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The Effect of Selection Processes on Employee Turnover in Small and Medium Enterprises in Sunnyside, South Africa

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ABSTRACT The purpose of this study was to evaluate the effect of selection processes on employee turnover in small and medium enterprises in Sunnyside, Pretoria. A non-probability sampling technique was used and 210 questionnaires were returned, representing an eighty-four percent response rate. The empirical investigation indicated that the effect of selection processes on employee turnover was composed of 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 organizations, 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 conducted by the SMEs involved.

INTRODUCTION

The aim of human resource management (HRM) in South Africa (SA) is to put the necessary tools in the hands of those human resource (HR) specialists entrusted with HR decisions in organizations, and to empower them in order to avoid various psychological biases, unfair discrimination, and injustice (Warnich et al. 2014). Organizations need human resources to function, and in the modern competitive business environment, organizations are quickly realizing 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). The development of a selection program is a formidable task, even when dealing only with the measurement issues. It becomes even more complex when legal requirements that must be considered are added. Biased selection processes can result in hiring unsuitable people (false positives), or may lead to a failure to hire applicants who would have been suitable for the job (false negatives) (Price 2007; Warnich et al. 2011). Inappropriate selection costs organizations significant amounts of money because of the need to reinvest in the selection process and new employee training. Most empirical studies on human resource management practices (HRMP) in small businesses are still in an explorative stage and are mainly descriptive. Some researchers 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 et al. 2006).

In SA, small enterprises are described occasionally as businesses with an annual turnover of below the compulsory value added tax (VAT) registration limit (Department of Trade and Industry 2005). The guidelines, set down in the National Small Business Act (102 of 1996) and its Amendment (2003), define a small business as a "separate and distinct business entity, which includes cooperative enterprises and non-governmental organizations 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 and Pretorius 2004; Department of Trade and Industry 2008). SMEs have been identified internationally, recognized and acknowledged by governments as a priority to create jobs and

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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 recognizes the importance of developing a strong small and medium scale enterprise sector (Department of Trade and Industry 2008).

Although the longer term consequences of high labor turnover have been inadequately researched, its immediate harmful effects and high costs have recently been confirmed by Davidson et al. (2010). Torben (2003) reported that HR researchers have largely ignored the SME sector, despite the numerous benefits to the economy resulting from the sector. SMEs across the world and in SA in particular, still are 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, and SA has one of the lowest SME survival rates in the world (Gem Report 2001-2010).

The dearth of research on selection as a HR 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 HR issues such as recruitment and selection (Wright and Boswell 2007). Furthermore, Barrick et al. (2011) state that many individuals believe that formalized selection programs were developed by large organizations and are only used by such organizations because of the cost of development and the necessity of using selection specialists. 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 organization. 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).

A current need thus exists to understand the effects of selection processes as a HRM practice on employee turnover in SMEs. 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. In order to achieve the primary objective, theoretical objectives formulated are to review the factors influencing employee turnover in organizations in general, identify the techniques influencing selection procedures in SMEs, and identify aspects that effect employee turnover in SMEs. In addition, empirical objectives were formulated to support the primary and theoretical objectives. To investigate the perceptions of SMEs regarding the factors influencing selection procedures in SMEs, the techniques influencing selection procedures in SMEs by analyzing the data collected, and the aspects effecting employee turnover in SMEs have been studied in the Sunnyside area in Pretoria.

Literature Review

Small and Medium Enterprises in SA

Small business development in SA 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 SA estimated that ninety-one percent of formal business entities in SA are SMEs who contribute fifty-two to fifty-seven percent to the GDP and sixty-one percent to employment (Department of Trade and Industry 2011, National Credit Regulator 2011). 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 and Loggerenberg 2012: 213).

Employee Selection

Organizational 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 organization (Barrick et al. 2011). Ability is a function of two organizational practices, namely selection and training. Either an organization 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 organization. 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).

Selection is the process of collecting and evaluating information about an individual in order to extend an offer of employment. Such employment could be either 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 organization and of the individual (Barrick et al. 2011). Selection does not only refer to choosing people for their first jobs with the organization 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).

Employee Turnover

Turnover is defined as the ratio of the number of organizational members who have left during the period being considered, divided by the average number of people in that organization during the period (Ongori 2004). Rankin (2006) explains that turnover can be classified in three ways, that is, 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 on). Turnover fluctuates with economic cycles, for example during recession turnover often decreases. Turnover may disguise underlying problems such as dissatisfied staff or lack of new talent. The most obvious impact of turnover is that of increased costs, which are classified as separation costs, temporary replacement costs, recruitment and selection costs and induction and training costs. Ongori (2004) noted that turnover could be self-perpetuating in that it affects the morale of those who stay. There is a further intangible category, that of the skills and knowledge, which are lost to the organization when an employee leaves. This is difficult to quantify and assess, and again has implications for information sharing as well as for effective motivation.

The direct costs of turnover can be divided into two areas, namely, 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). Replacement costs, on the other hand, include advertising, recruitment, selection, induction and training, travel and relocation costs. Hinkin and Tracey (2000) state that indirect costs are higher than direct costs are. It is difficult to quantify and attach a financial value to indirect costs. However, 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 and Tracey 2000). According to Kaye and Jordan-Evans (2000), the cost of replacing lost talent is seventy to two hundred percent of that employee's annual salary.

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 organization due to dissatisfaction. Cooper et al. (2003) noted that the utility approach shows that cost-benefit 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 be eroded soon if the organization has a high staff turnover rate. However, there is also a growing realization 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 organization are among the results of a mismatch of interests (Barrick et al. 2011).

RESEARCH METHODOLOGY

The survey method was used to obtain relevant data, using a structured questionnaire consisting of four sections. Section A requested biographical data of the respondents. Section B comprised questions on factors influencing se-

lection processes in SMEs. Section C comprised questions on the techniques of selection. Section D comprised questions relating to aspects effecting employee turnover in SMEs. A 44-item questionnaire utilizing 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 et al. 2009).

Method of Data Collection

Respondents were targeted at various SMEs within the CBD in Pretoria. Ten field workers were employed for the survey, all trained in administering the questionnaire in order to ensure a high standard of professionalism. In addition, the researcher conducted fieldwork supervision in order to monitor fieldworkers effectively. The fieldworkers screened potential respondents by asking two screening questions, *"Are you a SME manager or owner?"* and *"Do you take HR decisions regarding selection of employees in your organization?"* before obtaining their willingness to participate in the survey. Those whose response was "yes" to both screening questions then were given the appropriate number of questionnaires for completion.

Statistical Analysis

In addition to the descriptive statistics, the measures of dispersion, which include the frequency of responses and cumulative percentage of frequency responses, were also computed for the three extracted factors in order to indicate the spread of the data, and to analyze the composition of the sample. The data on biographical information was analyzed using frequencies. Factor analysis using principal components analysis (PCA) and varimax rotation was utilized for the study (Gonen and Ozmete 2006).

The next step in the process was to calculate factor loadings, presenting the significance of each variable within the factor category. Exploratory factor analysis was conducted to reduce and summarize the data into factors. 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 first 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.

RESULTS AND DISCUSSION

Descriptive statistics illustrating the demographics of the sample are indicated in Table 1. The majority of enterprises can be described as very small and small (67.6%), respondents were equally represented in terms of gender, they were relatively mature in terms of age, the overall majority had a post-school qualification, more than

Table 1: Demographic characteristics of the sample

Demographic characteristics	*Frequency*	*Percentage*
Size of Enterprise		
Micro	39	18.6
Very small	79	37.6
Small	63	30.0
Medium	29	13.8
Total	210	100
Gender		
Male	107	51.0
Female	103	49.0
Total	210	100
Age Category		
18 - 25 years	9	4.3
26 - 33 years	52	24.8
34 - 41 years	81	38.6
42 - 49 years	58	27.6
50+ years	10	4.8
Total	210	100
Highest Level of Education		
High School education (Grade 12)	17	8.1
Certificate	30	14.3
Diploma	41	19.5
Degree	68	32.4
Honours degree	39	18.6
Master's degree	15	7.1
Total	210	100
Ethnic Classification		
White	66	31.4
Black	115	54.8
Coloured	7	3.3
Indian	15	7.1
Other	7	3.3
Total	210	100
Years of Experience		
3 or less years	58	27.6
4-6 years	53	25.2
7-9 years	48	22.9
10+ years	46	21.9
Unknown	52	2.4
Total	10	100

half of the respondents were Black and the majority (25.2%) had 4-6 years of work experience.

Inferential Statistical Analysis

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. Principal component analysis (PCA) with varimax rotation was used to explore the underlying structure of the data set. The correlation matrix indicated that items B4, B6, B7, B10 and B11 were correlated negatively 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 MSAs 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 percent 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 percent 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 2.

The mean score of 3.15 indicates uncertainty about the items posed. 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 a mean of 3.60, which leans towards agreement that relevant experience is one of the factors influencing the 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 organizations had selection policies, which made provision for racial quotas. According to the Employment Equity Act (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 (Labor Guide 2013). Of 210 respondents in the sample only 29 (13.8%) indicated that they were from organizations with more than 50 employers 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.

Table 2: 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		

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 percent of the variance present. A second-order factor analytic procedure resulted in one factor only, which explained 67.1 percent 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 3.

The mean value of 3.97 and median of 4.0 indicate 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" (X=4.42) and Item C6, "Ensuring consistency throughout the selection process can affect employee turnover" Item C4, "Interviews are popular selection processes because they do not take too much time" 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 *favor perceptions of procedural fairness in selection processes.*

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 affect 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 percent 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 4.

The factor mean of 3.69 and median of 4.0 indicates that the respondents tended towards

Table 3: Items involved in the factor techniques influencing selection procedures in SMEs (FC2.0)

Item	*Description*	*Mean*	*Loading FB1.1*	*Loading FB1.2*
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		

Table 4: 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	

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 organization" 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 affecting employee turnover in SMEs (FD) had a negative factor loading. This indicated that it was correlated negatively to the other two factors and 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.

It can be concluded 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.

Comparison of Two Independent Groups Regarding Three Factors

Section A consisted of various demographic and biographic variables, which this researcher grouped together or manipulated 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). The dependent variables are the various factors as determined in sections B, C and D, as the scores obtained by the respondents presumably are 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; Field 2009). There were three groups, namely gender, marital status and ethnic classification.

Comparing Gender Groups Regarding the Three Dependent Factors

No statistically significant differences could be found between male and female respondents regarding the factors influencing selection procedures (FB2.0) Both gender groups tended to be neutral with regard to their responses. With regard to the techniques influencing selection

procedures, (FC2.0) both gender groups tended towards agreement but the factor means did not differ statistically significantly from one another. In respect of the third factor, aspects affecting 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. 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.

Comparing Marital Status Groups (A3) Regarding the Three Factors

The original four categories were collapsed to two, namely married and others (single, divorced and widowed). A significant statistical difference was found between the marital groups regarding techniques influencing selection procedures (FC2.0). 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, as it could be due to numerous reasons such as that marriage imposes increased responsibilities that make a job more valuable and important, therefore, married employees are less likely to leave their jobs (Robbins et al. 2003; Chambers 1999).

Comparing Ethnic Classification Groupings 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 did. White respondents tended to partially disagree with the items in the factor while Black respondents tended to disagree with the factor. If one considers item B12 on its own ("My organizations' 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. In SA, 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. 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

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). 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 multicultural society such as SA. In the factor aspects affecting employee turnover in SMEs (FD), Black respondents tended to agree with the items in the factor, while White respondents partially disagreed with the factor. The effect size (r=0.4) indicated 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 organization.

A Comparison of Three or More Independent Groups Regarding the Three Factors

Comparing the Size of Organizations (A1) Regarding the Three Factors

There were four response categories to this item ranging from micro (< 5 employees) to medium (51 -200 employees) enterprises. The MANOVA test produced the following results in respect of the size of organizations [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 organizational 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 5.

The data in Table 5 indicates that the first two factors, aspects influencing selection procedures (FB2) and techniques influencing selection procedures (FC2), indicate a general trend, as the organization increases in size so respondents tend to agree more strongly with the items in the factor. Hence, the micro and very small organization size groups differ statistically significantly in their factor means from small and medium-sized organizations. The data in Table 6, concerned with aspects affecting employee turnover in SMEs (FD), shows an inverse proportion in the sense that the larger the organizational size, the smaller the extent of agreement with the factor. Respondents thus indicate

Table 5: 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)

Table 6: Pair-wise comparisons of the four educational qualification groups with respect to techniques influencing selection procedures (FC2)

Factor	*Group*	*Mean score*		*Scheffé/Dunnett T3*			
				1	*2*	*3*	*4*
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)

that the more employees they have, the less they agree with aspects affecting employee turnover in SMEs. It seems logical that smaller organizations will be more affected 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 organizations make more frequent use of the selection procedures, as present in the other two factors, the more applicants they probably attract.

Comparing the Educational Qualification Groups (A5) Regarding the Three Factors

The original six educational qualifications groups were collapsed to four as shown in Table 7. At the multivariate level the Wilks Lambda test (^) indicated that there was a significant difference between the vector means of the three factors taken together [^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 6.

The data in Table 6 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, and hence, the higher factor means.

Comparing the Opinion Groups as to the Extent that the EEA Influenced Selection Processes (A8) Regarding the Three Factors

Item A8 asked respondents about their opinion on the extent that the EEA No. 55 of 1998 had influenced the selection processes in their organization. There were originally five categories ranging from 'no extent' (1) to 'a very large extent' (5). At the multivariate level the Wilks Lambda test indicated that significant differences were present between the vector means of the three factors considered together [Ë 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.

The effect size of aspects affecting 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 pairwise comparisons of these two factors regarding the three extent of influence of the EEA groups on selection processes are provided in Table 7.

The data in the Table 7 indicates that those respondents who were of the opinion that the EEA to no extent influenced the selection techniques in their organization, had a statistically significantly lower mean score on the techniques influencing selection procedure factor (FC2.0) than those who believed that the EEA influence had a small to moderate effect. In the factor aspects affecting 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 than those who believed it to no extent and to a small and

Table 7: Pair-wise comparisons of the 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)

moderate extent. 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).

Comparing the Belief of What the Four Selection Process Groups Believed the Selection Process Consists of Regarding the Three Factors

Item A9 asked respondents to give their opinion on 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 or her. The original five response categories were collapsed to four, namely to no extent, to a small extent, to a moderate extent, to a large extent 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 ANOVA test indicated that all three of the factors differed statistically significantly with respect to the four extents-of-belief groups.

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 4.1.3 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 of turnover. The pair-wise comparisons are provided in Table 8.

The data in Table 8 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.

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 (group 2) and rarely and never (group 3). The MANOVA test indicated that the vector means of the three groups compared together differed statistically significantly (^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 frequency of conducting selection exercises groups.

Table 8: Pair-wise comparisons of the belief of what the selection process consists of (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 ($p<0.01$)

Table 9: Pair-wise comparisons of the three frequency of conducting selection exercises groups (A10_Rec) with respect to the techniques influencing selection procedures (FC2)

Factor	*Group*	*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 ($p<0.01$)

Hence, only the data applicable to this factor is displayed in Table 9.

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 groups that 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).

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. Furthermore, selection procedure in SMEs seems to be associated with political mandates such as the EEA of 1998. Thus, the EEA of 1998 and its amendments have made the personal characteristics influencing selection procedures more subjective, especially in larger organizations. Selection can either increase or reduce employee turnover in SMEs.

Many researchers argue that high employee turnover rates might have negative effects on the profitability and productivity of organizations, if not managed properly. Therefore, the usefulness of employee selection decisions should be viewed in terms of its effect over time. This study confirms the result from previous studies 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. Another study stated that knowledge, skills and ability (KSA) become the basic pool of characteristics (criteria) to be evaluated in applicants.

It is pertinent to note that this study 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 organization. The benefits from all the work that goes into producing a valid selection approach and controlling costs will soon erode if the organization has a high staff turnover rate.

RECOMMENDATIONS

1. SMEs should stop experimenting with people possessing irrelevant or unwanted skills and experiences at certain levels especially in a hierarchical organization. The appropriate requirements for choosing selection devices should be used. First, 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 organizations to measure broad KSAs rather than the specific KSAs for a particular job.

2. Selection procedures in SMEs 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 (this reference is under Republic of SA 1998 employment equity act No 55).
3. 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.
4. Attention needs to be paid to the issue of employee turnover because it has significant effects on organizations. Organizations, for example, can 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 organization adversely in terms of personnel costs and in the long run liquidation. In addition, organizations should develop equal opportunities policies, review recruitment and selection literature to ensure it gives an accurate picture of the organization and regularly update the quality of induction and training offered.

LIMITATIONS OF THE STUDY

The limited scope of the study, being only one HR function of selection, does not promote generalization of the findings. Secondly, the evaluation could typically have included other HR functions such as training and development, recruitment, termination, conflict resolution, performance appraisal and regulatory compliance. 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.

IMPLICATIONS FOR FUTURE RESEARCH

Despite the limitations discussed above, this study could be a point of departure for future research studies. Further research in selection process ethics, legal aspects of selection and recruitment, employee turnover and retention strategies, and guidelines to selection procedures in other provinces and beyond SA, 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 organization's success. Furthermore, it is recommended that new studies seek clarification on the different HRM functions required to assist organizations in sustaining growth, such as training and development. Further study is needed to develop a better understanding of selection process ethics and 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.

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