

**LABOUR TURNOVER AS A PREDICTOR OF ORGANIZATIONAL CLIMATE:
A STUDY OF SELECTED SMALL AND MEDIUM SCALE MANUFACTURING FIRMS
IN OWERI**

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ABSTRACT: *this study examined the predictive relationship of labour turnover on organizational climate. The survey research method was adopted in this study. A sample of 6 SMEs was randomly selected from the three senatorial zones in Imo State. A sample of 30 top management staff members was obtained by employing the purposive sampling technique. The data gathered was analyzed using one sample t-test. From the result obtained, the p-value (sig.2-tailed) produced 0.000 and 0.000 in the two hypotheses tested respectively. This implies that the t-calculated is lesser than t-tabulated (i.e $0.000 < 0.05$). We therefore reject the null hypotheses, this suggests that labour turn over can be used as a suitable instrument to predict organizational climate of SMEs.*

KEYWORDS: *climate, economic, labour turnover, organization, psychosocial*

1. INTRODUCTION

In today's competitive environment, one resource that is driving the results of many enterprises is organizational memory. However, many organizations do not enjoy or deploy it as part of their strategic resource to winning the war of competition. This may not be unconnected with the high rate of labour turnover which leads to the loss of organizational memory. The reason for this high rate of labour turn over may be physical, psychological, social and or economic environment within the organization (climate) that does not enhance employees' longevity in service. When the employees leave the organization, they leave with a formed opinion about the suitability or otherwise of the climate of the organization. Bowen and Ostroff (2004), saw organizational climate as a shared perception of what the organization is like in terms of practices, policies, procedures, routines, and rewards-what is important and what behaviors are expected and rewarded-and is based on shared perceptions among employees within formal

organizational units. Adeyemi (2008) identified some factors which influence the climate of an organization. The first one is *leadership behaviour and welfare*; he argues that a leader who places a high value on the welfare of staff is likely to have a more desirable organizational climate than a leader who places less value on staff welfare. *Economic condition* is another factor, when the economic conditions are good, organizations are likely to have a relaxed budget, and otherwise budget might become tighter. The fourth factor is the *availability and management of resources* and lastly *motivation*. Bigge and Hunts (2000) comment that when workers are sufficiently motivated, they would respond positively to high job performance. Abassi and Hollman (2000), on the other hand defined employee turnover as the rotation of workers around the labor market between firms, jobs and occupations; and between the states of employment and unemployment. In this study, the objective of the researchers is to examine if labour turn over can be used to predict the psychosocial and the economic climate of an organization.

2. REVIEW OF LITERATURE

Conceptual Review

Organizational Climate: organizational climate according to Thompson (2005), is an approach in which organizational members observe and characterize their surrounding and environment in an attitudinal and value-based manner. In their view, Attkinson and Frechette (2009) defined organizational climate as a set of attributes specific to a particular organization that may be induced from the organization, deals with its members and its environment. In the view of Ajay and Mndankini (2013), Organizational climate is the formal system of task and reporting relationships that controls, coordinates, and motivates employees so that they cooperate to achieve an organization's goals. This includes the leadership focus, authority and responsibility, resource policies and planning deployment or implementation. The task of an administrator is to create an organizational structure and culture that encourages employees to work hard and to develop supportive work attitudes and allows people and groups to cooperate and work together effectively. The way a climate or culture is designed or evolves over time affects the way people and groups behave within the organization. The organizational climate affects the people's processes and decisions, behavior and motivation, teamwork and cooperation, social relationships and rewards of good performances. Another, more elaborate, definition of organizational climate is given by Bowen and Ostroff (2004), 'Organizational climate is a shared perception of what the organization is like in terms of practices, policies, procedures, routines, and rewards- what is important and what behaviors are expected and rewarded- and is based on shared perceptions among employees within formal organizational units.

Labour turnover:

Employee turnover is described as employees who have left, are leaving and will leave an institution for various reasons (Grobler, Warrnich, Elbert & Hatfield, 2006). A similar definition is provided by Morrell, Loan-Clarke & Wilkinson (2001) who state that turnover means voluntary cessation of membership of an organization by an employee of that organization. Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained and this replacement cycle is known as turnover, (Ongori, 2007). Employees turnover in the words of Agnes (2012) is a ratio comparison of the number of employees a company must replace in a given time period to the average number of total employees. It can also be viewed as the rate of movement of employees in and out of an organization. To Mobley (2010), turnover is

the complete discontinuance of membership in an organization by the person who received monetary compensation from the organization. Pelit et al. (2010) define turnover as “the ratio of the number of organizational members during the period being considered divided by average number of people in that organization during the period.” In an attempt to further defined labour turnover, Rampur, (2010) gave it a wider definition. To him, labour turnover is the movement of employees out of the organization. One fundamental fact common to all the definitions is that labour turnover is the rate at which employees jump from one organization to another and this could be as a result of many factors which can emanate either from the employer or the employee.

However, Griffin and Moorhead (2010) suggest that empowering employees through participative management enhance employee involvement as well as motivation. Moorhead (2010) claim that getting employees to participate gives them the influence to make decision regarding their career. Moreover empowering employees allow them to make decision within the area of their authority and responsibility, solve problem and set their own objectives.

Types of Climate

Burton *et al.*, (2004) identified four organizational climate which they named group climate, developmental climate, rational goal climate, and internal process climate. The four climate types are based on their degree on the seven variables trust, moral, equity of rewards, resistance to change, leadership creditability and duty. In other words, the employees’ perceptions about the extent to which every one of the seven variables is present or absent within an organization forms the building blocks of organizational climate. This research adopts the Burton’s approach of the four climatic profiles because this approach has been proven to be a robust and reliable measurement instrument.

Group climate scores high on trust and moral and is internally oriented while *Developmental climate* scores high on moral and trust as well, but is externally oriented. *Rational goal climate* on the other hand scores low on trust and moral and is externally oriented. *Internal process climate* scores low on trust and moral and is mechanical oriented. However, there is some evidence that the dimensions co-vary within each cluster group, suggesting that there might be less variables necessary describing the different types of organizational climate (Burton, 2004). In addition there might be some co-variance between the four clusters as well. The scores of internal process climate and rational goal climate are similar except for resistance to change (Burton *et al.*, 2004). The same is true for group climate and developmental climate, this fact might help to explain possible overlap. Halpin (1967) identified six types of organizational climates: the first type of climate is the *open climate*, this type of climate is characterized by low disengagement, low hindrance, but there is high intimacy and high morale, *closed climate* – this is the opposite of the open climate, there is high disengagement, high hindrance, low morale and low consideration. The third type of climate is the *autonomous climate* – characteristic features of this climate are; absolute freedom for the employees to carry out and the manager is relatively aloof, the fourth category is the controlled climate, in this type of climate, managers are highly domineering and employees are closely monitored, fifth category is the paternal climate, it is characterized by low disengagement, the management style is more dictatorial. The last category is the familiar climate; this is defined by sociability at the detriment of job performance.

Reasons for Employee Turnover

Employees leave an organization for a number of reasons, including but not limited to: compensation, Job demand, work environment, dissatisfaction with the job, dissatisfaction with the organization, Inability to cope with responsibility, moving out of the area, retirement, Inability to get on with colleagues and line managers, career development or career change and domestic reasons. Among those reasons for employees' high turnover rate is job satisfaction and this also has a direct impact on attracting job retention and reducing turnover. As Chon and Maier (2010) explained that high employee turnover damaged employees' morale which leads to reduction in service quality.

Job Satisfaction- Some of the principal factors that could be responsible for employees' turnover include job satisfaction, compensation, job demands, work environment, career growth opportunity, job challenges etc. Mudor and Tooksoon (2011) argued that employee's jobs satisfaction can derive from many things such as salary, their relationship with their managers as well as the quality of the environment in which they work. Mullins (2001) stated that employees who are unsatisfied in their workplace sometimes may chose to stay in the organization but their performance may affect the whole organization. According to Snow and Yanovitch (2010), employees' job satisfaction increases performance with reduction of turnover. Furthermore; satisfied employees makes workplace more pleasant for all, as well as reducing absenteeism and grievances. Chon and Maier (2010) propose that customer satisfactions are linked to retention problems and morale in an organization. Consequently the major aspect of human resources management plans in the organization are growth and development, employee job contentment, involvement, training and motivation.

*Compensation-*compensation is one of the oldest and commonest factors responsible for employees' turnover. Manu et al (2012) concludes that employees quit from organization due to economic reasons. While Hissom, (2013) argue that the most common reason for employees turnover rate being so high is salary scale since employees are usually in search of jobs that pay well. Undoubtedly, in a situation whereby two employees perform the similar work with similar responsibilities and yet one of the employees is at advantage when it come to remuneration obviously the employees that is at disadvantage will surely be looking for a better offer. It is not uncommon to find out that organizations that pay less will have a higher labour turnover than those that pay higher.

*Job Demand-*This is another variable that can affect the rate of labour turnover in an organization. The amount of labour needed in an organization will fluctuate with the demand for the final product or service, labour turnover and absenteeism among personnel. In an attempt to outperform their competitors and also increase their level of profit most especially to reduce overhead costs, management set some unbelievable targets for their staff that make some of them go to any length so as to meet the target. This also leads to increase in work load and which some staff may not be able to cope and will prefer to leave the employment.

*Work environment-*If working conditions are substandard that lacks some basic facilities such as safety provisions, restrooms and adequate lighting employees obviously will not be willing to put in their best. Labour turnover particularly arises from unhappiness from job place. The state of the mind of the employees will affect their behaviour. The behaviour and attitude of employees has great influence on customer perception and satisfaction of service quality. In other word, employees that provide high quality of service create excellent experience for the customers. Rampur (2010) concludes that employees also push to leave job due to the dissatisfaction in their

present workplace. In a similar vein, Hissom, (2013) argue that employees are more likely to stay in an organization that the working environment is predictable and conducive.

Career growth opportunity-Rampur, (2010), states that employees prefer other companies which may provide them with the higher posts and increased compensation packages. While Europhia (2008) asserted that career growth is much more important than salary in Europe or America but it is counted equivalent to salary in Asian context. An employee who is stagnant in a particular position for a very long time without promotion will obviously not be satisfied with his job. There is often a desire to seek a causal link between factors responsible for turnover and productivity through quantifying factors and measuring their impacts on productivity (Paul and Ammar, 2007)

3. METHODOLOGY

The survey research method was adopted in this study. A sample of 6 SMEs was randomly selected from the three senatorial zones in Imo State. A sample of 30 top management staff members was obtained by employing the purposive sampling technique. The data gathered was analyzed using one sample t-test which is described as;

$$t = \frac{\bar{X} - \mu}{S} \sqrt{n}$$

4. RESULTS AND DISCUSSIONS

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
VAR00001	30	2.0000	.83045	.15162
VAR00002	30	5.9333	3.49318	.63776
VAR00003	0 ^{a,b}	.	.	.
VAR00004	0 ^{a,b}	.	.	.

a. t cannot be computed because the sum of caseweights is less than or equal 1.

b. t cannot be computed. There are no valid cases for this analysis because all caseweights are not positive.

One-Sample Test

Test Value = 1					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference
					Lower Upper

VAR00001	13.191	29	.000	2.00000	1.6899	2.3101
VAR00002	9.303	29	.000	5.93333	4.6290	7.2377

t-test output for hypothesis two

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
VAR00001	15	2.0667	.88372	.22817
VAR00002	15	6.0000	3.42261	.88372
VAR00003	0 ^{a,b}	.	.	.
VAR00004	0 ^{a,b}	.	.	.

a. t cannot be computed because the sum of case weights is less than or equal 1.

b. t cannot be computed. There are no valid cases for this analysis because all caseweights are not positive.

One-Sample Test

	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
VAR00001	9.057	14	.000	2.06667	1.5773	2.5561
VAR00002	6.790	14	.000	6.00000	4.1046	7.8954

Discussion of Results: from the result obtained in the tables above the p-value (sig.2-tailed) produced 0.000 and 0.000 in the two hypotheses tested respectively. This implies that the t-calculated is lesser than t-tabulated (i.e $0.000 < 0.05$). We therefore reject the null hypotheses, this suggests that labour turn over can be used as a suitable instrument to predict the organizational climate of SMEs.

5. CONCLUSIONS AND RECOMMENDATIONS

From the result obtained in this study, labour turnover can be seen as a veritable gauge of the climate of an organization. It is then recommended that SME managers and owners must take

pragmatic steps to ensure that the tide of high labour turnover is stemmed by providing organizational climate that satisfies both the physical, psychosocial and economic needs of the employees.

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