

CHAPTER 1

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

The aim of human resource management (HRM) in South Africa is to put the necessary tools in the hands of those human resource (HR) specialists entrusted with the people's decisions within organisations, and to empower them in order to avoid various psychological biases, unfair discrimination, and injustice (Grobler, Warnich, Carrell, Elbert & Hatfield 2011:262). Organisations need human resources to function and in the modern competitive business environment, organisations are quickly realising that employees are their major source of competitive advantage and a critical success factor which is required as an ingredient to stay ahead of their competitors (Lawler 2008:45).

The development of a selection programme is a formidable task even when we deal only with the measurement issues. It becomes even more complex when we add the legal policies that must be considered. However, if the organisation does not attend to these legal policies in the development and use of selection programmes, it will be vulnerable to charges of perceived discrimination (Barrick, Feild & Gatewood 2011:20).

Biased selection processes can result in hiring unsuitable people (false positives); or may lead to a failure to hire applicant that would have been suitable for the job (false negatives) (Price 2004:408, Grobler *et al.* 2011:262).

For an organisation to succeed it has to manage, amongst others, its human resources effectively. This notion applies equally to almost any organisation in the world although it may be costly, especially in terms of recruitment and training of its human resources. The human resources selection process is important to short-term and long-term success of an organisation because employees are generally regarded as the most valued assets. Selecting the candidates that best fit the requirements has a large influence on the success of an organisation. A well-designed and implemented selection process is likely to optimise the success of the selection. Inappropriate selection costs organisations significant amounts of money because of the need to reinvest in the

selection process and new employee training. Selection is important for an organisation to help it keep its competitive edge (Ongori 2004:50).

Most empirical studies on human resources management practices (HRMP) in small businesses are still in an explorative stage and are mainly descriptive. Some authors describe the use of different HR practices in small businesses while others focus on one specific field of HRM, such as recruitment, selection, training and development, compensation, and motivation (Sels, De Winne, Delmotte, Maes, Faems & Forrier 2006: 84).

The concept of ‘small businesses’ often covers different implicit areas of focus, both in literature and in current economic life (Nieman 2001:445). However, the limits of what constitutes a ‘small’ business vary from one economy to another. In developed countries, entities with fewer than 500 full time employees are usually considered small and medium enterprises (SMEs), while in developing countries such as South Africa the thresholds are generally lower (Department of Trade and Industry 2005:145). In South Africa, small enterprises are occasionally described as businesses whose annual turnover is below the compulsory Value Added Tax (VAT) registration limit (Department of Trade and Industry 2005: 146). The guidelines set down in the National Small Business (Act 102 of 1996) and its Amendment (2003) defines a small business as a “separate and distinct business entity, which includes co-operative enterprises and non-governmental organisations managed by one owner or more, which, including its branches or subsidiaries if any, is predominantly carried on in any sector or subsector of the economy” (Nieman & Pretorius 2004:3, Department of Trade and Industry 2008:2).

SMEs have been identified internationally, recognised and acknowledged by governments as a priority to create jobs and address the high unemployment rates in countries. SMEs make a substantial contribution to the Gross Domestic Product (GDP) and an even greater contribution to an economy. The South African government recognises the importance of developing a strong small and medium scale enterprise sector. As such, the Gauteng Province is the leading province in terms of the number of SME’s, but while it accommodates 48% of formal SMEs nationally, it accounts for only a quarter of informal SMEs (Department of Trade and Industry 2008:2).

Furthermore, the SME sector is an essential sector in promoting and achieving economic growth and development and the widespread creation of wealth and employment. To further the aim of developing a strong and vibrant SME sector, the National Small Business Act (1996) and the National Small Business Amendment Act (2003) was promulgated in South Africa. According to the Acts, SMEs are classified on a sector basis across 11 sectors. In South Africa, small businesses whose annual turnover is less than R150,000 are regarded as micro depending on industry, less than R200,000 to R500,000 are very small depending on industry, less than R2 million to R25 million are small depending on industry and less than R4 million to R50 million are medium enterprises, depending on the industry. SME's in South Africa are classified according to annual income turnover, gross asset value and by number of employees (Department of Trade and Industry 2008:10).

According to the National Small Business Act 102 of 1996 and the National Small Business Amendment Bill (2003), SMEs are businesses with fewer than 250 full-time, paid employees (Ferreira & Loggerenberg 2012:213).

Frequently, managers refer to employee turnover as the entire process associated with filling a vacancy. Voluntary employee turnover has long been a subject of considerable concern both for practitioners and human resource management academics; overly high or low turnover rates are negative for both an organisation's efficiency and profitability. High employee turnover reflects a lack of commitment by one or both parties; whether voluntary or forced by the organisation; high turnover by employees may create a self-reinforcing cycle which leads to frequent employee turnover in the organisation. Although the longer-term consequences of high turnover have been inadequately researched, its immediate harmful effects and high costs have recently been confirmed by (Davidson, Timo & Wang 2010: 455).

Employee turnover has been defined as the rotation of workers around the labour market; between firms, jobs and occupations; and between the states of employment and unemployment (Ongori 2004:52). Each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained. Turnover has also been defined as the ratio of the number of organisational members who left during the period being considered divided by the average number of people in that organisation during the period (Ongori 2004:53). This simply means a

comparison of the number of employees an organisation must replace in a given time period compared to the average number of total employees. Rankin (2006:42) reported that managing employee turnover to improve retention can lead to more effective recruitment, lower costs, improved employee morale, and lower turnover. Employee turnover in some instances is inevitable and can be beneficial if unskilled employees leave the organisation (Ian & Jonathan 2007:6).

Jack and Adele (2003:2) noted that employee turnover can fluctuate with economic cycles, for example, during a recession turnover often decreases. Even in slow economic times, most HR executives find attracting and retaining talent to be problematic (Leigh 2005:28, Breuer 2000:15). Selection as a human resource practice can affect employee turnover of an organisation either positively or negatively (Suzanne 1999:59).

1.2 PROBLEM STATEMENT

Torben (2003:5) reported that HR researchers have largely ignored the SME sector despite the numerous benefits to the economy resulting from the sector. SMEs across the whole world and in South Africa (SA) in particular, are still faced with numerous challenges that inhibit entrepreneurial growth. The Global Entrepreneurship Monitor (GEM) Report (2001-2010) noted that South African SMEs also suffer from poor HRM skills. This results in high rates of business failure (SA has one of the lowest SMEs survival rates in the world) (GEM Report 2001-2010)

As such, the increasing attention on HRM in small and medium enterprises is a comparatively recent phenomenon. Organisations have realised that the continuance of business will depend on the quality and management of the human resources they possess (Boerlisjt & Meijboom 1989: 67). Research has shown that positioning the right person in the right position is one of the crucial issues in organisations (Muller & Schepers 2003:91). If this does not happen the organisation will not only suffer financial losses, but it may also lose its competitive edge.

The dearth of research into selection as a HR in SMEs with particular emphasis on their employee turnover is probably due to the fact that HR practitioners, the managers and or owners of the SMEs, often ignore personnel or HR issues such as recruitment and selection (Wright & Boswell 2002:249). Furthermore, Barrick *et al.* (2011:19) states that many individuals believe

that formalised selection programmes were developed by large organisations and are only used by such organisations because of the cost of development and the necessity of using selection specialists.

This research focuses on selection process effects in relation to employee turnover. The study considered some of the selection process steps, the techniques of selection effects on employee turnover and effects of employee turnover in SMEs. It focuses only on the small and medium sector of SMEs in Sunnyside Pretoria.

SME managers are of the view that HRM is unresponsive or not tailored enough to their needs and it was considered too costly an activity to carry out in a small organisation. The lack of appropriateness, the time consuming nature of HRM practices and the lack of clarity concerning the direct effects it has on the SME sector, has resulted in limited attention given to the approach and the techniques associated with it, among management (often without any background knowledge on HR) (Ongori 2004:51). A current need thus exists to understand the effects of selection processes as a HRM practice on employee turnover in SMEs.

The South African workforce is becoming increasingly diversified and discrimination is still a problem. The legislative acts that apply to recruitment and selection are not being used by many organisations. According to, Company Intellectual Property and Registration (CIPRO), most SME's are not registered. The Employment Equity Act aims to achieve equity in the workplace by promoting equal opportunities and fair treatment in employment through the elimination of unfair discrimination and implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups (African, Coloured, Asian, women and people with disabilities) to ensure their equitable representation in all occupational categories and levels in the workplace. However, such legislation can prove to be costly to implement and could inhibit selecting the most meritorious candidate.

It is imperative that HR specialists have a thorough understanding of the legal guidelines for selection decisions. HR professionals are the key individuals within organisations who must develop and enforce policies and procedures that protect members of the diversified workforce against unfair discrimination as mandated by the EEA of 1998. The effect of high employee turnover can be a serious obstacle to productivity, product quality, and profitability within

organisations of all sizes. Organisations in South Africa and around the world are increasingly becoming concerned about high employee turnover (Abassi & Hollman 2000:335). Numerous studies conducted on the subject of employee turnover have focused on the employee turnover rate in relation to productivity and general causes of employee turnover in SMEs (Griffeth, Rodger, Hom & Gaertner 2000:468, Yalabik, Zeynep, Shyh-Jer, Chen, Lawler & Kim 2008:45).

1.3 OBJECTIVES OF STUDY

1.3.1 Primary objectives

The main purpose of this study is to evaluate the effect of the selection processes as a HRM function on employee turnover in SMEs in Sunnyside Pretoria.

1.3.2 Secondary Objectives

In order to achieve the primary objective, the secondary objectives of this study comprise the theoretical and the empirical objectives as follows:

1.3.2.1 Theoretical objectives

The following theoretical objectives were formulated for the study, namely, to conduct a literature study in order:

- To review the factors influencing employee turnover in organisations in general;
- To identify the techniques influencing selection procedures in SMEs; and
- To identify aspects that effect employee turnover in SMEs.

1.3.2.2 Empirical objectives

The following empirical objectives were formulated to support the primary and theoretical objectives, namely, to investigate the perceptions of SMEs regarding:

- The factors influencing selection procedures in SMEs;
- The techniques influencing selection procedures in SMEs by analysing the data collected;
- and
- The aspects effecting employee turnover in SMEs in the Sunnyside area in Pretoria.

1.4 SCOPE OF THE STUDY

For the purpose of this study, the research was conducted among SME Human Resource managers and/or business owners as respondents within Sunnyside in Pretoria, Gauteng, South Africa. The SMEs in Sunnyside were chosen based on the increase in the number of small and medium enterprises in Pretoria coupled with the fact that Gauteng Province is the leading province in terms of the number of SMEs operating in South Africa.

1.5 RESEARCH DESIGN

A combination of literature review and empirical research approaches were used to generate possible explanations for the study. Quantitative research, using the survey method was used for the empirical study. The methodology for undertaking the research follows.

1.5.1 Literature review

A literature study on selection processes, selection frameworks and employee turnover was undertaken. Journal articles, internet sources, textbooks, theses and dissertations on selection, employee turnover, and HRM practices were used to establish the theoretical background for the study. The literature study primarily focused on selection, causes of employee turnover in SMEs and the effect of selection processes on employee turnover on SMEs.

1.5.2 The empirical study

The quantitative approach was employed since this seeks to explain and quantify data and typically employ some form of statistical analysis and testing (Churchill & Brown 2004:90). Data was elicited from respondents relating to selection processes and employee turnover. Data was analysed using appropriate statistical tools and techniques.

1.5.3 The sampling design procedure

In developing a quantitative study the following steps were used.

1.5.3.1 Target population

The target population was restricted to both male and female HR managers and business owners of registered SMEs in Pretoria, Gauteng, South Africa. Such businesses had been in existence for more than three (3) years. The target sample was restricted to Sunnyside and Pretoria central (CBD).

1.5.3.2 Identification of the sample frame

The list of small and medium enterprises in Sunnyside, Pretoria was obtained from Companies and the Intellectual Property Commission (CIPC) formerly known as (CIPRO).

1.5.3.3 Sampling technique

Welman, Kruger and Mitchell (2005:57) define sampling as the process of using a small number of items or parts of a larger population to make conclusions about the whole population. Sekaran (2000:266) defines sample as a subset of the population in question and comprises a selection of members from that particular population. Convenience and judgmental sampling are the two non-probability techniques used in the study since it allows a large number of respondents to be surveyed within a relatively short period of time. It also allows ease of administration of the survey instrument (Babbie 2008:210). However, this procedure will limit inferences that can be made to the population of SMEs in Pretoria and all findings will be relative to the sample only.

1.5.3.4 Sample size

The sample size was determined, based on the sample sizes in previous studies. In similar studies, Moncarz, Zhao and Kay (2009:443) used 634 respondents while Eisenberger, Stinglhamber, Vandenbergue, Sucharski and Rhoades (2002:568) used 300 respondents. Based on the aforementioned, a sample size of 300 respondents was deemed adequate. This was conveniently selected from a target population of SMEs in Sunnyside in Pretoria.

1.5.4 Method of data collection

The survey method was used to collect the relevant data via a structured questionnaire. This method was chosen due to its low cost and relative ease of administration (Malhotra 2007:138)

compared to other survey methods. In addition, its administration on the respondents was quicker and easier than other survey methods. This approach is likely to elicit the best responses from the participants in terms of objectivity, frankness, originality on key issues and promptness of responses (Churchill & Brown 2004:94).

1.5.5 Measuring instrument

Respondents were requested to complete a structured questionnaire, which contained four sections. Section A requested biographical data of the respondents. Section B comprised questions on some factors influencing the selection process in SMEs, section C contained questions on the selection techniques and Section D comprised questions relating to some aspects that influence employee turnover of SMEs. The measuring instrument was pre-tested on 10 HRM experts and pilot tested with 30 respondents at the study area. The pilot testing was conducted a month before the actual survey, in order to review and modify the instrument.

1.5.6 The procedure for the administration of the questionnaire

SMEs were, amongst other procedures, targeted during the annual Pretoria trade fair for SMEs. Ten field workers were employed for the survey and were all trained in order to ensure a high standard of professionalism. In addition, fieldwork supervision was conducted by the researcher in order to effectively monitor the fieldworkers. Important areas covered by the fieldworkers' training are presented in table 3.

1.6 DATA ANALYSIS

Descriptive statistics were initially used to analyse the composition of the sample in order to determine its representativeness. The biographical data was analysed, using frequencies. The evaluation of respondents regarding factors influencing selection and employee turnover was analysed using the SPSS 21.0 statistical procedures (Norusis 2009: 620). The data from Sections B, C and D was subjected to factor analytic procedures in order to identify the possible factors influencing selection, techniques influencing selection and employee turnover in SMEs.

1.7 VALIDITY

Blanche and Durrheim (1999:37) view validity in its broadest sense as the degree to which the end results or research conclusions are sound or credible. Depending on the nature of the research question, the emphasis will be on either internal validity (causal conclusions) or external validity (representativeness and generalisability). These are discussed in greater detail in Chapter 3.

1.8 RELIABILITY

Blanche and Durrheim (1999:40) define reliability as the degree to which results are consistent and repeatable, and applies to both measurement reliability (scores obtained from the measuring instruments), and to the end result, namely, the outcomes of the study as a whole. Prior to the actual analysis, the scale reliability was tested on data collected from the pilot study, using coefficient alpha (Cronbach alpha).

1.9 ETHICAL CONSIDERATIONS

Research is a professional practice and any survey should be conducted in an ethical manner to reflect professionalism. Ethics involves the study of moral issues and choices. Cant, Nel, Nel and Kotze (2003:11) define ethics as the body of moral principles or values governing a particular organisation. Martins, Loubser and Van Wyk (1996:44) point out that ethics are of a particular concern to research practitioners because their very profession is based on consumer public cooperation. Ethical issues, such as anonymity, confidentiality of the respondents, and the information elicited from them was assured (Cooper & Schindler 2006:116). Further ethical issues that were considered include the right of respondents to be informed and privacy of all aspects of the research was adequately taken care of by the field workers on its objectives and how it would be conducted (Lutabingwa & Nethonzhe 2006:697).

The researcher guarded against falsification of data and results. Fieldworkers were adequately trained on the procedure and ethical considerations. In addition, fieldwork supervision was conducted by the researcher in order to effectively monitor fieldworkers.

1.10 CHAPTER CLASSIFICATION

Chapter one: Introduction and background to the study. This chapter comprised the introduction and background of the study, focusing on HRM practices, selection processes and employee turnover in SMEs. It highlighted the problem statement, the research objectives and the scope of the study. The research methodology was also briefly described.

Chapter two: Literature review on selection procedure and aspects influencing employee turnover. This chapter provides an overview of the literature on the causes of employee turnover, selection processes and the effects of selection as an HR practice in SMEs.

Chapter Three: Research design. The emphasis on this chapter is on the design and the research method utilised in the study. The sampling and data collection method used are discussed. The method of data analysis and statistical techniques are outlined.

Chapter Four: Data presentation and analysis. This chapter deals with the presentation and analysis, interpretation the statistical analysis of the data, including reliability and validity.

Chapter Five: Findings, Conclusion and Recommendations. A summary of the pertinent findings of the study are discussed. Recommendations emanating from the study are also discussed while the limitations and implications for further research are outlined.

1.11 DEFINITION OF KEY CONCEPTS

The following terms as used in the study are clarified as follows:

- **Employee turnover** - employee turnover has been defined as the rotation of workers around the labour market; between organisations, jobs and occupations; and between the states of employment and unemployment. Employee turnover can be voluntary or involuntary.
- **Job Fit** - according to Grobler, Carell, Elbert, Hatfield, Marx and Van der Schyf (1998: 174) the process of selecting is about the fit between the applicant and the job; the person who is best able to integrate his/her personal needs with those of the organisation.

- **Extrinsic factors** - are the external benefits provided to the staff member by the organisation, such as job satisfaction, pay, the job, career promotion, management and fairness, and reflect the context of the job. This is applicable to the organisation only.
- **Intrinsic factors** - intrinsic motivating factors are “factors that influence people in a certain way such as responsibility, autonomy, interesting and challenging work and opportunities for advancement” (Armstrong 2006: 254). These factors include job fit, personality, marital status, age and gender.
- **Human resource management** - a philosophy of people management based on the belief that human resources are uniquely important to sustained business success. HRM is aimed at recruiting capable, flexible and committed people, managing and rewarding their performance and developing key competencies (Price 2004: 690).
- **Selection** - Selection is the process of collecting and evaluating information about an individual in order to extend an offer of employment (Barrick *et al.* 2011:3).
- **Employment Equity Act of 1998** - Applies to all employers and workers and protects workers and job seekers from unfair discrimination, and also provides a framework for implementing affirmative action (Tinarelli 2000:45, Grobler *et al.* 2011:90).

1.12 CONCLUSION

This chapter details the introduction and background to the study. It highlights the problem statement and the objectives. It also briefly outlines the research design, validity and reliability as well as the ethical issues considered in the study. It concludes with the chapter classification and clarification of terminology. The next chapter will outline the related literature and the theoretical framework that was reviewed on selection and employee turnover. A detailed discussion on the theoretical framework and the classical theory underpinning the study, models of employee turnover, selection processes, the steps in the selection process, selection procedures, extrinsic and intrinsic causes of employee turnover, and effects of employee turnover in SMEs.

CHAPTER 2

LITERATURE REVIEW ON SELECTION PROCEDURES AND ASPECTS INFLUENCING EMPLOYEE TURNOVER

2.1 INTRODUCTION

The previous chapter provided an introduction and background to the study. It highlighted the problem statement and its objectives. Furthermore, it briefly outlined the research design used in the study. In this chapter, a literature review and theoretical framework on selection as a HRM practice, selection as a process in HRM and legal aspects of selection are provided. In addition, a literature review on employee turnover, its causes and effects on small and medium enterprises, various definitions of voluntary employee turnover, and different models of employee turnover, are examined. In the following section, various definitions will be reviewed to gain broader insight into the concept on HRM, the selection process and employee turnover from an organisational as well as an individual perspective. In order to achieve greater understanding of aspects of selection, the selection process, employee turnover and to identify inconsistencies and shortcomings, various definitions of voluntary employee turnover, selection and SMSs will be given. In addition, different models of employee turnover are examined. This includes the image theory, the unfolding model and job embeddedness. The extrinsic as well as the intrinsic causes of employee turnover will be discussed comprehensively.

Literature on the organisational implications of turnover will be reviewed in order to accentuate the effect of turnover on organisations. Furthermore, strategies to retain employees will be focused on.

Organisations invest a great deal in their employees in terms of induction, training and developing, maintaining and retaining them in the organisation. Much research on the causes of employee turnover has been inspired by the thought that turnover is costly to organisations and should therefore be prevented if possible (Ongori 2007:49). Managers should therefore attempt to minimise employee turnover. Since there is no standard framework for understanding the employee turnover process as a whole, a wide range of factors have been found useful in interpreting employee turnover (Kevin, Joan & Adrian 2004:162).

In the modern world, organisations need the right “ingredients” to stay ahead of competitors. Organisations in South Africa are required to work with fewer personnel and function optimally despite difficult economic and demographic situations. The key priority of an organisation should be to select the right type of people who must have the ability to absorb and apply knowledge (Anon 2001:29). In modern times the link between skills and economic growth is increasing. High productivity growth rate is normally directly driven by skill and knowledge growth (Kehoe 2002: 104). Muller and Schepers (2003: 92) point out that selection has been part of organisations since the Second World War. According to Randall (1992: 141) employers only became concerned with the quality of their employees in the 1980’s, when emphasis fell on good selection processes.

The supply and demand of labour, however, is influenced by many factors, not least of which is the availability of suitably qualified employees. Current and projected skill shortages indicate that the supply of the right people with the right skills in some sectors is becoming severely restricted. Inevitably, if organisations are not to be left behind, or go under, recruitment policies and selection procedures will have to be adapted to reflect the changing nature of the workforce (Cooper, Robertson & Tinline 2003:2).

Ironically, despite this backdrop of efficiency drives, increased competition and skills shortages, wasteful approaches to selection can be found in many organisations. For example, rather than working to ensure that selection procedures deliver the right people in the first place, many will let time decide whether decisions have been right or wrong (Cooper *et al.* 2003:2). Organisations must ensure that they have personnel that can take the necessary strain to overcome selection problems. Placing the right person in the right position has always been a major issue for organisations. According to Kehoe (2002:104) recruiting strategies can affect selection results in a variety of ways. If not done properly, an individual can be misplaced and this could have major cost implications (Muller & Schepers 2003:88). Replacing personnel are one of the most expensive business activities.

Selection can be seen as a process of collecting and evaluating information about individuals in order to extend offers of employment to them (Barrick, Field & Gatewood 2011:18). Through the acquisition of a competent and motivated workforce, selection aims to contribute toward

organisational goals and the lowering of labour costs (Muller & Schepers 2003: 92). Ivancevich (2001:211), on the other hand, defines selection as the search for an optimal match between the job and the amount of any particular characteristic that an applicant may possess.

Marlow and Patton (1993:61) argued that the effective management of human resources is the key to survival for smaller enterprises. De kok and Uhlander as cited by Srimannarayana (2006:314) support the above statement by indicating that research on HRM practices in SMEs has captured increased attention in recent years. The literature emphasises the importance of a well-motivated, highly skilled workforce as a determinant of a small organisation's ability to remain competitive in the contemporary business environment (Srimannarayana 2006:314).

In the recent past, the number of open positions in large and small organisations has shifted dramatically. Large organisations have been reducing the number of employees, and small businesses have been increasing the number of employees. In fact, small businesses provided most of the recent growth in numbers of jobs (Barrick *et al.* 2011:19). However, many individuals believe that formalised selection programmes were developed by large organisations and can only be used by such large organisations because of the cost of development and the necessity of using selection specialists (Barrick *et al.* 2011:19). Golhar and Deshpande (1997:34) found that many HR practices do not differ significantly between large and small organisations. However, knowledge that has been developed about selection, selection steps can be directly applied to small organisations. Nothing about these selection steps presupposes that they can only be followed within large organisations. In addition, SME owners and managers usually know the activities of the jobs in their organisations very well. Often the owner has performed all of these activities. A survey of the recruitment and selection practices of SMEs found that SMEs use multiple practices that are very similar to those used by large organisations (Barrick *et al.* 2011:19).

2.2 SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA

Small business development in South Africa is focused on several key factors. It is seen as a catalyst for economic growth, job generation, and poverty alleviation. A recent study, conducted by Abor and Quartey (2010) in the annual review of small business in South Africa estimated that 91% of formal business entities in South Africa are SMEs, and that this contribute between

52 to 57% to the GDP and 61% to employment (Department of Trade and Industry 2011:50, National Credit Regulator 2011:13). What constitutes a small, medium or large company is by no means clear or uniform even within individual countries. In South Africa, the definitions of SMEs differ from one economic sector to the other, by turnover, gross asset value and the number of employees. According to the National Small Business Act (102 of 1996) and the National Small Business Amendment Bill (2003), SMEs are businesses with fewer than 250 full-time, paid employees (Department of Trade and Industry 2005:145, Ferreira & Loggerenberg 2012:213).

Table 1: Classification of enterprises in South Africa

| Category | Employees | Annual Turnover (R million) | Gross asset value: (R million) |
|------------|-----------|--------------------------------|-----------------------------------|
| Micro | Up to 5 | 0 – 0.2 | 0 – 0.1 |
| Very small | Up to 20 | Up to 6 | Up to 2 |
| Small | Up to 50 | Up to 32 | Up to 6 |
| Medium | Up to 200 | 51 – 64 | 5 – 23 |
| Large | 200+ | 64+ | 23+ |

Source: Adapted from International Institute for Sustainable Development (2004:3)

There are measures to support SMEs in South Africa such as, a framework for government policy provided by the National Strategy for the Development and Promotion of Small Business in South Africa, and the subsequent Small Business Enabling Act (1996). This allows for several supportive structures and investment incentives. Hence there remains a scope for building support for SMEs into other related policy areas. For example, aspects of the South African policy on black economic empowerment (BEE), which set targets that seek to increase procurement from black-owned businesses, do not give special consideration to SMEs. However, the targets can be met by assisting a few major suppliers to transform their ownership structure, rather than undertake the more complex but higher-impact process of increasing sourcing from black-owned SMEs. In addition, the South African financial sector has developed a BEE charter,

which includes a measurable focus on supporting black SMEs (Berry, Blottnitz, Cassim, Anna Kesper, Rajaratnam & Seventer 2002:6).

2.3. HUMAN RESOURCE DEFINED

Human Resource is a relatively modern management term. The origins of the function arose in organisations that introduced 'welfare management' practices and also in those that adopted the principles of 'scientific management'. It is a term used to describe the individuals who make up the workforce of an organisation (Eslami 2011:903). From these terms emerged a largely administrative management activity coordinating a range of worker related processes and becoming known, in time, as the 'personnel function'. For the purpose of this research study, different definitions of HRM will be considered.

2.3.1 Human Resource Management defined

It must be admitted that there are polemic views concerning the definition of HRM, especially when compared with previous personnel management and industrial relations which have had great influence. Schermerhorn (2001:240) defines it (HRM) as the “process of attracting, developing, and maintaining a talented and energetic workforce to support organisational vision, mission, objectives, and strategies”. This infers that the social task of the organisation is the integration of technical, financial, commercial and administrative work, taking into consideration the needs and hopes of the employees with respect to the content of the work and the working conditions.

Storey (2001:6) defined HRM as a distinctive approach to employment management which seeks to achieve a competitive advantage through the strategic development of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques. HRM is a strategic, integrated and coherent approach to the employment, development and well-being of the people working in the organisation (Armstrong 2006:6).

2.3.2 Human resource management and employee turnover

Voluntary turnover of valued employees is a concern of managers and administrators due to the financial costs of replacing them and the lost productivity. Abassi and Hollman (2000:310) highlighted reasons for employee turnover in an organisation, namely, hiring practices;

managerial style; lack of recognition; lack of a competitive compensation system and toxic workplace environments. Other reasons: are lack of interesting work, lack of job security, lack of promotion and inadequate training and development opportunities. These could be seen as intrinsic and extrinsic motivational factors and HRM practices, which can assist managers to influence employee retention in their organisations. Sherman, Alper and Wolfson (2006:11) noted that the problem is that managers have failed to identify and properly use these variables as retention strategies thereby resulting in a high turnover rate in some organisations.

According to Davidson, Timo and Wang (2010:455) very few studies have been done on the longer-term consequences of high turnover, its immediate harmful effects and high costs, have recently been confirmed. High turnover rates reflect a lack of commitment by one or both parties, whether voluntary or forced by the organisation; high exit rates by employees may create a self-reinforcing cycle (Croucher, Brewster & Brookes 2012:2). More specifically, an environment of weak security of tenure militates against the development of organisation-specific human capital; a general climate of insecurity will result in employees focusing on developing their external marketability rather than internally relevant skills and knowledge (Harcourt & Wood 2007:152, Croucher *et al.* 2012: 3). Employers may not know the real reason why employees choose to leave, no matter how extensive the exit interview processes are. Employees may have their own reasons for giving incomplete or misleading information when quitting the job or during exit interview. Meanwhile, employees themselves face inevitable transaction costs in switching jobs (Richard, Michael, Geoffrey & Chris 2010:842). The aim of HRM in South Africa, like in other countries, is to put the necessary tools in the hands of those entrusted with the people decisions within organisations, to empower them and to avoid various psychological biases, discrimination and injustices and also attempt to lower the employee turnover rate.

2.3.3 Human resources management in small and medium enterprises

According to McEvoy (2006:2) numerous research studies have been conducted all over the world on HRM in small and medium enterprises. McEvoy observed that HRM should take precedence over accounting, finance, production and marketing in remaining 'afloat' in competitive arena-industries. Hess (2007:29) found that owners of SMEs ranked HRM practices

as the second most important activity next to general management activity. HRM practices do exist and are applicable to small and medium enterprises as well but they are not formalised and are extremely diverse in nature. Studies show that HRM practices vary highly between small and medium enterprises (Duberley & Whalley 2000: 902). They are often determined by the ideology and pluralistic goals of the small business owner (Koch & De Kok 1999:9). Sels *et al.* (2006: 84) indicated that most empirical studies on HRM in small businesses are still in an explorative stage and are mainly descriptive. Some authors describe the use of different HRP in small businesses. Others focus on one specific field of HRM, such as recruitment, selection, development, compensation, and employee relationships.

Sundar and Kumar (2012:12) noted that SME are comparatively labour intensive and thus create more employment opportunities per unit of capital employed. This potential to create employment opportunity necessitates effective management of its labour force. The professional management of HR would ensure scores of benefits both for the enterprises and HR, namely increasing productivity, prevention of accidents, evolving sound wage policy, effective training, increasing morale, job satisfaction, checking labour turnover and absenteeism, managing labour indiscipline and effective grievance management.

However, most small and medium entrepreneurs are of the view that professional management of human resources is applicable only to large scale organisations. Perhaps the limited size of the work force employed in the SME sector and non-existence of labour unions in a majority of the industries operating in the SME sector may not force managers to think about the necessity of adopting professional practices in regard to the human resources spectrum. They seem quite unaware of the negativities associated with frequent recruitment, employee turnover, poor work performance, inadequate training facilities and poor wage payment (Sundar & Kumar 2012:13).

Kotey and Slade (2005:23) examined the relationship between the size of the organisation and adoption of HRM practices and proved empirically that firms involuntarily start adopting HR practices such as professional recruiting, training, directing and controlling human resources as the units grow in size. Dun and Bradstreet (2001:11) in turn showed that managerial incompetence, especially in the field of HRM, is the main cause of failures in smaller firms. It is

therefore not surprising that research on HRM in small businesses is only recently receiving increased attention.

2.4 SELECTION OVERVIEW

Organisations are concerned about the level of work performance of employees; this is because the performance of employees is a major determinant of how successful an organisation is in reaching its strategic goals and developing a competitive advantage over rival organisations. Fortunately, there is agreement about how this can be accomplished. Organisational specialists have determined that an individual employee's work performance is made up of two factors, the ability of the individual and the effort that the individual puts forth. Both of these factors can be influenced by the organisation (Barrick, Feild & Gatewood 2011:3). Ability is a function of two organisational practices, namely selection and training. An organisation either finds individuals with the abilities to do the work or it teaches those abilities to existing employees. Selection in an unbiased view is critical for an organisation. It is one of only two ways of ensuring that employees have the abilities to do the work that they are employed to do, and it helps provide the base for effective motivational practices (Barrick *et al.* 2011:1).

The recruitment and selection process is one of the basic HR processes. Recruitment and selection is very sensitive as many managers have a need to hire a new employee and this process is always under strict monitoring from their side. However, once the organisation's recruitment activities have succeeded in attracting sufficient numbers of relevant applicants from the external labour market, the aim of the subsequent selection activities is to identify the most suitable applicant and persuade them to join the organisation.

2.4.1 Selection defined

Selection is the process of collecting and evaluating information about an individual in order to extend an offer of employment. Such employment could either be a first position for a new employee or a different position for a current employee. The selection process is performed under legal and environmental constraints and addresses the future of the organisation and of the individual (Barrick *et al.* 2011:3). Ivancevich (2001:211) sees selection as a process by which an organisation chooses from a list of applicants the person or persons who best meet the selection criteria for the position available, considering the current environmental conditions. In order to

evaluate who best meets the selection criteria one needs to collect and evaluate certain information.

2.4.1.1 Collecting and evaluation information

A basic objective of selection is to separate from a pool of applicants those who have the appropriate knowledge, skills and abilities (i.e. meets the criteria) to perform well on the job since it should not be assumed that everyone who applies for a job is qualified to actually perform it.

2.4.1.2 Difference between selection for an initial job and promotion

Selection does not only refer to choosing people for their first jobs with the organisation or to the promotion or transfer of existing employees. Although there are differences between the selection for an initial job and selection for promotion, both have an effect on employee turnover in SMEs (Barrick *et al.* 2011:4).

a) Selection for initial jobs

Selection for an initial job involves applicants who are often external to the organisation. These applicants are usually recruited through formal mechanisms, such as media advertisement, internet contact, use of employment agencies, and referrals from present or former employees of the organisation. As applicants for initial jobs are often external to the organisation, selection programmes are usually formalised. That is, there are usually specific steps that applicants must go through in the same order. For example, application forms, graded tests, interviews, and job simulations, could be used. The number of the applicants is reduced at various stages, which reduces costs and time.

b) Selection for promotion

Selection for promotion within an organisation has characteristics that are very different from those of selection for an initial job. Promotion is the reassignment of an employee to a higher-level job (Grobler *et al.* 2011:262). Generally, it is given as recognition of a person's past performance and future promise. When an employee is promoted, he or she faces increased demands in terms of skills, abilities and responsibilities. In return, an employee is granted better pay benefits and more authority, as well as higher status. Except for transfer, promotions are the most popular means of filling vacancies in an organisation.

2.4.1.3 The effect of promotion

The term promotion is one of the most emotionally charged terms in the field of HR management. For instance, if the general consensus is that the wrong person has been promoted, there will be resentment and probably lack of cooperation from some staff members. Two approaches used to recruit employees for promotion are:

- using a closed promotion system; and
- using an open promotion system or job posting.

a) The closed promotion system

This approach places the responsibility for identifying promotable employees with the supervisor of the job to be filled. In addition to reviewing the past performance and assessing the potential of subordinates, a supervisor may inquire about employees in other departments who may be qualified for the job. However, a drawback to the closed promotion system is that many employees, who may be qualified and interested in promotion, may be overlooked (Grobler *et al.* 2011:262).

b) The open promotion system or job posting

This is an approach that may lead to recruiting more qualified persons. Job vacancies are publicised on bulletin boards and internal communication systems so that all interested employees may apply. This approach provides opportunities for employee growth and development, equal opportunity or advancement to all employees, and a greater openness in the organisation is created by making opportunities known to all employees (Grobler *et al.* 2011:263).

Whether an organisation uses an open or closed promotion system, it is imperative that decisions about promotions are based on reliable data. Identifying the criteria that an organisation uses in deciding which candidates to promote is important for any organisation.

2.4.1.4 The overall effect of internal promotion

The overall effects of internal promotion are as follows:

- By limiting the selection procedure to internal employees, more highly qualified personnel from other sources may be overlooked.

- People can be promoted to their level of incompetence, the so-called ‘Peter Principle’. Rather than improving the workforce through promotion, the organisation may be weakening its existing status.
- Promotion from within requires additional training. Thus, instead of training just one employee, two must be trained – the promoted worker for the new job and the replacement for the existing job.
- Promotion from within may lead to infighting and inbreeding and lack of varied perspectives and interests may also result.
- Employees are promoted during growth times, regardless of qualifications, as rapid growth of an organisation often covers managerial deficiencies that the employees may have (Grobler *et al.* 2011:264).

Tinarelli (2000:41) pinpointed that in South African context, the Employment Equity Act of 1998 adds further complications in that a number of issues need to be considered when the promotion of employment is being considered. He further argued that the criteria for promotion should aim solely at selecting people who can do the job under normal conditions. The criteria may not be discriminatory and should be clearly defined and communicated to all eligible applicants. The Employment Equity Act of 1998 indicates that when the opportunity for promotion arises and where candidates have virtually identical capabilities, the employer should give preference to a person from the designated group (where designated means African, Coloured, Indian / Asian, White females and people with disabilities). Additionally, looking at the Act in its broader context it is also clear that provision will have to be made for accelerated promotion for people of the designated groups in order to redress the effect of past discriminatory practices. The accelerated promotion can be introduced in addition to normal promotion procedures and the focus could be on addressing the structural imbalances currently characterising the rank distribution per race and gender in many organisations (Grobler *et al.* 2011: 265).

2.4.2 The legal environment of selection

The development of a selection programme is a formidable task even when we deal only with the measurement issues. It becomes even more complex when we add the legal policies that must be

considered. These policies influence the records that must be kept on all employment decisions, the determination of fair treatment of all applicants, and the methods for identifying the job relatedness of selection devices (Barrick *et al.* 2011:20). Conversely, if the organisation does not attend to these legal policies in the development and use of selection programmes, it will be vulnerable to charges of unfair discrimination. It is imperative that the HR specialist has a thorough understanding of the legal guidelines for selection decisions. Furthermore, every selection programme should have two objectives, firstly, maximising the probability of making accurate selection decisions about applicants, and secondly, ensuring that these selection decisions are carried out in such a manner as to minimise the chance of a judgment of unfair discrimination being made against the organisation (Barrick *et al.* 2011: 22). The two are not mutually exclusive objectives and overlap considerably in necessary procedures and data.

HR professionals are the key individuals within organisations who must develop and enforce policies and procedures that protect members of the diversified workforce against unfair discrimination. The various legislative acts that apply to recruitment and selection must be understood in detail by HR administrators as well as line managers. The government has initiated a number of actions to rectify the injustices of the past. The following pieces of legislation have been introduced: the Labour Relations Act, No. 66 of 1995(as amended); the Constitution of the Republic of South Africa Act, No. 108 of 1996; the Basic Conditions of Employment Act, No. 75 of 1997 (as amended); the Employment Equity Act, No. 55 of 1998 (EEA) (as amended) Promotion of Equality and Prevention of Unfair Discrimination Act, No. 4 of 2000 and a Code of good practice on the handling of sexual harassment included in the Labour Relations Act (Section 203 (1) (Republic of South Africa, Department of Labour 2012:12).

2.4.2.1 The Labour Relations Act of 1996

The Labour Relations Act, which became law on 11 November 1996, heralded a new era in labour relations in South Africa. The purpose of the Act is to advance economic development, social justice, labour peace and the democratisation of the workplace. Included in this Act are provisions in respect of unfair discrimination (Section 2, Part B of Schedule 7 under “Residual Unfair Labour Practices”), which is consistent with Section 6 (1) of the EEA and Section 9 of the Constitution, which state:

1. For the purposes of this item, an unfair labour practice means any unfair act or omission that arises between an employer and an employee, involving:
 - (a) The unfair discrimination, either directly or indirectly, against an employee on any grounds, including, but not limited to race, gender, sex, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language, marital status or family responsibility.
2. For the purposes of sub-item (1) (a):
 - (a) “employee” includes an applicant for employment;
 - (b) an employer is not prevented from adapting or implementing employment policies and practices that are designed to achieve the adequate protection and advancement of persons or groups or categories of persons disadvantaged by unfair discrimination, in order to enable their full and equal enjoyment of all rights and freedoms; and
 - (c) any discrimination based on an inherent requirement of the particular job does not constitute unfair discrimination.

It is paramount that all involved in labour relations should review and adapt their HRM policies in order to prevent unfair discriminatory labour practices that may lead to potential unrest (RSA 2012:12, Tinarelli 2000:55).

2.4.2.2 Employment Equity Act of 1998

The EEA which was approved by Cabinet on 12 October 1998, aims to achieve equity in the workplace by promoting equal opportunities and fair treatment in employment through the elimination of unfair discrimination and implementing affirmative action measures, to redress the disadvantages in employment experienced by designated groups, specifically women, Africans, Coloureds, Asians and people with disabilities, to ensure their equitable representation in all occupational categories and levels in the workplace (Du Toit 2009:142). Furthermore, Du Toit (2009:142) pinpointed that recent Supreme Court Judgment ordered that Chinese citizens of the country must also be included in this group. Conclusively, the Labour Court had disagreed with instances of discrimination on various grounds, including race and sex.

The Act affects the SME:

- who employs 50 or more employees;

- who employs fewer than 50 employees but whose annual turnover equals or exceeds the applicable turnover of a small business in terms of Schedule 4 of the Act; and
- is an employer appointed by a collective agreement

In addition to this, the EEA of 1998 requires that the employer take certain affirmative action measures to achieve employment equity. Affirmative action refers to action(s) intended to overcome the effects of past or present discriminatory policies or practices, or other barriers to equal employment opportunity (RSA 2012:12).

2.4.2.3 The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)

The Constitution of the Republic of South Africa, which was signed by President Nelson Mandela on 18 December 1996, was implemented during February 1997. An important component of this Constitution is the Bill of Rights. This Bill outlines the fundamental rights affordable to all South Africans. The right of equality states that all must be equal before the law and all must be entitled to equal protection by the law. Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons or categories of persons disadvantaged by unfair discrimination, may be taken (RSA 2012:13). Furthermore, Section 195(1) (h) of the Constitution states that “good human resource management and career development practices to maximise human potential, must be cultivated”. From the perspective of sub-section (h), the importance of career development and training to advance both the employee and the institution, is emphasised.

2.4.2.4 Policy on recruitment and selection

The Policy on Recruitment and Selection is informed by the Labour Relations Act, 1995 (Act No. 66 of 1995), the Employment Equity Act, 1998 (Act No. 55 of 1998), the South African Qualification Authority Act, 1995 (Act No. 58 of 1995), the Skills Development Act, 1998 (Act No. 97 of 1998), and the Promotion of Access to Information Act, 2000 (Act No. 2 of 2000). This policy summarises the process of recruitment and selection in order to ensure equitable and fair recruitment. The purpose of the policy is to provide guidelines in terms of recruitment and selection. Section 8.1 (a) states that the entire recruitment and selection process, which includes advertising, selection and the appointment of the particular candidate, must be completed within

six weeks. It further states that equity targets and affirmative action principles must guide the recruitment and selection process. As such, the selection process must be based on relevant minimum work experience, relevant minimum academic qualifications and prior learning, competence, suitable personality and the ability to learn (RSA 2012:10).

A wide range of policies and procedures relate to the recruitment and selection process. All such policies must fall within the parameters of the legislation mentioned above. Although these policies will obviously vary by company, all policies and procedures are guided by laws and regulations affecting hiring practices. Organisations and their HR departments need to make sure that all hiring managers are well aware of and follow the policies they have in place.

2.4.3 Developing a selection programme

Barrick *et al.* (2011: 10) explains that before developing an effective selection programme, a good deal of work must be completed by HR specialists before the selection process is applied to those who are being recruited. It is contended that the adequacy of these selected developmental steps strongly influences the adequacy of the selection process, although if little attention and effort are devoted to developing the selection programme, its usefulness will be limited. However, if developmental steps are seriously addressed, the usefulness of the selection programmes, is enhanced. Figure 1 shows a step in developing a selection programme.

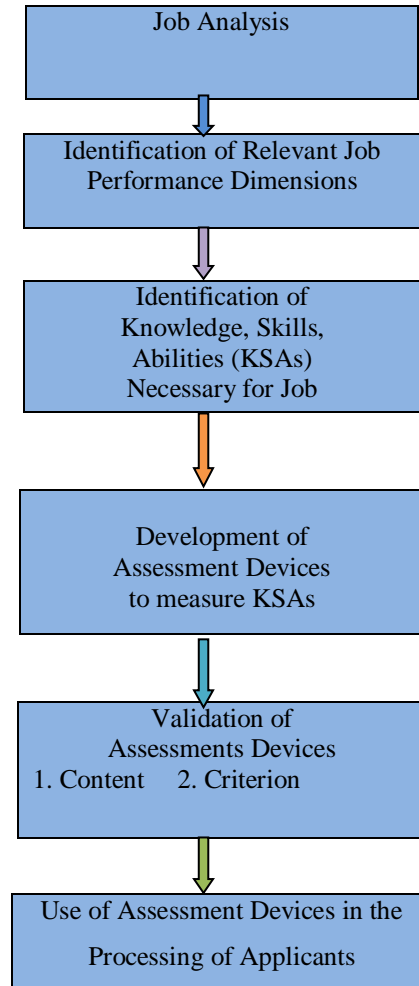


Figure 1: Steps in the development of a selection program

Source adapted from Barrick *et al.* (2011:11)

2.4.3.1 Job analysis information

If the purpose of the selection programme is to identify the best individual for a job within the organisation, then information about the job should be the starting point in the development of this selection programme. Job analysis is the gathering, analysing and synthesising of information about jobs in an organisation. This information includes the tasks, results (product or services), equipment, material used, and environment (working conditions, hazards, work schedule, and so on) that characterise the job.

2.4.3.2 Identifying relevant job performance measures

The second piece of important information for developing the selection programme is determining how job performance is measured and what level of performance is regarded as successful. The main purpose of selection is to identify those applicants who will be successful on the job. HR specialists must know what constitutes success in order to build such a programme.

2.4.3.3 Identifying worker characteristics

Barrick *et al.* (2011:11) suggested that using job analysis information and job performance data, the HR specialist must identify the knowledge, skill and ability (KSAs) and other employee characteristics that a worker should possess in order to perform the job successfully. These KSAs become the basic pool of characteristics (criteria) to be evaluated in applicants, although this identification is difficult.

2.4.3.4 Developing of assessment devices

Either constructing or finding appropriate selection devices become necessary once the KSAs have been identified. These instruments can be classified into the following groups: application blanks, reference checks, selection interviews, mental and special ability tests, personality assessment and so on. There are two requirements for choosing selection devices to be used. Firstly the device must measure the KSAs the selection specialist has identified as needed for the job. Many selection devices can be purchased or have been developed by organisations to measure broad KSAs rather than the specific KSAs for a particular job. Secondly, the assessment device should be able to differentiate among applicants. The assumption in selection is that applicants vary with respect to the amount of the KSAs they possess for performing in a particular job (Barrick *et al.* 2011:12).

2.4.3.5 Validation procedures

The purpose of validation is to provide evidence that data from the selection instruments are related to job performance. There are several ways to validate the selection process either by empirical validation in which two data sets are collected to see whether they correlate with one another, or by using appropriate statistical tests to determine the validity of the construct being used (Barrick *et al.* 2011:13).

2.4.4 Selection procedures

Selection is the process involved in choosing from numerous applicants a suitable candidate to fill a post. Selection is a decision-making activity and is the psychological calculation of suitability of the candidate (Townley 1994:94). If the recruitment process is open, selection decision-making normally takes place in a series of stages. Recruitment and marketing may attract hundreds and sometimes even thousands of responses. Hence the decision-making process is usually divided into certain stages.

The first decision stage is termed pre-selection. Its purpose is to reduce applications to a manageable number with the emphasis on rejection rather than selection (Price 2004:408). Evidence is gathered from letters, resumes or Curriculum Vitae, application forms, and possibly biographical data or screening tests. Regardless of the methods used, the intention is to arrive at a comparatively small number namely the shortlist of apparently well-suited applicants.

2.4.4.1 Pre - selection

Pre-selection is open to considerable abuse and plays a major role in the so-called cloning process. Frequently decisions are made on arbitrary grounds, ranging from the absurd use of the “wrong” colour of ink, to the discriminatory, for example excluding particular groups, such as women, ethnic minorities, graduates from other than specific schools or universities and people over a certain age (Price 2004:408). Pre-selection can offer those so inclined an ideal opportunity to reject unwanted candidates without having to give detailed reasons. Unless the organisation has an equal opportunities monitoring system, with each application logged, categorised and tracked throughout the selection procedure, this can be used as a loophole allowing hidden and illegal discrimination to take place. The post-apartheid present government has initiated a number of actions to rectify the discriminatory injustices of the past (Grobler *et al.* 2011: 85).

According to Fletcher (1990:742) it is ironic that pre-selection and the initial interviews often result in rejection of the largest proportion of candidates and yet these stages are the least valid and reliable. After pre-selection screening, ‘surviving’ applicants meet the formal decision-making procedure, termed ‘selection’. Biased selection processes can result in hiring unsuitable people (false positives), or may lead to a failure to hire applicants who would have been the most suitable for the job (false negatives). In the ‘best person’ model, selection is a subjective matching process where:

- an applicant's qualities are compared with criteria deemed necessary for the job;
- the measurement of the former is extremely difficult; and
- evidence for the latter is a matter of opinion.

Based on the best person's model, the management team selects the top performers for a given position. The top performing employees are assessed on their mental ability, behavioral traits and occupational interest, which include the following core characteristics, namely, learning ability, verbal skill, verbal reasoning, numerical ability, numerical reasoning, energy level, assertiveness, sociability, manageability, attitude, decisiveness, accommodativeness, independence, objectivity, judgment and initiative. This data is used to create a unique job fit profile that lays the foundation for the skills and characteristics required by organisations for screening and hiring talented people.

2.4.4.2 Functions of the selection procedures

Before an organisation's selection procedures can be fully optimised, however, it is useful to know the functions that each component serves as they tend to shape the final procedure. There are main functions namely:

- information gathering;
- prediction;
- decision-making; and
- information supply.

These four main functions are briefly clarified.

a) Information gathering - This function is used mainly to obtain information about job opportunities, job content, job requirements and the personal characteristics required of applicants. It is also useful to focus on contextual information, such as the nature and location of the organisation, career structures, type of employment contract, working hours and conditions of employment, time and resource constraints. As a rule of thumb, however, it is worth being guided by cost-benefit considerations in order that the effort involved in gathering the information can be balanced against its usefulness within the organisation (Cooper *et al.* 2003:72).

b) Prediction - Cooper *et al.* (2003:73) noted that the prediction function is more concerned with transformation about an applicant's present qualities into predictions about his or her future work behaviour for the benefit of the organisation.

c) Decision - making - The decision-making function is concerned with transforming the predictive information about applicants into action (accept or reject). This may entail making choices between statistical and judgmental decision-making. For example, adopting a maximum-risk strategy might be appropriate in entrepreneurial organisations where a highly talented individual is sought, and the firm is willing to risk failures. Conversely in a large well-established corporation one may wish to play safe and minimise the risk by selecting average applicants.

d) Information supply - This function serves as a feed-back mechanism to all those involved in the procedure in order to enable further modifications or improvements. This will include informing customers (functional departments) of the outcomes of the selection process, as well as providing individual feedback to the applicants themselves. It is paramount to bear in mind the purpose of each of these functions, as in part they serve as standards against which the procedure should be evaluated when designing selection procedures (Cooper *et al.* 2003:74).

2.5 EMPLOYEE SELECTION PROCESS

Employee selection is the process of putting the right person in the right job. It is a procedure of matching organisational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching (Barrick *et al.* 2011:1). By selecting the best candidate for the required job, the organisation derives quality performance from employees. Moreover, organisations will face less absenteeism and employee turnover problems. By selecting the right candidate for the required job, organisations will also save time and money. Proper screening of candidates takes place during the selection procedure. All the potential candidates who apply for the given job should be tested (Grobler *et al.* 2011:199).

However, selection must be differentiated from recruitment, although these are two phases of the employment process. Recruitment is considered to be a positive process as it motivates more candidates to apply for the job. It creates a pool of applicants. While selection is a negative

process as the inappropriate candidates are rejected. Recruitment precedes selection in the staffing process.

2.5.1 Selection process steps

The selection process consists of various steps. During each step facts may come to light which may lead to rejection of the applicant. Steps involved in the selection are as follows.

2.5.1.1 Preliminary interview or initial screening

Initial screening is done to eliminate totally undesirable or unqualified candidates at the outset. It is essentially a sorting process in which prospective candidates are given the necessary information about the nature of the job and the organisation. It minimises the time the HR department must spend on the selection process by removing obviously unqualified or undesirable applicants. For many jobs, many applicants do not deserve serious attention and time of the HR specialist, particularly if many applications are blind CVs or 'walk-ins'. Primarily, the initial screening determines if the applicant possesses the critical job specifications or other requirements as stipulated in the EEA (as amended) (Cooper *et al.* 2003:101).

2.5.1.2 Application blank

Carrel, Grobler, Elbert and Marx (1998:181) noted that the application form is a traditional and widely used device for collecting information from candidates. The application form should provide all the information relevant to selection. The application blank is a formal record of an individual's application for employment. The information obtained from a completed application blank is compared to the job specification to determine whether a potential match exists between the organisation's requirement and the applicant's qualifications. The comparison is not always easy as applicants sometimes present themselves in an unrealistic light (Grobler *et al.* 2011:203). Accordingly, HR specialists use the application blank to develop background checks and interview questions.

2.5.1.3 Testing

Carrel *et al.* (1998:181) pinpointed that the use of testing in the selection process has had periods of growth and periods of decline. Some tests were not reliable and others were found not to predict employee job performance accurately. The primary problem in the past was the use of general tests for many different jobs without serious thought about their validity. Today, most

employers are far more careful in the selection and use of tests. Two concepts of a test are important, namely, the reliability of a test, which refers to consistency of measurement, usually across time but also across judges. The second important concept is that of predictive validity which measures the extent that a score obtained on a test or interview correspond to the actual job performance of the candidate. It represents how well the technique being used to assess a candidate for a certain job is related to performance in that job. Grobler *et al.* (2011: 204) define test as a sample of some aspects of an individual's attitude, behaviour and performance. It also provides a systematic basis by comparing the behaviour, performance and attitudes of two persons.

According to the Employment Equity Act (as amended), Section 8 of Chapter II, psychological testing and other similar assessments of an employee is prohibited unless the test or assessment being used:

1. has been scientifically shown to be valid and reliable;
2. can be applied fairly to all employees; and
3. is not biased against any employee or group.

In effect, item 3 refers to cultural bias. Tinarelli (2000:47) noted that employers should adhere to the following rule in this regard, namely, tests that contain irrelevant questions or exercises on matters that may be unfamiliar to applicants, should not be used. For example, a test should not contain general knowledge questions on matters that are more likely to be familiar only to a certain category of persons.

2.5.1.4 Employment interview

According to Carrell *et al.* (1998:187) an interview is a conversation between two or more persons. In selection it involves a personal, observational and face to face appraisal of candidates for employment. Past research has constantly shown that the selection interview is low in both reliability and validity. Carrell *et al.* (1998:187) noted that the purpose of an interview is to determine three things about the applicant, (a) Does the applicant have the ability to perform the job?, (b) Does the applicant have the potential to be successful?, (c) Will the applicant match the needs of the organisation? Managers realise that the selection process is critical to their organisation yet they often dread the process, particularly the interview.

2.5.1.5 Reference checks

Grobler *et al.* (2011:213) explain that a thorough check into the backgrounds of prospective employees, is necessary. Reference check can be both an energy-saving procedure and a cost-efficient means of screening out undesirable applicants. There are several methods for checking references. The HR specialist can personally visit previous employers or friends of the applicant. This method should be considered for high-ranking positions because of the extra time and expenses incurred. Experienced HR specialists have learned that checking references by telephone provides several advantages (Carrell *et al.* 1998:191).

2.5.1.6 Medical examination

A job offer is usually made contingent on the applicant's passing a medical exam. After decisions have been made to extend a job offer, the next step in the processes involves a physical medical examination. Applicants who have crossed the above stages are sent for a physical examination either to the company's physician or to a medical officer approved for the purpose. However, Employment Equity Act 7(1) and (2) and Section 50 (4), states: medical testing of an employee is prohibited, unless, (a) legislation permits or requires the testing; or (b) it is justifiable in the light of medical facts, employment conditions, social policy, the fair distribution of employee benefits or the inherent requirements of a job (RSA 2012: 12).

2.5.1.7 The selection decision

Two processes are involved in deciding which applicant should be offered the position, namely, compensatory selection or multiple hurdles selection. The multiple hurdles selection process requires the applicant to pass each hurdle, namely, the initial screening, application blank, testing, interview, reference checks and departmental interview. In the case of the compensatory selection process, all applicants who pass the initial screening complete the application blank and are tested and interviewed before the final choice is made. The applicants are then compared on the basis of all the selection information (Carrell *et al.* 1998:193).

2.5.1.8 Final approval

The candidates who are shortlisted by the HR department are finally approved by the executives of the concerned department. Employment is offered in the form of an appointment letter

mentioning the post, the rank, the grade, the date by which the candidate should join and other terms and conditions in brief.

The various steps in the selection process are shown in Figure 2

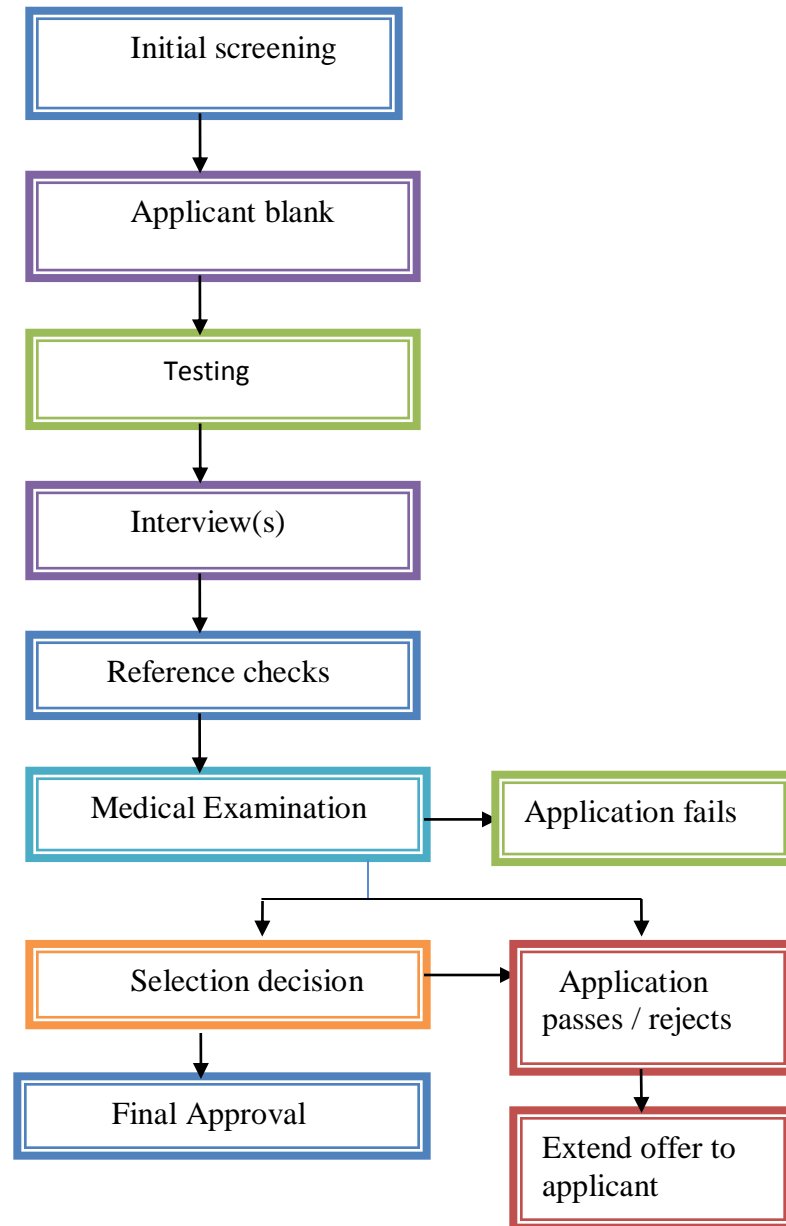


Figure 2: Steps in the selection process (Source adapted from Grobler *et al.* 2011:216)

2.5.2 Factors influencing selection process

Selection of an individual for a given role is not an easy task. It does not only consist of the communication skills or technical expertise of an individual but a lot of many other parameters,

such as relevant experience, cultural fitment, personality traits of an individual, education, industry background and so forth. After a certain level in an organisational hierarchy, companies stop experimenting with people possessing irrelevant or unwanted skills and experiences. At that level, one cannot go and ask for, “just one chance” or say, “if given a chance, I can do it”.

2.5.2.1 Relevant experience

Cooper *et al.* (2003:127) explain that relevant work experience is likely the most important factor that influences the HR selection process. The relevant work experience required by an employer depends largely on the available job position and the level of skills required to carry out the duties of the position. HR personnel initially look at job candidates' relevant work experience by reviewing their resumes. Applicants without relevant work experience are typically eliminated from the job-selection process. Employers are inclined to hire candidates with relevant experience because it saves the organisation time and money in training an employee. Employers also seek to reduce employee turnover by hiring qualified applicants with the right skills, competence and relevant experience.

2.5.2.2 Education

Educational achievements also play a role in an organisation's hiring decisions. Some job positions require certain industry knowledge that is often obtained through the completion of a degree programme. For example, an organisation desiring to hire a registered nurse will most likely require that candidates possess a nursing degree for employment consideration by the HR department. Educational achievement not only acts as a factor in making selection decisions, but for some employers the mode of education is also a factor. Some companies prefer to hire candidates who graduated from certain top-ranking institutions, or an organisation may prefer not to hire candidates who earned degrees through online-degree programmes (Cooper *et al.* 2003:127).

2.5.2.3 Relocation

One of the factors that influence the selection process for the human resource department is the geographical location of the job candidate. Most employers prefer to hire employees living in the local area. Employers prefer to hire local candidates because it hastens the hiring process and saves the employer money on the interviewing process and on relocation fees (Cooper *et al.*

2003:128). Although most employers look to hire local candidates to save time and money, some employers choose to make the application process open to individuals living in other provinces if local candidates fail to meet the employer's criteria for the job. HR typically seeks regional candidates next before widening the search to national and global candidates.

2.5.2.4 Salary requirements

The salary requirement of a job candidate influences the HR employment-selection process. Employers typically set a maximum salary for an open job position. Candidates who require a salary greater than what the employer offers are typically eliminated from the selection process. However, some companies choose to negotiate the salary with talented candidates because they desire to obtain their talents and skills. HR managers also consider the present salary of a job candidate. If the candidate's current or previous salary is not competitive enough, an employer may not consider the candidate for the job (Cooper *et al.* 2003:129).

2.6 DEFINING AND UNDERSTANDING EMPLOYEE TURNOVER

2.6.1. Turnover

Turnover is defined as the ratio of the number of organisational members who have left during the period being considered, divided by the average number of people in that organisation during the period (Ongori 2007:050). Turnover levels vary between organisations. Successive chartered Institute of Personnel and Development (CIPD) surveys of employee turnover, show that the highest levels are typically found in retailing, hotels, catering and leisure, call centres and among other lower paid private sector services groups. Turnover levels also vary from region to region. The highest rates are found where unemployment is lowest and where it is unproblematic for people to secure desirable alternative employment.

2.6.2 Turnover rate

Rankin (2006:42) explains that turnover can be classified in three ways: employer controlled (dismissals, redundancies and early retirements); employee led (due to dissatisfaction of varying kinds); and employer and employee uncontrolled (maternity leave, retirement, and so). Turnover fluctuates with economic cycles, for example, during recession, turnover often falls. Turnover may disguise underlying problems (such as dissatisfied staff or lack of new talent), so it is important to manage underlying factors relating to turnover, even though turnover itself may not

always be a problem. The most obvious impact of turnover is that of increased costs. These falls into four tangible categories: separation costs, temporary replacement costs, recruitment and selection costs, induction and training costs. Ongori (2007:051) noted that turnover can be self-perpetuating in that it affects the morale of those who stay. Inefficiency is one of the causes of turnover, because of the disruption caused by resignations. There is a further intangible category, that of the skills and knowledge which are lost to the organisation when an employee leaves. This is difficult to quantify and assess, and again has implications for information-sharing as well as for effective motivation.

2.6.3 Employee turnover

Employee turnover has been defined as the rotation of workers around the labour market; between organisations, jobs and occupations; and between the states of employment and unemployment (Ongori 2004:53). Employee turnover can be voluntary or involuntary. Woods (cited by Ongori 2007: 49) noted that 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 employee turnover. Morrell, Loan-Clarke and Wilkinson (2001:4) refer to employee turnover as “voluntary cessation of membership of an organisation by an employee of that organisation”. Price (2004:462) indicated that employee turnover is “the entrance of new employees into the organisation and the departure of existing employees from the organisation”.

Employees can move between organisations, start new ones or leave an organisation for good. Employees resign for many reasons. Sometimes it is the attraction of a new job or the prospect of a period outside the workforce which pull them while on other occasions they are pushed (due to dissatisfaction in their present jobs) to seek alternative employment. It can also be as a result of both ‘pull and push’ factors. It is, however, paramount to investigate why people leave although it is important to appreciate that the reasons people give for their resignations are frequently untrue or only partially true. Individuals are likely to be reluctant to voice criticism of their managers, colleagues or the organisation generally, preferring to give some less contentious reasons for their departure. Using an external provider to conduct exit interviews will help employers capture more accurate data about why people are leaving, since individuals are more willing to tell the truth when there is reassurance for their anonymity. An alternative approach is the use of confidential attitude surveys, which include questions on intention to leave and

questionnaires sent to former employees on a confidential basis around six months after their departure. Some employee turnover positively benefits an organisation. This happens when a poor performer is replaced by a more productive employee, and can happen when a senior retirement employee allows the promotion, or acquisition of 'fresh blood', younger more productive and high performing employees into an organisation or promotion to a higher position (Abassi & Hollman 2000:335).

In most instances the bulk of employee turnover is represented by voluntary turnover. To understand turnover, it is vital to understand that there are different types of turnover that impact on the organisation.

2.6.4 Types of employee turnover

The different types of turnover are discussed in the following section.

2.6.4.1 Voluntary turnover

Voluntary turnover is initiated by the choice of the employee. If at any point in time, an employee leaves an organisation at their own discretion, it is referred to as voluntary turnover (Dess & Shaw 2001:446). Shaw, Delery, Jenkins and Gupta (1998: 511) state that an instance of voluntary turnover or an exit from the organisation reflects an employee's decision to leave an organisation, whereas an instance of involuntary turnover, or a discharge, reflects an employer's decision to terminate the employment relationship. Mitchell and Lee (2001:195) noted that voluntary turnover can be affected by a lack of job satisfaction, job stress as well as alternative opportunities. Voluntary turnover can be predicted and, in turn, be controlled. However, it is pertinent to consider attractions such as alternatives when looking at voluntary turnover. For the purpose of this research the focus is on voluntary turnover.

2.6.4.2. Involuntary turnover

According to Ferguson and Ferguson (1986:43) involuntary turnover includes retirement, death and dismissal. The authors further state that turnover initiated by the employee, such as resigning to take care of a terminally ill family member or accompanying a spouse to another area should also be considered as involuntary as it includes reasons over which the employee has no control.

Van den Berg and Nelson (1999:1316) noted that the distinction between voluntary and involuntary turnover is important but not straightforward. Ongori (2007:50) explains that there are some factors that are, in part, beyond the control of management, such as the death or incapacity of a member of staff. Other factors have been classified as involuntary turnover in the past, such as the need to provide care for children or aged relatives. Today such factors should not be seen as involuntary turnover as both government regulation and company policies create the chance for such staff to come back to work, or to continue to work on a more flexible basis (Simon & Hamer 2007:291). The reasons for employee turnover may be misinterpreted since employees leaving an organisation may wish not to disclose the real reasons for leaving as they are dependent on the organisation for future reference, and this would of course only come to light during the exit interviews (Campion 1991: 205).

2.6.4.3 Avoidable and unavoidable turnover

In order to determine the intervention needed to address the issue of employee turnover, it is vital to distinguish between avoidable and unavoidable turnover (Morrell, Loan-Clarke & Wilkinson 2001: 4). It is necessary to determine whether the organisation is dealing with voluntary turnover that could have been prevented. Such information is important as it will direct the organisation to the type of intervention needed to enhance the retention of employees (Morrell *et al.* 2001:4). Unavoidable turnover results from life decisions that extend beyond an employer's control, such as a decision to move to a new area or a job transfer for a spouse. Avoidable turnover can be prevented by organisations by hiring, evaluating and motivating their employees more effectively. According to Mobley (as cited by Morrell *et al.* 2001: 15) the phenomenon of turnover is psychological, organisational and costly. There is presently no accepted model for understanding the process of turnover as a whole, although a variety of factors are used to evaluate the causes of employee turnover. These include personal factors, job content factors, work environment factors and external factors. The following section assesses different models of turnover.

2.6.5 Models of employee turnover

A significant amount of research has been done over the years to investigate aspects of employee turnover, such as the causes and retention strategies. As a result, different models or designs have

been promulgated such as the unfolding model, which focuses on decisional aspects (Ongori 2007:49). A discussion of the following models of employee turnover, namely, the image theory, the unfolding model, and the theory on embeddedness follows.

a) The image theory - The image theory was created by Beach (1990:4) and explains the way in which an employee processes information when making a decision through different images. The fundamental principle of this theory is that individuals leave an organisation after having assessed the reason for quitting. Beach (1990:9) suggests that individuals do not have the cognitive ability to effectively analyse all incoming information. Hence they quickly compare it with more heuristic-types – in other words, they learn from their own decision-making alternatives.

The image theory suggests that decision-makers use three knowledge arrangements (images) to arrange their thinking about decisions. These are (a) value image (b) trajectory image (c) strategic image. According to this theory, some incoming facts (for example, a job offer) are compared to these images (Ongori 2007:49).

b) The unfolding model - Mitchell and Lee (2001:197) described an unfolding model of voluntary turnover which claimed that existing models of employee turnover were too simplistic and inconclusive. Furthermore, Lee, Mitchell, Wise and Fireman (1996:6) state that the unfolding model views incoming information as shocks (pregnancy, alternative job offers, and so on). This theory suggests that internal or external shocks will lead the individual to leave an organisation, because the situation (shock) compels the employee to leave. The shock referred to represent significant distinguishable events that disturb an employee's status quo and forces an employee toward deliberate judgments about their jobs or perhaps forces an employee to quit (Mitchell & Lee 2001:198).

Ongori (2007:49) explains that the “unfolding model” of voluntary turnover represents a divergence from traditional thinking by focusing more on the decisional aspect of employee turnover, in other words, showing instances of voluntary turnover as decisions to quit. Indeed, the model is based on a theory of decision-making. This model introduces five paths that will lead to turnover. In path one, the shock activates a pre-existing writing or script with which the individual connects and this causes the individual to leave the organisation without considering

an alternative or the individual's connection with the organisation. Path two has a shock that triggers the person leaving without thinking of other job alternatives. With path two, there is no existing script that determines the decision (Lee *et al.* 1996:34). The incoming information is perceived as a violation of the person's values, objectives and strategies. Path three includes a shock that triggers an assessment of the images of the job he or she currently has, provided the information in the shock is not 'in tune' with the images. This path leads to an intentional job search. The last two paths do not involve shocks. Path four explains a situation where the person's job satisfaction is so low that the person leaves without having an alternative. With path five, the person's job satisfaction is low and this leads to a job search, an assessment of alternatives, the intention to leave and subsequently to turnover (Lee *et al.* 1996:35).

c) Embeddedness - According to Feldman and Ng (2007:360) embeddedness refers to a number of forces that creates a feeling in people that they cannot leave an organisation. Embeddedness implies that a number of forces link an employee in a psychological and social web that includes the job-related environment as well as non-work environment (Feldman & Ng 2007: 362). The more connected the person is in the web the more that person is attached to the job and the organisation. In addition, the decisive aspects of job embeddedness are referred to as links, fit and sacrifice, which are critical both on and off the job (Mitchell, Holtom, Lee, Sablinski & Erez 2001: 1105). According to Feldman and Ng (2007:365) the three aspects are links to other people or activities; they fit with the other aspects in their lives and the easiness with which links can be broken, particularly if they have to move to another location.

2.6.6 Causes of employee turnover

The above models discuss certain processes and causes of employee turnover while the next section reviews the causes in greater detail.

2.6.6.1 Extrinsic factors

Extrinsic factors are factors that reflect the context of the job. These are controlled by someone or things external to the employee. They include job satisfaction, pay, the job, career promotion, management and fairness.

a) Job satisfaction - Job satisfaction can be an important indicator of an employee's feeling about his or her job and a predictor of work performance. Rain, Lane and Steiner (1991:44) state that job satisfaction is correlated to life satisfaction, which means that people who are satisfied with life will tend to be satisfied with their job and people who are satisfied with their job will tend to be satisfied with their life. According to Spector (1997: 62) there is a strong link between job satisfaction and employee turnover. If the job satisfaction level is generally low, the employee turnover will be high. Hence, it is clear that more attention should be paid to turnover by institutions because people who dislike their jobs will try to find alternative employment. Satisfied workers will be more productive and stay with the organisation longer, while dissatisfied workers will be less productive and will have a greater tendency to quit the work.

Reichheld (1996: 68) indicated that there are three criteria that act as a driving force on how hard employees are working. They work hard when: (1) they have job pride, (2) when they find their jobs interesting and meaningful, and (3) when they are recognised for their work and benefit from the work they have accomplished.

Rothman and Coetzer (2002:29) state that employees want to achieve correspondence with the environment. This is when an individual is fulfilling the requirements of the environment, and the environment is fulfilling the requirements of an individual. It means that individuals will be satisfied with the job when their expertise, abilities, knowledge and skills are utilised by the organisation and when the organisation grants opportunities of advancement and rewards (Dawis 1992:77). It is clear that job satisfaction is affected by numerous job-related factors, such as pay, benefits, relationships with supervisors, working conditions and advancement (Sloane & Williams 2000: 483). Another benefit of job satisfaction is reduced turnover. Previous research has shown that satisfied employees are more likely to stay in the organisation than those who are dissatisfied (Salazar & Hubbard 2000:126). Thus by focusing on what contributes to job satisfaction, an organisation can reduce turnover.

b) Pay - The primary objective of an employee is usually to earn income for a better life. Money is an extrinsic reward and can be used to influence an employee's behaviour. Extrinsic rewards are granted by another individual and can include salary and fringe benefits amongst others. Money is important, but it is not the ultimate tool for motivation (Rounok & Parvin 2011:5).

According to Luthans (1995:127), wages and salaries are recognised to be a significant but a complex, multi-dimensional predictor of job satisfaction. Heneman and Judge (2000:85) noted that despite the fact that there is ample proof of a relationship between turnover rates and pay levels, other factors need to be considered, such as fairness in the administration of pay, differences in the importance of pay and the outcomes of performance pay systems. Where wage policies are poorly designed and where salaries are not competitive, turnover is higher (Burgess 1998:57). According to Spector (1997:62) fairness in administration of pay results in satisfaction with pay while Atchison (1999: 21) argues that pay increases, only temporarily solve the problem of low levels of satisfaction.

Ongori (2007:50) explains that pay and pay-related variables have a modest effect on turnover. Its analysis also included studies that examined the relationship between pay, a person's performance and turnover. Ongori (2007:50) concluded that when high performers are insufficiently rewarded, they quit. If jobs provide adequate financial incentives it is more likely that employees will remain with an organisation and vice-versa.

c) The Job - Sharma and Bhaskar (1991:28) noted that the actual job done by employees and the nature of the job given to the employee has a direct influence on job satisfaction. The work itself can motivate employee behaviour. If the conditions for the work are attractive and creative and the responsibilities are constantly renewed by the management, employees will be motivated (Rounok & Parvin 2011:6). Also, employees are often satisfied when more responsibilities and more challenging work are given (Culpin & Wright 2002:785). Firth, David, Mellor, Kathleen, Moore, Claude and Loquet (2007:177) explain that there are several reasons why people quit from one organisation to go to another organisation. The experience of job related stress (job stress), the range of factors that lead to job related stress (stressors), lack of commitment in the organisation, and job dissatisfaction cause employees to quit from an organisation.

Aamodt (1999:380) suggests that job satisfaction is impacted by opportunities for growth and challenges. It is also influenced by the prospect of accepting responsibility. Accordingly, Robbins (1998: 152) posits that under conditions of moderate challenge most employees will experience pleasure and satisfaction. Tziner and Latham (1989:149) also state that employees desire jobs that give them opportunities to utilise their abilities as well as skills and jobs that offer different tasks, as well as a feeling of autonomy. However, factors that reduce job

satisfaction comprise the occurrence of unyielding procedures, indiscriminate use of inspection of scrutiny, shortage of resources and limited control over selection procedures (Blum, Gilson & Shalley 2000:203).

d) Promotion - Saporta and Farjoun (2003:255) explain that promotion can reward individual behaviour by providing security, status, and skill development. Promotion can also benefit an organisation by helping it reach its productivity and performance goals. Particularly, promotion can contribute to retaining employees and motivating them to perform, thus reducing costs of training, recruitment and selection and turnover.

e) Management - Supervisors, managers and HR specialists have an important impact on employee turnover. When employees are supported by their managers they are less likely to leave an institution. The length of time that employees stay in an organisation is largely determined by the relationship between employees and their managers (Dobbs 2001:1). Autonomy is also valued by most employees and decreases turnover.

According to Borstorff and Marker (2007:17), the relationship between managers and employees influences an employee's decision to stay in a job. Employees value certain factors about managers. Taylor (2002:26-31) noted that employees desire managers who know and understand them, and who treat them justly. Employees also prefer managers who can be trusted. If employees feel that their managers are fair, reasonable and supportive, levels of job satisfaction increase. In addition, if the manager shows interest in the well-being of employees and is supportive and sensitive towards employees emotionally, employee job satisfaction increases (Egan, Yang & Bartlett 2004:284).

Chieffo (1991:22) explains that employees who are allowed by managers to take part in decisions that influence their jobs tend to stay. Furthermore, employees have the need (and indeed the right) to participate in decision-making regarding matters that concern them. Aamodt (2004:110) explains that there seems to be a strong link between participation in decision-making and job satisfaction, service delivery and decreased turnover rates.

2.6.6.2 Intrinsic factors

The intrinsic motivating factors are “factors that influence people in a certain way such as responsibility, autonomy, interesting and challenging work and opportunities for advancement” (Armstrong 2006:254). The intrinsic factors discussed below include job fit, personality, age, gender and marital status.

a) Job fit - It has been proven, many times over that job fit positively effects performance, eliminates costly mistakes in hiring, reduces turnover, and can even be used to attract talent. Poor job fit has been associated with job dissatisfaction, higher levels of job-related stress, and intentions to leave an organisation. Grobler, Carell, Elbert, Hatfiled, Marx & Van der Schyf (1998:174) stated that the process of selecting is about the fit between the applicant and the job. The levels of job satisfaction will increase if there is a good fit between the applicant’s personality and the job. It is important that there is a good fit between what an applicant wants and what an organisation needs. Grobler *et al.* (1998:174) argue that almost half of the employees, who voluntarily quit their jobs within a year, cited a wrong fit as the reason to leave. Therefore, a mismatch between what employees want and what employees get can only be solved through turnover or a transfer, which can be costly as it probably involves staff training. According to Grobler *et al.* (1998:174) candidates who accept a position in an organisation and who cannot ‘marry’ their value system with that of the organisation usually do not stay long or they are not productive. Baron (1993: 218) states that a happy worker is a productive worker.

b) Personality - Researchers sought to find a link between personality and job performance from the 1900s through the mid-1990s. The outcome of this 80-plus years of research was that personality and job performance were not meaningfully related across traits or situations. The person-organisation fit essentially argues that people are attracted to and selected by an organisation that match their values, and they leave an organisation that is not compatible with their personality. At the time of hiring it is important for an organisation to select employees who fit better with the organisation’s culture, which should in turn result in higher employee satisfaction and reduced turnover (Robbins 2005:157).

House, Shane and Herold (1996:214) pointed out that dispositional variables are seen as personality attitudes, characteristics, preferences, motives and needs that lead to the tendency to

respond to a situation in a predetermined way. The authors also conclude that attitude towards work are determined by individual attributes, although the situationists, such as Davis-Blake and Pfeffer (1989:390) argue that job characteristics, the world of work and organisational situations, affect people more than individual differences. According to Weiss and Cropanzano (1996:54) personality might affect the experience of emotional happenings at work which, in turn, may influence job satisfaction.

Staw, Bell and Clausen (1986:59) state that an individual's emotional state predicts satisfaction levels over time and across different circumstances. An emotionally maladjusted employee is more likely to be dissatisfied in all situations. Since this discovery there has been much interest in the link between job satisfaction and individual dispositions. Industrial psychologists, however, did not see the usefulness of character measures in predicting job satisfaction.

c) Demographic factors

The most significant demographic factors that play a role in employee turnover include variables such as age, gender, race, marital status and education. A brief discussion of the factors follows.

(i) Age - Kotze and Roodt (2005:53) explain that the age of an employee plays an important part in an employee's commitment. Age was identified as a variable that could influence the push and pull factors in the decision to leave. The impact of the ageing workforce on organisations is a research area which has become increasingly important, mainly due to legislation such as the Labour Relations Act, 1995 (Act 66 of 1995), which practically outlaws mandatory retirement (Kacmar & Ferris 1989:203, Robbins, Odendaal & Roodt 2003:27).

Robbins *et al.* (2003: 27) indicated that HIV and Aids have a negative effect on turnover. This means that in South Africa, organisations will have an ageing workforce because there will be a decrease in the number of young employees entering the work environment due to HIV and Aids. Employers are thus forced to value the abilities and skills of an older work force. The reality of an older workforce, however, also impacts on organisational variables such as productivity, turnover and absenteeism (Robbins *et al.* 2003: 45).

Older people are generally more satisfied with their jobs than younger people (Martocchio 1989:410). Nevertheless, according to Okpara (2004:336), there is a relationship between age

and job satisfaction. Older employees are more content and satisfied with their jobs for reasons which include commitment to family (Martocchio 1989:411). However, other studies reveal that the relationship between the two variables is not significant (Alavi & Askaripur 2003:597, Kacmar & Ferris 1989:206, Siu 2002:227).

(ii) Gender - Kotze and Roodt (2005:55) found that in addition to age, employee gender posed significantly different perceptions in relation to organisational support, change and transformation, remuneration and the propensity to leave. Empirical evidence of Blomme, Van Rheede and Tromp (2010:159) shows that gender could be a moderator between the psychological contract and turnover intentions. Other research studies on gender show inconsistent findings, and there are studies that reveal no fundamental difference in the level of job satisfaction and gender (Billingsley & Cross 1992:466, Ngo & Tsang 1998:261, Wahn 1998:265).

(iii) Marital status - Chambers (1999:73), Loscocco (1990: 170) noted that married employees are generally more satisfied with their jobs. Robbins *et al.* (2003: 45) postulates that marriage imposes increased responsibilities that make a job more valuable and important, therefore married employees are less likely to leave their jobs. The causal connection between marriage and job satisfaction, however, remains unclear as it is possible that unmarried employees might also report high levels of job satisfaction, given that turnover is dependent on different factors.

Various reasons for employee turnover were discussed above. However, in most cases employee turnover is avoidable and institutions must understand the reasons why employees leave in order to control the costs associated with turnover. The most obvious impact of turnover is that of increased costs which fall into four tangible categories. Such costs include hiring and replacement costs, separation costs, induction and training costs. The next section discusses separation costs.

2.7 SEPARATION COSTS

Past studies on employee turnover and the widespread interest in the field can be ascribed to the negative consequences of employee turnover associated with separation cost.

Separation costs are the costs that an organisation incurs with regard to employees leaving the organisation and the subsequent hiring and replacement of such employees. According to Blake (2006:2), employee turnover is one of the largest and main costs to organisations. Yet, most organisations also see this as an unknown cost. Mitchell, Holtom and Lee (2001:96) agree and state that unwanted employee turnover is one of the most costly issues experienced by organisations. In addition, excessive employee turnover is expensive. Employee turnover has both direct and indirect cost consequences. The direct cost includes time as well as the expense incurred for recruitment, selection and for the training of new employees. According to Hawkes (2001:3) the cost components, such as recruiting, interviewing, hiring, processing, orienting, training, supervision and overtime paid to other associates to cover for the person who left, represent the direct costs of turnover.

2.7.1 Direct costs of employee turnover

The direct costs of turnover can be divided into two areas: separation costs and replacement costs. Separation costs include severance pay, the costs of exit interviews and fees for outplacements and litigation costs in the case of involuntary separation (Mitchell *et al.* 2001:96). Replacement costs, on the other hand, include advertising, recruitment, selection, induction and training, travel and relocation costs.

Hinkin and Tracey (2000:17) state that indirect costs are higher than direct costs. However, it is difficult to quantify and to attach a financial value to indirect costs but they are real. Indirect costs include increased workloads, reduced productivity, low employee morale, and overtime expenses for existing employees. Loss of productivity is one of the largest costs of turnover (Hinkin & Tracey 2000:19). According to Kaye and Jordan-Evans (2000:2) the cost of replacing lost talent is 70 to 200 percent of that employee's annual salary.

2.7.2 Indirect cost of employee turnover

Indirect costs of employee turnover include:

- lost productivity associated with the interim period before a replacement can be placed in the job, the time a co-worker spends away from his or her work to help fill the gap and low employee morale;

- the cost of formal and informal training to get the new employee ‘up to speed’;
- severance pay or litigation costs from involuntary turnovers; and
- low employee morale, and overtime expenses for existing employees.

The costs incurred by employee turnover are one of the most wasteful expenditures in any organisation. In a few cases the employer has control over why the employee is leaving the organisation but in many cases the employer has no control over it (Ongori 2007:051).

2.8 EFFECT OF EMPLOYEE TURNOVER ON SMEs

Attention needs to be paid to the issue of employee turnover because it has significant effects on organisations. Ongori (2007:051) indicated that high employee turnover rates might have negative effects on the profitability of organisations if not managed properly. Employee turnover is expensive from the view of the organisation. Voluntary employee turnover, which represents an exodus of human capital investment from organisations and the subsequent replacement process, entails manifold costs to the organisations

Some of the effects of employee turnover on organisations are as follows:

- High replacement, which costs include searching the external labour market for a possible substitute, selection between competing substitutes, induction of the chosen substitute, and formal and informal training of the substitute until he or she attains performance levels equivalent to the individual who quit. Additional to these replacement costs, output would be affected to some extent or output would be maintained at the cost of overtime payment.
- Turnover has many hidden or invisible costs, which are the result of incoming employees, co-workers closely associated with incoming employees, co-workers closely associated with departing employees and positions being filled while vacant.
- Employee turnover affects the profitability of the organisation and if it's not managed properly it would have a negative effect on the profit.
- Customer service and satisfaction are affected.
- Turnover also includes other costs, such as lost productivity; each time an employee leaves the firm, it is presumed that productivity drops due to the learning curve involved in understanding the job and the organisation.

- Lost sales, and management's time. Johnson, Griffeth and Griffin (2000: 405) indicated that hiring and training a new worker for a lost employee can cost from 50 to 200 percent of the position's annual salary. Loss of intellectual capital adds to this cost, since not only do organisations lose the human capital and relational capital of the departing employee, but also competitors are potentially gaining these assets (Meaghan & Nick 2002: 312).

Ongori (2007: 051) suggested that if employee turnover is not managed properly it would affect the organisation's adversely in terms of personnel costs and in the long run it would affect the organisations' liquidity position. However, Dess and Shaw (2001:450) pointed out that voluntary turnover incurs significant costs, both in terms of direct costs (replacement, recruitment and selection, temporary staff, management time), and also (and perhaps more significantly) in terms of indirect costs (morale, pressure on remaining staff, costs of learning, product and service quality, organisational memory) and the loss of social capital.

2.9 SELECTION AND EMPLOYEE TURNOVER

The main objective of most of the methods and processes in selection is to select employees that will be effective in their jobs. This in itself is likely to help avoid large numbers of staff leaving an organisation due to dissatisfaction. Cooper *et al.* (2003:16) noted that the utility approach shows that cost-benefits of a selection process is determined by the validity of the process, the value of good performance, the costs of the selection procedures, and the tenure of employment. Therefore, the benefits from all the work that goes into producing a valid selection approach and controlling costs will soon be eroded if the organisation has a high staff turnover rate. However, there is also a growing realisation that the usefulness of the selection decision should be viewed in terms of its effect over time. The future interests of both parties must be considered in the selection process or the result will be less than optimal. Rapid and costly turnover, lower performance levels, and friction between an employee and an organisation are among the results of a mismatch of interests (Barrick *et al.* 2011:7).

2.9.1 Constraints of selection on employee turnover in Small and Medium Enterprises

Selection can either increase or reduce employee turnover in SMEs. In recent years managers have been preoccupied with reducing the size of the workforce, closing plants and 'encouraging' people to leave. In times of economic growth, the emphasis changes to retaining the people with

the required skills. Human resource planning has a role in anticipating wastages, (Barrick *et al.* 2011:6). Turnover covers the whole input-output process from recruitment to dismissal or retirement and takes the consequences of promotion and transfer into account. Control of staff turnover or wastage is critical when there is a general skills shortage (Ahlrichs 2000:2, Price 2004:359).

In today's highly competitive business environment, organisational survival and growth are dependent upon attracting, recruiting and retaining quality people. Since HR specialists are the guardians of key organisational processes, such as selection, appraisal, training and reward systems which link corporate policies with action, they exert a considerable influence on the outcomes of quality management initiatives. For example, if unsuitable people are employed, the quality of the organisation's products and services will inevitably suffer. This may cause further losses associated with quality, productivity, reliability and corporate image. It is crucial that HR specialists apply quality principles to their own activities to ensure they get it right the first time (Cooper *et al.* 2003:11).

It has been proven many times over that job fit positively affects performance, eliminates costly mistakes in hiring, lessens turnover, and can even be used to attract talent. Grobler *et al.* (1998:174) reveal that levels of job satisfaction will increase if there is a good fit between the applicant's personality and the job. It is important that there is a good fit between what the applicant wants and what the organisation needs. Grobler *et al.* (id.) indicate that candidates who accept a position in an organisation and who cannot 'marry' their value system with that of the organisation, usually do not stay long or they are not productive. On the other hand, Harel and Tzafrir (2000:324) argue that having a direct proper employee selection, increasing employee knowledge (training) that makes employees feel better about their employment in the organisation, reduces employee turnover.

According to Grobler *et al.* (1998:174) almost half of the employees who voluntarily quit their jobs within a year, cited a wrong fit as the reason for leaving. Therefore, a mismatch between what employees want and what employees get can only be solved through turnover or a transfer which can be costly as it probably involves staff training.

2.9.2 Effect of selection on employee turnover in Small and Medium Enterprises

From an organisation's viewpoint, the selection decision is ideally made in circumstances in which the organisation has a large degree of control over the number of applicants who seek the job, the information that can be gathered from these applicants, and the decision rules used by the organisation in evaluating this information. However, the world is not perfect for selection. For example, there are large fluctuations in the number of applicants, frequently due to general economic or educational conditions over which the organisation has little control (Cooper *et al.* 2003:131, Grobler *et al.* 2011: 217).

In addition, numerous federal and state laws and administrative rulings restrict both the information that can be gathered from applicants and the way this information can be evaluated. Equal Employment opportunity laws and guidelines regarding discrimination in selection are good examples (Barrick *et al.* 2011: 6). The selection process generally centres in the HR office. It is one of the most critical HRs functions because an organisation's effectiveness depends on its employees. Managers strive to select an applicant who has the ability and motivation to perform the job for many years. However, many difficulties have resulted from the selection process in SMEs, which include:

- Selection is inappropriate in pre-employment tests, which are not validated and monitored; as a result the wrong applicant is selected who will not match the position's requirements.
- The interview tends to be the most commonly used and decisive selection technique. Subject to reliability problems, if structuring of the interview questions, training of the interviewers and the scoring of answers are not accurate, it can greatly affect the interview process.
- Reference checking has increased in use but has been subjected to legal challenges. Employers can legally provide factual and accurate information, but if they are unable to verify the job related information, it is a problem.

- Biased selection processes can result in hiring unsuitable people (false positives); or may lead to a failure to hire a applicant that would have been suitable for the job (false negatives) (Grobler *et al.* 2011: 14, Price 2004:408)
- There is inconsistency and unfair use of selection procedures in the use of selection procedures and tests.
- There is a lack of confidentiality in the HR managers. Applicants want to work in an organisation where managers can be trusted. If employees feel that their managers are untrustworthy, unfair, unreasonable and not supportive, levels of job interest decreases.

2.10 CONCLUSION

This chapter has reviewed and discussed extensively the various concepts and constructs in this research study. Among those discussed are selection as a human resource management practice, selection for initial jobs and promotion, steps in the selection process, the selection processes, steps in the developing of a selection programme, some effects of selection, selection in SMEs, human resource management in SMEs, employee turnover in SMEs, causes of employee turnover, costs of turnover, models explaining factors influencing employee turnover and effect of employee turnover. This chapter also highlighted the legal aspects of selection. The following chapter will focus on the research design and methodology used in the data collection procedure and a description of the research instrument used for the study.

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

In chapter two, a literature review on selection, employee turnover and human resource management was provided with an emphasis on selection as a Human Resource Management Practice and the effect on employee turnover in SMEs.

This chapter focuses on the design and research methods utilised in the study. It emphasises the procedure followed to collect, capture, process and analyse the data for the study. It outlines the statistical analyses and techniques. In addition, it provides information about the measuring instruments, pre-testing, pilot testing, and its reliability and validity.

3.2 QUALITATIVE AND QUANTITATIVE RESEARCH

According to Welman, Kruger and Mitchell (2005:193) qualitative research methods include case studies which often comprise records, documents, and interviews. It addresses objectives through techniques that allow the researcher to provide elaborate interpretations of market phenomena without depending on numerical measurement. Its focus is on discovering ‘true inner meanings’ and new insights of participants.

Quantitative research involves gathering data that is absolute, such as numerical data, so that it can be examined in as unbiased a manner as possible. A quantitative research approach was used for this study. The approach was deemed suitable based on previous studies of this nature. Furthermore, the quantitative approach makes it easy to conduct the statistical analysis that was used in the study.

A combination of a literature review and empirical research methods was used to generate possible explanations for the findings of the study. The methodology for undertaking the research was as follows:

3.3 THE SAMPLING DESIGN PROCEDURE

Sampling is the process of selecting a sufficient number of elements from the larger group known as the population (McDaniel & Gates 2006:318) while sample is a subset of the population in question and comprises a selection of members from that particular population (Sekaran 2000:266).

The purpose of sampling is to estimate an unknown characteristic of a population. The following steps illustrated in Figure 3, as highlighted by Churchill (1995:575), were used in developing the sampling procedure and hence, the quantitative study.

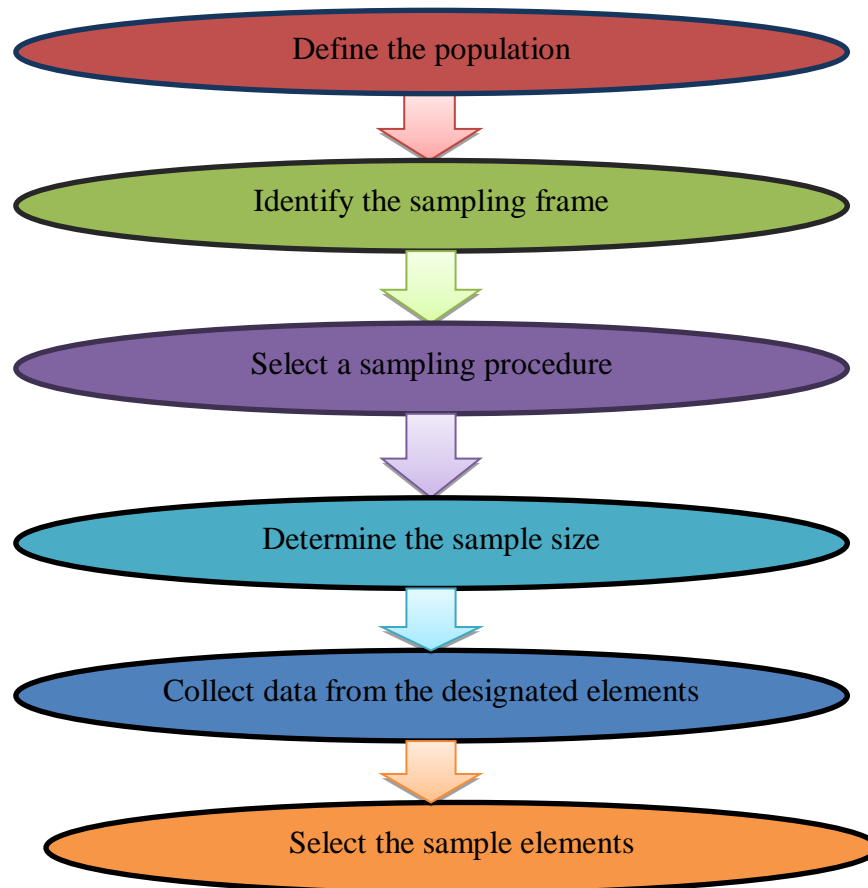


Figure 3: The sampling design procedure
Source: Adapted from Churchill (1995:575)

3.3.1 Target population

Hussey and Hussey (1997:55) defined a population as “any precisely defined set of people or collection of items which is under study”. According to Zikmund and Babin (2007:403) a population (universe) is any complete group that shares some common set of characteristics. For the purpose of this study, the target population was restricted to both male and female business owners and managers of registered small and medium enterprises in Pretoria, Gauteng, South Africa. Such businesses had been in existence for more than 3 years.

3.3.2 The sampling frame

Zikmund and Babin (2007:407) defined sample frame as a list of elements from which the sample may be drawn. The list of small and medium enterprises in Pretoria was obtained from Companies and Intellectual Property Commission (CIPC) formerly known as Companies and Intellectual Property Registration Office (CIPRO). Respondents that were included in the survey were provided with questionnaires which they had to complete.

3.3.3 The sampling procedure

Welman, Kruger and Mitchell (2005:57) define sampling as the process of using a small number of items or parts of a larger population to make conclusions about the whole population. For the purposes of this study, convenience and judgmental sampling are the two non-probability sampling techniques that were used since as it allows a large number of respondents to be surveyed within a relatively short period of time. It also allows ease of administration of the survey instrument and yields good estimates of the population characteristics (Babbie 2008:210). The nature of the research necessitated the use of convenience and judgment sampling (Parasuraman, Zeithaml & Berry 1991:456).

3.3.4 Sample size

Churchill and Iacobucci (2005:360) noted that a large sample size does not necessarily need to be used for a research project to be accurate. Malhotra (2004:318) defines sample size as the number of elements to be included in the study. In similar studies Moncarz, Zhao and Kay (2009:443) used 634 respondents, while Eisenberger, Stinglhamber, Vandenberghe, Sucharski and Rhoades (2002:568) used 300 respondents. A sample size of 300 was deemed adequate for the current study. This was conveniently selected from a target population of SMEs in Sunnyside.

3.3.5 Method of data collection

The survey method was used to obtain relevant data, using a structured questionnaire. This method was chosen due to its low cost and ease of administration compared to other survey methods. In addition, its administration is quicker and easier than other methods (Malthotra 2007:138). Each respondent was asked the same questions. Figure 4 provides a schematic representation of developing a questionnaire.

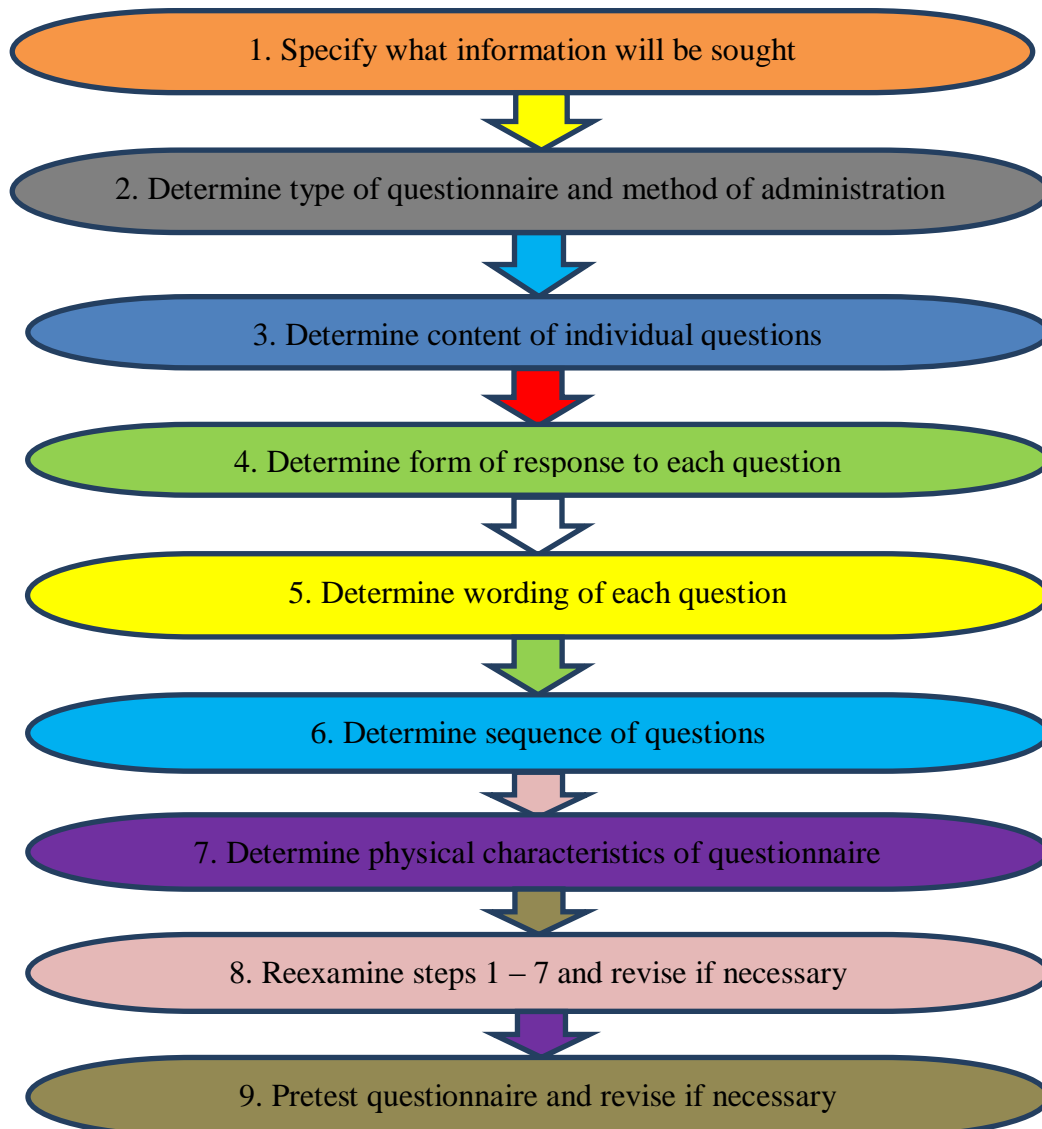


Figure 4: illustrates the procedure for developing the questionnaire
(Source: adapted from Churchill & Iacobucci 2005:234)

3.3.6 Measuring instrument

Primary data was generated by means of a questionnaire, taking into consideration the effect of the selection process and framework of selection on employee turnover. Respondents were requested to complete a structured questionnaire. It contained four sections. Section A requested biographical data of the respondents. Section B comprised questions on factors influencing selection processes in SMEs. Section C comprised questions on the techniques of selection. Section D comprised questions relating to aspects effecting employee turnover in SMEs. The measuring instrument was pre-tested by 10 experts in human resources management and pilot tested with 30 respondents. A 44-item questionnaire utilising a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5), was developed based on previous studies (Eisenberger *et al.* 2002:568, Moncarz Zhao & Kay 2009:443).

The questionnaire was pre-tested and revised before the main survey was administered. Saunders, Lewis and Thornhill (2003:468) suggested that to prevent order bias, where prior questions might influence answers to subsequent questions, individual items relating to specific factors were not grouped together. Furthermore, Malhotra (2007:508) noted that the researchers using structured questionnaires should specify in detail what is to be observed and how the measurements are to be recorded. A structured questionnaire reduces the potential of observer bias and enhances the reliability of the data.

3.4 PRE-TESTING THE QUESTIONNAIRE

Cooper and Schindler (2006:76) defined pre-test as the assessment of questions and instruments before the start of a study; an established practice for discovering errors in questions, question sequencing. According to Malhotra (2007:319) pre-testing is the administration of the questionnaires to a small sample of respondents and experts in the field of study to identify and eliminate potential problems. There are several possible errors that cannot be easily identified before the actual fieldwork, while preparing for a research instrument to be used to collect data. As a result, conducting a pre-testing study gives an advance warning to the researcher about possible difficulties and problems regarding the proposed methods and whether the research instrument is appropriate or too complicated. Pre-testing also helps to eliminate ambiguity and variation in respondents' understanding and interpretation of the questionnaires. The measuring

instrument was pre-tested by having 10 experts in HRM completing it and providing appropriate comments regarding its content validity.

3.5 PILOT TESTING

Pilot testing is a trial collection of data to detect weaknesses in design and instrumentation and provide proxy data for selection of a probability sample (Cooper & Schindler 2006:76). McDaniel and Gates (2004:22) describe pilot testing as surveys employing a limited number of respondents who fit the selection criteria. It often uses less rigorous sampling techniques than are used in large quantitative studies. The research study was pilot tested with 30 respondents (owners and HR managers of small and medium enterprises) at the study area. The pilot testing was conducted a month before the actual survey, in order to check for misinterpretations by the respondents, lack of continuity, additional alternatives for pre-coded and closed ended questions, and general respondent reaction to the questionnaire. This was also conducted in order to review and modify the instrument.

3.6 TRAINING OF FIELDWORKERS

Table 2: Training content for fieldworkers

| No. | Training Area |
|-----|--|
| 1 | Ethics in human resources research |
| 2 | Title and objectives of the research study for which the questionnaire will be administered |
| 3 | The Questionnaire to be administered – explain the different sections of the questionnaire |
| 4 | How to identify potential respondents and how to approach them |
| 5 | How to handle rejections and refusal by potential respondents |
| 6 | Administering the questionnaire and explaining the instructions to respondents before completing the questionnaire |
| 7 | Monitoring the respondents to ensure proper completion of the questionnaire |
| 8 | Collecting the questionnaire after the respondent had completed it |
| 9 | Benefits of participating in the fieldwork to the fieldworkers concerned |
| 10 | What is expected from the fieldworkers in terms of their conduct |

A total of 10 fieldworkers who were undergraduate students from different institutions were recruited, adequately trained and well briefed about the fieldwork in order to achieve a high response rate. The researcher directly supervised the fieldworkers. Important areas covered by the fieldworker's training are presented in Table 2 above.

3.7 PROCEDURE FOR DATA COLLECTION

Respondents were targeted at various small and medium businesses within the CBD in Pretoria. Ten (10) field workers were employed for the survey, all trained in administering the questionnaire in order to ensure a high standard of professionalism. In addition, fieldwork supervision was conducted by the researcher in order to effectively monitor fieldworkers.

The fieldworkers screened potential respondents by asking two (2) screening questions, "are you a SME Manager or owner?" and "Do you take HR decisions regarding selection of employees in your organisation?" before obtaining their willingness to participate in the survey. Those whose response was "yes" to both screening questions were then given the appropriate number of questionnaires for completion. Fieldwork supervision was undertaken directly by the researcher to ensure that fieldworkers complied with instructions. There was a briefing of fieldworkers at the survey area before the questionnaires were handed to the fieldworkers and the questionnaires (both filled and unfilled were collected back from the fieldworkers at the end of the fieldwork). The number of questionnaires handed to each fieldworker before and after the fieldwork was counted and collated before departure from the survey area.

3.8 DATA PREPARATION

The data input was prepared prior to analysis by checking for validity by ascertaining whether the questionnaires were administered as specified. According to Malhotra (2006:429) editing is the review of the questionnaires with the objectives of increasing accuracy and precision. Fieldworkers were instructed on how to deal with field editing for uncompleted questionnaires while the fieldwork was in progress. Also, the data was edited by checking for fieldworker and respondents' mistakes (Zikmund & Babin 2007:67). A follow-up procedure which lasted for 10 days was done on SMEs which did not return the questionnaires.

3.9 ETHICAL ISSUES

Cooper and Schindler (2006:117) indicated that the goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities. McDaniel and Gates

(2004:408) defined ethics as moral principles or values generally governing the conduct of an individual or a group. In line with ethical considerations for the conduct of a research study, the respondents' rights were protected and highlighted to them prior to their completion of the survey. The following code of ethics was used by the researcher during the study:

- The right to be informed. The respondents were informed of the purpose of the study.
- The right to privacy, anonymity and confidentiality was assured by the researcher to each respondent who participated in the survey.
- The researcher requested permission from the management to have respondents to complete the questionnaire.
- The researcher guarded against falsification of data by using trained field workers, and a field supervisor.
- The researcher personally thanked every respondent who participated in the survey.

3.10 STATISTICAL ANALYSES

A description of the statistical analyses conducted on the data collected from the survey follows:

3.10.1 Descriptive statistics

Descriptive statistics are the most efficient means of summarising the characteristics of large sets of data; it displays characteristics of the location, spread, and shape of a data array (McDaniel & Gates 2006:373, Cooper & Schindler 2006:470). Such descriptive statistics, like measures of central tendency involving the mean of the three factors (Section 4.4), was computed in order to indicate typical values for various variables.

In addition to the descriptive statistics, the measures of dispersion, which include the frequency of responses and cumulative percentage of frequency responses (Table 4), were also computed for the three extracted factors in order to indicate the spread of the data, and to analyse the composition of the sample. The data on biographical information was analysed using frequencies. The data is presented by means of tables and frequency distribution (Section 4.3). A discussion of these aspects follows.

3.10.1.1 Mean

Mean is the sum of a set of values for all the observations of a particular variable divided by the number of respondents (McDaniel & Gates 2004:339). The arithmetic mean is the most

commonly used measure of central tendency or central location of the data. It is also an approximation measure of central tendency or location for an interval or ratio scale only. The summated mean scores for the three factors are provided in Section 4.5.

3.10.2 Inferential statistics

Inferential statistics, such as factor analysis was used to determine the structure of the dependent variables used in section B, C and D in the questionnaire.

Factor analysis is a general name denoting a class of procedures primarily used for data reduction and summarisation. In human resource research there may be a large number of variables, most of which are correlated and which must be reduced to a more manageable level. Relationships among sets of many interrelated variables are examined and represented in terms of underlying factors. Martins, Loubser and Van Wyk (1996:369) define factor analysis as a statistical method used to describe variability among observed variables in terms of fewer unobserved variables called factors. The purpose of factor analysis is to detect underlying patterns of correlation in a data set (Maull, Tranfield & Maull 2003:609). It is used for grouping the variables and for reducing a large number of variables to a smaller number of components. Factor analysis using principal components analysis (PCA) and varimax rotation were utilised for the study (Gonen & Ozmete 2006:28).

The next step in the process was to calculate factor loadings, presenting the significance of each variable within the factor category. Costello and Osborne (2005:5) are of the opinion that factor loadings with values between +0.30 and -0.30 are considered insignificant, while a factor loading of 0.50 or higher is considered to be significant. For the purpose of this study, exploratory factor analysis was conducted to reduce and summarise the data into factors (Section 4.3). The independent groupings in Section A which contained two categories were compared with one another regarding their factor means using Levene's independent t-test while three or more independent groups were firstly compared using Multivariate Analysis of Variance (MANOVA). If significant differences were present at this level then ANOVA tests were used to distinguish differences at the univariate level. Any differences at the univariate level were tested in a pair-wise comparison using the Scheffé test or Dunnett T3.

3.10.3 Reliability

A measurement scale that provides consistent results over time is said to be reliable. Thus reliability is the degree to which measures are free from random or unstable errors, and, therefore provide consistent data (McDaniel & Gates 2006:222, Cooper & Schindler 2006:321). Systematic sources of errors do not have an adverse impact on reliability because they affect the measurement in a constant way and do not lead to inconsistency.

According to Welman, Kruger and Mitchell (2005:146) the coefficient alpha is a measure of the internal consistency of a measurement/test, which shows the degree to which all items in a measurement/test measure the same attribute. The reliability analysis of the measuring instrument in empirical research is essential because empirically validated scales can be used directly in other studies in the field for different populations, especially for longitudinal studies. The SPSS 21.0 programme used in this research makes use of the Cronbach Alpha reliability coefficient and a rule of thumb is that values greater than 0.7 are normally acceptable.

3.10.4 Validity

McDaniel and Gates (2006:224) pointed that validity addresses the issue of whether what the researcher was trying to measure was actually measured. Malhotra and Peterson (2006:274) define validity as the extent to which differences in the observed scale scores, reflect true differences in what is being measured, rather than systematic or random error. In this study, validity analysis of the measurement instrument was undertaken with respect to content, construct and predictive validity. These are illustrated in Section 4.9.

3.10.4.1 Content validity

Cooper and Schindler (2006:318) indicated that if the instrument contains a representative sample of the universe of the subject matter of interest, then content validity is deemed to be good. A measuring instrument has content validity if there is a general consensus among researchers that the instrument includes items that cover all aspects of the variables measured. It is not numerically evaluated but subjectively assessed by the researchers. Content validity is normally assessed by experts in the field of HRs and in this research the researcher used 10 such persons to verify the content of the questionnaire. Representativeness or sampling adequacy of the content of the measurement instrument was ensured by making sure that the scale provided

adequate coverage of the topic under study. In addition, the pilot study was conducted to improve the content validity.

Malhotra (2007:286) indicated that due to the subjective nature of content validity, it is not sufficient to use it alone, therefore it is recommended to use more than one method to ensure adequate validity in the study. As such, construct validity using factor analytic procedures was also determined.

3.10.4.2 Construct validity

A measure has construct validity when the differences of observed scores reflect true differences on the characteristic one is attempting to measure (Churchill 1995:535). McDaniel and Gates (2004:205) agree by stating that construct validity reflects the degree of correlation among different measures that purport to measure the same construct.

Construct validity was tested by computing the Cronbach alpha coefficient for the scale and sub-dimensions of the scale (Section 4.5, 4.6.). In addition, factor analysis was also undertaken on each of the three constructs to determine the percentage of variance that was explained by each factor (Section 4.5, 4.6).

3.10.4.3 Predictive validity

Cooper and Schindler (2006:319) noted that predictive validity reflects the success of measures used for prediction or estimation. The authors noted that it may be used to predict an outcome or estimate, the existence of a current behaviour or time perspective. For example, an attitude scale that correctly forecasts the outcome of a purchase decision has predictive validity. Furthermore, an observational method that correctly categorises families by current income class has concurrent validity (Cooper & Schindler 2006:320). The Statistical Package for Social Sciences (SPSS) version 21.0 was used for the above analysis.

3.11 CONCLUSION

This chapter extensively documents the research design and methodology that was used to undertake the study. It premieres with an introduction which includes the methodology for this research. A quantitative research approach was used with a combination of both literature review and empirical research methods. It further highlights the sampling procedure, which includes the population and sample size along with the data collection method through a structured questionnaire. It details the data preparation and statistical analysis along with ethical issues that were considered during the course of undertaking the research. It concludes with reliability and validity issues of the measuring instrument.

The next chapter will present in detail the data analysis and interpretation of findings. It starts with a brief introduction and follows with a series of descriptive statistics of the demographic information of the respondent sample and the analysis of the measurement instrument. It uses a combination of statistical tools for measuring the central tendency and dispersion of variables to indicate the mean, standard deviation, variance and range, as well as cross tabulations. It further analyses the data generated from the fieldwork and concludes with inferential statistical analysis such as Exploratory Factor Analysis, Correlation and tests for significant differences between the various independent groups in the study.

CHAPTER FOUR

ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The previous chapter provided the details of the research design and methodology used in the study. The procedure used to collect, process and analyse the data was highlighted. The statistical techniques used to determine the reliability and validity of the research instrument were also discussed.

In this chapter, the empirical research findings of the study are presented with focus on the analysis and interpretation of the results. The Statistical Package for Social Sciences (SPSS version 21.0) was used to analyse the data (Norusis 2009: 620). First, the results of the pilot study are briefly presented. This is followed by a detailed discussion of the results of the main survey.

4.2 THE PILOT STUDY RESULT

For the pilot test, data was gathered from 30 respondents of which 6 questionnaires were incomplete and were discarded, resulting in 24 usable questionnaires that were used for the analysis of the pilot study. The questionnaire comprised four sections. Section A comprised the general information section, with 10 items; section B comprised questions on factors influencing selection processes in SMEs with 12 items; section C had 12 questions on the techniques influencing selection and section D comprised questions relating to aspects influencing employee turnover on SMEs, with 10 items. Sections B, C and D were subjected to reliability analysis and the result indicated that the scale has a high reliability value with Cronbach's alpha of (0.824), (0.520) and (0.910) for sections B, C and D respectively. The reliability analysis suggested that the scale of items C4, C11 and C12 should be reversed. By so doing, the alpha value increased to 0.824. However, it was suggested that these items should be reviewed and that only C4 be used in the final questionnaire. Hence 32 scaled items were used in the final questionnaire.

4.2.1 Distribution of questionnaires to the selected sample of SMEs

The questionnaires were distributed to the selected SME HR managers and/or business owners as respondents in Sunnyside and CBD in Pretoria.

4.3 DESCRIPTION OF A DATA ANALYSIS

A total of 300 questionnaires were administered for the main survey, using the sampling frame provided to the various businesses offices in Sunnyside. The fieldworkers approached each one of them and after getting their affirmation, gave them an appropriate number of questionnaires (depending on their size). The questionnaire distribution was done for different SMEs in Sunnyside and CBD in Pretoria. Fieldworkers repeated the procedure on each day and then collected the completed questionnaires two hours before the close of each day. At the completion of the fieldwork, 180 questionnaires had been collected. As the fieldworkers had taken note of which SMEs had returned the questionnaires they could do appropriate follow-ups with the SMEs concerned. During this follow-up procedure, which lasted 10 days, the field workers managed to collect a further 70 questionnaires. Thus a total of 250 questionnaires were collected by the fieldworkers out of the 300 distributed. However, 40 questionnaires were incomplete and could not be used for the analysis because important sections were not completed by the respondents. This resulted in 210 usable questionnaires.

The analysis of the data and its discussion is presented in the following order in the remaining sections of this chapter. A descriptive analysis of the data is firstly provided, which is followed by the factor analysis of each of the three constructs or dependent variables (outcome variables) in order to demonstrate their suitability for further inferential testing. Secondly, the various factors were tested for possible statistically significant associations with the various independent variables used in this research. Thirdly, a synthesis of empirical findings is presented.

4.3.1 DESCRIPTIVE ANALYSIS OF ITEMS IN SECTION A OF THE QUESTIONNAIRE

4.3.1.1 The size of your organisation (A1)

The first item in Section A asked respondents to provide data related to the size of their organisation and the appropriate data is given in Table 3.

Table 3: Descriptive statistics for the size of your organisation

| Size of enterprise | | Frequency | Percent | Valid Percent | Relative % representation of SMMEs |
|--------------------|-------------------------------|-----------|---------|---------------|------------------------------------|
| Valid | Micro(less than 5) | 39 | 18.6 | 18.6 | 47 |
| | Very small (fewer than 10-20) | 79 | 37.6 | 37.6 | 19 |
| | Small (fewer than 50) | 63 | 30.0 | 30.0 | 7.6 |
| | Medium (51-200) | 29 | 13.8 | 13.8 | 1.4 |
| | Total | 210 | 100.0 | 100.0 | |

The data in Table 3 indicates that the majority of the respondents were from small, very small and micro-enterprises, namely 86.2%. Only 13.8% of respondents were from enterprises with 51 or more employees, which are classified as medium enterprises. No statistics indicating the size of the SMEs could be found and the assumption is that the sample is reasonably representative of the population of SMEs in Sunnyside and Pretoria.

4.3.1.2 Gender (A2)

Table 4: Descriptive statistics for the gender groups in the sample

| Gender | | Frequency | Percent | Valid Percent |
|--------|--------|-----------|---------|---------------|
| Valid | Female | 103 | 49.0 | 49.0 |
| | Male | 107 | 51.0 | 51.0 |
| | Total | 210 | 100.0 | 100.0 |

The data in Table 4 indicates a ratio of 1.03 males for every 1 female. In 2010 the gender ratio for the population of Tshwane was 1 to 1 (Socio-economic review and outlook 2010/2011. Availabe at: <<http://www.tshwane.gov.za>. Accessed 23/10/2013). The gender ratio of the sample

is thus representative of the population of Tshwane allowing inferences to be made from the sample to the population.

4.3.1.3 Marital status (A3)

Table 5: Descriptive statistics for the marital status groups in the sample

| Marital status | | Frequency | Percent | Valid Percent |
|----------------|----------|-----------|---------|---------------|
| Valid | Single | 55 | 26.2 | 26.2 |
| | Married | 110 | 52.4 | 52.4 |
| | Divorced | 31 | 14.8 | 14.8 |
| | Widowed | 14 | 6.7 | 6.7 |
| | Total | 210 | 100.0 | 100.0 |

The census data for 2011 indicates Tshwane has 36.0% married people, 58.5% single, 2.6% divorced and 2.9% that are widowed (<http://www.statssa.co.za>) The data in the sample is not representative of Tshwane but may be representative of marital status of persons employed in SMEs in Sunnyside and Pretoria.

4.3.1.4 Age group to which you belong (A4)

Table 6: Descriptive statistics for the age groups in the sample

| Age group | | Frequency | Percent | Valid Percent |
|-----------|-------------|-----------|---------|---------------|
| Valid | 18-25 years | 9 | 4.3 | 4.3 |
| | 26-33 years | 52 | 24.8 | 24.8 |
| | 34-41 years | 81 | 38.6 | 38.6 |
| | 42-49 years | 58 | 27.6 | 27.6 |
| | 50 + years | 10 | 4.8 | 4.8 |
| | Total | 210 | 100.0 | 100.0 |

The data in Table 4.4 indicates age groups in the sample. The majority of SMEs owners and HR managers in the sample are between the age group (34 - 41 years). The quarterly labour force survey 2013 shows that economically active (employed) people in Gauteng are in the age group

of (34 - 44 years) representing 45%. The figures suggest that the sample is reasonably representative of the age group.

4.3.1.5 Highest educational qualification (A5)

Table 7: Descriptive statistics for the educational qualifications groups in the sample

| Highest qualification | | Frequency | Percent | Valid Percent |
|-----------------------|----------------|-----------|---------|---------------|
| Valid | Grade 12 | 17 | 8.1 | 8.1 |
| | Certificate | 30 | 14.3 | 14.3 |
| | Diploma | 41 | 19.5 | 19.5 |
| | Degree | 68 | 32.4 | 32.4 |
| | Honours degree | 39 | 18.6 | 18.6 |
| | Masters degree | 15 | 7.1 | 7.1 |
| | Total | 210 | 100.0 | 100.0 |

No statistics of educational qualifications in SMEs in Sunnyside and Pretoria could be found. The 2010 educational qualifications available for Tshwane indicate that 9.2% of persons in this area have a degree qualification and 5.3% have and honours or higher qualification while 65.4% have a Grade 12 qualification (www.tshwane.gov.za). The data in the sample is thus not representative of these figures but could be representative of the SMEs in the area.

4.3.1.6 Ethnic classification (A6)

Table 8: Descriptive statistics for the various racial classification groups in the sample

| Ethnic classification | | Frequency | Percent | Valid Percent |
|-----------------------|----------|-----------|---------|---------------|
| Valid | White | 66 | 31.4 | 31.4 |
| | Black | 115 | 54.8 | 54.8 |
| | Coloured | 7 | 3.3 | 3.3 |
| | Indian | 15 | 7.1 | 7.1 |
| | Other | 7 | 3.3 | 3.3 |
| | Total | 210 | 100.0 | 100.0 |

The data in Table 4.6 indicates that 54.8% of the respondents classified themselves as Black, 3.3% classified themselves as Coloured, 7.3% indicated they were Indian and 31.4% said they belonged to the White racial group. However, the EEA combines Blacks, Coloureds and Indians and doing so means that about 68.5% of the sample are composed of persons from the designated groups. However, according the designated groups of the EEA white females should also be added bringing this to 81.5% of respondents coming from the designated groups. The population demographics of the city of Tshwane indicates that 74.0% of the population are African, 2.0% are Coloured, 1.5% are Indian and 22.0% are White (Socio-economic review and outlook 2010/2011. Available at: <<http://www.tshwane.gov.za>. Accessed 23/10/2013). The figures suggest that the sample is reasonably representative of the various ethnic classification groups as designated by the EEA of 1998.

4.3.1.7 Years of experience in HRM (A7)

Table 9: Descriptive statistics of the years of experience in HRM groups

| Years of experience | | Frequency | Percent | Valid Percent |
|---------------------|-----------------|-----------|---------|---------------|
| Valid | 3 or less years | 58 | 27.6 | 27.6 |
| | 4-6 years | 53 | 25.2 | 25.2 |
| | 7-9 years | 48 | 22.9 | 22.9 |
| | 10+ years | 46 | 21.9 | 21.9 |
| | Unknown | 3 | 1.4 | 1.4 |
| | Unknown | 2 | 1.0 | 1.0 |
| | Total | 210 | 100.0 | 100.0 |

The data in Table 9 indicates an equal distribution of experience in HRM groups with 27.6% indicating that they have three or less years of experience to 21.9% indicating they have 10 or more years of experience in HRM.

4.3.1.8 To what extent has the EEA of 1998 influenced the selection process in your organisation (A8)

Table 10: Descriptive statistics regarding the extent that the EEA of 1998 influenced selection processes in the organisations present in the sample

| Extent of influence | | Frequency | Percent | Valid Percent |
|---------------------|----------------------|-----------|---------|---------------|
| Valid | To no extent | 83 | 39.5 | 39.5 |
| | To a small extent | 78 | 37.1 | 37.1 |
| | To a moderate extent | 44 | 21.0 | 21.0 |
| | To a large extent | 5 | 2.4 | 2.4 |
| | Total | 210 | 100.0 | 100.0 |

The data in Table 10 indicates that 39.5% of respondents in the sample indicated that the EEA of 1998 influenced the selection processes in their organisations to no extent at all. Thirty seven point one percent (37.1%) indicated that the EEA had influenced selection to a small extent while 23.4% indicated that the EEA had influenced selection processes to a moderate and large extent. A cross-tabulation of items A1 (size of organisation) with A8 indicates that 72.4% of respondents who indicated that the EEA of 1998 influenced selection procedures to moderate and large extent were from medium sized organisations (51-200 employees). As the EEA specifies that organisations with more than 50 employees are subject to the Act it seems reasonable that medium sized organisations believe that the Act had influenced selection procedures to a moderate and large extent in their organisations.

4.3.1.9 The extent of belief that the selection process is one of collecting and evaluating information (A9) about an individual in order to extend an offer of employment

Table 11: Descriptive statistics showing the frequency of responses in Item A9.

| Extent of belief | | Frequency | Percent | Valid Percent |
|------------------|------------------------|-----------|---------|---------------|
| Valid | To no extent | 44 | 21.0 | 21.0 |
| | To a small extent | 60 | 28.6 | 28.6 |
| | To a moderate extent | 60 | 28.6 | 28.6 |
| | To a large extent | 34 | 16.2 | 16.2 |
| | To a very large extent | 12 | 5.7 | 5.7 |
| | Total | 210 | 100.0 | 100.0 |

Almost half of the respondents (49.6%) indicate that they to no extent or to a small extent believed in the description provided of what the selection process is. It is possible that the definition given was too narrow as it does not provide for the contextual conditions nor that it usually is concerned with selecting the best among numerous candidates according to certain selection criteria.

4.3.1.10 Frequency of selection process exercises (A10)

Table 12: Descriptive statistics showing the frequency of responses to item A10.

| Frequency of exercise | | Frequency | Percent | Valid Percent |
|-----------------------|-----------------|-----------|---------|---------------|
| Valid | Very frequently | 21 | 10.0 | 10.0 |
| | Frequently | 19 | 9.0 | 9.0 |
| | Occasionally | 91 | 43.3 | 43.3 |
| | Rarely | 58 | 27.6 | 27.6 |
| | Never | 21 | 10.0 | 10.0 |
| | Total | 210 | 100.0 | 100.0 |

Item A10 asked information about the frequency which their organisations undergoes selection process exercises. The largest number of respondents, namely 43.3% indicated that their organisation does so occasionally, with 37.6% indicating that such exercises were rarely and never done. Of the 39 respondents who belong to micro-organisations 84.6% indicated that they occasionally or rarely and never conduct selection process exercises. With so few employees the turnover is probably also small and selection process exercises are probably minimal.

4.4 INFERENCE STATISTICAL ANALYSIS

Sections B, C and D of the questionnaire consisted of statements that asked respondents their opinions on a five point interval scale anchored by strongly disagree (1) at one end of the scale and strongly agree (5) at the other end. The intervals between were equal intervals with three (3) representing a neutral response of neither disagreeing nor agreeing. In order to reduce the number of items in each section this researcher made use of factor analysis. Exploratory Factor

Analysis (EFA) is often used when the amount of data needs to be reduced to a more manageable size while still retaining as much of the original data as possible (Field 2009: 628).

4.4.1 Factor analytic procedure of Section B of the questionnaire

Section B had 12 items that asked respondents to provide their opinion regarding their extent of agreement or disagreement with items concerning certain aspects that influenced selection procedures in SMEs. The researcher made use of Principal Component Analysis (PCA) with varimax rotation to explore the underlying structure of the data set. The correlation matrix indicated that items B4, B6, B7, B10 and B11 were negatively correlated and should have their scales reversed. However, scale reversal made no difference to the Kaiser Meyer Olkin (KMO) value or to the Measures of Sampling Adequacy (MSA). As the MSA's of these items remained less than 0.6 they were removed from the analysis. The KMO value was 0.772 with Bartlett's sphericity of $p < 0.0005$. Two first-order factors resulted which explained 56.17% of the variance present. These two first-order factors were subjected to a second-order procedure, which resulted in one factor only (FB2.0). This factor contained seven items, explained 75.91% of the variance present and had a Cronbach reliability coefficient of 0.76. It was named *factors influencing selection procedures SMEs (FB2.0)*. The first factor (FB1.1) represents work related issues influencing selection while the second factor (FB1.2) is concerned with personal characteristics influencing selection. The items present in factors influencing selection procedures (FB2.0) are provided in Table 13.

Table 13: Items involved in the factors influencing selection procedures in SMEs (FB2)

| Item | Description | Mean | Loading FB1.1 | Loading FB1.2 |
|---------|--|------|------------------|------------------|
| B1 | An applicants' experience should be the most important selection criterion? | 3.04 | 0.810 | |
| B2 | Not having relevant experience in the field of work applied for affects the selection process? | 3.60 | 0.802 | |
| B5 | Sourcing applicants from another city is more reliable? | 2.79 | 0.524 | |
| B3 | An applicant's skills should be the most important selection criterion? | 3.62 | 0.517 | |
| B8 | An applicant's level of education should be the most important selection criterion? | 3.29 | | 0.801 |
| B9 | Having knowledge about an organisation's vision can affect an applicant's selection process? | 3.33 | | 0.727 |
| B12 | My organisations' selection policy makes provision for the race quotas of the EEA of 1998? | 2.34 | | 0.671 |
| Average | | 3.15 | | |

The distribution of the data is indicated in Figure 5

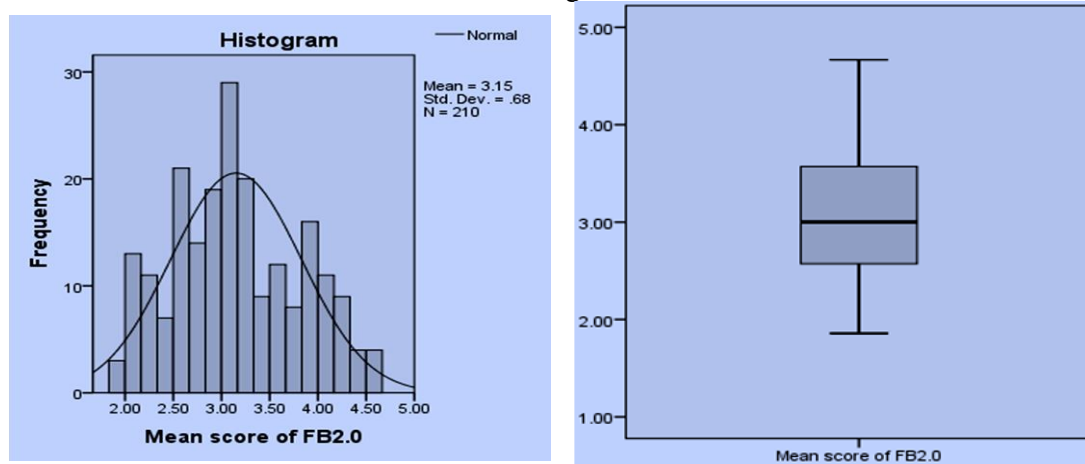


Figure 5: A histogram and box-plot showing the data distribution in the factors influencing selection procedures in SMEs (FBB2.0)

The mean score of 3.15 indicates uncertainty about the items posed. The median of 3.00 indicates that 50% of respondents scored values higher than 3.00 and 50% had scores lower than 3.00. This confirms the uncertainty with respect to the items posed. If one considers the mean scores of the individual items then B3 had the highest mean (3.62), which leans towards agreement that “an applicant’s skills should be the most important criterion in the selection process”. This item had a mode of 4 also indicating that the most frequent response was one of agreement with the skills requirement. B2 had the mean (3.60), which leans towards agreement in section 2.5.2.1 that relevant experience is one of the factors influencing selection process.

The item with the lowest mean score was B12 which had a mean of 2.34 and a mode of 2. Respondents thus disagreed that their organisations had selection policies which made provision for racial quotas.

According to the EEA of 1998 a designated employer means an employer who employs 50 or more employees. A designated group means black people, women or people with disabilities (Labourguide 2013). Of 210 respondents in the sample only 29 (13.8%) indicated that they were from organisations with more than 50 employees and hence the majority of the sample (86.2%) probably do not see themselves as a designated employer as provided by the EEA of 1998. This perception is the most likely reason for the low mean score of 2.34 with a mode of 2 for this item.

Furthermore, the range of 4 on a five point scale in all the items in Section B indicated that the opinions were diverse. Selection procedures in SME’s seem to be associated with political mandates, such as the EEA of 1998 and items deemed to be political in nature often give rise to uncertain responses. It would thus seem as if the EEA of 1998 and its amendments have made the factors influencing selection procedures even more subjective, especially in organisations with more than 50 employees.

4.4.2 Factor analytic procedure of Section C of the questionnaire

Section C contained 12 items that asked respondents their extent of agreement or disagreement about aspects in the selection techniques that influence employee turnover. A similar procedure to the one for Section B was followed. The initial correlation matrix indicated that Item C3

should have its scale reversed. However, this made no difference to the MSA value and it remained below 0.6. Furthermore, Items C8, C11 and C12 also had MSA values less than 0.6. After removal of the four items with MSA values less than 0.6 the KMO value increased to 0.761 with Bartlett's sphericity having a significant p value ($p < 0.0005$). The eight items remaining after the PCA with varimax rotation formed two first-order factors, which explained 55.1% of the variance present. A second-order factor analytic procedure resulted in one factor only, which explained 67.1% of the variance present. It had a Cronbach Alpha coefficient of 0.74 and contained eight items. It was named *techniques influencing selection procedures (FC2.0)*. The items for this factor are given in Table 14.

Table 14: Items involved in the factor techniques influencing selection procedures in SMEs (FC2.0)

| Item | Description | Mean | Loading (FC1.1) | Loading (FC1.2) |
|---------|---|------|-----------------|-----------------|
| C5 | Well developed personality tests should be seen as an important part of the selection process? | 3.65 | 0.792 | |
| C1 | In the selection process reliable and valid psychometric tests must be used? | 3.61 | 0.782 | |
| C4 | Interviews are popular selection processes because they do not take too much time? | 3.47 | 0.727 | |
| C2 | Intelligence tests may have a significant drawback on employee selection? | 3.84 | 0.642 | |
| C7 | Not ensuring confidentiality throughout the selection process can affect employee turnover? | 4.42 | | 0.721 |
| C10 | Our organisation ensures that the job description is based on a thorough analysis of the job concerned? | 4.29 | | 0.709 |
| C6 | Ensuring consistency throughout the selection process can affect employee turnover? | 4.42 | | 0.690 |
| C9 | Our organisation ensures that the most appropriate selection practices are used to screen candidates? | 4.04 | | 0.665 |
| Average | | 3.97 | | |

The distribution of data in the factor is shown in Figure 6

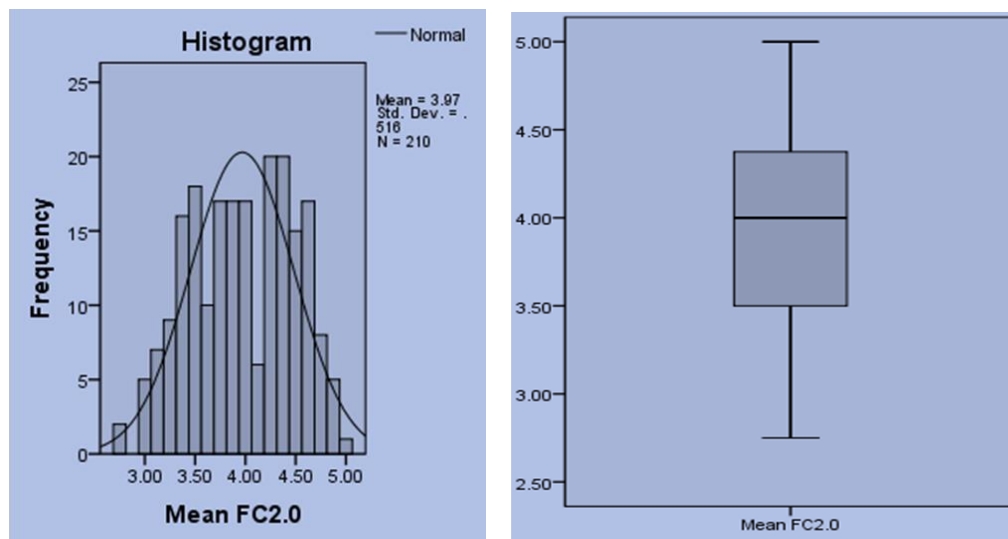


Figure 6: A histogram and box-plot showing the data distribution in the factor techniques influencing selection procedures in SMEs (FC2.0)

The mean value of 3.97 and median of 4.0 indicates that the respondents tended towards agreeing with the items in this factor. The respondents agreed most strongly with Item C7 “Not ensuring confidentiality throughout the selection process can affect employee turnover” ($\bar{X} = 4.42$) and Item C6 “Ensuring consistency throughout the selection process can affect employee turnover” ($\bar{X} = 4.42$). Item C4 “Interviews are popular selection processes because they do not take too much time” ($\bar{X} = 3.47$) had the lowest mean score and respondents were uncertain about agreeing or disagreeing with this item.

Furthermore, the selection techniques factor (FC2.0) was found to be composed of two underlying first-order factors. The first factor (FC1.1) appears to be related to *the objectivity of psychometric tests used during the selection process* whilst the second factor (FC1.2) appears to *favour perceptions of procedural fairness in selection processes*.

4.4.3 Factor analytic procedure of Section D of the questionnaire

The 10 items posed in Section D of the questionnaire asked respondents their extent of agreement or disagreement about aspects that effect employee turnover in SMEs. The initial factor analytic procedure of a PCA with varimax rotation indicated that Item D10 should have its scale inverted. The resulting KMO value of 0.018 and Bartlett's sphericity of $p < 0.0005$ indicated that the items could be reduced to a more parsimonious number of factors without the reversal of item D10. One factor which contained 10 items and explained 69.2% of variance present resulted. It had a Cronbach reliability coefficient of 0.931 and was *named aspects effecting employee turnover in SMEs (FD)*. The items present in this factor are given in Table 15.

Table 15: Items involved in the factor aspects effecting employee turnover in SMEs (FD)

| Item | Description | Mean | Loading (FD) |
|---------|---|------|--------------|
| D8 | The exit of talented employees has resulted in a decrease in our organisations overall performance? | 3.54 | 0.905 |
| D5 | The reduction of staff in my organisation has had a negative impact on its production? | 3.59 | 0.873 |
| D2 | Employee turnover is expensive for my organisation? | 3.97 | 0.842 |
| D4 | Training of new employees is a financial burden to our organisation? | 3.77 | 0.836 |
| D3 | Employee turnover affects the profitability of our organisation? | 3.70 | 0.834 |
| D7 | The exit of skilled employees from our organisation has resulted in a reduction of the quality of our products? | 3.56 | 0.827 |
| D6 | The loss of a skilled employee in my organisation has increased complaints from customers? | 3.56 | 0.826 |
| D1 | Employee turnover is a challenge to my organisation? | 3.84 | 0.764 |
| D9 | Employee turnover in our organisation has negatively impacted staff morale? | 3.63 | 0.749 |
| D10 | My organisation makes use of an outside company that specialises in hiring of suitable employees? | 3.76 | 0.498 |
| Average | | 3.69 | |

The distribution of the data for aspects effecting employee turnover in SMEs is given in Figure 7

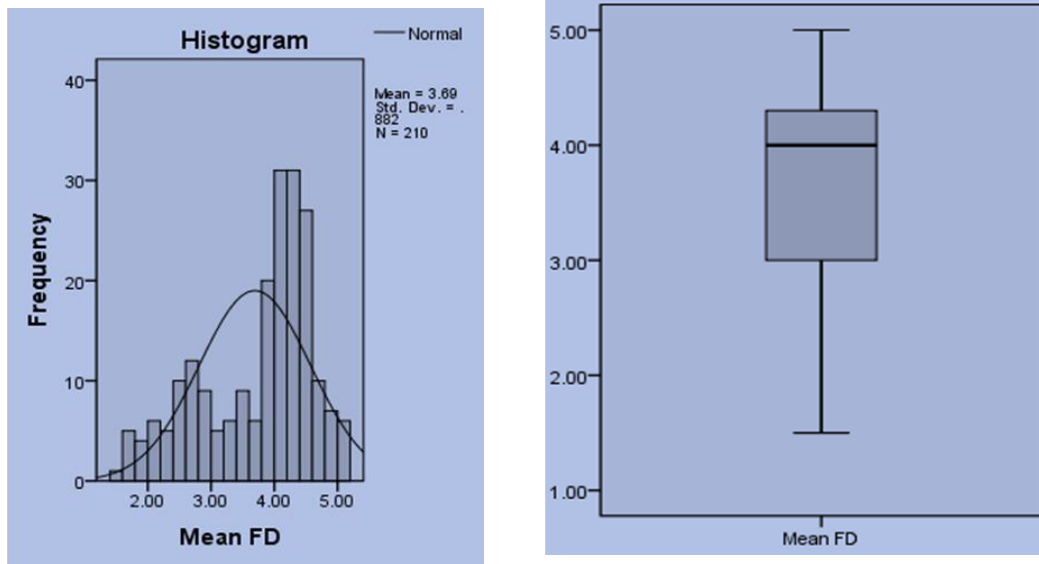


Figure 7: A histogram and box-plot showing the data distribution in the factor aspects effecting employee turnover in SMEs

The factor mean of 3.69 and median of 4.0 indicates that the respondents tended towards agreement with the items present in the factor. The factor was slightly negatively skew as the median value is slightly larger than the mean. Item D2 “Employee turnover is expensive for my organisation” has the highest mean score of 3.97 indicating that respondents agree with this item.

When these three second-order factors were subjected to another factor analytic procedure (PCA with varimax rotation) the KMO value of 0.67 and Bartlett’s sphericity ($p < 0.0005$) indicated that they could be further reduced. One factor resulted but the factor aspects effecting employee turnover in SMEs (FD) had a negative factor loading. This indicated that it was negatively correlated to the other two factors. This indicates that as selection procedures become more effective so the turnover in SMEs becomes less. Thus, according to the perceptions of the respondents in the sample, the better the selection procedures, the less the turnover in SMEs. The Pearson correlation coefficients for the various pairs of factors were

$$(r_{FB/FC} = 0.453; p < 0.005; r_{FB/FD} = -0.524; p < 0.0005; r_{FC/FD} = -0.410; p < 0.0005).$$

Thus one could conclude by saying that the first two factors (FB2 and FC2) are related to selection techniques and procedures in SMEs whilst the third factor (FD) is related to aspects influencing employee turnover in SMEs. The three factors are thus underlying dimensions that form part of *selection procedures and aspects effecting employee turnover in SMEs in Sunnyside and Pretoria*. However, as the three factors (dependent variables or outcomes) had high reliability coefficients they will be used when investigating possible associations between them and the various independent variables (predictors) involved in this research.

4.5 A COMPARISON OF TWO INDEPENDENT GROUPS REGARDING THREE FACTORS

Section A consisted of various demographic and biographic variables which were grouped together or manipulated by this researcher when designing the questionnaire. As such they formed the independent or quasi-independent variables in this research. In quasi-independent variables participants are assigned to a particular condition because they already qualify for that condition based on some inherent characteristic such as gender (Heiman 2001:44). The dependent variables are the various factors as determined in Sections B, C and D as the scores obtained by the respondents are presumably caused or influenced by the independent variables. When comparing two means, for example, the means of male and female groups as obtained on the various factors, one can make use of the independent t-test as different participants have been assigned to each group (Heiman 2001:45, Field 2009: 334). There were three groups which contained two independent groups, namely, gender, marital status and ethnic classification.

4.5.1 Comparing gender groups regarding the three dependent factors

No statistical significant differences could be found between male and female respondents regarding the factors influencing selection procedures (FB2.0). Hence the null hypothesis cannot be rejected. ($FB2\bar{X}_F = 3.12; FB2\bar{X}_M = 3.17; p > 0.05$). Both gender groups tended to be neutral with regard to their responses.

In the techniques influencing selection procedures factor (FC2.0) both gender groups tended towards agreement but the factor means did not differ statistically significantly from one another. The mean scores were ($\bar{X}_F = 3.92; \bar{X}_M = 4.02; p > 0.05$).

In respect of the third factor, aspects effecting employee turnover in SMEs (FD) no statistical significant differences were present between the mean scores of the gender groups. However, where the female respondents had lower factor means in the first two factors they recorded a higher factor mean regarding their perceptions of aspects effecting employee turnover in SMEs. The mean scores obtained were ($FD\bar{X}_F = 3.78; FD\bar{X}_M = 3.60; p > 0.05$). Thus although female respondents agreed more strongly with the factor aspects effecting employee turnover (FD) they did not differ statistically significantly from the male respondents in the sample.

4.5.2 Comparing marital status groups (A3) regarding the three factors

The original four categories were collapsed to two, namely, married and other (single, divorced, and widowed). Only the factor where significant differences were found will be discussed.

A significant statistical difference was found between the marital groups regarding techniques influencing selection procedures (FC2.0) ($FC\bar{X}_{Married} = 3.85; FC\bar{X}_{Other} = 4.07; p < 0.05; r = 0.2$). Both marital status groups thus tended to agree with the factor but the married respondents agreed statistically significantly less strongly with the items in the factor. When further investigating the two factors underlying FC2.0, it was found that the two marital groups differed statistically significantly with respect to both FC1.1 (objectivity of psychometric tests used in the selection process) and FC1.2 (perceptions of fairness in selection processes). In both instances the married respondents had statistically significantly lower mean scores than the single, divorced or widowed group. The reason for this difference is not known; it could be due to numerous reasons. (Robbins *et al.* 2003: 45, Chambers 1999: 73, Loscocco 1990: 170) section 2.6.6.2(c) iii stated that marriage imposes increased responsibilities that make a job more valuable and important, therefore married employees are less likely to leave their jobs.

4.5.3 Comparing ethnic classification groupings (A6_Rec.) regarding the three factors

There were significant statistical differences in all three factors with respect to the ethnic groupings. As the EEA of 1998 makes provision for designated groupings, the original four ethnic classification categories were collapsed to two namely Whites and Blacks.

In factor FB2.0, factors influencing selection procedures, the white respondents had a statistically significantly higher factor mean score than the black respondents. White respondents tended to partially disagree with the items in the factor while black respondents tended to disagree with the factor ($\bar{X}_W = 3.41; \bar{X}_B = 3.05; p < 0.0005; r = 0.24$). If one considers item B12 on its own (“My organisations' selection policy makes provision for the race quotas of the EEA of 1998”) then the same tendency is noted, namely, that black respondents disagree more strongly than white respondents do ($\bar{X}_W = 2.76; \bar{X}_B = 2.17; r = 0.3$). In South Africa, one cannot separate selection procedures from political interference as both the policies of the previous apartheid government (before 1994) and the EEA of 1998 under the present government (post 1994) made it mandatory to appoint people according to designated groupings. Ethnic classification is thus associated with factors influencing selection procedures.

With respect to the factor selection techniques influencing selection procedures (FC2) both racial groups tended towards agreeing with the items in this factor although white respondents had a statistically significantly higher factor mean than black respondents had. The factor means were:

($\bar{X}_W = 4.10; \bar{X}_B = 3.93; p < 0.05; r = 0.17$). On further investigating the two underlying factors involved with this factor, namely FC1.1 and FC1.2, it was found that this difference mainly lay with the first factor (FC1.1), which seems to be related to the objectivity of the psychometric tests involved with selection. The white respondents agreed to a statistically significantly greater extent with this (FC1.1), than black respondents did ($\bar{X}_W = 3.82; \bar{X}_B = 3.59; p < 0.05; r = 0.14$).

Although there could be many reasons for this difference in opinions about the objectivity of psychometric tests, the most likely one would probably lie in the cultural differences between these groups. Whites are probably more individualistic in nature and more prone to believe in the merit of individual performance while black respondents are more collectivistic in nature, where personal relationships are seen to be more important than the task at hand (Hofstede 1991:63-67). Management in an individualistic society is seen as the management of individuals whilst management in a collectivistic society is seen as the management of groups (Hofstede 1991: 65).

As most of these psychometric tests have been designed for individualistic cultures it is possible that persons from collectivistic cultures would seem to be suspicious of their objectivity in a multi-cultural society such as South Africa.

In the factor aspects effecting employee turnover in SMEs (FD), black respondents tended to agree with the items in the factor while white respondents could be said to have partially disagreed with the factor ($\bar{X}_W = 3.21; \bar{X}_B = 3.90; p < 0.0005; r = 0.4$). The effect size ($r=0.4$) indicating that the respondents believed this to be the most important effect of the three factors involved. According to Field (2009: 57) this effect could be said to be moderate. The items in the factor (FD) were mostly concerned about the loss of talented employees and hence of turnover and productivity in the organisation.

4.6 A COMPARISON OF THREE OR MORE INDEPENDENT GROUPS REGARDING THE THREE FACTORS

When there are several dependent variables then the Multivariate Analysis of Variance (MANOVA) can be used to compare the vector means of all three dependent variables considered together. Any difference at the multivariate level can be further explored at the univariate level by using the Analysis of Variance (ANOVA). If further differences are found at the univariate level then further testing can be conducted using a pair-wise comparison or post-hoc tests such as the Scheffé test or the Dunnett T3 test.

4.6.1 Comparing the size of organisations (A1) regarding the three factors

There were four response categories to this item ranging from micro (<than 5) to medium (51 - 200). The MANOVA test gave the following results in respect of the size of organisations [Wilks Lambda $F(9, 0) = 8.50; p < 0.0005; r = 0.33$]. This significant value indicates that a search should also be conducted at the univariate level. The ANOVA results were: [FB2.0 – $F(3, 206) = 14.02; p < 0.0005; r = 0.41$; FC2.0 – $F(3, 206) = 6.76; p < 0.0005; r = 0.30$; FD – $F(3, 206) = 21.39; p < 0.0005; r = 0.49$]. The ANOVA tests thus indicated that all three factors differed statistically significantly from one another with respect to organisational size groups. Furthermore, the respondents saw aspects effecting employee turnover in SMEs (FD) as having the largest effect size ($r=0.49$) and hence of having the greatest importance. The pair-wise comparisons are shown in Table 16

Table 16: Pair-wise comparisons of the four organisational groups with respect to the three factors

| Factor | Group | Mean score | Scheffé/Dunnett T3 | | | | |
|---|------------------|------------|--------------------|----|----|----|----|
| | | | | 1 | 2 | 3 | 4 |
| Factors influencing selection procedures (FB2.0) | Less than 5 | 3.01 | 1 | / | - | * | ** |
| | Fewer than 10-20 | 2.86 | 2 | - | / | ** | ** |
| | Fewer than 50 | 3.36 | 3 | * | ** | / | - |
| | 51 - 200 | 3.64 | 4 | ** | ** | - | / |
| Techniques influencing selection procedures (FC2) | Less than 5 | 3.81 | 1 | / | - | - | ** |
| | Fewer than 10-20 | 3.89 | 2 | - | / | - | ** |
| | Fewer than 50 | 4.00 | 3 | - | - | / | * |
| | 51 - 200 | 4.32 | 4 | ** | ** | * | / |
| Aspects effecting employee turnover in SMEs (FD) | Less than 5 | 3.98 | 1 | / | - | - | ** |
| | Fewer than 10-20 | 4.01 | 2 | - | / | ** | ** |
| | Fewer than 50 | 3.55 | 3 | - | ** | / | ** |
| | 51 - 200 | 2.75 | 4 | ** | ** | ** | / |

* = Statistically significant at the 5% level ($p > 0.01$ but $p < 0.05$)

** = Statistically significant at the 1% level ($p < 0.01$)

The data in Table 16 indicates that the first two factors, aspects influencing selection procedures (FB2) and techniques influencing selection procedures (FC2), indicate a general trend; as the organisation increases in size so respondents tend to agree more strongly with the items in the factor. Hence the micro- and very small organisation size groups differ statistically significantly in their factor means from small and medium sized organisations. The graph in Figure 8 indicates this proportion of the larger the organisation size the greater the agreement with the techniques influencing selection procedures (FC2).

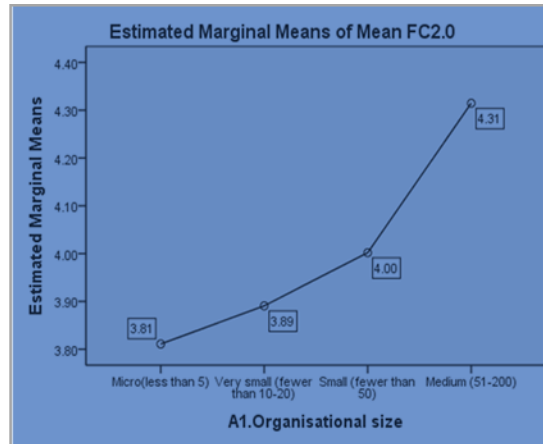


Figure 8: A line graph showing the mean scores of the various organisational group sizes regarding techniques influencing selection procedures (FC2.0)

The data in Table 16 concerned with aspects effecting employee turnover in SMEs (FD) shows an inverse proportion in the sense that the larger the organisational size the smaller the extent of agreement with the factor. Respondents thus indicate that the more employees they have, the less they agree with aspects effecting employee turnover in SMEs. It seems logical that smaller organisations will be more effected by the loss of employees as it will influence their productivity to a larger extent. On the other hand, it could be that the larger organisations make more frequent use of the selection procedures as present in the other two factors as they probably attract more applicants. This inverse proportion is indicated in figure 9

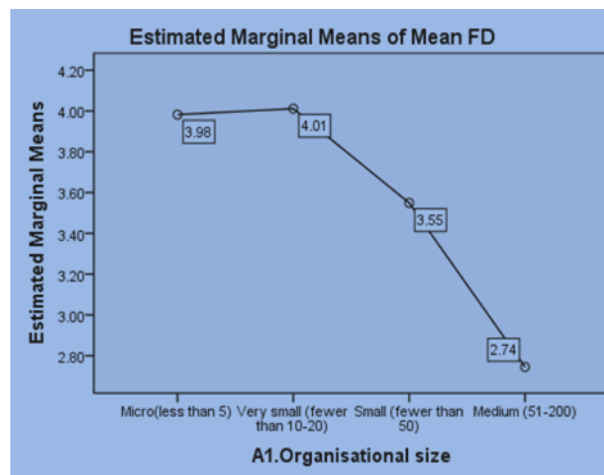


Figure 9: A line graph showing the mean scores of the various organisational group sizes regarding the aspects effecting turnover

4.6.2 Comparing the educational qualification groups (A5) regarding the three factors

The original six educational qualifications groups were collapsed to four as shown in Table 4.15. At the multivariate level the Wilks Lambda test (Λ) indicated that there was a significant difference between the vector means of the three factors taken together [$\Lambda F(9) = 3.14$; $p < 0.005$; $r = 0.20$]. The subsequent ANOVA tests indicated that this difference was only present in the second factor (FC2). The ANOVA values were [$F(3.206) = 5.71$; $p < 0.005$; $r = 0.28$]. The pair-wise comparisons are provided in Table 17.

Table 17: Pair-wise comparisons of the four educational qualification groups with respect to techniques influencing selection procedures (FC2)

| Factor | Educational qualification | Mean score | | Scheffé/Dunnett T3 | | | |
|---|---------------------------|------------|---|--------------------|---|----|----|
| Techniques influencing selection procedures (FC2) | G12 + Certificate | 3.75 | 1 | | - | ** | ** |
| | Diploma | 3.87 | 2 | - | | - | - |
| | Degree | 4.07 | 3 | ** | - | | - |
| | Hons.+ Masters | 4.11 | 4 | ** | - | - | |

** = Statistically significant at the 1% level ($p < 0.01$)

The data in Table 17 indicates that as the educational qualifications increase, so does the extent of agreement with the factor techniques influencing selection procedures (FC2). Respondents with degrees or higher qualifications agreed to a greater extent with the items in the factor than respondents with lower educational qualifications. These academically well qualified respondents are probably more familiar with the various psychometric tests and other procedures used during the selection process and the importance of confidentiality and consistency during this process. Hence the higher factor means.

4.6.3 Comparing the opinion groups as to the extent that the EEA has on selection processes (A8) regarding the three factors

Item A8 asked respondents their opinion as to the extent that the EEA No. 55 of 1998 had influenced the selection processes in their organisation. There were originally five categories

ranging from no extent (1) to a very large extent (5) (see Table 4.8). At the multivariate level the Wilks Lambda test indicated that significant differences were present between the vector means of the three factors considered together [$\Lambda F(6.0) = 4.67$; $p < 0.0005$; $r = 0.25$]. The ANOVA tests indicated significant differences were present in two of the three factors with respect to the three independent EEA groups namely:

$$[FC2 - F(2,207) = 3.55; p < 0.05; r = 0.18; FD - F(2,207) = 10.23; p < 0.005; r = 0.30] .$$

The effect size of aspects effecting employee turnover in SMEs (FD) was moderate ($r=0.3$) indicating that respondents rated this factor as the more important one of the two concerned with the difference in mean scores. The pair-wise comparisons of these two factors regarding the three extent of influence of the EEA groups on selection processes are provided in Table 18.

Table 18: Pair-wise comparisons of the three extent of influence of the EEA groups (A8) with respect to the two factors concerned.

| Factor | Group | Mean score | Scheffé/Dunnett T3 | | | |
|---|------------------------|------------|--------------------|----|----|----|
| | | | | 1 | 2 | 3 |
| Techniques influencing selection procedures (FC2) | To no extent | 3.85 | 1 | / | * | - |
| | Small/ moderate extent | 4.05 | 2 | * | / | - |
| | Large extent | 4.03 | 3 | - | - | / |
| Aspects effecting employee turnover in SMEs (FD) | To no extent | 3.87 | 1 | / | - | ** |
| | Small/ moderate extent | 3.81 | 2 | - | / | ** |
| | Large extent | 3.22 | 3 | ** | ** | / |

** = Statistically significant at the 1% level ($p < 0.01$)

The data in the Table 18 indicated that those respondents who were of the opinion that the EEA to no extent influenced the selection techniques in their organisation, had a statistically significantly lower mean score ($\bar{X} = 3.85$) on the techniques influencing selection procedures factor (FC2.0) than those who believed that the EEA influence had a small to moderate effect ($\bar{X} = 4.05$). In the factor aspects effecting employee turnover (FD), the group who indicated that the EEA had a large effect on the selection processes had a statistically significantly lower factor

mean ($\bar{X} = 3.22$) than those who believed it to no extent and to a small ($\bar{X} = 3.87$) and moderate extent ($\bar{X} = 3.81$). In other words, the larger the extent of influence of the EEA on selection processes was perceived to be, the smaller was the score on the factor aspects effecting employee turnover in SMEs (FD). This inverse relationship ($r = -0.264$; $p < 0.0005$) is shown in Figure 10.

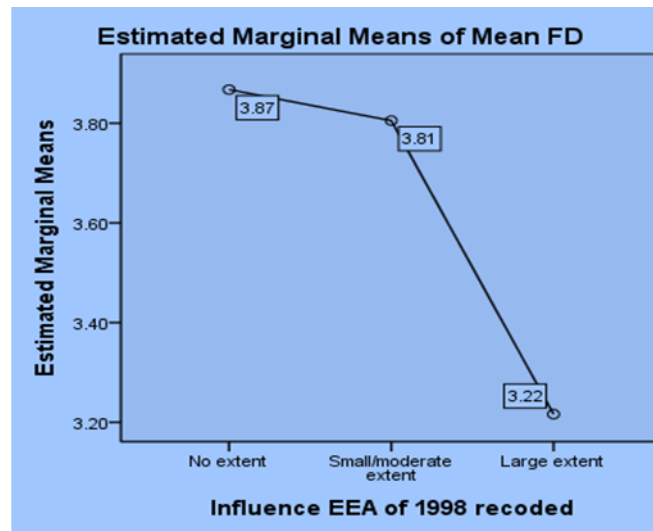


Figure 10: A line graph showing the mean scores of FD versus the three extent of influence of the EEA groups on selection processes

4.6.4 Comparing the belief of what the four selection process groups believed the selection process consists of (A9) regarding the three factors

Item A9 asked respondents to give their opinion of the extent to which they believed that the selection process consisted of collecting and evaluating information about an individual in order to extend an offer of employment to him/her. The original five response categories were collapsed to four, namely, to no extent, to a small extent, to a moderate extent and to a large and very large extent.

The MANOVA test indicated that there were statistically significant differences between the vector means when the three factors are considered together. The appropriate values were [$AF(9.0) = 17.42$; $p < 0.0005$; $r = 0.45$]. The ANOVA test indicated that all three of the factors differed statistically significantly with respect to the four extents-of- belief groups, namely:

[$FB2 - F(3,206) = 17.42; p < 0.0005; r = 0.47$; $FC2 - F(3,206) = 19.92; p < 0.0005; r = 0.46$; $FD - F(3,206) = 51.26; p < 0.0005; r = 0.65$]

Aspects effecting employee turnover in SMEs (FD) had the largest effect size indicating the importance that respondents placed on this factor relative to the other two. This correlates well with the correlation coefficients discussed in 4.3.3 and indicates that this factor is not associated with the selection processes as such, but is more concerned with other aspects that influence the turnover in SMEs, such as the financial implications that turnover has (see Table 15). The pair-wise comparisons are provided in Table 19.

Table 19: Pair-wise comparisons of the four belief of what the selection process consists of groups (A9) with respect to the three factors

| Factor | Group | Mean score | Scheffé/Dunnett T3 | | | | |
|---|-------------------------|------------|--------------------|----|----|----|----|
| | | | | 1 | 2 | 3 | 4 |
| Factors influencing selection procedures (FB2.0) | No extent | 2.88 | 1 | / | - | - | ** |
| | Small extent | 2.95 | 2 | - | / | - | ** |
| | Moderate extent | 3.10 | 3 | - | - | / | ** |
| | Large/very large extent | 3.74 | 4 | ** | ** | ** | / |
| Techniques influencing selection procedures (FC2) | No extent | 3.70 | 1 | / | - | - | ** |
| | Small extent | 3.88 | 2 | - | / | - | ** |
| | Moderate extent | 3.93 | 3 | - | - | / | ** |
| | Large/very large extent | 4.39 | 4 | ** | ** | ** | / |
| Aspects effecting employee turnover in SMEs (FD) | No extent | 4.06 | 1 | / | - | - | ** |
| | Small extent | 4.03 | 2 | - | / | - | ** |
| | Moderate extent | 3.92 | 3 | - | - | / | ** |
| | Large/very large extent | 2.61 | 4 | ** | ** | ** | / |

** = Statistically significant at the 1% level ($p < 0.01$)

The data in Table 18 indicates that there is a direct relationship between factors influencing selection procedures (FB) and the extent of belief in what the selection process consists of (A9) in the sense that the greater the belief in what the selection process consists of, the larger is the

score on factors influencing selection procedures (FB2.0). Similar relationships are present regarding the second factor, namely, the techniques influencing selection procedures. The group with a large to very large belief in what the selection process consists of, agrees to a larger extent with the factor the techniques influencing selection procedures (FC2) than do the no extent of belief group. This direct proportion is shown in Figure 11

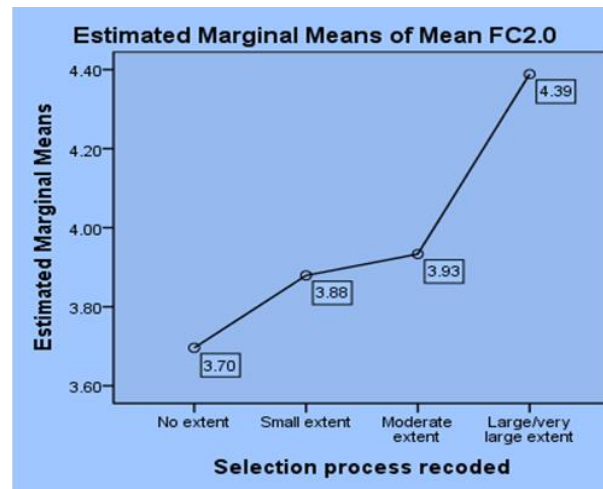


Figure 11: Line graph showing the relationship between the mean scores of the four extent of belief groups (A9) regarding the effect of selection techniques on employee turnover (FC2)

The factor means of the four belief groups in what the selection process consists of (A9) shows an inverse proportion with aspects effecting employee turnover in SMEs (FD). Thus the smaller the extent of belief in what the selection process consists of, the greater is the extent of agreement with the aspects influencing employee turnover (FD). This inverse relationship is shown in Figure 12 and correlates with previous findings regarding the negative correlation of FD.

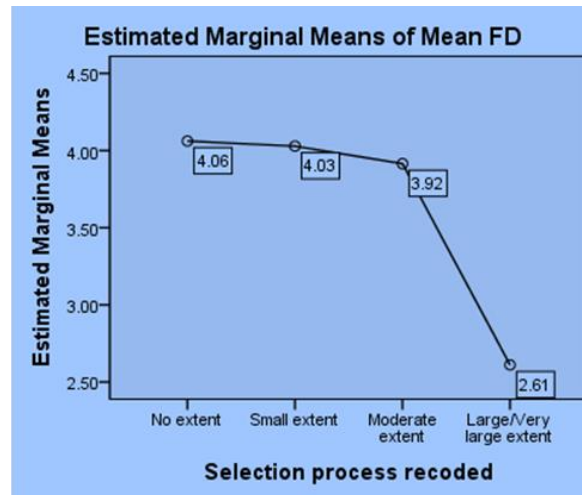


Figure 12: Line graph showing the relationship between the mean scores of the four extent of belief groups (A9) regarding aspects effecting employee turnover in SMEs (FD)

4.6.5 Comparing the frequency of conducting selection exercises groups regarding the three factors (A10)

The five original categories on the scale provided were collapsed to three, namely, frequently and very frequently (Group 1), occasionally formed group 2 and rarely and never became group 3. The MANOVA test indicated that the vector means of the three groups compared together differed statistically significantly ($\Lambda F(6.0) = 4.79$; $p < 0.0005$; $r = 0.26$). At the univariate level statistically significant differences were only found in the factor techniques influencing selection procedures (FC2.0) with respect to the three frequency of conducting selection exercises groups. Hence only the data applicable to this factor are displayed in Table 20.

Table 20: Pair-wise comparisons of the three frequency of conducting selection exercises groups (A10_Rec) with respect to the techniques influencing selection procedures (FC2)

| Factor | Frequency of conducting selection exercises | Mean score | Scheffé/Dunnett T3 | | | |
|--|---|------------|--------------------|----|----|----|
| | | | | 1 | 2 | 3 |
| Techniques influencing selection (FC2) | Frequently/Very frequently | 3.69 | 1 | / | - | ** |
| | Occasionally | 3.65 | 2 | - | / | ** |
| | Rarely/Never | 4.07 | 3 | ** | ** | / |

** = Statistically significant at the 1% level ($p < 0.01$)

Those respondents who indicated that they never or rarely conduct selection exercises had the highest factor mean (4.07) indicating that they agree with the factor that the techniques influence selection procedures (FC2.0). Thus although all three frequency of selection exercise groups tend to partially agree with the factor the group who never to rarely conduct such exercises, agreed with the factor to a statistically significantly greater extent than did the other two groups. The group who never to rarely conduct such exercises probably already conduct the techniques influencing selection procedures and hence they do not see the need to conduct any selection process exercises. As factor FC2.0 is composed of two underlying factors further investigation revealed that although both factors are involved in the differences found, the factor concerned with perceptions of procedural fairness in selection processes (FC1.2 - consistency, objectivity, and confidentiality) had the larger effect size and hence was considered, by this group of respondents, to be the most important factor underlying techniques influencing selection (FC2.0)

[$FC1.1 - F(2,207) = 3.53; p < 0.05; r = 0.16$; $FC1.2 - F(2,207) = 26.91; p < 0.0005; r = 0.45$]

The relationship of FC1.2 with the frequency of selection exercises is shown in Figure 13

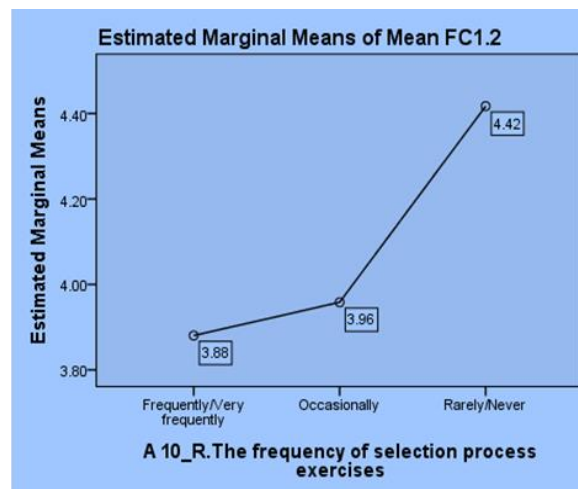


Figure 13: Line graph showing the relationship between the mean scores of the three frequency of conducting selection exercises groups (A10) regarding factor FC1.2

4.7 SYNTHESIS

4.7.1 Factors involved with selection processes and employee turnover in SMEs

Factor analysis technique was used for data collected via the questionnaire to determine the underlying structure present. The items in Section B were found to consist of two first-order factors which were connected to work related issues influencing selection (FB1.1) and personal characteristics influencing selection (FB1.2). These two first-order factors form the structure on which factors influencing selection procedures (FB2.0) were built. The items in section C of the questionnaire indicated that the second-order factor, techniques influencing selection procedures (FC2.0) were composed of two underlying first-order factors, namely, objectivity of psychometric testing used in selection (FC1.1) and perceptions of procedural fairness (FC1.2). The items in Section D of the questionnaire could be reduced to one factor, namely, aspects influencing employee turnover (FD). The negative loading and correlations of the factor involved with employee turnover (FD) indicated that the better the selection procedures were perceived to be, the smaller were the aspects effecting employee turnover in SMEs. The composition of the factors involved with selection procedures and the effect on employee turnover in SMEs, is shown in Figure 14.

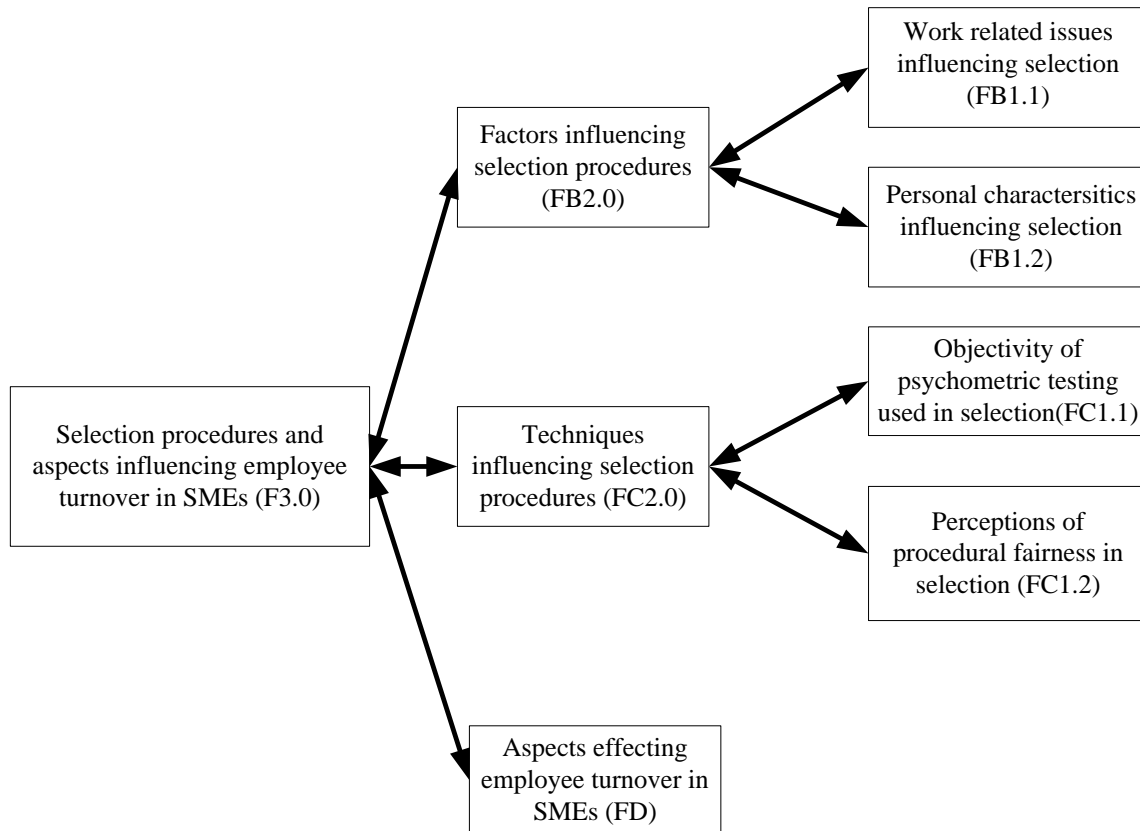


Figure 14: Diagram showing the factors underlying selection procedures and aspects influencing employee turnover in SMEs.

The effect of selection processes on employee turnover is thus positive in the sense that the better the selection processes (relative to work related issues, personal characteristics, objectivity of psychometric testing and procedural fairness) are perceived to be, the smaller will be the aspects effecting employee turnover in SMEs and vice-versa.

With respect to the factor aspects influencing selection procedures (FB2.0) respondents agreed most strongly with the item dealing with “an applicant’s skills should be the most important criterion in the selection process”. Respondents disagreed most strongly with the item “my organisation’s selection policy makes provision for the race quotas of the EEA of 1998”.

Regarding the factor “techniques influencing selection procedures (FC2.0)” respondents agreed most strongly with the items concerned with the confidentiality and consistency of the selection processes, indicating they regarded procedural fairness as particularly important.

With respect to the factor involved with aspects effecting employee turnover (FD), respondents agreed most strongly with the items “employee turnover is expensive for my organisation”, and “employee turnover is a challenge to my organisation”.

4.7.2 Associations between the factors influencing selection (FB) and the independent variables in the sample.

4.7.2.1 Ethnic classification (A6)

Statistically black respondents disagreed significantly more strongly with the factors influencing selection than white respondents did. The association was stronger in the factor personal characteristics influencing selection procedures (FB1.2) as it had a larger effect size ($r=0.28$) compared to the work related issues influencing selection (FB1.1), which had an effect on size or 0.16.

4.7.2.2 Organisational size (A1)

The larger the organisational size, the larger the extent of agreement with factors influencing selection. The differences in the extent of agreement was larger in the personal characteristics influencing selection (FB1.2) than it was in the work related issues (FB1.1) indicating the greater importance assigned by the respondents in larger organisations to the personal factors influencing selection.

4.7.3 Extent of belief that the selection process is one of collecting and evaluating information about an individual in order to extend an offer of employment (A9)

There was a direct relationship between factors influencing selection procedures (FB) and the extent of belief in what the selection process consists of (A9). The greater the belief in what the selection process consists of, the larger was the score on factors influencing selection procedures (FB2.0). The direct association was also present in both the work related issues (FB1.1) and in the personal factors influencing selection (FB1.2).

4.7.4 Associations between the techniques influencing selection (FC 2.0) and the independent variables in the sample.

4.7.4.1 Marital status (A3)

There was a statistically significant association between marital status groups and techniques influencing selection in that married respondents agreed less strongly with the factor than did the single, divorced and widowed group. This was the case for both the objectivity of psychometric testing (FC1.1) and procedural fairness (FC1.2).

4.7.4.2 Ethnic classification (A6)

There was a direct association between ethnic classification and the techniques influencing selection where white respondents had a statistical significantly higher factor mean than black respondents. This association was greater in the factor (FC1.1) related to the objectivity of the psychometric tests involved with selection.

4.7.4.3 Highest level of education (A5)

As the educational qualifications increased so did the extent of agreement with the factor techniques influencing selection procedures (FC2). Respondents with degrees or higher qualifications agreed to a greater extent with the items in the factor than did respondents with lower educational qualifications. This direct relationship was present in both the objectivity of psychometric testing (FC1.1) and in the perceptions of procedural fairness in selection (FC1.2) with the procedural fairness being rated the more important factor.

4.7.4.4 Highest level of education (A5)

There was a direct association between respondents extent of agreement with the techniques influencing selection procedures. The larger the extent of agreement that the EEA had influenced the selection processes, the larger was the agreement with techniques influencing selection. This association was stronger in the procedural fairness on the selection process factor (FC1.2).

4.7.4.5 Extent of belief that the selection process is one of collecting and evaluating information about an individual in order to extend an offer of employment (A9)

There was a direct association between the belief of what the selection process consisted of and the techniques influencing selection procedures (FC2.0). The group with a large to very large

belief in what the selection process consisted of, agreed to a larger extent with the factor (FC2) than did the no extent of belief group.

4.7.4.6 Frequency of selection process exercises (A10)

There was an inverse association between the frequency of selection exercises and the techniques influencing selection as the group who never to rarely conduct such exercises agreed with the factor to a statistically significantly greater extent than did the persons who occasionally and frequently conducted such exercises. The factor concerned with perceptions of procedural fairness in selection processes (FC1.2 - consistency, objectivity, and confidentiality) had the larger effect size and hence was considered, by this group of respondents, to be the most important factor underlying techniques influencing employee turnover (FC2.0).

4.7.5 Associations between the aspects effecting turnover (FD) and the independent variables in the sample

4.7.5.1 Organisational size (A1)

There was a direct association between organisational size and aspects effecting employee turnover. The larger the organisational size, the stronger the agreement with the aspects effecting employee turnover.

4.7.5.2 Ethnic classification (A6)

There was a significant association between ethnic classification and aspects influencing employee turnover in SMEs (FD) in that black respondents' agreed to a statistically significantly greater extent with the items in the employee turnover factor than did white respondents.

4.7.5.3 Extent of influence of the EEA of 1998 on selection processes (A8)

There was an inverse association between the factor aspects effecting employee turnover (FD) and the extent of influence of the EEA of 1998 on selection processes in the sense that the larger the extent of influence of the EEA on selection processes was perceived to be, the smaller was the score on the factor aspects effecting employee turnover in SMEs (FD). Employee turnover was thus negatively correlated with the extent of influence of the EEA of 1998 on selection processes ($r = -0.264$; $p < 0.0005$).

4.7.5.4 Extent of belief that the selection process is one of collecting and evaluating information about an individual in order to extend an offer of employment (A9)

There was an inverse association between the belief groups in what the selection process consists of (A9) and aspects effecting employee turnover in SMEs (FD). The smaller the extent of belief in what the selection process consists of, the greater was the extent of agreement with the aspects influencing employee turnover (FD).

4.7 CONCLUSION

This chapter documents the empirical results of the study. This highlighted a detailed discussion of the pilot study as well as the main survey. A descriptive analysis of section A was undertaken. Tables depicting frequencies and percentages were used to describe the demographic information of respondents. Inferential statistics, such as factor analysis and bivariate correlations were undertaken on items in sections B, C and D of the research instrument. The effect of selection processes on employee turnover was shown to be composed of three underlying factors, namely, factors influencing selection procedures, techniques influencing selection procedures and aspects effecting employee turnover in SMEs. The selection factors were found to be positively correlated to one another but had a negative correlation with the turnover factor. Significant statistical associations were found to be present between the factors and the size of the organisations, marital status, level of educational qualifications, ethnic classification, the extent of influence of the EEA on selection processes, the belief of what the selection process consists of and the frequency of selection process exercises.

The next chapter provides a general overview of the entire study. An indication of where the theoretical and empirical objectives are achieved is indicated, while conclusions, the limitations of the study and implication for future research are also discussed.

The effect of selection processes on employee turnover is thus positive in the sense that the better the selection processes (relative to work related issues, personal characteristics, objectivity of psychometric testing and procedural fairness) are perceived to be, the smaller will be the aspects effecting employee turnover in SMEs and vice-versa.

The effect of selection processes on employee turnover was shown to be composed of three underlying factors, namely, factors influencing selection procedures, techniques influencing selection procedures and aspects effecting employee turnover in SMEs. The selection factors were found to be positively correlated to one another but had a negative correlation with the turnover factor. Significant statistical associations were found to be present between the factors and the size of the organisations, marital status, level of educational qualifications, ethnic classification, the extent of influence of the EEA on selection processes, the belief of what the selection process consists of and the frequency of selection process exercises.

CHAPTER FIVE

SUMMARY, FINDINGS AND RECOMMENDATIONS

5.1 INTRODUCTION

Chapter four reported on the analysis and results of the empirical findings. The pilot study and main survey results were analysed. Exploratory factor analytic and correlation techniques were utilised as were tests for investigating significant differences between independent groups present in the sample. The reliability and validity of the measuring instrument were also highlighted. This chapter concludes this dissertation by providing the conclusions drawn from major findings of the research. It also includes the recommendations from the study, as well as its limitations and implications for future research.

5.2 SUMMARY OF THE RESEARCH

The main purpose of this study was to determine the effect of selection processes on employee turnover in small and medium enterprises. In chapter one, the problem statement was discussed. In addition, the theoretical and empirical objectives of the study were also discussed.

Chapter two provided an overview of the literature on the causes of employee turnover and the effects of selection as an HR practice in small and medium enterprises

The emphasis on chapter three was on the design and the research method utilised in the study. The sampling and data collection method used were discussed. The method of data analysis and statistical techniques were outlined.

Chapter four dealt with the presentation, analysis and interpretation of the data analysis. It also included the statistical analysis of the data, the reliability and the validity of the measuring instrument.

Chapter five is a summary of the pertinent findings of the study. Recommendations emanating from the study are also discussed while the limitations and implications for further research are outlined.

5.3 THE PROBLEMS ADDRESSED IN THE RESEARCH

The dearth of research into selection as a human resource practice in SMEs with particular emphasis on their employee turnover is probably due to the fact that HR practitioners, the managers and or owners of the SMEs, often ignore personnel or human resource issues, such as recruitment and selection. Selection procedures can either increase or reduce employee turnover in SMEs.

The problem addressed the perception of employers regarding selection processes and aspects effecting employee turnover in SMEs in Sunnyside and the CBD area in Pretoria. This effect of selection processes on employee turnover was shown to be composed of three underlying factors, namely, those influencing selection procedures, techniques influencing selection procedures and aspects effecting employee turnover in SMEs. The factors and techniques influencing selection procedures were positively correlated to one another while they both had a negative correlation with aspects effecting employee turnover in SMEs. Thus the deduction was that the better the selection procedures were perceived to be, the smaller was the turnover in SMEs in the sample of respondents under investigation.

5.4 THE SUMMARISED RESEARCH OBJECTIVES

5.4.1 Theoretical objectives

The theoretical objectives for the study were achieved through the review of relevant literature. The following theoretical objectives were formulated at the beginning of the study (refer to Section 1.3.2.1). With respect to the theoretical objectives, data was obtained from various sources including journal articles and textbooks. They were to:

- review the literature on the factors influencing employee turnover in organisations in general;
- identify the techniques influencing selection procedures in SMEs; and
- identify from the literature, the effects of selection processes on employee turnover on SMEs and possible solutions to turnover problems in SMEs.

5.5 FINDINGS FROM THE LITERATURE STUDY

A current need thus exists to understand the effects of selection processes as a HRM practice on employee turnover in SMEs. The following theoretical objectives in section 1.3.2.1 were achieved in the study.

Theoretical objective one: the factors influencing employee turnover were extrinsic factors, such as job satisfaction, pay, the job itself, career promotion, perception of fairness of manager (see 2.6.6.1) and the intrinsic motivational factors, such as responsibility and autonomy given, interesting and challenging work and advancement opportunities (job fit, personality, age, gender and marital status) (see 2.6.6.2).

Theoretical objective two: techniques influencing selection procedures in SMEs were relevant experience, education, relocation, salary requirement (see 2.5.2).

Theoretical objective three: effects of selection processes on employee turnover in SMEs were inappropriate selection in pre-employment tests, inadequate selection technique, biased and unfair selection processes, lack of consistency and confidentiality of selection processes and losses the organisation in terms of quality, productivity, reliability and corporate image (see 2.9.2). The possible solutions to turnover problems in SMEs, the EEA Act of 1998 promoting equal opportunities and fair treatment in employment through the elimination of unfair discrimination and policy on recruitment and selection (which provide guidelines to ensure equitable and fair recruitment).

5.6 FINDINGS FROM THE EMPIRICAL RESEARCH

5.6.1 Empirical objectives

The following empirical objectives were formulated at the beginning of the study (refer to Section 1.3.2.2). To identify:

- the factors influencing selection procedures in SMEs;
- the techniques influencing selection procedures in SMEs by analysing the data collected;
- and

- the aspects effecting employee turnover in SMEs in Sunnyside and the CBD area in Pretoria.

The following empirical objectives in section 1.3.2.2 were achieved in the study.

Empirical objective one

The factor found from a factor analysis of the data of the 12 items was named factors influencing selection procedures in SMEs (FB2.0). It was found to be composed of two underlying first-order factors, namely, work related issues (FB1.1) and personal characteristics (FB1.2) influencing selection procedures. Respondents agreed most strongly with the item dealing with “an applicant’s skills should be the most important criterion in the selection process” while disagreeing most strongly with the item “my organisations’ selection policy makes provision for the race quotas of the EEA of 1998”. The skills aspect can be seen as objective selection criterion whilst the race quotas item can be seen as subjective selection criterion. In the South African legal context both these items influence perceptions to a significant extent. There was also a direct positive association between the factors underlying the selection procedures and the belief in what the selection process consists of. This indicates that organisations should ensure that their employees have a good understanding of the various factors involved in the selection procedures. There was also a statistically significant association between ethnic classification and factors influencing selection procedures where respondents perceived the personal characteristics factor (FB1.2) as having a more important effect than the work issues factor (FB1.1). In addition, the larger the organisation was, the stronger the agreement with the personal characteristics factor (FB1.2). There thus appears to be an imbalance regarding the extent of agreement with respect to the use of work related issues and personal characteristics when it comes to selection procedures as one would expect issues, such as skills and experience to be more important when employees are selected. The issue of ethnic classification in selection procedures seems to depend on how the EEA affects one. If it is to your advantage you would probably support it and vice versa.

Empirical objective two

The 10 items contained in Section C were reduced to one factor, which was named techniques influencing selection procedures in SMEs (FC2.0). This first-order factor constituted two first-order factors, namely, the objectivity of psychometric testing used (FC1.1) and perceptions of procedural fairness (FC1.2) in selection procedures. Regarding the items present in the factor techniques influencing selection procedures (FC2.0) respondents agreed most strongly with the items concerned with the confidentiality and consistency of the selection processes, indicating they regarded procedural fairness as particularly important. There was also a statistically significant association between the techniques factor and the EEA and respondents who were married, where married respondents agreed less strongly with both the objectivity factor (FC1.1) and the procedural factor (FC1.2). The white respondents also agreed significantly more strongly than black respondents regarding the influence that the EEA had on techniques influencing selection procedures. This was expected as the EEA is an attempt to obtain racial equity in the work place by using measures of affirmative action which could be seen by white respondents as being to their disadvantage with respect to selection procedures. There was also a significant association between the level of education of the respondents and their extent of agreement with the selection factor. The higher the qualification provided the stronger the agreement with the techniques influencing selection procedures.

Empirical objective three

The 10 items present in Section D was reduced to one factor, which explained 69.2% of the variance present. The factor was named aspects effecting employee turnover (FD). It was significantly associated with organisational size in that the larger the organisation, the larger the extent of agreement with the aspects influencing employee turnover. It seems logical that larger organisations will be more effected by employee turnover than smaller ones. Ethnic classification was also associated with employee turnover and black respondents agreed more strongly with this turnover factor than white respondents. The EEA had an inverse association with the aspects effecting employee turnover in that as the influence of the EEA is deemed to be larger so the agreement with the aspects effecting turnover decreases. The aspects effecting employee turnover (FD) consists mostly of items related to financial issues and productivity

whereas the EEA is a political mandate which influences the selection procedures. However, this does not mean the one causes the other as there are other variables involved that mediate the effect.

5.7 RECOMMENDATIONS

Based on the findings of this study, a number of recommendations on best selection procedures and employee turnover are suggested. These may assist in determining best selection practice, which includes a system that monitors hiring patterns to ensure positive movement toward employee quality and turnover reduction goals.

Employee Selection is the process of putting the right person in the right job. It is a procedure of matching organisational requirements with the skills and qualifications of people. Effective selection can be done only when there is effective matching.

- i) With respect to the factor aspects influencing selection procedures (FB2.0), respondents agreed most strongly with the item dealing with “an applicant’s skills should be the most important criterion in the selection process”. It is recommended that the organisation should stop experimenting with people possessing irrelevant or unwanted skills and experiences at certain levels especially in a hierarchical organisation. Getting a wrong person in that level can cost an organisation much more than the total salary paid to that particular individual.

The appropriate requirements for choosing selection devices should be used. Firstly, the device must measure the KSAs (Knowledge, Skills and Abilities) the selection specialist has identified as needed for the job. Many selection devices can be purchased or have been developed by organisations to measure broad KSAs rather than the specific KSAs for a particular job.

A recruitment and selection strategy, where the task of recruitment and selection is either done fairly or outsourced to eliminate corruption and to ensure job fit, is of utmost importance. This is consistent with the White Paper on HRM (1997), which states that selection should be guided by principles such as fairness, equity and transparency.

- ii) Respondents disagreed most strongly with the item “my organisations’ selection policy makes provision for the race quotas of the EEA of 1998”. It would thus seem as if the EEA of 1998 and its amendments have made the personal characteristics influencing selection procedures more subjective, especially in larger organisations. It is recommended that selection procedures in SME’s should not be associated with political mandates, such as the EEA of 1998, or at best more attention should be given to the provisions of the inherent requirements of a particular job as per Section 9 of the Constitution.
- iii) Regarding the factor techniques influencing selection procedures (FC2.0) respondents agreed most strongly with the items concerned with the confidentiality and consistency of the selection processes, indicating they regarded procedural fairness as particularly important.

According to the Employment Equity Act (as amended), Section 8 of Chapter II, psychological testing and other similar assessments of an employee is prohibited unless the test or assessment is being used, and that the test:

1. has been scientifically shown to be valid and reliable;
2. can be applied fairly to all employees; and
3. is not biased against any employee or group.

It is recommended that employers should be consistent and adhere to the rules. Procedural fairness in selection processes is vital. Cultural barriers or differences should be eliminated from the use of psychometric testing.

- iv) In the factor involved with aspects effecting employee turnover (FD), respondents agreed most strongly with the items “employee turnover is expensive for my organisation” and “employee turnover is a challenge to my organisation”.

Employee turnover is expensive from the view of the organisation. Attention needs to be paid to the issue of employee turnover because it has significant effects on organisations. Better management of employee turnover involves assessing the amount and types of

turnover that are acceptable within the industry, exploring possible reasons for turnover, and considering what the organisation can do to retain more employees. Managing employee turnover to improve retention can lead to better selection processes, lower costs, improved morale and a better knowledge base.

Organisations can, for example, use confidential attitude surveys, which include questions on intention to leave and questionnaires sent to former employees on a confidential basis around six months after their departure to know the real reason they left.

Employee turnover must be managed properly in order not to affect the organisation adversely in terms of personnel costs and in the long run liquidation.

In addition, organisations should develop equal opportunities policies, review recruitment and selection literature to ensure it gives an accurate picture of the organisation and regularly update the quality of induction and training offered.

5.8 LIMITATION OF THE STUDY

As with every study of this nature, this study also has its limitations which are discussed as follows:

Three main limitations to the study were identified. Firstly, the limited scope of the study, being only one HR function, (selection) does not promote generalisation of the findings. Secondly, the evaluation could typically have included other HR functions like training and development, recruitment, termination, conflict resolution, performance appraisal, regulatory compliance, in SMEs. Thirdly, the classification and registration of SME's in Pretoria. As such, the results should be treated with caution when drawing conclusions. The findings may not be applicable to SMEs in other provinces or countries. Despite these limitations, the study contributes to knowledge of the human resources management with respect to selection processes use in SMEs.

5.9 IMPLICATIONS FOR FUTURE RESEARCH

Despite the limitations discussed above, this study could be a point of departure for future research studies. This research adds to the knowledge base in the field of HRM practices in micro and medium sized firms. Medium sized enterprises have developed more regarding formalisation and sophistication when compared to micro firms; greater utilisation of outside employment consultants to enhance the quality of the applicant pre-screening process. Further research in selection process ethics, legal aspects of selection and recruitment, employee turnover and retention strategies, guidelines to selection procedures in other provinces and beyond South Africa, might be conducted to further validate the findings. Other potential research could investigate the extent to which HRM practices do (or do not) influence a particular organisation's success. Furthermore, it is recommended that new studies seek clarification on the different HRM functions required to assist organisations in sustaining growth, such as training and development.

Further study is needed to develop a better understanding of selection process ethics, employee turnover reduction through the use of pre-employment applications demographics.

A replication study should be conducted when the economy improves to see if results would differ as employment conditions change and options become more readily available. This study was conducted at a time when the national economic conditions were not favourable as unemployment was hovering at 25.6% (statistics labour force 2013).

5.10 CONCLUSION

The selection process should play a more active role in small enterprises to reduce costs associated with employee turnover and increase productivity as well as profitability. This study confirms the result that opinions in section B were diverse. Selection procedures in SME's seem to be associated with political mandates, such as the EEA of 1998 and items deemed to be political in nature often give rise to uncertain responses. It would thus seem as if the EEA of 1998 and its amendments have made the personal characteristics influencing selection procedures more subjective, especially in larger organisations. Selection can either increase or reduce employee turnover in SMEs.

The findings regarding the factor aspects effecting employee turnover show that the larger the organisational size, the smaller the extent of agreement with the factor. Respondents thus indicate that the more employees they have, the less they agree that aspects other than selection procedures effect employee turnover in SMEs. It seems logical that smaller organisations will be more effected by the loss of employees as it will influence their productivity to a larger extent. On the other hand, it could be that the larger organisations make more frequent use of the selection procedures as present in the other two factors.

This study confirms the result from previous studies on employee turnover effects on SMEs. Sundar and Kumar (2012:12) pointed out that most small and medium entrepreneurs are of the view that professional management of human resources is applicable only to large scale organisations. Dun and Bradstreet (2001:11) in turn, showed that managerial incompetence, especially in the field of HRM, is the main cause of failures in smaller firms. It is therefore not surprising that research on HRM in small businesses is recently receiving increased attention.

Many researchers argue that high employee turnover rates might have negative effects on the profitability, productivity of organisations, if not managed properly.

Therefore the usefulness of employee selection decisions should be viewed in terms of its effect over time. The future interests of both parties must be considered in the selection process or the result will be less than optimal. Rapid and costly turnover, lower performance levels, and friction between an employee and an organisation are among the results of a mismatch of interests (Barrick *et al.* 2011:7).

Findings of previous studies (Barrick *et al.* 2011:13) pointed out that validation of procedures is one of the steps in developing selection programmes and the purpose is to provide evidence that data from the selection instruments are related to job performance. There are several ways to validate the selection process, either by empirical validation in which two data sets are collected to see whether they correlate with one another, or by using appropriate statistical tests to determine the validity of the construct being used. This is in line with this study; the selection factors were found to be positively correlated to one another but had a negative correlation with the turnover factor.

This study also confirms the result from a previous study by Cooper *et al.* (2003: 16), which indicated that cost-benefits of a selection process is determined by the validity of the process, the value of good performance, the costs of the selection procedures, consistency, and the tenure of employment. Barrick *et al.* (2011:12) suggested that (KSAs) knowledge, skills and ability become the basic pool of characteristics (criteria) to be evaluated in applicants.

In concluding this study, it is pertinent to note that it provides evidence to support previous studies that skills requirement, procedural fairness in selection processes, consistency, objectivity and confidentiality are the most important factors underlying the effect of selection techniques on employee turnover. Employee turnover is expensive from the view of the organisation. The benefits from all the work that goes into producing a valid selection approach and controlling costs will soon be eroded if the organisation has a high staff turnover rate.

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ANNEXURE A – COVER

Department of Human Resource Management

Vaal University of Technology.

Dear Participant,

RESEARCH PROJECT

I am conducting a Masters Research study on **the effect of selection processes on employee turnover in small and medium enterprises in Pretoria** in fulfillment of the requirement for the award of M. Tech. Degree, Business Administration in the Faculty of Management Sciences.

You are kindly requested to complete the attached questionnaire. The information you provide will be treated with the strictest confidentiality and you will remain anonymous. The responses will be used for research purposes only.

Thanking you in anticipation of your cooperation, time and effort in completing the questionnaire.

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ANNEXURE B QUESTIONNAIRE

THE EFFECT OF SELECTION PROCESSES ON EMPLOYEE TURNOVER IN SMALL AND MEDIUM ENTERPRISES IN PRETORIA

The researcher is investigating factors influencing selection procedures, employee turnover, and possible effect of employee turnover in SMEs.

Section A: General information

This section seeks general information about you. It is important to obtain this information as we value your opinion regarding the selection processes used. This information will be used for research and academic purpose only. Please indicate your response by crossing (X) on the appropriate block or filling in your answer.

Section A: Biographical Information

1. Please indicate the size of your organisation

| Size of enterprise | Number of employees (Depending on industry) | |
|--------------------|--|---|
| Micro | Fewer than 5 | 1 |
| Very small | Fewer than 10 to 20 | 2 |
| Small | Fewer than 50 | 3 |
| Medium | 51 – 200 | 4 |

2. Kindly indicate your gender.

| | |
|--------|---|
| Female | 1 |
| Male | 2 |

3. Please indicate your marital status

| | |
|----------|---|
| Single | 1 |
| Married | 2 |
| Divorced | 3 |
| Widowed | 4 |

4. Please indicate the age group to which you belong.

| | |
|-------------------|---|
| 18 – 25 yrs. | 1 |
| 26 – 33 yrs. | 2 |
| 34 – 41 yrs. | 3 |
| 42 – 49 yrs. | 4 |
| 50 yrs and above. | 5 |

5. Please indicate your highest level of education

| | |
|------------------------------|---|
| Grade 12 ----- | 1 |
| Certificate----- | 2 |
| Diploma----- | 3 |
| Degree----- | 4 |
| Honours degree----- | 5 |
| Masters Degree----- | 6 |
| Others (please specify)_____ | 7 |

6. Please indicate your ethnic classification

| | |
|-----------------------------|---|
| White | 1 |
| Black | 2 |
| Coloured | 3 |
| Indian | 4 |
| Other (Please Specify)_____ | 5 |

7. Years of experience in Human Resource Management?

| | |
|------------|---|
| 3 or Less | 1 |
| 4 – 6 | 2 |
| 7 – 9 | 3 |
| 10 or more | 4 |

8. In your opinion to what extent has the Employment Equity Act No. 55 of 1998 influenced the selection processes used by your organisation?

| | |
|------------------------|---|
| To no extent | 1 |
| To a small extent | 2 |
| To a moderate extent | 3 |
| To a large extent | 4 |
| To a very large extent | 5 |

9. In your opinion to what extent do you believe that selection process is process of collecting and evaluating information about an individual in order to extend offer of employment?

| | |
|------------------------|---|
| To no extent | 1 |
| To a small extent | 2 |
| To a moderate extent | 3 |
| To a large extent | 4 |
| To a very large extent | 5 |

10. My organisation undergoes selection process exercise?

| | |
|-----------------|---|
| Never | 1 |
| Rarely | 2 |
| Occasionally | 3 |
| Frequently | 4 |
| Very frequently | 5 |

For the remainder of this questionnaire please indicate the extent to which you agree or disagree with each statement by crossing (X) on one of the five numbers beside each statement. Use the following scale. (1= strongly disagree, 2=disagree, 3= neither agree nor disagree, 4= agree 5= strongly agree. There are no rights or wrong answers.

SECTION B

In sections B, C and D of the questionnaire we need your opinion about each statement provided. Please indicate your extent of agreement or disagreement by placing a cross over the appropriate number as indicated in the example below:

Example

The Employment Equity Act of 1998 emphasises your racial category above merit?

(If you **strongly disagree** with the statement then **mark 1**. If you **disagree** then **mark 2**; if you are **uncertain in your response** then **mark 3**; if you **agree** **mark 4** and if you **strongly agree** then **mark 5**)

(In the example this person strongly disagreed with the statement)

| | | | | | | | |
|---|-------------------|-------------------------------------|---|---|---|---|----------------|
| Employment Equity Act of 1998 emphasises your racial category above merit | Strongly disagree | <input checked="" type="checkbox"/> | 2 | 3 | 4 | 5 | Strongly agree |
|---|-------------------|-------------------------------------|---|---|---|---|----------------|

SECTION B: Factors influencing selection procedures in SMEs

| | Items | Strongly disagree | Disagree | Neither agree or disagree | agree | Strongly agree |
|-----|--|-------------------|----------|---------------------------|-------|----------------|
| B1 | An applicant's experience should be the most important selection criterion? | 1 | 2 | 3 | 4 | 5 |
| B2 | Not having relevant experience in the field of work applied for affects the selection process? | 1 | 2 | 3 | 4 | 5 |
| B3 | An applicant's skills should be the most important selection criterion? | 1 | 2 | 3 | 4 | 5 |
| B4 | The willingness to relocate can affect an applicant's selection? | 1 | 2 | 3 | 4 | 5 |
| B5 | Sourcing applicants from another city is more reliable | 1 | 2 | 3 | 4 | 5 |
| B6 | Accepting an offer of employment is largely determined by benefit package offered? | 1 | 2 | 3 | 4 | 5 |
| B7 | Accepting an offer of employment is largely determined by the salary offered? | 1 | 2 | 3 | 4 | 5 |
| B8 | An applicant's level of education should be the most important selection criterion? | 1 | 2 | 3 | 4 | 5 |
| B9 | Having knowledge about an organisation's vision can affect an applicant's selection process? | 1 | 2 | 3 | 4 | 5 |
| B10 | The selection criteria we use for screening an applicants' resume are satisfactory? | 1 | 2 | 3 | 4 | 5 |
| B11 | Using an employment consultant enhances the quality of the applicant pre-screening process? | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|-----|--|---|---|---|---|---|
| B12 | My organisations' selection policy makes provision for the race quotas of the Employment Equity Act of 1998? | 1 | 2 | 3 | 4 | 5 |
|-----|--|---|---|---|---|---|

SECTION C: Techniques influencing selection procedures in SMEs

| | Items | Strongly disagree | Disagree | Neither agree or disagree | agree | Strongly agree |
|----|--|-------------------|----------|---------------------------|-------|----------------|
| C1 | In the selection process reliable and valid psychometric tests must be used? | 1 | 2 | 3 | 4 | 5 |
| C2 | Intelligence tests may have a significant drawback on employee selection? | 1 | 2 | 3 | 4 | 5 |
| C3 | Interviews lack reliability because of the many variations they can take? | 1 | 2 | 3 | 4 | 5 |
| C4 | Interviews are popular selection processes because they do not take too much time? | 1 | 2 | 3 | 4 | 5 |
| C5 | Well-developed personality tests should be seen as an important part of selection process? | 1 | 2 | 3 | 4 | 5 |
| C6 | Ensuring consistency throughout the selection process can affect employee turnover? | 1 | 2 | 3 | 4 | 5 |
| C7 | Not ensuring confidentiality throughout the selection process can affect employee turnover? | 1 | 2 | 3 | 4 | 5 |
| C8 | Our organisation ensures all applicants are asked the same questions? | 1 | 2 | 3 | 4 | 5 |
| C9 | Our organisation ensures that the most appropriate selection practices are used to screen candidate? | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|-----|--|---|---|---|---|---|
| C10 | Our organisation ensures that the job description is based on a thorough analysis of the job concerned? | 1 | 2 | 3 | 4 | 5 |
| C11 | Best practice includes a system that monitor hiring patterns for employee quality? | 1 | 2 | 3 | 4 | 5 |
| C12 | When analysing the requirements of a particular job description, we make use of the views of present incumbents? | 1 | 2 | 3 | 4 | 5 |

SECTION D: Aspects effecting employee turnover in SMEs

| | Items | Strongly disagree | Disagree | Neither agree or disagree | agree | Strongly agree |
|----|---|--------------------------|-----------------|----------------------------------|--------------|-----------------------|
| D1 | Employee turnover is a challenge to my organisation? | 1 | 2 | 3 | 4 | 5 |
| D2 | Employee turnover is expensive for my organisation? | 1 | 2 | 3 | 4 | 5 |
| D3 | Employee turnover affects the profitability of our organisation? | 1 | 2 | 3 | 4 | 5 |
| D4 | Training of new employee is a financial burden to our organisation? | 1 | 2 | 3 | 4 | 5 |
| D5 | The reduction of staff in my organisation has had a negative impact on its production? | 1 | 2 | 3 | 4 | 5 |
| D6 | The loss of skilled employee in my organisation has increased complaints from customers? | 1 | 2 | 3 | 4 | 5 |
| D7 | The exit of skilled employees from our organisation has resulted in a reduction of the quality of our products? | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|-----|---|---|---|---|---|---|
| D8 | The exit of a talented employees has resulted in a decrease in our organisations overall performance? | 1 | 2 | 3 | 4 | 5 |
| D9 | Employee turnover in our organisation has negatively impacted staff morale? | 1 | 2 | 3 | 4 | 5 |
| D10 | My organisation makes use of an outside company that specializes in hiring of suitable employees? | 1 | 2 | 3 | 4 | 5 |

Thank you for your time and cooperation.