



Research Article

Strategic Human Resource Management Practices and Employee Retention: The Mediating Role of Job Satisfaction: Evidence from Indian Corporate Enterprises

Ravi Kant ¹, Dr. Puja Prasad ^{2*}

¹ Research Scholar, Department of Management, Netaji Subhas University, Jamshedpur, India

² Dean, School of Commerce & Management, Netaji Subhas University, Jamshedpur, India

Corresponding Author: * Dr. Puja Prasad

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Abstract

Employee retention is a continuous challenge confronting Indian organizations, in which competition for high-quality human resources as well as evolving employee aspirations cause voluntary turnover to remain high. Based on a review of the theoretical and empirical literature, this paper synthesizes the findings for the impact of strategic HRM (SHRM) practices on retention outcomes and examines the mediating role of job satisfaction from an international perspective as well as from Indian organizations. While integrating the universalistic, contingency, and configurational perspectives with social exchange theory and withdrawal models, the paper extends global research by analyzing studies from India. So, the adoption of systematic groupings of select staffing, training, and development, equitable appraisal and rewards, participation, and career management practices is linked to reduced turnover and increased intention to stay, with part of these relationships being mediated by job satisfaction trust support, and embeddedness. Several Indian-specific variations of these relationships are identified. Most Indian research upholds these relationships, although most studies employ cross-sectional designs with a focus on the information technology industry.

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INTRODUCTION

Less resilient perhaps than other organizational problems has been the retention of high-performance employees. In India, continued growth and a relatively young population, coupled with a growth explosion in services, technology, banking, and manufacturing have created additional competition for talent, with voluntary turnover costing organizations heavily in recruitment and replacement costs, the erosion of tacit knowledge, impact on teams and existing client relationships and reduced morale among retained colleagues (Holtom et al., 2008).

Strategic human resource management (SHRM) brings one possibility. Instead of looking at recruitment training appraisal and pay as separate administrative functions, SHRM considers them a comprehensive system of employee management consistent with the needs of the organization (Wright & McMahan, 1992). Many research links such systems to reduced employee turnover and improved organizational performance (Arthur, 1994; Huselid, 1995; Combs et al., 2006). But academics have argued for some time that these systems are little understood and that there must be some unknown process known as the "black box" between HRM and performance (Becker & Gerhart, 1996; Paauwe, 2009). Employee attitudes have been identified as one content of the black box, and behavioral responses, social context and organizational contexts. Job satisfaction as a set of employee attitudes has been labelled the most studied content of the black box (Locke, 1976).

The current review paper examines the extant literature on the linkage between SHRM practices and employee retention, mediated by job satisfaction and within the organizational environment of Indian corporate enterprises. In this connection, three key issues are discussed: (a) What does the literature tell us about the linkage between SHRM practices and retention? (b) To what degree does job satisfaction serve as the medium through which the linkage is established? (c) What impact does the Indian organizational context have on the nature of this linkage? The paper provides a narrative review of the literature.

Conceptual Foundations

Strategic Human Resource Management

SHRM was described by Wright and McMahan (1992) as the system of planned deployments and activities related to human resources which are aimed at helping an organization achieve its objectives. There are three main perspectives in the theory (Delery & Doty, 1996). Universalistic perspective assumes that there are some best practices – for example, selective hiring, training, and employee involvement – that result in better outcomes regardless of a situation (Pfeffer, 1998). Contingency perspective claims that efficiency is determined by fit between practice and strategy or environment. Configurational perspective focuses on coherence of practices claiming that their combinations result in better performance than individual practices (Guest, 1997; Boxall & Purcell, 2016).

Most often studied HRM practices in retention research include selective staffing, training and development,

performance appraisal, rewards and recognition, employee participation, and career management. Arthur (1994) drew a distinction between commitment and control systems, and most subsequent research of retention follows the logic of the former one, where practices are oriented at building attachment of employees to organizations.

Job Satisfaction

Job satisfaction is usually conceptualized as a global evaluative affective response towards the job and facet evaluations of pay, promotions, supervision, colleagues, and the work itself (Locke, 1976; Spector, 1997). Herzberg et al. (1959) identified motivators, such as achievement and recognition, from hygiene factors, such as pay and working conditions, which makes the difference between HR practices that improve satisfaction and the ones that only avoid dissatisfaction. Job satisfaction goes beyond retention and has an impact on job performance, according to Judge et al. (2001).

Employee Retention

Retention is mostly measured in reverse, either in terms of turnover or intention to leave or stay. Turnover studies have progressed from mere attitudinal explanations to incorporate perceived opportunities, shocks, and embeddedness into the analysis (Holtom et al., 2008; Hom et al., 2017). Hausknecht et al. (2009) found out that reasons to stay such as job satisfaction, extrinsic rewards, and collegial ties vary across different performance groups of employees.

THEORETICAL FRAMEWORK

Some of the theories which can be used to justify the fact that HR practices should have an effect on retention through satisfaction include social exchange theory by Blau (1964), which holds that when employers offer valued resources like development chances, justice, and voice, employees will respond with attachment and effort. The perceived organizational support concept by Eisenberger et al. (1986) is also closely linked with the former since according to this concept, employees who feel that the organization respects their contribution will develop more positive attitudes and be less likely to quit.

The withdrawal theory framework assumes that satisfaction is the first step towards turnover. According to Mobley (1977), the process involves dissatisfaction leading to contemplation of leaving the organization, search cost evaluation, intention to look for another job, and finally departure. Tett and Meyer (1993), through meta-analysis, discovered that satisfaction and commitment were associated with turnover through the mediation of turnover intentions. However, the unfolding framework (Lee & Mitchell, 1994) illustrates how an individual might quit because of a surprise such as a job offer without being dissatisfied, while job embeddedness (Mitchell et al., 2001) explains how individuals stay within organizations irrespective of their satisfaction levels.

Additionally, strength of HR system (Bowen & Ostroff, 2004) and attribution theory (Nishii et al., 2008) show that the impact of HR practices on the attitudes is determined by the perceived distinctiveness, consistency, and credibility of these practices,

as well as whether they are interpreted as caring actions or cost containment. All these concepts support an incremental model where SHRM practices affect the work experience, which is the determinant of job satisfaction, which, in turn, leads to reduced intention to quit and quitting itself.

SHRM Practices and Retention: Review of Evidence

There has been a long empirical basis for the connection between HR systems and turnover. For instance, Arthur (1994) found out that there was low turnover and greater productivity among steel minimills characterized by commitment-based HR systems compared to those with control-based HR

systems. According to Huselid (1995), there were lower turnovers among firms characterized by high-performance work practices. He found out that such firms also recorded high productivity and financial performance. Meta-analyses have further confirmed this general relationship. Combs et al. (2006) noted that there was a positive relationship between high-performance work practices and organizational performance while Jiang et al. (2012) found out that there was a negative relationship between skill-, motivation-, and opportunity-enhancing practices and voluntary turnover, partly through human capital and motivation.

Table 1: Selected Studies on HR Systems, Attitudes, and Retention

Study	Context	Key finding
Arthur (1994)	U.S. steel minimills	Commitment-oriented HR systems were associated with lower turnover than control systems.
Huselid (1995)	U.S. firms, multiple industries	High-performance work practices were related to lower turnover and higher productivity.
Tett & Meyer (1993)	Meta-analytic path analysis	Satisfaction and commitment related to turnover mainly through turnover intention.
Jiang et al. (2012)	Meta-analysis	HR practices were negatively related to voluntary turnover, partly via human capital and motivation.
Paul & Anantharaman (2004)	Indian software professionals	HRM practices were positively associated with organizational commitment.
Ramesh & Gelfand (2010)	Employees in India and the U.S.	Off-the-job embeddedness was the stronger turnover predictor in India.

Practice level evidence introduces more nuances into the discussion. Training and development are signals of commitment to people by organization and create additional career paths, and they are often associated with commitment and intention to stay. When developmental appraisals are conducted and viewed as an honest and objective process, this will increase employees' satisfaction with their supervisors and chances for promotion, while arbitrary appraisals produce an opposite impact. The importance of compensation is evident, yet it works depending on the perception of justice and equality as well as amount; competitive and equitable compensation associated with contribution is more likely to result in satisfaction than compensation itself (Herzberg et al., 1959). Participation practices build up support and trust (Allen et al., 2003). Selective staffing practice works indirectly through selection of people that will have better fit to the job and organization as a prerequisite for satisfaction. Career management and work-life support practices complete the list of retention practices – career advancement and work-life balance practices address two major reasons why employees want to leave an organization.

There are three concerns worth mentioning. First, the bulk of evidence at the organizational level is based on cross-sectional data with only one person reporting about practices, normally the HR manager. Secondly, planned practices are different from actual practices experienced by the employees (Becker & Gerhart, 1996; Paauwe, 2009). Thirdly, the size of effects is low to moderate, which shows that HR systems represent one of the factors influencing employees.

Job Satisfaction as a Mediating Mechanism

Mediation implies the need for the independent variable to affect the mediator, the mediator to affect the dependent variable, and for the effect to be diminished when the mediator is introduced (Baron & Kenny, 1986). There is evidence supporting each of these relationships. First, HR practices are predictive of employee attitudes: Kehoe & Wright (2013) noted that affective commitment, intent to stay, and organizational citizenship behaviors are positively predicted by employees' perceptions of high-performance practices, with affective commitment carrying the effects partially. Second, satisfaction is predictive of withdrawal: Griffeth et al. (2000), based on the meta-analysis of turnover antecedents, found that job satisfaction is a weak but reliable predictor of turnover, while Tett & Meyer (1993) found its effect to be mediated mostly by intentions. Finally, on the macro-level, Ostroff (1992) established that companies with satisfied employees perform better on a number of metrics, which adds to the face validity of satisfaction.

Two points should be highlighted. First, satisfaction seldom works independently. Commitment to organizations (Meyer & Allen, 1991), organizational support perception, and job embeddedness all correlate with satisfaction, but they enhance its explanatory power and therefore cannot be seen as mediators. Second, the level of mediation varies depending on the practices considered and the satisfaction dimension assessed. Table 2 below describes the expected links from different practices to satisfaction and retention.

Table 2: Hypothesized Pathways from SHRM Practices Through Job Satisfaction to Retention

SHRM practice	Pathway to job satisfaction	Expected retention effect
Selective staffing	Better person–job and person–organization fit	Lower early turnover
Training and development	Growth, competence, and internal mobility	Stronger intent to stay
Performance appraisal	Perceived fairness and useful feedback	Reduced withdrawal intentions
Rewards and recognition	Perceived pay equity and recognition	Lower voluntary exit
Participation and voice	Autonomy, trust, and perceived support	Higher commitment and stay intent
Career and work–life support	Advancement prospects and flexibility	Greater embeddedness

Methodologically, studies that measure practices, satisfaction, and intentions in a single survey are vulnerable to common-method variance (Podsakoff et al., 2003), which can inflate mediation estimates. Longitudinal designs, multi-source data, and bootstrapped tests of indirect effects would provide stronger evidence.

Evidence from Indian Corporate Enterprises

The HRM landscape in India incorporates tradition of bureaucratic approach, liberalization in the 1990s and increased exposure to international competition and multinationals' HR practices (Budhwar & Bhatnagar, 2007; Budhwar & Varma, 2011). Budhwar and Varma (2011) explain the increasing adoption of performance-based reward systems, appraisal and training by many companies, especially from knowledge-intensive industries, while some organizations use paternalistic relationship-based model. The heterogeneity is crucial because the effectiveness of each practice depends on how it is embedded into the system.

The SHRM-attitude connection in India has been confirmed by empirical evidence. Agarwala (2003) stated that innovation in HR practices, including training, career development and reward were positively associated with organizational commitment in Indian organizations. Paul and Anantharaman (2003, 2004) showed that people management practices influenced organizational performance and employees' organizational commitment among software professionals. Singh (2004) revealed the positive relationship between HR practices and firm performance, thus confirming universalistic theories. Talent management was analyzed by Bhatnagar (2007) in the Indian ITES industry, and it was shown that engagement is a key driver of retention. Kundu and Lata (2017) recently stated that supportive work environment improves retention through organizational engagement.

Cultural elements influence these linkages. The collectivistic nature of Indian culture with high power distance might affect employee preferences. In a study, Ramesh and Gelfand (2010) observed that on-the-job embeddedness led to turnover for employees in the U.S., while off-the-job embeddedness related to family and community was a better predictor of turnover for employees in India. This means that motivation based on employee satisfaction alone might not be adequate for India compared to other individualistic societies and must be accompanied by a consideration of family-related issues like flexibility, stability, and benefits for the dependent members. Furthermore, in IT/ITeS where mobility is high and opportunities are plentiful, exit might be seen among satisfied employees due to shocks and alternatives.

Differences by sector will probably influence which factors matter. For sectors such as IT and ITeS where skills are easily

transferable and where careers develop rapidly, workers probably value learning, remuneration, and promotions more highly, so satisfaction with development and rewards might be the crucial mediating factor. Job security, justice, and supervision will have more importance in manufacturing industries, public sector companies, and well-established family-owned businesses. These differences can only be inferred from the literature and not established facts, and they illustrate the reason why sector-specific approaches are required before any firm conclusions are reached about Indian corporate companies.

One of the important limitations of the Indian literature is that it focuses primarily on IT, ITeS, and banking industries, uses cross-sectional data only, and includes very few research works where job satisfaction was tested for being a mediator. There is no information on manufacturing companies, family business groups, public sector companies, and small Indian corporations.

Conceptual Model and Propositions

In the proposed theoretical model, SHRM practices (staffing, training, appraisal, rewards, participation, and career management) are considered as the independent variable, while job satisfaction is seen as an important mediating factor, and employee retention (intention to stay and lower levels of voluntary turnover) is considered as the dependent variable. Organizational support, organizational commitment, and job embeddedness work as parallel or sequential mediators, and labor market situation, industry, and employee characteristics act as boundary conditions. Thus, five propositions can be put forward as follows: SHRM improves retention and job satisfaction; satisfaction leads to retention; satisfaction mediates between SHRM and retention; and external opportunities and off-the-job embeddedness moderate satisfaction on retention.

Implications for Practice

A number of considerations apply to the corporate organizations in India in particular. First, practices need to be introduced in their package form as opposed to being adopted in isolation as the latter is likely not to make any impact on the employees' total work experience (Delery & Doty, 1996). Second, the organization needs to monitor employees' satisfaction in terms of various facets such as pay, promotion, supervision and work in particular, using the findings as an input for prioritizing investments. Third, retention activities need to target high-performing individuals and crucial positions in particular, as the motives of people holding these positions vary from the rest (Hausknecht et al., 2009). Fourth, implementation is critical, as line managers are responsible for

implementing most of HR practices and explaining the reasons behind them allows to perceive them as investment as opposed to control (Nishii et al., 2008). Fifth, due to the importance of family and community relations in the Indian culture, flexible working options and family-friendly policies will serve to increase retention beyond mere satisfaction.

Limitations and Future Research

This review has several limitations. Because of a narrative design, no particular search protocol was used, and evidence cited may be a result of availability rather than completeness. Such a small source of evidence as the Indian one is used, and a number of articles address commitment or performance without any direct measures of satisfaction, making this conclusion at least partly inferential. Practitioners and researchers need more research than currently available about: 1) truthfully delineating HR practices, employee attitudes, and actual turnover through multi-source, longitudinal research; 2) exploring satisfaction commitment support and embeddedness in integrated models; 3) investigating sector, ownership form and firm size differences; and 4) exploring HR system strength and managers' implementation through multi-level research. Over the horizon, contemporary issues call for attention to hybrid workplace, gig work, and generation.

CONCLUSION

Strategic HRM practices are associated with employee retention, and job satisfaction is a plausible and well-supported pathway through which this association operates. The evidence also indicates that satisfaction is only part of the story: support, commitment, and embeddedness matter, and in India, off-the-job ties and sector-specific labor-market conditions may weaken the satisfaction–retention link. Indian corporate enterprises are therefore best served by coherent, well-implemented HR systems that build satisfaction while also deepening employees' attachment to the organization and their roles. The research agenda outlined here, particularly longitudinal and multi-sector tests of mediation, would turn a plausible account into a well-established one. For practitioners, the central message is that retention is built through consistent, fairly administered HR practices that employees experience as genuine investment, and not through isolated incentives or retention bonuses introduced after resignations begin to rise.

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About the author

Dr. Puja Prasad is the Dean of the School of Commerce and Management at Netaji Subhas University, Jamshedpur, India. Her academic and professional interests include commerce, management, human resource management, organizational development, and business administration. She contributes to academic leadership, institutional development, and the promotion of teaching and research in commerce and management.