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**Addressing the Issues on Employees' Turnover Intention in the
Perspective of HRM Practices in SME**

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Abstract

Human Resource (HR) managers and business owners need to play critical roles to overcome the issue of the employees' turnover intention in an organization especially the small and medium enterprises (SME). This paper discusses extensively on the impact of human resource practices that can alter the negative effect on the organization due to high employee turnover. The HR practices that are discussed in this paper are compensation and benefit, performance management, training and employee relations. Several previous researches on this issue have been discussed in this paper to enable authors proffer recommendations.

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1. Introduction

Small and medium enterprises (SME) have been acknowledged to play crucial roles in national economy of nations and are contemplated to be the backbone of industrial development. Cardon and Stevens (2004) suggest that SME managers face many unique HRM challenges, such as difficulty in attracting and retaining talented employees. By retaining skilled employees, Small Medium Enterprises (SME) can create a feasible environment in this competitive free market economy which would ultimately augment their returns. Comprehending employee viewpoints and analysing their retention factors are significant to an organization's success. Small, growth-oriented firms may jeopardize their attempts to achieve organizational objectives if they lose even one principal employee.

Employees' decision to resign is influenced by two factors: their "perceived ease of movement", which refers to the assessment of perceived alternatives or opportunity and "perceived desirability of movement", which is influenced for instance by job satisfaction (Morrell et al., 2004; Abdullah et al., 2012). This describes how

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balance is struck both for the organization and its employees in terms of inducements, such as pay, and contributions, such as work, which ensures continued organizational efficiency. In general, when inducements are increased by the company, this will lower the tendency of the worker to leave and vice versa. At the same time, managers should also be aware that of the question whether the decision to leave could have been prevented by the organization. This is important for the planning of interventions. It would be realistic to manage this turnover as unavoidable rather than spend on theorized preventive measures. These losses of employees can also be described as “necessary causalities” (Morrell et al., 2004). Furthermore, it is undeniable that organizations are increasingly concerned about their capability to retain their key employees such as high performer and employees who make an important contribution to stimulate organization’s innovative behavior.

2. Issues, Controversies, Problems

The issue of employees’ turnover intention has to be dealt with in an appropriate manner especially in SMEs. With the attraction of younger and better educated workforce, there is also a growing concern especially in the shift of employees’ negotiations from the bargaining table to the courts as organizations and individuals attempt to define rights, obligations and responsibilities (Patton, 2005). Managers must not forget that there is a new attitude towards work and family concerns and responsibility. Today’s individuals are not “detached” from this family concern and responsibility and therefore the days of an individual working for a single company throughout his career have become rare. Besides having a balance work and family life, they seek better career prospect and pay for themselves and their family (Thwala et al., 2012). The obstacles of major HRM issues faced by SMEs would include poor levels of employee’s skill and performance, inadequate levels of employee’s training and compensation issues. Therefore, SMEs’ framework was developed using the three broad goals of HRM (Daft, 2000). These goals are to attract an effective workforce, developing workforce to its full potential, and maintaining the workforce over the long term. This framework is consistent with Schermerhorn’s (1996) definition of HRM: “the processes of attracting, developing, and maintaining a qualified workforce”. Using this framework, the next section provides an overview of relevant literature.

3. HRM Practices

A proper administration of HRM practices are crucial in retaining employees in organizations especially in small and medium enterprises. HR professionals and line managers have to work closely to ensure all key practices such as managing performance, administration of compensation policy, training, and employee relations are executed in an effective manner. Below are the elaborations of evidence from previous studies pertaining to the importance and impact of such practices:-

3.1 Compensation and Benefit

The impact of human resource mismanagement can have a profound negative effect on the organizations. The expectancy theory predicts that one level’s of motivation depends on the attractiveness of the rewards sought and the probability of obtaining these rewards can hold sway in any current organization management’s objective to achieve high productivity and competitive edge in the ‘market place’ (Daft, 2000). Williamson (2000) did argue that SMEs have more difficulty in retaining employees because they are more likely to have lower levels of employer legitimacy than larger firms.

In other words, they are less likely to be perceived as desirable, proper, or appropriate employers. This may be because SMEs are likely to lack the financial resources required to retain talented staffs. Employees desire compensation system that they perceive as being fair and commensurate with their skills and expectations. Pay therefore is a major consideration in an organization because it provides employees with a tangible reward for their services as well as source of recognition and livelihood (Thwala et al., 2012; Abdullah et al., 2012).

Evidently in a study conducted on Southwest Airlines by Aric (2008) on managing compensation and rewards through organizational pay, he emphasized that the human resources department can use a compensation strategy to strengthen the strategic and business strategy of the organization by enhancing individual performance. Although this may in turn negate turnover, but however, also provide the opportunity for the organization to explore and consider other non-conventional areas for implementation in the future in ensuring job satisfaction for the employees such as flexi time, shorter working hours and even providing child care services for the woman employees with children as part of the compensation package. In a research study by Shahzad et al (2008) revealed a positive relationship of reward practices with the performance of university

teachers in Pakistan. This is important especially when countering the other factor of turnover intentions in the long run. It is a known fact that employees desire a compensation system that they perceive as being fair and commensurate with their skills, experiences and knowledge.

Roberto (2007) opined that salary strategies and job enrichment strategies were positively related to job satisfaction and thus has an effect negatively on turnover intentions. This was mediated by positive employee commitment. As turnover continues to be very serious problems in many organizations including the company related to this study, the research had suggested specific practises to develop strategies as an immediate step to lower turnover. In a similar survey conducted on 666 Thai workers, results revealed beside fairness and growth opportunities as job satisfaction for these workers, rewards was also cited as an important criteria for job satisfaction and negate turnover intentions (Lobhuri, 2012).

3.2 Managing Performance

The success or failure of performance management programs of any organization depends on the philosophy that it is connected to business goals and the attitudes and skills of those responsible for its implementations and operations. There are many methods available to gather information of an employee performance in the appraisal process. This information must be used for organizational needs and communicated to employees so that it will result in a high level performance (Thwala et al., 2012; Abdullah et al., 2012).

Gilbert and Jones (2000) found that formal performance appraisal is uncommon in SMEs and that performance appraisal varies by firm size. However, most of these researchers note that appraisal of employee performance in SMEs is likely to be informal and ongoing, because of the frequent opportunities for interaction between managers and employees. Performance management can focus on the performance of an organization, a department, employee, or even the processes to build a product or service, as well as many other areas. It is acknowledged that a lack of performance appraisal can have adverse effect on employees' motivation and contribute to employees' turnover intentions (Abdullah et al., 2011). An example is the research by the National University of Malaysia in 2004, in regards to performance appraisal and employee's perception and intentions to leave. It was revealed that whenever performance appraisal is perceived by employees' to have organization political motives, this affect their job satisfaction and prone to turnover intentions (June, 2004; Abdullah et al., 2011). In a study of data collected from 65 respondents conducted on performance management and turnover intention, results revealed that there is a relationship between employees' job performance management and their intention to quit (Zimmerman, 2009). Research by Ryan et al. (2006) on data and analysis of past 65 similar studies revealed that findings provide for a better understanding of how employees' job performance affects their turnover decisions and how organizations can control turnover through integrated performance management system that includes rating by supervisors and enhanced management of better and poor performance employees through a comprehensive appraisal system.

3.3 Training

Employees are considered as organization's asset. Therefore, effective training programs for employees have become increasingly vital to the success of any organization especially SMEs. The research evidence has consistently shown that SMEs provide less formal training than larger firms (Patton, 2005). Nowadays, SMEs need to have competencies and especially core sets of knowledge and expertise that will give the companies an edge over its competitors. The only way to arrive at this is through having a dedicated training program that plays a central role to nurture and strengthen these competencies (Sherman et al., 1998). It is acknowledged that training forms the backbone of strategy implementation and that industries such as the security industry must have trained security officers, who must be competent in the basic laws, rescue operations, emergency response and also crowd control and public management to be able to perform their job. The lack of these will definitely result in complaints, further injuries to public and damages to properties. It has always been extolled in law enforcement manual and frequently heard sayings that law enforcement agencies must always be one step ahead of the criminals and would be perpetrators to be able to prevent crimes and what better ways can officers be prepared if not through continuous training to hone the officers knowledge, skills, abilities to cope with new processes and systems (Raffee, 2001). Benson (2006) verified the importance of certain training methods linked to staff turnover intentions. Participation in three types of development activities was included for examination among salaried employees of a firm that significantly increased access to development after a series of layoffs in the late 1990s. Analyses of survey and archival data representing

667 employees show that on-the-job training was positively related to organisational commitment and negatively related to intention to turnover.

3.4 Employee Relations

Using the underlying social exchange theory and the norm of reciprocity, individual attitudes and behaviours are affected by generalized perception of care and support from organizations. Employees feel obliged to repay organizations with extra effort and loyalty when such favourable supportive treatments are discretionary-based (Eisenberger et al., 2001). This is emphasised in a study on 437 Chinese employees from multinational companies revealed that perceived supervisory support has a direct relation to turnover intentions (Alexander, 2012).

Employee relations in an organization is simply described as maintaining a healthy working relationship between management and employees to contribute and sustain a satisfactory productivity, motivation and high morale work environment that enhance job satisfaction for the employee and meet goals of the organization. As for SMEs, retention strategies can be enhanced through the matching of employee, employer and organisational needs and meeting promises and expectations established initially within the relationship. Trust is however something that can only be attained with a sound understanding of the wants and needs of the employee. Trust is established when a willingness is established and a reliance develops between both employer and employee.

Behaviours reflect within the relationship, a belief that the employee feels no uncertainty within the relationship with the employer and the employer, likewise feels no vulnerability toward the reliance that he places within the relationship with the employee. Employees have career expectations that need to be met. If these expectations are not achieved, this can cause dissatisfaction and lead to employees seeking work elsewhere (Cardon & Stevens, 2004). As more and more businesses recognise the enthusiastic and committed employees add value to their organization not just in terms of productivity but also customer satisfaction, retention, profitability and long term stakeholder value, employee engagement is the most important criteria concerning management of any organization today (Cook, 2008). In a study by Rebecca (2012) in regards to condition under which supervisor undermining is related to perceptions of leader hypocrisy that then lead to employee turnover intentions. Based on 200 scenario-based experiments and 300 survey based study, the results revealed a general support to the author's hypothesis that supervisors hypocritical behaviours do motivate staff turnover intentions. Furthermore, Kuvaas (2006) stress that there is a significant relationship between quality employee-organizational and turnover intentions. This proves that positive employee-employer relationship has positive employee outcomes.

4.0 Conclusion

After reviewing literatures by authors, it is obvious that the correlation between these HRM practices and the impact on turnover intentions by employees are significant. The importance of HRM practices in SME are crucial in attaining competitive advantage. The impact on the SME due to the high employees turnover rate can have detrimental repercussions on the organization due to several factors as discussed earlier. Therefore, SME must look seriously in implementing effective HRM practices as one of the strategies to retain employees especially the high performers.

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