



## Challenges in Employee Retention Faced By Smes During Technology Adoption in Coimbatore District

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<b>KEYWORDS</b>	

### INTRODUCTION

Employee retention in today's economy is essential to the success of any organisation. Adoption of New Technology in the manufacturing sector is very vital and essential for every enterprise to retain their competitive edge in the industry. While adopting the new technologies to sustain the industry, it is equally important to identify, train and retain the right people. This is proving to be a challenge. The problem in today's labour market in Coimbatore District is that staffs are available, but finding and holding on to the right people is proving to be a challenge. This report looks at the retention of staff, in the Small and Medium Enterprises (SMEs). Their ability to retain employees is examined as they do not have the same resources, such as financial and human, as large organisations do. This report looks at the different factors that can help to influence the retention rates in an organisation, and whether or not these factors are implemented in SMEs. Because of the limitations involved, the factors essential for retaining employees are not always possible to be implemented. This research examines whether or not this has an effect on the retention rates of SMEs. It also discusses the benefits that accrue in being a small firm when it comes to retaining staff.

### CLASSIFICATION

Micro, Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low investment. The labour intensity of the MSME sector is much higher than that of the large enterprises. The MSMEs constitute over 90% of total enterprises in most of the economies and generates the highest rates of employment growth and account for a major share of industrial production and exports. MSMEs play an important role in alleviating poverty and contribute significantly towards the growth of developing economies.

They also lead to an equitable distribution of income due to the nature of business. Moreover, MSMEs helps in efficient allocation of resources in a country by implementing labour intensive production processes, given the abundant supply of labour force in these countries, wherein capital is scarce.

### Micro, Small and Medium Enterprises in India

In India, the enterprises have been classified broadly into two categories:

1. Manufacturing
2. Service Sector.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or in equipments (for services enterprises). The present ceiling on investment to be classified as micro, small or medium enterprises is as under:

**Table 1. Classification of Micro, Small and Medium Enterprises**

Classification	Investment Ceiling for Plant, Machinery or Equipments	
	Manufacturing Enterprises	Service Enterprises
Micro	Upto Rs.50 lakh	Upto Rs.20 lakh
Small	Above Rs.50 lakh & upto Rs.10Cr.	Above Rs.20 lakh & upto Rs.5Cr.
Medium	Above Rs.10Cr. & upto Rs.30Cr. crore	Above Rs.5 Crs. & upto Rs.15Cr.

### NEED FOR THE STUDY

According to Gunnigle et al (1997), once an organization has completed the human resource planning, at the recruitment and selection stage the organization develops a range of procedures and practices that facilitates retention. These involve the following- training for the required skills to meet the technology involved, Continuous monitoring of the performance (appraisal); facilitating continuous improvement (employee development); determining the scope of the effort-reward bargain (reward practices); designing an effective system of work (job design); and finally managing employee relationships (employee relation).

### Profile of the Coimbatore district:

Coimbatore district is situated along the famed Western Ghats and abound with phenomenal entrepreneurial appetite.

### STATEMENT OF THE PROBLEM

By examining these above procedures and practices this study will explore some ways of retaining employees while adopting new technologies. As this research will later show, there are constraints on small firms. One constraint is the lack of finances available for Training and development. Another drawback with the smaller firms is that there is very little or no room for promotion within the organization. Furthermore, SMEs rarely have a human resource department to control recruitment and selection, training and development, pay and rewards and performance management. Therefore all this responsibility is left to the managers and the owners.

### OBJECTIVES OF THE STUDY

- To discover if small to medium enterprises have high Retention rates.
- To establish if there is official Human Resource Management practices in place

- If there are no such practices, what is the role of managers/ owners to retain employees?
- To discover the formality or informality in place in these organisations in relation to training and development; pay and rewards; performance management; and the job design of the employees
- To examine the factors that make it a) an advantage and b) a disadvantage

in being a small to medium enterprise in relation to employee retention, during technology adoption.

**METHODOLOGY**

Population of the study consisted of the owners of MSMEs registered in Coimbatore District. In the present study, population is finite, so a systematic random sampling is adopted to select the sample of respondents. Out of 761 MSMEs registered in Coimbatore district (CODISSIA – Coimbatore District Small Industries Association), 260 units were selected for the study through systematic random sampling methods. Both primary and secondary data were used for the study. Primary data were collected from the owners of 260 MSMEs in Coimbatore District and secondary data were collected from District Industries Centre, published reports, earlier studies related to MSMEs, books, journals and various web sites. Self developed interview models were distributed to collect responses. Primary data were analyzed with the help of percentage.

**THE IMPORTANCE OF EMPLOYEE RETENTION**

This article discusses how important it is to retain your employees, arguing that workforce stability is a powerful and competitive strategy. Organizations, especially service firms, have a need for competent, dedicated people to help keep customer loyalty. When employees are in a firm for long enough things run more smoothly. Longevity of employees usually results in dedication to high performance and an understanding of how to bolster profits. With the expanding economy today quality employees are scarce and expensive. The twenty something's are no longer looking for life time employment, they are staying with a job for two to four years then moving on, taking control of their own careers, and the older generation of workers are following them. Employers must fight against this, which is difficult as they are working counter-trend, it is an uphill struggle. Employers today are very vulnerable to employee turnover. They are left under-staffed, and it costs a lot of money to re-staff a workforce. Some of the costs of re-staffing are marketing and advertising; hiring; processing costs; orientation and training; overtime to carry the load of departed employees; lost production due to slower new employees; executive time participating in meetings about reducing turnover. There are also indirect costs to turnover, such as loss of customers; inferior quality; loss of employee morale; a reputation for high turnover; and stress. Retaining valued employees is strategic issue Throwing money at workers is not the answer; employers need to address the important issues. These are the issues already mentioned - training and development, performance management, pay and reward, the job design, and the culture of the organization.

**ANALYSIS**

The method chosen for this research is survey research as it is an area that uses several procedures to obtain information from people in their natural environment, and in this case it is the work place (Graziano et al, 1997).

Survey research was developed by social scientists in the twentieth century, making it relatively new. It seeks not only the status of population characteristics but also tries to discover relationships among variables. So for this research the survey aims to determine whether small and medium enterprises, retain staff and by what Methods. It examines whether or not SMEs retain staff through the traditional methods - which are training and development, pay and rewards, job design, em-

ployee responsibility and the Culture within the organization. The steps taken in this section of the research were as follow: firstly the area of information to be sought was determined; secondly the population to be studied was defined; thirdly it was decided how the survey was to be administered. Once these preliminary steps were taken, a draft of the questionnaire was constructed and then pre-tested in a subsample. This was a pilot study and it gave an idea of how effective the questions were, and how useful the information gathered would be. The sampling frame was then developed and a representative sample was drawn from this frame. The self-administered questionnaire was chosen as the research tool as it is the most appropriate form of gathering information for this research. The way of gathering information had to be quick and easy for the respondents to complete. This is due to the lack of free time the managers/owners of small enterprises have, so interviews would not have been convenient for them. The questionnaires returned the information in a clear, specific and efficient way. Surveys differ markedly in the way they cover a given population, this is meant in the statistical sense to mean the aggregate of persons under the study.

**FINDING AND DISCUSSIONS**

Our findings are as below:-

**Table 2: Human Resource Department**

Human Resource Department	15%
No Human Resource Department	85%

**Table 3: Induction programme**

Induction Programme	25%
No Induction Programme	75%

**Table 4: on and off the job training**

On Job Training	84%
Off Job Training	16%

**Table 5: Budget for further training**

Budget	30%
No Budget	70%

**Table 6: Performance related pay**

Performance Related Pay System	22%
No Performance Related Pay System	78%

**Table 7: Performance Management system**

Performance Management System	32%
No Performance Management System	68%

**Table 8: Performance Appraisal meetings**

Performance Appraisal Meeting	34%
No Performance Appraisal Meeting	66%

**Table 9: Relations between employees and managers**

Level of Employee Relations	Average	Good	Very Good	Excellent
No. Of. Organisations	6	13	57	26

**Table 10: In house promotion opportunities**

In House Promotion	57%
No In House Promotion	43%

**Table 11: Involvement in managerial decisions**

Employees Involved	27%
Employees Not Involved	73%

**Table 12: Advantage in being a small organisation**

It is an advantage	57%
It is not an advantage	43%

**Table 13: Job satisfaction**

Level of Job Satisfaction	Average	Good	Very Good	Excellent
Amount of job satisfaction	24	40	33	13

**Table 14: Acceptance of employees to new requirements during technology adoption**

Acceptance	67%
Non Acceptance	33%

**CONCLUSIONS**

The first step to be carried out in this research was setting the research objectives and research questions. The research aimed to establish the existence of Human Resource practices in small to medium enterprises. The various areas of employee retention that were concentrated on for this research were the importance of retention; training and development; pay and rewards; performance management; job design; the culture of Organisations; and retention in SMEs. These areas of retention were discussed in relation to their application in SMEs during technology adoption. The results of the questionnaires show that the majority of small to Medium enterprises do not have a Human Resource Department. The managers and owners with increased workloads take on the tasks that are traditionally carried out by these departments. This is an example of the personal dedication they have towards their companies, and the extra time that these owners/managers put in. One aspect that is argued as preventing an organisation from retaining employees is informality in the management of the human resources. Informality is evident in all of the firms that were studied. The areas, which show informality, are performance appraisal meetings, communication and training and development. For the first two aspects, performance appraisal meetings and the communication of information, the informality that exists is one of the advantages for these small to medium firms. These create personal relationships in relaxed surroundings, and this is shown in the results where the relationships between managers and employees are described as being very good for the most part. The informality was also pointed out as being an advantage when the respondents were asked this directly. A further advantage these small organisations have is the job design. The employees are given Control and responsibility over their own work, which increases their commitment and loyalty to the firm. These are the intrinsic rewards that organisations can offer employees to moti-

vate and ultimately retain them,

it is these steps that are the strong point of SMEs.

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