporations with FDI, in which MNCs have been promoted under BOI (FDI: Foreign Direct Investment of BOI) to invest in the industrial Zone 2 of Thailand's eastern seaboard industrial estate, Rayong province (Hemaraj Land and Development Public Company Limited, 2006; Industrial Estate Authority of Thailand, 2012). There are a total of 255 companies within the industrial estate. The population used in this study are MNCs that were operational in 2013. 411 managers of group sample, which comprised of

top management, HR leader and line manager, were randomly selected from 255 companies in the Eastern Seaboard industrial estate, Rayong province. For this study, researcher used the non-probability sampling of purposive sampling, where there would be three managers, comprising of Top Management, HR Leader and Line Manager, in each organization. They were chosen in this study because they set and implement policies, including human resource practices, in organizations.

Research Variables

HRM Practices, as the independent variable, have five factors which are 1) Employee Participation 2) Compensation and Benefits Management and Reward System 3) Career Planning System 4) Training and Development and 5) Employee Empowerment. There are 5 mediating observed variables, which are 1) Organizational Citizenship Behaviors 2) Job Satisfaction 3) Employee Engagement 4) Employee Motivation and 5) HR Flexibility. The dependent variable has 1 observed variable, which is 1) Employee Retention.

This research used Path Analysis to explain the relationships between the Independent Variable, passing through the Mediating Variables, and the Dependent Variable.

Research Instrument

Instrument used to collect quantitative data is in the form of a questionnaire. The questionnaire was brought to the advisor and co-advisor to check and provided suggestions on doing the complete version of the questionnaire before being used to gather information. The questionnaire is a self-assessment divided into ten parts. Part one contains eight items, asking for information about the organization, such as the industry sector that they are in, whether or not they provide direct investment from overseas, their country of origin, whether they have received investment promotion (BOI) in Thailand and the number of employees in the organization. These questions are part of the selection process to find out which organizations are relevant in this study. Part two contains six items, concerning personal information of the respondents, such as gender, age, current title/position, level of education and years of work experience. Part three has a total of twenty-eight items, consisting of the five observed variables of HRM practices: (1) Employee Participation with five items (2) Compensation and Benefits Management and Reward System with six items (3) Career Planning System with six items (4) Training and Development with six items and (5) Employee Empowerment with five items. These items were developed from Carden (2007), Chew (2004), Cushman (2000), Ferguson (2006), Huselid (1993), Kgomomo (2010) and Martin (2011). Part Four to Part Eight involves the mediating variables, which are (1) OCBs with eight items (2) Job Satisfaction with six items (3)

Employee Engagement with eight items (4) Employee Motivation with seven items and (5) HR Flexibility with eight items. These were adapted from Bhattacharya (2000), Carden (2007), Cushman (2000), Kgomo (2010), Rose (2012) and Springer (2010). Part Nine has a total of five items that are made up of one observed variable namely (1) employee retention with five items. These were developed from Chew (2004), Ferguson (2006) and Kgomo (2010). Lastly, Part Ten allows the respondents to provide any further comments about the questionnaire and whether they intend to use this study, once the data has been analyzed, to manage human resource in their organizations.

From Part Three to Part Nine of the questionnaire, the respondents are asked to describe on a 5-point Likert scale with: 1 = Strongly Disagree, 2 = Disagree, 3 = Agree, 4 = Moderately Agree, and 5 = Strongly Agree. To reduce the possibility of key information bias, a set of questions in the survey contain some revert questions for some of the variables, such as Employee Attrition and Job Satisfaction, to ensure that the respondents were confident about answering the questions (Cannon & Perreault, 1999). The questionnaire was first written in English and then translated into Thai. In order to ensure linguistic consistency, it was then translated back into English by an experienced translator, and the necessary corrections were made in the Thai version. The Thai version was then distributed to the respondents.

The questionnaire was brought to assess the reliability using Cronbach's alpha coefficient. If the value is greater than 0.70, it means that reliability is high.

Data Collection

There are three channels for distributing the questionnaire. The first was a trip to meet the target sample at their workplace, the second was sent electronically via email and third was distributed to all target respondents by post; but before doing so, the HR departments—the departments that most often responded to it—were contacted by telephone to allow them to coordinate with other line managers and top management. It was also sent with a cover letter that explained the purpose of the study. To encourage participation, respondents were promised that they would receive a summary of the findings after the fieldwork was completed. Within 12 weeks, all of the questionnaires were collected and received. A total of 765 questionnaires were distributed and 443 were returned (58% of response rate), of which only 411 were adequately completed.

Statistical Data Analysis

This research analyzed the data by using SPSS for windows version 21 and IBM SPSS AMOS version 21. The processes for data analysis are as follows: (1) Examine the questionnaires that were returned from the respondents to check the answers and number them. (2) Bring the

questionnaires and record them into the SPSS for windows by using the five Likert Scale measurements that have a positive impact level of opinion.

This research used Path Analysis to study the effects of HRM practices on employee retention in MNCs through the five mediating variables, which are organizational citizenship behaviors, job satisfaction, employee engagement, employee motivation and HR flexibility. Path Analysis is an appropriate way to test the conceptual model. It is a flexible, powerful and robust statistical method that is used to examine the relationships between the measured (observed) variables that also require a highly flexible and comprehensive statistical methodology.

A two-step approach was taken to analyze the data (Anderson and Gerbing, 1988). First, the measurement model was evaluated using confirmatory factor analysis, followed by the estimation of theoretical (structural) models. Confirmatory factor analysis (CFA) was applied in the first part of data analysis to assess the convergent validity and discriminant validity of the multi-item scales measure of constructs. Research analysis results provided CFA measure results, the correlation between construct matrix and square roots of average variance extracted (AVE), as well as the model fit indices.

The evaluation of construct validity and reliability was assessed by confirmatory factory analysis using AMOS. All the items were then submitted to reliability analysis via Cronbach's alpha coefficient using SPSS 13.0 program. Cronbach's alpha for all constructs are above the recommended value of 0.70 (Nunnally, 1978).

ANALYSIS & RESULTS

Tables 1 and 2 provide the frequency and percentage of organizational characteristics and personal characteristics of respondents, respectively.

Table 1: Frequency and Percentage of Organizational Characteristics

Variable	Frequency	Percent
Types of Industry		
Automotive/Automotive Parts	176	42.82
Chemical/Petroleum/Fuel Energy	51	12.40
Electronic/Electronic Parts	44	10.70
Foods/Beverages/consumer goods	25	6.08
Engineering/Maintenance	7	1.70
Others (e.g. steel, material construction)	108	26.28
Total	411	100.0
Foreign Direct Investment Firm		
Total	411	100.0

Asia Pacific	241	58.6
North America	85	20.7
Europe	77	18.7
Australia	2	0.5
Middle East and Africa	3	0.7
Others (e.g. South America)	3	0.7
Total	411	100.0
Foreign Joint Venture		
Yes	274	66.7
No (100% FDI)	137	33.3
Total	411	100.0
Investment Promotion (BOI)		
Total	411	100.0
Quality Certification/Standard System*		
ISO 9000	355	32.9
ISO 14001	347	32.2
TS 16949	134	12.4
ISO 18000	175	16.2
ISO 13458	9	0.8
ISO 50001	12	1.1
ISO 17025	18	1.7
Others(HACCP, GMP, BRC, SA)	29	2.7
Total	1079	100.0

Note * (more than one answer can be provided)

Table 2: Frequency and Percentage of Personal Characteristics

Variable	Frequency	Percent
Gender		
Male	257	62.5
Female	154	37.5
Total	411	100.0
Age		
21-30	49	11.9
31-40	205	49.9
41-50	146	37.0
51 and above	11	2.7
Total	411	100.0
Current Position / Title		
Top Management	45	8.5
HR Leader	93	22.6
Line Manager	283	68.9
Total	411	100.0
Education Level		
Diploma or below	32	7.8

Bachelor's Degree or equivalent	273	66.4
Above Bachelor's Degree	106	25.8
Total	411	100.0
Work Experience		
0-10 years	99	24.1
11-20 years	247	60.1
21-30 years	55	13.4
31 years and above	10	2.4
Total	411	100.0

Confirmatory Factor Analysis (CFA)

This part shows the results of CFA Goodness of Fit statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis. Table 3 shows one of the seven components of Confirmatory Factor Analysis, which are HRM Practices, Organizational Citizenship Behaviors, Job Satisfaction, Employee Engagement, Employee Motivation, HR Flexibility and Employee Retention.

Table 3: Goodness of Fit Test for Confirmatory Factor Analysis Model in Employee Retention

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		1.865
Probability Level (p)	> 0.05	0.172
χ^2 / df	< 2.00	1.865/1= 1.865
RMSEA	< 0.05	0.005
RMR	< 0.05	0.046
GFI	≥ .90	0.998
Comparative Fit Index (CFI)	≥ .90	0.999

Hypotheses Results

Hypotheses are tested by finding the level of relationships between the variables. According to Table 4, correlation results are significant at the 0.01 level (2-tailed). Hypotheses results show the level of relationship between the variables value are not higher than +0.8, since that would mean both variables have the same meaning or use the same measurement.

Table 4: Correlation Results

	HRMP	OCB	JS	EE	EM	HRF	ER
HRMP	1						
OCB	0.530**	1					
JS	0.450**	0.505**	1				
EE	0.565**	0.646**	0.604**	1			
EM	0.341**	0.456**	0.303**	0.578**	1		
HRF	0.520**	0.229**	0.115*	0.243**	0.150**	1	
ER	0.524**	0.442**	0.493**	0.585**	0.412**	0.326**	1

N=411. Notes: **
Correlation is significant at the 0.01 level (2-tailed).

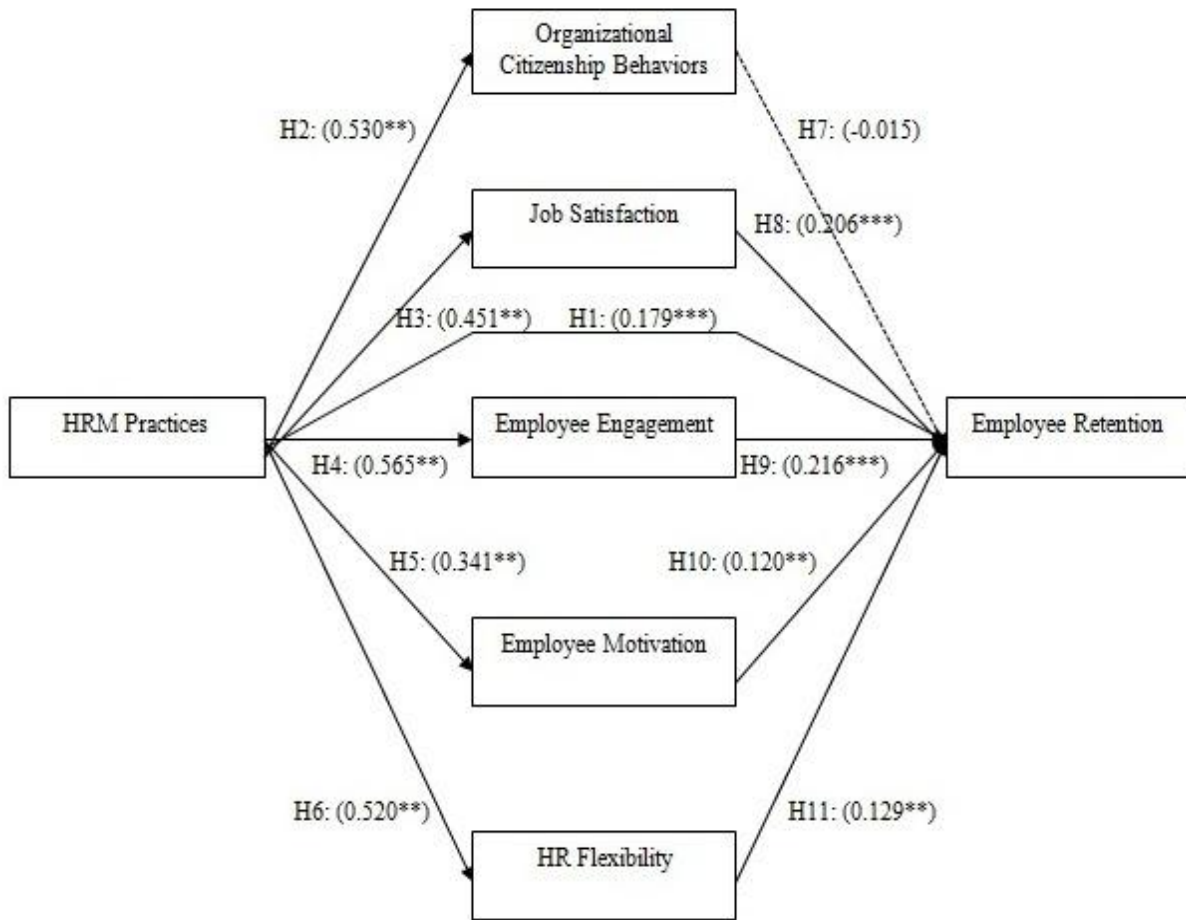
Table 5 shows the consistent statistical measure of Path Analysis model in relation to the research hypotheses and the empirical data on Human Resource Practices. The model fit presents statistical values that are within the stated level, as follows: $\chi^2 = 2.631$ with degrees of freedom (df) of 3, and $\chi^2 / df = 0.877$, which is < 2 . This is in accordance with the stated level, and has p -value = 0.452, which should be > 0.05 . Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.

Table 5: Goodness of Fit Test for Path Analysis Model Hypotheses Tests

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		2.631
Probability Level (p)	> 0.05	0.452
χ^2 / df	< 2.00	$2.631/3 = 0.877$
RMSEA	< 0.05	0.000
GFI	$\geq .90$	0.998
Comparative Fit Index (CFI)	$\geq .90$	1.000

Figure 2 presents the structural model, where the tests results should show not only direct relation between the variables, but also the indirect effect and total effect.

Figure 2: Structural Model



According to the path coefficient, presented below, all of the variables in the hypotheses test results have the following relationships.

Table 6: Hypotheses Test Results – Relationship Path Coefficients

Dependent Variables	Independent Variables					
	V3HRMP	V4OCB	V5JS	V6EEG	V7EM	V8HRF
V4OCB	0.530**	-	-	-	-	-
V5JS	0.451**	-	-	-	-	-
V6EEG	0.565**	-	-	-	-	-
V7EM	0.341**	-	-	-	-	-
V8HRF	0.520**	-	-	-	-	-
V9ER	0.179***	-0.015	0.206***	0.216***	0.120**	0.129**

*** $p < .001$, ** $p < .01$

Table 7: Hypotheses Test Results

Hypothesis	Path Coefficients	t value	Result
H1 : V3HRMP → V9ER	0.179***	3.422	Supported
H2 : V3HRMP → V4OCB	0.530**	12.654	Supported
H3 : V3HRMP → V5JS	0.451**	10.243	Supported
H4 : V3HRMP → V6EEG	0.565**	13.857	Supported
H5 : V3HRMP → V7EM	0.341**	7.354	Supported
H6 : V3HRMP → V8HRF	0.520**	12.336	Supported
H7 : V4OCB → V9ER	-0.015	-0.285	Not Supported
H8 : V5JS → V9ER	0.206***	4.289	Supported
H9 : V6EEG → V9ER	0.216***	4.399	Supported
H10 : V7EM → V9ER	0.120**	2.62	Supported
H11 : V8HRF → V9ER	0.129**	2.962	Supported

** p < 0.01, t value > 2.576, *** p < 0.001, t value > 3.291

Furthermore, this study is able to show the indirect effect and the total effect, as stated in Table 8 below.

Table 8: Direct Effect, Indirect Effect, and Total Effect of HRM Practices and Employee Retention

Exogenous Variable	Endogenous Variable		
	V9ER		
	DE	IE	TE
V3HRMP	0.18	0.34	0.52
V4OCB	-0.02	-	-0.02
V5JS	0.21	-	0.21
V6EEG	0.22	-	0.27
V7EM	0.12	-	0.12
V8HRF	0.13	-	0.13

From Table 8, the direct effect, indirect effect, and total effect of HRM practices and employee retention can be described as follows:

$$1) V9ER = 0.18^{***} V3HRMP + 0.21^{***} V5JS + 0.22^{***} V6EEG + 0.12^{**} V7EM + 0.13^{**} V8HRF$$

Employee Retention is the result of direct effects of Human Resource Management Practices on Job Satisfaction, Employee Engagement, Employee Motivation, and HR Flexibility, with path coefficients equaling 0.18, 0.21, 0.22, 0.12 and 0.13, respectively. These are all statistically significant.

$$2) V4OCB = 0.53^{**} V3HRMP$$

Organizational Citizenship Behaviors have a direct effect on Human Resource Management Practices with path coefficient equaling 0.53, which is statistically significant.

$$3) V5JS = 0.45^{**} V3HRMP$$

Job Satisfaction has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.45, which is statistically significant.

$$4) V6EEG = 0.57^{**} V3HRMP$$

Employee Engagement has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.57, which is statistically significant.

$$5) V7EM = 0.34^{**} V3HRMP$$

Employee Motivation has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.42, which is statistically significant.

$$6) V8HRF = 0.52^{**} V3HRMP$$

HR Flexibility has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.52, which is statistically significant.

To conclude, the model fit of causal Path Analysis model of human resource management practices and employee retention, and theories, is consistent.

DISCUSSIONS

Results have provided new insight into the relationships between the variables. There are 11 hypotheses in this study. Results show 10 positive relationships between the variables and only 1 hypothesis is unsupported. Regarding H1, there is a positive relationship between HRM practices and employee retention ($\beta=0.179^{***}$, $\rho < 0.001$), further supported by Khan et al. (2011) and Shaw et al. (1998). This means that organizations must use HRM practices to retain employees.

In relations to HRM practices and the mediating variables, results suggest an overall positive relationship. For H2, HRM practices are positively correlated to OCBs ($\beta=0.530^{**}$, $\rho < 0.001$), thus supporting Babaei et al. (2012), Cushman (2000) and Gong et al. (2010). This means that HRM practices should be implemented to build a workforce that is willing to perform more than the standard duties. For H3, HRM practices have a positive relationship with job satisfaction ($\beta=0.451^{**}$, $\rho < 0.001$), thus confirming Absar et al. (2010), Bhatti and Qureshi (2007), Carden (2007), Rehman et al. (2010), and Swarnalatha and Sureshkrishna (2012). HRM practices are, therefore, shown to leave employees feeling increasingly satisfied with their jobs. For H4, there is a positive relationship between HRM practices and employee engagement ($\beta=0.565^{**}$, $\rho < 0.001$). This is further supported by Bhattacharya and Mukherjee (2009), Ram

and Prabhakar (2011), and Shafer (2010). By using HRM practices will create engaged employees. For H5, HRM practices have a positive correlation with employee motivation ($\beta=0.341^{**}$, $\rho < 0.001$). This is confirmed by Al-Nsour (2011), Ali and Ahmed (2009), Gawali (2009) and Yoon (2001), thereby showing how HRM practices can motivate employees to work hard and strive for success. For H6, there is a positive relationship between HRM practices and HR flexibility ($\beta=0.520^{**}$, $\rho < 0.001$), further supporting Beltrán-Martín et al. (2008) and confirming many of the views held by authors who considered HR practices an appropriate mechanism with which to increase flexibility (Dyer and Shafer, 2002; Sparrow, 1998). Through HR practices, employees were found to be able to perform a variety of tasks effectively.

Results also show a strong positive relationship between the mediating variables and employee retention. The only exception is H7, where there is no relationship between organizational citizenship behaviors and employee retention. This is contrary to Podsakoff et al. (1997), but that study was conducted in the US, involving a smaller sample number of people in just one industry. As for the other mediating variables, regarding H8, results show a strong relationship between job satisfaction and employee retention ($\beta=0.206^{***}$, $\rho < 0.001$), which is further supported by Van Saane et al. (2003). This suggests that when employees are satisfied with their jobs, they will not leave the organization. For H9, there is a positive relationship between employee engagement and employee retention ($\beta=0.216^{***}$, $\rho < 0.001$), which is further supported by Kgomo (2010). For H10, results indicate a positive relationship between employee motivation and employee retention ($\beta=0.120^{**}$, $\rho < 0.01$). This is confirmed by Aguenza and Som (2012), meaning motivated employees are less likely to leave the organization and they will work harder. For H11, results confirm that HR flexibility has an effect on employee retention ($\beta=0.129^{**}$, $\rho < 0.01$), thus confirming Ramendran et al. (2013). This shows that employees with functional flexibility are more likely to stay with the organization.

IMPLICATIONS, LIMITATIONS AND RECOMMENDATIONS

This study has created a new model of HRM practices and employee retention. It can help persuade both organizations and academics to reassess the importance of HRM practices. Results confirm important human resources management practices in MNCs to represent any businesses that can use the conceptual model of this study in their organizations. Many organizations have been trying to create new management tools, including new HR management tools that basically ignore the use of human resource management practices. However, this study is able to show that HRM practices are still acceptable to all firms and that they should realize the importance of these practices. Results have shown a strong correlation between HRM practices and employee retention. This proves useful to firms that aim to keep

employees in their organizations. By employing HRM practices, managers can ensure that their employees will remain loyal to their organizations and work there for as long as possible. But there needs to be full employee participation in the organization, where information concerning policy issues is shared with employees. What is more, employees should be allowed to make suggestions concerning policies and procedures through a command structure that welcomes employee/employer interaction, and activities should be aimed at encouraging employees to express their views. Managers should construct a system of compensation, benefits and rewards in which employees are given positive recognition and rewards for good performance. Furthermore, there should be a competitive benchmark that considers the amount and quality of work that employees do. Within this system, the benefits should be equitable. Organizations should institute a career planning system to help employees map out their visions of the future; it should be long-term and focused on individual development. Career planning in organizations must be both vertical and horizontal, allowing employees to not only grow within the scope of their jobs but also to function and succeed in other roles. It is the duty of the organization to create the opportunity for employees to advance in their careers. This can be done through effective and timely training and development. Once training is complete, organizations should track employee progress both to ensure proper development and to monitor workforce satisfaction. In that sense, organizations must empower employees, giving them autonomy over their jobs.

There is also an indirect relationship, where HRM practices affect the five mediating variables which, in turn, have a positive influence on employee retention. Out of these five variables, the one that has the strongest influence on employee retention is employee engagement. Managers should develop a program that increases the level of employee retention. They should connect with their employees and care about the work they do. In fact, the entire organizational mission should make employees feel that their work has to be up to standard. Customers and suppliers should also know that employees represent the organization in performing business transactions. The work environment has to be a positive environment, a place in which employees feel satisfied—a place that plays an important role in their lives. To create such an environment, employees must be encouraged to seek out and make acceptable improvements that will help them advance in their careers and come closer to fulfilling their ambitions.

As for academics, they should use this new model to create curriculums consistency with empirical results by focusing on the HRM practice variable and four mediating variables, which are job satisfaction, employee engagement, employee motivation and HR flexibility.

Organizational citizenship behaviors (OCBs) should not be included since it has no effect on employee retention.

Although this study is successful in showing that HRM practices have a positive effect on employee retention, it does have limitations. First, the study was conducted in Thailand and was limited to one industrial zone. And so, the conclusions are only representative of that context. Those who intend to do further research on the topic should include other industrial estates in Thailand. Future research could consider particular FDI from locations of origin, such as Japanese investment firms, the largest group of foreign investors in Thailand (<http://thailand.prd.go.th>). In addition, it would be beneficial to research industries other than manufacturing, such as service, hospitality and airline, as well as specific industry such as FMCG, automotive and electronics.

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