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Factors Responsible for Staff Turnover Intentions in Small and Medium Scale Enterprises

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ABSTRACT

Staff turnover is an important issue in SMEs in Nigeria. Staff turnover refers to voluntary resignation from or involuntary loss of a job. Findings indicate that resolutions on staff turnover are usually based on subjective interpretation of a range of internal or external factors in the workplace. The internal factors include job satisfaction, organizational commitment and age, while the external factors usually comprise the social environment, educational experiences, family responsibilities, religious beliefs and changing work values. Increasing rate of staff turnover is a disturbing problem to employers in Nigeria, especially in the SME sub-sector mostly affected by both voluntary and involuntary turnover of labour as a result of the search for job satisfaction and higher wages fuelled by the get-rich-quick mentality of an average Nigerian youth. This development underscored this study which evaluated the factors responsible for staff turnover intentions and the on SMEs.

Keywords: Staff turnover, job satisfaction, SMES, Labour, Employers.

INTRODUCTION

The invent of small and medium scale enterprises in Nigeria has introduced some structural economic reforms, opened up competition from domestic and foreign entrepreneurs reduced high rate of unemployment and poverty [1,2,3,4]. Nonetheless, SMEs operate in a very hostile environment characterized by myriad of problems that hinder their performance [5,6,7]. Retaining employees in SMEs is critical to minimizing costs of induction and training for new staff and losing skilled staff to competitors. Hiring and training a replacement worker for a lost employee costs approximately 50 percent of the worker's annual salary [8,9,10]. [11] asserted that the loss of intellectual capital adds to the cost of staff turnover since not only do organizations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets. Hence, staff turnover is an important issue in SMEs in Nigeria [12,13]. Staff (or labour) turnover refers to voluntary resignation from or involuntary loss of a job. According to [14], decisions on staff turnover are usually based on subjective interpretation of a range of internal or external factors in the workplace. The internal factors include job satisfaction, organizational commitment and age [15]. The external factors usually comprise the social environment, educational experiences, family responsibilities, religious beliefs and changing work values. Increasing rate of staff turnover is a disturbing problem to employers in Nigeria, especially in the SME sub-sector mostly affected by both voluntary and involuntary turnover of labour as a result of the search for job satisfaction and higher wages fuelled by the get-rich-quick mentality of an average Nigerian youth [16]. This study, therefore, assessed the factors responsible for staff turnover intentions and the effects of staff turnover on SMEs.

Concept of Small and Medium Enterprise (SME)

Nigeria's National Council on Industry, [17] adopted micro/cottage enterprise as one with a total capital outlay of not more than N1.5 million (excluding cost of land) and/or a workforce of not more than 10 persons; small enterprise as one

with over =N=1.5 million but not more than =N=50 million (excluding cost of land) and/or 11-100 workers; medium enterprise as one with over N50 but not more than =N=150 million (excluding cost of land) and/or 101-300 workers; and large enterprise as one with over =N=150 million (excluding cost of land) and/or over 300 workers.

Overview of staff turnover

In human resources management and organizational behaviour, the classical staff turnover is the rotation of employees around the labour market among firms, jobs and occupations, and among the states of employment and unemployment [17, 18, 19]. According to [20] staff or labour turnover is the quotient obtained by dividing the number of organizational members who have left by the average number of people in that organization during the period. Frequently, managers refer to turnover as the entire process associated with filling a position vacated either voluntarily or involuntarily. This term is also often utilized in efforts to measure relationships of employees in an organization as they leave, regardless of reason. The unfolding model of voluntary turnover represents a divergence from traditional thinking [21] by focusing more on the decisional aspect of staff turnover, in other words, showing instances of voluntary turnover as decisions to quit.

Accordingly, researchers [16,19] have attempted to answer the question of what determines people's intention to quit jobs by investigating possible antecedents of employees' intentions to quit. But, there has been little consistency in findings due partly due to the diversity of employees included in the studies. Job stress and a range factors that lead to job-related stress (stressors), lack of commitment to the organisation, and job dissatisfaction make employees to quit. Other factors, like personal agency, refer to concepts, such as a sense of powerlessness, locus of control and personal control. Locus of control refers to the extent to which people believe that the external factors, such as chance and powerful others, are in control of the events which influence their lives [6]. Using economic model, [9] showed that people quit from organization due to economic reasons and these can be used to predict the labour turnover in the market. Good local labour market conditions improve organizational stability. Large organizations can provide employees with better chances for advancement and higher wages, and hence ensure organizational attachment [11]. [13], argues that local unemployment rates interact with job satisfaction to predict turnover in the market. Role stressors also lead to employee turnover.

Role ambiguity refers to the difference between what people expect from the job and what should be done. This causes uncertainty about what the role should be. It can be a result of misunderstanding of what is expected, how to meet the expectations, or the employee thinking the job should be different. Insufficient information on how to perform the job adequately, unclear expectations of peers and supervisors, ambiguity of performance evaluation methods, extensive job pressures, and lack of consensus on job functions or duties may cause employees to feel less involved and less satisfied with their jobs and careers, less committed to their organizations, and eventually display a propensity to leave the organisation [15].

Failure of management/supervisors to clearly spell out employee roles accelerate the degree of employees quitting their jobs. Some staff turnover factors that are, in part, beyond the control of management include the death or incapacitation of a member of staff. Other factors classed as involuntary for staff turnover have to do with the need to provide care for children or aged relatives. According to [7], organizational factors for staff turnover include organisational instability. Employees are more likely to stay when there is a predictable work environment and vice versa. Organizational inefficiency leads to high level of staff turnover. Quantitative

approach to managing the employees leads to disenchantment of staff and to labour turnover. Adopting a cost-oriented approach to employment costs increases labour turnover. Organisations with strong communication systems have lower turnover of staff because employees have a strong need to be informed. Employees feel comfortable to stay longer, in positions where they are involved in some level of the decision-making process. That is, employees should fully understand about issues that affect their working atmosphere. But in the absence of openness' in sharing information and employee empowerment, the chances of continuity of employees are minimal. A high labour turnover may mean poor personnel policies, poor recruitment policies, poor supervisory practices, poor grievance procedures, or lack of motivation. All these factors contribute to high employee turnover in the sense that there is no proper management practices and policies on personnel matters, hence employees are not recruited scientifically, promotions of employees are not based on spelled out policies, no grievance procedures in place and thus employees decides to quit [8].

[4] noted that pay and pay-related variables have a modest effect on turnover. When high performers are insufficiently rewarded, they quit. On the other hand, jobs with adequate financial incentives retain employees and vice versa. Other factors which make employees to quit organisations are poor hiring practices, managerial style, lack of recognition, lack of competitive compensation system in the organisation and toxic workplace environment [5]. Demographic factors (age, tenure, level of education, level of income, and job category in terms of managerial or non-managerial) have also been found to have stable relationship with turnover intention. However, several studies have reported negative relationship between turnover intention and three demographic factors - age, tenure, and income level [10]. Amount of education, on the other hand, is found to be positively associated with turnover, suggesting that the more educated, employees quit more often [11].

Based upon the works of [6,9], human capital theory rests on the assumption that formal education is highly instrumental and even necessary to improve the production capacity of an employee. That, notwithstanding, the amount of education acquired by an employee is found to be positively associated with turnover - suggesting that the more educated employees quit more often. [11] found that non-managerial employees are more likely to quit than managerial employees. The controllable factors are job satisfaction (satisfaction with pay, satisfaction with nature of work, and satisfaction with supervision), organizational commitment, and organizational justice (distributive and procedural). Many studies report a consistent and negative relationship between job satisfaction and turnover [12], as dissatisfied employees are more likely to leave an organization than satisfied ones. Turnover studies in Singapore that supported the negative relationship between job satisfaction and turnover include [14,18].

Although, a past research suggests a stable negative relationship between job satisfaction and turnover, job satisfaction alone has been found to account for small percentage of the total variance in a turnover model – less than 15%. The study by [5,9] is the only one that investigated the effects of various types of job satisfaction on turnover intention in Singapore. They classified job satisfaction into eight categories: supervision, company identity, kind of work, amount of work, physical working conditions, co-workers, financial rewards, and career future. There are three major limitations of their study though; first, they subsumed organizational commitment (company identity) within job satisfaction. Thus, their findings have confounded the effects of job satisfaction and organization commitment. The second major problem of their study is that some of their measures had low reliability of scales, making their findings

immeasurable. The last major limitation of their study concerns generalization of their findings. The authors examined non-managerial clerical employees in the banking industry which is a highly specific group of employees. In this study, three facets of job satisfaction included are pay, nature of work, and supervision. These are relevant in the Nigerian context. First, based on experiences and innumerable anecdotes, pay is considered one of the most important factors influencing employee turnover in Nigeria. Materialistic Nigerian youths hop from one job to the other for a little extra naira. Second, the nature of work is becoming an important consideration because of greater affluence as well as higher education levels of Nigerians. [10] found that satisfaction with the nature of work was negatively associated with turnover intention in their sample of clerical employees in the banking industry. The relationship will hold for other jobs and industries too, especially the SMEs. Third, [12] noted that a supervisor with poor interpersonal skills and who is also inflexible very quickly drives employees away. The author emphasized the critical role of supervision in retaining employees. Organizational commitment was a better predictor of turnover than job satisfaction [20]. [3] reported a negative relationship between organizational commitment and turnover intention among professional accountants. Similarly [12], in their longitudinal study of 485 graduate students, found organizational commitment a strong predictor of turnover. Several other scholars have also found organizational commitment an important predictor of turnover.

In the past two decades, there has been an increasing amount of research on organizational justice - a term used to describe fairness in the workplace - concerned with the ways in which employees determine if they have been treated fairly in their jobs and the ways their views influence other work-related variables [19]. There are two forms of organizational justice: distributive justice, which describes the fairness of the outcomes an employee receives; and procedural justice, which describes the fairness of the procedures used to determine those outcomes. Previous studies mostly on American samples have shown that organizational justice affects turnover intention negatively [5].

Effects of Staff Turnover on Organisations

Turnover has some significant effects on organisations. Many researchers argue that high turnover rates might have negative effects on the profitability of organisations if not managed properly [20]. Turnover has many hidden or invisible costs [11] and these invisible costs are results of incoming employees, co-workers closely associated with incoming employees, co-workers closely associated with departing employees and position being filled while vacant. And all these affect the profitability of the organization. [14] argue that turnover include other costs, such as lost productivity, lost sales, and management's time.

Leadership Styles in Small and Medium-sized Firms

Leadership styles are autocratic, manipulative, laissez-faire, paternalistic and participative. Early studies of employment relations in small and medium-sized firms frequently portrayed SME management as autocratic, the belief being that, in the absence of formal procedures and worker collective voice to enforce adherence to rules of engagement between management and employees, owner-managers were able to fashion employment relations to their own advantage through informal systems of patronage, kinship and favouritism – what [8] has termed developing networks of personal allegiance. It later became apparent that management styles were not simply determined by the structure of the workplace – its size and ownership – though these factors played a role. Thus, small enterprise is managed by its owner in a personalized way without any formalized management structure. SME managers have discretion as to how to

manage employees, the choices they make being influenced by the skills and bargaining power of different types of worker in the firm, product and labour market conditions, and perceptions of fairness and justice within the firm [9]. There are reports on heterogeneity within the SME sector [5], the role for managerial discretion, and the constraints that managers faced in exercising this discretion, such that managerial styles could vary across and within SMEs, as well as over time. Autocratic management styles differ in firms according to size. The styles professed by managers affect the way employees in those same workplaces perceive management. In spite of a stronger belief among SME managers than large-firm managers that those at the top were best placed to make decisions, small-firm managers were more likely to at least discuss the implications of changes with employees. There might be a number of possible explanations for these findings. It may be that the physical proximity of SME managers to employees makes the environment more conducive to discussions about changes, or SME managers may be more constrained in making decisions without discussions with staff than managers in larger firms. Another possibility is that change in workplaces belonging to large firms may be initiated outside the workplace, perhaps higher up in the firm, offering workplace managers fewer opportunities to engage with employees at workplace level prior to change.

Human Capital Theory

Human capital is the stock of competencies, knowledge and personality attributes embodied in the ability to perform in the workplace so as to produce economic value. It is the workforce, one of three factors of production. Human capital is substitutable, but not transferable like land, labor, or fixed capital. Human capital formation refers to the process of acquiring and increasing the number of persons who have the skills, education and experience, which are critical for the economic and political development of a country. The growth of tangible capital stock depends to a considerable extent on human capital formation. Its development involves health facilities; on-the-job training; formal education at the primary, secondary and tertiary levels; study and extension programmes; migration of individuals and families to adjust to changing job opportunities; and import technical assistance. Human capital management is a strategic approach to people management that focuses on the knowledge, skills, abilities and capacity to develop and innovate possessed by people in an organisation. The success and failure of SMEs largely depends on people (staff) management, and so is the staff turnover and turnover intentions, which are influenced by the gender of the manager. Hence, human capital, its formation and management are very relevant to this study on staff turnover intentions in male-headed and female-headed SMEs.

Empirical Literature

[8] examined three sets of antecedents of turnover intentions in five (5) companies selected from food & beverage, retail and shipping industries in Singapore, Asia. Findings of the study suggest that the extent of controllable turnover was much greater than uncontrollable turnover and that poor management practices were the major causes of employee turnover. In a another study, [11] examined the causes, consequences and control of labour mobility in small and medium enterprises in Nigeria, using a triangulation of quantitative and qualitative data. Findings revealed that respondents monthly income was related exhibited tendency of respondents towards labour mobility. [15] worked on factors of job satisfaction among staff of universities in Pakistan. Data on involvement and commitment were regressed against data on employee attitudes with positive or negative

consequences. Results showed that prediction of job satisfaction as well as job dissatisfaction (absenteeism and turnover) is mostly founded on the factors of job satisfaction attitudes like pay, work, supervision, promotion, co-workers and environment. Most of the studies on turnover were conducted in the Asia and Western organizational contexts. Thus, findings of these studies may not be applicable to organizations in Nigeria due to vast differences in the economic, legal, social, and cultural environments. Some independent variables relatively unexplored in turnover literature in the West include procedural and distributive justice. Their relationships with turnover intention in SMEs in Nigeria need to be examined. The effects of other demographic variables (such as age and income), uncontrollable variables (such as perceived ease of movement), and controllable variables (such as satisfaction with pay and organizational commitment) on turnover intention need to be investigated.

CONCLUSION

Most studies on staff turnover emanates from Asia and the developed world. There is need for more scholarly works to examine staff turnover intention and its effects on SMEs particularly in developing countries.

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