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The Impact of Labour Turnover on Small And Medium Scale Enterprises (Smes) Performance in Cross River State, Nigeria

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Abstract: *Employees remain the core issue in labour turnover or retention, and their actions and behaviour have multiplier effects that have some impact on the firm's performance. The study examined the impact of labour turnover on the performance of small and medium scale enterprises in the eighteen local government areas of Cross River State, Nigeria. The cross sectional survey research design was adopted for the study; while a two-stage sampling procedure involving simple random and judgmental sampling techniques were used in the elements selection. The Ordinary Least Square regression statistical technique was used in the test of research hypotheses. The study established that labour turnover has an inverse relationship with the firm's performance. The study recommended that Management should create incentives and opportunity where an employee could be co-opted as co-owner of the business over the years and have the privilege and right to partake in the share of end of year profit or end of contract bonus, as this would build a strong sense of job security and employee's commitment. Management should scrutinize and institute recruitment and selection processes which ensure that only workers whose interests, objectives and goals align with those of the firm are hired. Also the firm's Manager should undergo training and development in skills and knowledge acquisition in igniting effective human resource practices through workshop, seminars, in-house courses etc.*

Keywords: *Labour Turnover, Smes, Organisational Performance, Return On Asset, Return On Investment, Cross River State.*

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I. Introduction

The economic wealth, growth and transformation of a nation are mainly influenced by the enterprising spirit and entrepreneurial development of her citizens; the skills of her human resources and the level of technology attained. Business enterprises are a critical set of components or organs required for expansion and change, and they form the live wire of any economy (Effiong, 2014). These business enterprises permeate all economic activities, particularly those aimed at earning profit, by anticipating and satisfying the needs and wants of the people in the society. Basically, business is conceptualized as any human endeavour or activity that is engaged in manufacturing and distribution of product - goods and services through a socially organized system of exchange (Etuk, 2008).

Business firms are by their sizes normally categorized as large, medium, small and micro scale businesses. They can further be classified based on the form of ownership: Joint Stock Company, Partnership and sole proprietorship.

In advance and developing economies, SMEs are overwhelming in numbers in comparison to the large businesses. In Nigeria, the World Bank SME Unit (2001) posit that eighty seven per cent of her going concerns are SMEs, contributing about 62.1 per cent to the economy's Gross National Product (GNP) and generate fifty eight per cent of all employment at the national level. Ariyo, (2005), Federal office of statistics, (2001 cited in Muritala, Awolaja & Bako, 2012) and Ihua, (2009) also buttressed this position that in Nigeria, about 97 per cent of her operating businesses are SMEs, employing almost 50 per cent of the country's workforce and contributes about 50 per cent to the economy's industrial market output. Aina, (2007) also argued that SMEs accounts for almost 10 per cent and 70 per cent of the Nigeria's industrial market output and employments.

Furthermore, small businesses are fundamental and crucial to economic stability, development and growth of a nation as they form the bedrock of any economy in pursuit of self reliance and sufficiency. They are recognised as key catalyst for private sector development (Ndiulor, 1992; Okongwu, 2001). Hence, the strength of the Nigerian economy is built greatly on the development, growth and strength of her SMEs (Etuk, 1984). The economic significances of SMEs in employment generation, national up growth, breeding of indigenous managerial deftness and competence, entrepreneurial ingenious and technological innovativeness is therefore unarguable.

In apperception of the influence of SMEs to national development, successive Nigerian government administrations have been articulating strategies for promoting growth and development of SMEs through introduction of intervention measures. These include:

- "Credit guidelines in the annual monetary policy issued by the Central Bank of Nigeria (CBN) from the 1960s to 1996.
- Establishment of the Nigerian Industrial Development Bank (NIDB) in 1964.
- The Small and medium scale Industries Guarantee Scheme in 1971.
- The Nigerian Bank of Commerce & Industry in 1973.
- The Rural Banking Policy in 1977.
- The World Bank SME Loan Scheme I in 1985.
- African Development Bank Export Stimulation Loan (ADB/ESL) in 1988.
- The National Economic Reconstruction Fund (NERFUND) in 1989.
- Establishment of Peoples' Bank in 1989.
- Licensing of Community Banks in 1990.
- The World Bank SME Loan Scheme II in 1990.
- Fiscal incentives for Small and Medium Industries in the 1990.
- Establishment of Bank of Industry (BOI) in 2000.
- Small and Medium Industries Equity Investment Scheme (SMIEIS) in 2000.
- Small and Medium Enterprises Development Fund (SMEDFUND) in 2000s.
- Establishment of the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB) in 2002" (Duke, 2006:23).

Other intervention agencies or programmes aimed at developing small businesses include:

- "The National Directorate of Employment (NDE); Directorate for Food, Road and Rural Infrastructure (DFRRI).
- Family Support Programme (FSP).
- Entrepreneurship Development Programme (EDP).
- Family Economic Advancement Programme (FEAP).
- Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN).
- National Poverty Eradication Programmes (NAPEP),
- Most recent, Microfinance and Enterprises Development Agency (MEDA)" (Duke, 2006:23).

The core aim of these interventions has been to stimulate the growth of SMEs in the economy in order to generate employment; redistribute income; alleviate poverty; promote indigenous managerial skills and entrepreneurial technical prowess; rural area transformation and commercialisation; stem the tide of rural-urban drift and migration. These measures were aimed also to create and encourage even national development of the economy through providing enabling environment for business to strife.

Business organisations are collections of individuals, people and groups who interact with one another in the course of executing various functions and activities, employing other resources to achieve organisational goals or objectives (Inyang & Akpama, 2005). This goes to confirm that every business aims at making efficient use of her resources to boost productivity and profitability and this is mostly achieved through effective management of people. That is why the human element is the most active variable that activates other organisational resources like finance and materials in the organisation. The attributes of these human elements amount to the organisation's human capital. As postulated by Armstrong (2009:351) "human capital connotes the knowledge, skills and abilities of the people employed in the organisation". What this means is that in an organisation, human resource factor encompasses the coadjutant expertise, skills and intelligence that bestows the entity its character enunciation. These organisation's human facet are capacity for originating creative thrust, changes, learning and innovation, in which if effectively annexed and motivated, could provide a firm long-term survival (Bontis, Dragonetti, Jacobsen & Rous, 1999).

Managing the human capital of the organisation is the most important and probably the most difficult task for managers (Armstrong, 2009). This is a truism due to the dynamic and complex varying individual behaviours and attitudes as expressed at the workplace. The human resources of most organisations are the most difficult to obtain, the most expensive to maintain and the hardest to retain (Grant & Smith, 1977). Thus, from the above premises, it could be argued therefore that a firm's ability to retain its efficient and goal oriented workforce is strategic to the firm's success. It is against this background that labour turnover becomes pertinent in an organisation's human resource planning.

Labour turnover describes the rate of hires and attritions of workers in a business organisation. Put simply, it reflects the inflow and outflow of employees in the organisation. Turnover of employees can be appraised for the individual firms or for the industry in whole. Thus, where an organisation experiences high labour turnover rate compared to its competitors, it portrays that workers in the firm have a shorter tenure than those of its competitors' firms operating in the same industrial sector. High rate turnover of skillful employees could present a risk for a firm as a result of human capital training, development, knowledge and skills lost. More so, competitors within the same industry could hire these goal-oriented skillful employees.

Employee turnover rates proffer a valued gimmick of benchmarking the appropriateness and cogency of human resource policies as well as practices in an organisation (Armstrong, 2009). Thus, where staff turnover is substantially higher compared to other organisations in the same industry, this should instigate managerial action for investigation why this occurred and remedial strategies and policies taken to address it.

Nevertheless, in most organisations, some level of labour turnover is inevitable, healthy, and even important for the firms, as it helps bring in new ideas, skills and enthusiasm to an organisation's workforce. However too much of it could severely reduce productivity, demoralize incumbents, damage a firm' public image and sometimes disorientate its customers. While on the other hand, too little mobility may stultify employee's ambitions and results in a moribund organisation (Tamunomiebi, 2003). This study therefore examines the impact of labour turnover on SMEs performance in Cross River State, Nigeria, considering the important role of SMEs in national economic development.

Statement of the problem

In Nigeria, particularly Cross River State, though SME have played a role in advancing the economy, however, they have not been able to contribute fully to the economy as in other world's economy due to their poor performance. Their dismal performance has been linked with labour turnover among others. Tamunomiebi, (2003), and Ebigie and Umoren, (2003) posited that SMEs frequently encounter the problem of inability to retain or maintain their efficient workforce on a long term basis.

This study's problem therefore is to establish to what extent labour turnover has impacted on SME performance? This becomes an issue for research as the factors responsible for the currently unsatisfactory performance of SMEs in Nigeria and Cross River State in particular may go well beyond the much perceived and well-advertised lack of finance, inadequate business infrastructure and lack of access to markets among others.

Objectives of the study and Research hypothesis

1. To evaluate labour turnover effect on SME's performance in Cross River State.

H_o1 There is no significant relationship between Labour turnover and the performance of SMEs in Cross River State.

II. Literature Review

The concept of labour turnover

Employees remain the core issue in labour turnover or retention, and their actions and behaviour produce multiplier effects that have some influence on the firms' performance. Management gets things done through people in order to attain organisation's set goals and objectives. However, the role human resources play in organizational outcome depends, to a large extent, on how people are managed. The management of human resources is expected to play a key role in helping firms gain competitive advantages (Noe, Hollenbeck, Gerhart & Wright, 1994).

People differ in their work behaviour. These work environment behaviour differences between and within individuals are often produced by physiological, psychological, economical, and sio-cultural factors - physical differences, mental capabilities, life experiences, culture, perceptions of a situation, age, sex, level of education, skills, abilities, traits, health and energy level, family responsibilities, present standard of living, other available income, financial status, years with employer, years on job and lastly level of job in organisational hierarchy etc. It follows therefore that individuals from different backgrounds are likely to react differently to management policies and practices. Thus, such organizational variables as managerial style, motivation, job security, organisational culture and climate, remuneration/compensation etc., impact on workers' behaviour, and labour turnover rates in small businesses have often been linked to these variables among others (Ebigie & Umoren, 2003, Mobley, 1982, Shaw, 1980). Studies have shown that good human resource management practices contribute to improving performance through reduced turnover rate; improved productivity; better return on asset and return on equity; and enhanced profit margin (Delery & Doty, 1996; Huselid, 1995; Kalleberg & Moody, 1994; MacDuffie, 1995; Youndt, Shell, Dean & Lepak, 1996).

The concept of business performance

Firm performance connotes the quantitative and qualitative outcome of the report process which measures the effectiveness and efficiency of resource utilisation in the firm. Though accounting measurement of organisational performance has been the traditional mainstay of quantitative approach to understanding business or economic activities and operations, however in recent times, the attention has been shifted to the development of non-financial measures of performance reporting of the business (Pandy, 2005).

Business performance correlates directly with the effective and efficient attainment of organisational goals and objectives. It indicates the strengths and weaknesses of the organisation. There are a number of ways to measure business performance, the ones used most often are financial statements and sales result. Analysis of Financial Statement entails diagnosticating an organisation's strength and weaknesses through establishing correlations between the balance sheet and the trading, profit and loss account items (Pandy, 2005). Without performance indicators it is difficult and challenging to realise business goals and objectives.

Ratio is a strong tool of economic analysis of a firm. It shows the quotient or index of two or more accounting figure's expression reported in the financial statement which is use as bench mark for accessing the economic position, goal attainment and achievement of an organisation. It enhances the summarization of immense quantities of economic data as well as making qualitative judgment regarding a business performance. Ratio as Performance indicators can be classified into the following categories: Productivity; leverage; activity; liquidity; and profitability ratios. A firm's performance and effectiveness is usually measured by its Profitability ratio. Generally, there are two major types: profitability ratio in relation to investment or sales (Pandy, 2005). The term investment may refer to capital employed, total assets or net asset.

Theoretical underpinning

Resource-based view theory

Certain features of theories are articulated and conceptualised of long before they are contemporaneously brought and formally adopted into the veridical academic theorization framework. This same could be said with respect to Resource Base View theory. Its origin or emergence can be traced backward to earlier researches. Retrospectively, elements or essential features can be observed in studies by Chandler (1962, 1977), Coase (1937), Penrose (1959), Selznick (1957), Stigler (1961), and Williamson (2000), where emphasis was placed on the prominence of resources and its implications for organisation's goal attainment and performance. Barney (1991) and Prahaled and Hamel, (1990) posited that the Resource-Based View theory (RBV) argues that the firm's resources that are not holistically mobile, heterogeneous in nature, inimitable, non-substitutable and rare, are significant valuables that contribute to a firm's sources of sustainable competitive advantage.

The developing and increasing acceptance of a firm's internal resources as against the its external resources (such as industry position, market share etc.) as sources of advantageous competition conferred legitimacy to human capital's assertion that workers are strategically crucial to a firm's success (Hoskisson, Hitt, Wan, & Yiu, 1999). In the firm's strategy management discourse, RBV has hype in putting 'employee' on the radar screen for a firm success. RBV theory focuses on the critical examination and analysis of a firm's internal environment resources; specifically, it explores the worth potentiality of the internal resources (Boxall & Purcell, 2011). This view path deviates from the conventional or traditional approach that appraises how the firm's external variables impact on a firm's competitive and emulous advantage (Hoskisson, Hitt, Wan & Yiu, 1999).

Under the RBV theoretical construct, workers are taken as critical resources whose skills, competency, knowledge and abilities are extremely valuable to achieve the organisation's goal accomplishment and business success. RBV tenets assumption is that all human resources (employees) are indeed strategically valuable. In reality, however, it is not every single worker that possesses the potentials to inject 'core skillfulness, work efficiency and technical competence' into a firm and subsequently create or build a business competitive advantage (Boxall & Purcell, 2011).

Sequel, for human resource to qualify as a potential source of a firm's competitive advantage, it must meet up with certain specific criteria as noted by Barney (1995): the resources must be inimitable, non-substitutable, rare and valuable,. Collectively, human resources that fulfill these criterions would create and build a highly skillful, competent, strongly inspired and motivated workforce that demonstrates productive behaviours (Wright, Dunford & Snell, 2001). Ofcourse, it is these talent laden workers that business organization seek to retain and re-engineer..

Organisations would usually invest in training and development of those of its employees who holds potential and critical knowledge and skills. However, the retention of these key staff remains challenging, particularly in most small business settings, where workers are very few. Regrettably, these human resource functions have consistently faced controversy to justifying its role in the organisation (Drucker, 2012; Stewart & McGoldrick, 1996). Thus, in times of boom, firm quickly justify expenditures on staffing, employee involvement systems, compensation and reward, training and development etc, but when confronted with low business climate, turnover, profitability, financial stress and difficulties or recession, this crucial business human resource, fall prey to the earliest cutbacks. This is an enigma as RBV theory objects to this notion. It theorization vehemently debunk this business behaviour and strongly emphasizes that "employees" are the cornerstone of a firm's success and therefore reiterated the significant and need for firms to retain, train and develop them.

Firm's staff may be categorized in terms of contribution, value and ability. Obviously, it is impracticable to assume that small going concerns may want to retain each one individual worker, most particularly poor performers (Griffeth & Hom, 2001). Turnover of unmotivated workers lacking ability and skillfulness and have no value added contribution to a firm's business success is a desirable and plausible outcome for any business (Wagar & Rondeau, 2006). This research's focus is mainly on key workers whom are depicted as those with scarce skills, technical competence, good workplace behaviour and high performance profiles in the firm. This research therefore pinpoints on the retention of these effective, efficient and high quality performance workers conceptualised as star and solid citizens (Ordiorne, 1985). Ordiorne (1985) produce a typology of performance chart. He classified workers into groups: chronic under-achievers, marginal performers, solid citizens, and stars. Under the RBV framework, solid citizens and stars are sources that are more likely to promote or create a firm's competitive advantage. They are the highly skillful, resourceful, goal oriented staff that foster creativity, innovation and possesses technical know-how whilst chronic under-achievers and marginal performers strive to positively influence business outcomes. Explicitly, this categorised typology framework facilitates the identification of employees that are most valuable and critical to an organisation's goal mission accomplishment.

The nitty-gritty intendment derived from Ordiorne's typology is that not every individual staff possesses potentials that contribute value to an organisation's success. Apparently, the impact of a star employee leaving the firm would be in no doubt, have much effect and greater consequences than the repercussion felt by the attrition of a chronic-under achiever (Griffeth & Hom, 2001).

However, the Resource-Base View theory is not without its criticism. Priem and Butler (2001) identified four points of criticism:

(i) "The defining of a competitive advantage as a value-creating strategy that is based on resources that are, among other characteristics, valuable. This reasoning is circular (that is reasoning, in which the conclusion is ostensibly proven but in actuality it has been assumed as a premise) and therefore operationally invalid.
(ii) Different resource configurations often generate the same value for firms and yet would not be competitive advantage.
(iii) The product markets environment is underdeveloped in the argument.
(iv) The theory provides limited prescriptive implications.

Empirical evidence

Benedict, Josiah, Ogungbenle, and Akpeti (2012) investigated "the effect of employee turnover on organisational performance in brewery industries: Guinness Brewery Industries Plc and Bendel Brewery Ltd in Benin City, Nigeria". The cross sectional research design was adopted for the study. The sample size of 298 Respondents comprising 141 staff of Guinness Brewery Plc and 157 staff of Bendel Brewery Ltd were selected using simple random sampling method. The primary data were collected by questionnaires and estimated using Z test statistics. Their findings showed that the effect of labour turnover was significant with reduced production, increase cost of recruitment, increased scrap and overtime, work disruption and additional employee turnover. Their findings also showed that reduced production was found to have the foremost impact on employee turnover which affected output and profit.

Garino and Martin (2007) analysed "the impact of labour turnover on profit using the efficiency wage model of Salop (1979) by separating incumbent and newly hired workers in the production function". The data were collected from 1991 Employer's Manpower and Skill Practice Survey (EMSPS) and the 1990 Workplace Employee Relations Survey (WERS). They found that an increase in turnover rate affects increase in profit, but only where organisation does not choose the wage.

Ton and Huckman (2008) examined "the impact of labour turnover on operating performance in settings that require high levels of knowledge exploitation". Their data were drawn through questionnaire from 268 U.S. major retail stores: Borders stores from the period of 1999 to 2002 (48 months). Their study utilise summary statistics and simple correlation in the data estimation. Their study established that employee turnover is significantly associated with decreased performance as measured by profit margin and customer service.

Mabindisa, (2013) investigated "the impact of staff turnover on organisational effectiveness and employee performance at the Department of Home Affairs in the Eastern Cape Province of Mount Frere region". The study adopted quantitative approach survey research design. The data were collected through structured questionnaire administered to 100 employees of the department. Chi-square was employed in the data estimation. The study found that employee turnover has a significant negative influence on work load of incumbent employees, effective service delivery, healthy working relationship and corporate image of the organisation.

Reilly, Nyberg, Maltarich, & Weller, (2014) examined "the changing complex systems view of voluntary turnover rates advocated in context-emergent turnover theory". The study delved into how and why human capital flow impact on customers satisfaction and organisational performance over time. Primary data through questionnaires were from 12 nursing units of a major university hospital system in Midwestern U.S between the period of 2003 and 2008. The data estimation and analyses were done using Panel Vector Auto-regression Analysis (PVAR). Their findings corroborate CET theory postulates that a reduction in the quantity of human capital is a key driver mediating the relationship between turnover and organisational performance.

Definition and significance of labour turnover

Labour turnover is the "ratio of the number of employees that leave a firm through attrition, dismissal, or resignation during a period to the number of employees on payroll during the same period" (Armstrong, 2009, Wikipedia, 2013). Labour turnover describes the rate at which an organisation gains and losses staff (Tamunomiebi, 2003). It could be determined or calculated for individual firms or the plenary industry. Where a firm records higher rate of labour turnover comparative to that of its competitors, it indicates that workers in the first organisation have a shorter average work-life than the later in the same industry. The rate of turnover provides a tabular cursory glimpse or graphic illustration of the turbulence within an organisation (Industrial Relations Services, 1994). Evaluating labour turnover could proof helpful to firms that have an interest in investigating the reasons for labour turnover, estimating the cost of hiring for budget purposes, determining the staff training and development requirements and estimating employee time committed to hiring scheme (Mayhew, 2012). . Blanket allusion to labour turnover could be very confusing; accordingly, specific calculations and definitions of labour turnover would be of potential usefulness to human resources practitioners.

Types of labour turnover

There are two basic type of employee turnover as follows: voluntary (employee left on his or her own accord) and involuntary (employee was forced to leave) (Mobley, 1982). Management practitioners often make a distinction between voluntary turnovers: where decision to leave job is an initiative of the employees and involuntary turnovers: where the workers have no decision or choice in the employment termination (such as death, incapacitation, long term sickness, and travelling abroad or employer-initiated termination).

Involuntary turnover also termed as termination, discharge, or firing occurs when employers revoke or abrogate the job engagement or when a worker is asks to resign (Pettman, 1975). Layoffs are also considered as involuntary turnover, although its handling procedures normally differ from that of termination. When workers are fire for contravening workplace policies, absenteeism, poor performance, or business slowdown, the egress or departure is analyzed and counted as involuntarily (Huselid, 1995). Certain cases of involuntary attrition could trigger trepidation amongst remaining workers. Thus, a circumstance where workers continually witness involuntary terminations could demoralise them over their own job security. On the other hand, some staff terminations may be palliative for the remaining staff, whose productivity and morale droop or suffer when these poor achievers and mediocre performers affect the workplace culture and climate.

Voluntary turnover occurs when workers quit their organisation on their own decision. Workers who retire, resign or merely quit the firm for other reasons are tallied in turnover analyses as voluntary attrition (Mobley, 1982). Workers often give numerous excuses for quitting their engagement, these may include the acceptance of a job offer from another firm, relocation to a new environment or dealing with personalize issues which make work impossible, dissatisfaction with job procedures, job safety, staff welfare etc. However, others quit for reasons unrelated to job conditions. Examples of these are when workers leave their employment to travel with their spouses, or students leave their job to resume their academic pursuit. Independent of involuntary and voluntary turnover, calculations of employees turnover also bring in various types of turnover, such as additional specific reasons why workers quit their job, like absenteeism, poor performance, job accidents etc. Voluntary turnover can be predicted and controlled by the construct of turnover intent (William & Livingstone, 1994). When a worker voluntarily quits an employment relationship, he/she usually communicate to the employer through a written or verbal notice of intention to resign from job. Though diverse types of labour turnover exist, however, the conventional definition is that turnover takes place when an employment contract ends. The term turnover and attrition are most times interchangeably use to describe a worker job quit. However, Lee and Mowday, (1987) argues that attrition typically apply to the end of an employment relationship due to employee death, retirement, or job elimination, Attrition is usually an integral part of the turnover analysis. .

Other classifications of employee turnover are: positive or desirable turnover – this takes place when an organisation experiences innovational change that improves its operation and performance as a result of newly hired workers bringing in fresh ideas and perspectives into the organisation, as against replaced poor performance workers who were terminated. Indeed, infusing new talent into a firm would re-energize and invigorate the workplace environment, catapult production and productivity, enhance job effectiveness and efficiency, teamwork interrelationship and boost profitability. (Mayhew, 2012).

Negative or undesirable turnover occurs when the firm losses workers whose skillfulness, experience, qualification and performance are valuable and treasured resources to the success of an organisation. Turnover is analyzed to be undesirable or negative when workers relinquish their jobs under certain circumstances such as: workplace conflict, mass exodus of disgruntled workers, wrongful termination, mass layoffs, plant shutdowns, business closure etc. Layoffs have a devastating impact on employees and their close environs or communities. The adverse impact of job loss in certain vicinity could produce a downward spiraling effect to economic life and conditions of workers in other nearby firms. Example of this circumstance is when workers suffer loss of employment as a result of factory or equipment shutdown, the allied businesses that provide services suchlike break and lunch time meals and services certainly suffer from lost revenue or cash inflow (Cotton & Tuttle, 1986).

Employees' turnover can further be classified as external or internal. Internal - entails workers quitting their contemporary job post and assuming new role or task posts within the same firm while external involves hiring staff from outside the organisation (Wikipedia, 2013). It is imperative to buttress that both positive (such as an improvement or increased morale arising out of the swap of boss or job) and negative (such as or the Peter Principle or disruption in project and teamwork relationship) effects of internal turnover exist, consequently it might be necessary to watch over this form of turnover as well as the external turnover. Internal turnover could be controlled and moderated by human resource mechanisms of hiring policy or formalized succession planning.

Unskilled and skilled employee's turnover - unskilled job positions could usually be replaced without the firm incurring some loss of productivity or performance. The ease of restoring these workers does not give impetus to offer of generous and incentive job contracts from employers; conversely, high turnover rates of skilled professionals could pose risk or have adverse consequences on the firms as a result of the human capital loss – employees' skillfulness, training, development, and knowledge. Obviously, the specialization of these skilful professionals makes them enhancive to be re-hired within the same industry by business rivals or competitors (Pettman, 1975). Accordingly, turnover of these skilful and result oriented employees creates replacement costs and result into competitive disadvantage to the organisation.

Causes of labour turnover

Armstrong (2009) posited an outline of employees' reason for job quit derived from analysis of an exit interview, this was articulated to proffer useful information on how to plan retention strategies. Reasons often given for employees' job quit are as follows:

i) Better working conditions;
ii) Poor relationships with manager/team leader;
iii) More pay;
iv) More opportunity to develop skills;
v) Better prospects (career move);
vi) More job security;
vii) Personal – pregnancy, illness, moving away from area etc.
viii) Poor relationship with colleagues;
ix) Bullying or harassment;

Others include (Nwagbara, 2011):

i) Strenuous performance review system.
ii) Accessibility to work place.
iii) Work pressure and stress.
iv) Family-friendly policies and regulations.
v) Lack of knowledge expansion, training and development.
vi) Job specification clarity.
vii) Lack of work challenge.
viii) Lack of involvements or inputs in decision making process.
ix) Reputation of the organisation.

Tamunomiebi (2003) also postulated the likely causes of labour turnover as follows:

i) State of the labour market – many studies has shown that labour turnover tends to fall in times of higher unemployment.
ii) State of the economy as a whole – labour turnover tends to fall in times of economic depression, but in times of economic boom or growth, turnover tends to rise tremendously.
iii) Length of service – there is a strong belief that those who have served an organisation for relatively longer periods do not leave easily as against those who have spent relatively shorter period.

iv) Age of employees – research evidence confirms that younger persons are higher job leavers, as they are generally seen as persons who have not made up their mind to stay on the job.

v) Level of skill of employees – the more skilled an employee is , the higher the tendency to leave for other jobs, but if one's skill is firm or industry- specific, then mobility becomes difficult and restrictive.

vi) Sex of employee - there is the general notion that women are very prone to leaving. The reasons are perhaps most working women are housewives, and they may want to become nursing mothers sometimes in their lives.

vii) Place of residence in relation to place of work - those who live too far away from their place of work are generally higher leavers. Living too far away from ones place of work could create a lot of problems. Apart from turnover problems, it could also lead to a higher level of absenteeism and physical torture through long distance travels.

viii) Inequalities in wages – pay is a very strong and motivating factor at work. Those who regard salary or wage as the focal point at work may be prone to leaving their places of work if they are not evenly and fairly treated as their colleagues or counterparts.

ix) Marital status - usually people who are married and who have family commitments are found to be more stable employees.

x) The induction crisis - new workers to an organisation are high turnover risk persons until they have become acclimatised to their physical work environment.

xi) Management running down of staff - some labour turnovers are described as voluntary while others as involuntary. The voluntary turnover is often described as the 'pull' process and the involuntary turnover as the 'push' process. Labour turnover resulting from management 'running down' of staff falls under the 'push' process.

Apart from the above causes of labour turnover, others are that firm's judgment is required to sort out authentic complaints and reasons from exaggerated or unjustified ones. Organisation should meticulously analyse and note the patterns and trends of employees' job quits, while issues that are generally related could be addressed or given attention through the review of job practices and procedures and reward policies.

The effect of labour turnover

High turnover rate oftentimes indicate that workers are unhappy with the job, work procedures or reward and compensation system, but it could also be indicative of unhealthy or unsafe work conditions, or that too few workers render satisfactory performance (this may be due to inappropriate work processes or tools, unrealistic targets set or expectations, or poor staff screening and hiring procedures). Also to mention, is dissatisfaction with the job-scope, the lack of career opportunities and challenges, and conflict with the management team has been identified as predictors enhancing high turnover (Mobley, 1982).

On the other hand, Low turnover is indicative that none of the above mention factors is true: this is to say that workers are satisfied, safe and healthy, they exhibit goal oriented behaviours and performance that satisfies the employer. However, Apart from the fore-mentioned turnover factors, salary, career opportunities, management's recognition, comfortable workplace and corporate culture seem to impact on workers' decision on job tenure with their employer (Mobley, 1982).

High rate of labour turnover could be catastrophic to an organisation's productivity if skillful employees are often quitting their job, such that the workforce' left consist of high percentage of rookie workers (Elliott, 1991; Hutchinson, Villalobos, & Beruvides, 1997). Armstrong (2009) argued that high rate of staff turnover can destabilize an organisation and de-motivate workers who endeavor to keep up levels of outputs and services against a background of staff vacant positions, inexperienced workers and general discontentment. Obviously hiring, inducting and training costs all increases with an upsurge in employees' turnover. Labour turnover could also be express as a function of low job satisfaction and negative job attitudes, couple with the potentiality of securing a job somewhere else, which of course shows the state of the labour market.

Precisely, employee turnover is an integral part of a firm's functioning, while excessively employee turnover rate may be dysfunctional, however a certain level of staff turnover could be beneficial to a firm. In every firm some level of staff turnover is inevitable, functional, healthy, and even valuable for the firm, as it helps bring in new ideas, skills and enthusiasm to an organization's workforce. However too much of it could severely affect workers productivity, psych out incumbent employees, tarnish a firm' corporate image and sometimes disorientate its customers.

In Nigeria the situation is not different, most SMEs are not well organised. Despite the unemployment rate, SMEs are indeed plagued by high labour turnover (Tamunomiebi, 2003; Ebigie & Umoren, 2003). It is often difficult to attract and retain competent key managers. Entrepreneurs are often antagonistic to such key officers. These key managers are kept off important decision, and policies which are regarded as exclusive rights of the founder. Owners are not always willing to get in outsiders who they regard as potential competitors; there is suspicion always, and conflicts arise from suspicion; documents are kept secretly by the founder. In most cases the inability to remunerate workers adequately does pose a very big problem. Also because of uncertainty, key officers are not often ready to put in their best since they will ever be scouting around for greener pastures (Okeke, 1992). Lack of sincere motivation from the entrepreneurs (founders) often affects the workers performance, output and eventual withdrawal from the firm. A good number of the firms decisions are taken in the bedroom, spouses have a lot of influence in the organisation's affairs which could spell doom for the business (Okeke, 1992). Sequel, workers often have negative job attitude, and low job satisfaction and commitment.

Labour turnover rate index

Labour turnover rates index is one among other indicators that help to evaluating the effectiveness of human resource policies and practices in an organisation (Armstrong, 2009). There are four commonly identifiable methods of calculating labour turnover among others. Firms generally use the basic turnover index, the standard turnover index and the stability index. The fourth method is known as cohort analysis and is not frequently used. The reason is very likely to be the cumbersome and rigorous mathematical calculations involved in the process (Tamunomiebi, 2003).

The Basic Turnover Index is computed as follows:

$$\frac{\text{Number of Employees leaving in period}}{\text{Average number employed in that period}} \times 100$$

The average number employed is achieved by adding the employees at start and end of period and dividing by two. This is sufficiently accurate unless the numbers employed vary considerably over the period under consideration. One year or twelve months is usually the period to which this index refers, as is made clear when comparison of indices is intended. But, the basic turnover index does not take into account recruitment made during the period under consideration. It rather assumes that no employment was made during the period. This kind of assumption does not appear to have a fit with reality. It is therefore, necessary to attempt to calculate turnover rate using the standard index, which takes into account recruitment made during the year.

Standard turnover index:

$$\frac{\text{Number of employees leaving in a period}}{\text{Total employed one year ago}} \times 100$$

The standard turnover index is itself not infallible. The weakness of the standard labour turnover index is its failure to take into account the length of service variable. In order to determine a more useful and accurate tool in calculating turnover it may be necessary to use the stability index.

Stability turnover index:

$$\frac{\text{Number with one year's service or more}}{\text{Total employed one year ago}} \times 100$$

This index gives an indication of the proclivity for longer service workers to stay with the firm and therefore exhibits the degree of staff employment continuity. But, this too could be deceptive since the index does not reveal the vastly diverse circumstances that exist in a firm with long serving staff in comparison with where short service staff are in majority.

The ideal employee turnover rate

Most often firms regard workers job quit as a deleterious influence on the business, but there is also a controversy that workers prolong sticking around is also as damaging (Wikipedia, 2013). Workers resign for diverse reasons. Sometimes, it is the enchantment of a new employment offer or the prospect of an epoch outside the workforce that 'pulls' them. On other instances, they are 'pushed' (as a result of present job dissatisfaction) to seek alternative engagement. It could also be a response to both pull and push factors. Another reason put forward for voluntary turnover is the dynamism in domestic situations which is outside the control of any firm. Most employers summit that certain number of staff turnover is naturally expedient to prevent lack of staff motivation setting into the firm – more so, this would inject into the firm fresh work skills, innovations and ideas. However, where a poor performing staff decides to quit his job on his own accord, it saves the employer reasonable time, effort and administrative costs. It also assists the firm to dispense with the potential problems of staff dismissal.

The United Kingdom average employee turnover rate is approximately fifteen per cent annually, although this varies drastically from one industry to the other. (Wikipedia, 2013). Observably, the highest employees' turnover levels are mostly found in the private sector businesses of: catering, business centers, construction, retailing, and the media. Turnover levels also vary from one region to other with the highest turnover rates recorded where the unemployment level is lowest. Industries with traditionally low turnover rates include: education, accountancy, legal, and the public sector. Most industries learn to adapt to their turnover rates and eventually acknowledge them as their norm.

Firms would therefore collect data annually of their organisation's voluntary turnover figures to enable them comprehend how turnover fluctuates during the whole of the year (internal benchmarking). This entails tracking staff turnover on either a quarterly or monthly basis and where possible, collecting this data from prior years to obtain a picture of the trend. It also entails comparing turnover data with that of competitors in order to ascertain the sector's norms. Once firms have gotten data on the internal and external benchmarks, they could then be able to decide the acceptable range of their voluntary turnover rates. The voluntary turnover rate of high performer employees need to be calculated as this is acknowledge to be most dysfunctional type of staff turnover. Ideally, firms would endeavour to utilise their scarce resources to minimise turnover for these high performance and goal oriented workers. Hence, employees should be categorised by: department; job level; age group; length of service location; gender etc. Accordingly, organisations are required to identify where the voluntary turnover rate spikes, and whether the rate is acceptable or unacceptable to the firm. There are also other latent factors involving labour turnover, such as, loss of sales, loss of morale and customers due to poor performance induced by gaps created in service delivery arising from the exit of a vital or skilled staff and the legal costs associated with the termination of an unproductive and inefficient staff (Mayhew, 2012).

Ideally, there is no consensus optimal rate of staff turnover. While there are undoubtedly costs link with labour turnover, the total cost incurred to this regard depends on the task, the job hierarchy level of the worker, and the skillfulness of individual doing the job. The benefits of labour turnover vary too. For instance, if we consider a poorly performing employee, the benefits derived by the firm of them quitting may be much higher than the cost.Obviously, labour turnover rate deals with human emotional issues and could never be entirely scientific. Ultimately, each organisation needs to decide for itself what voluntary turnover targets are acceptable to them. Tamunomiebi (2003) posits that the determination of what is seen as high or low level of turnover may depend on the custom and practice of the industry or the geopolitical environment under consideration**.** He postulated a rule of thumb, that an organization should not have more than two per cent to 3.5 per cent labour turnover in any given year. This however, depends on certain variables that are likely to impinge on the activities of the organization such as seasonal jobs, casual jobs, economic, political and climatic conditions. Sullivan (2011) also argued that voluntary turnover rates above 4% should be considered a warning sign and involuntary rates above 2% should require further examination, as he opined that well-managed firms with excellent management and retention practices frequently maintain low voluntary turnover rates.

In a country like Japan, a two per cent labour turnover would be seen as an alarming. This is due primarily to the Japanese concept of lifetime employment. Thus, the employee is seen as a permanent member of the organization until he retires. If he leaves before retirement age, such a worker will be treated as a secondary employee in his next job, whereas those who do not change jobs are treated as primary labour force. As a member of the primary labour force, an employee is treated or seen as a member of the firm's family. Members of secondary labour force do not enjoy most rights and privileges extended to members of the primary labour group. This system therefore discourages erratic movement of employees from one organization to another. In Nigeria, this is not necessarily the case as managers who lack managerial skills do not see their employees in this light as long as such employees are useful to the organisation and help achieve the set objectives.

The cost of labour turnover

A high labour turnover rate indicates that workers leave frequently and do not stay for long. Replacement of workers sometime declines the overall efficiency which leads to productivity. The higher rate of labour turnover results in increase cost of production (Tziner & Birati, 1996). This results from:

(i) Decrease in production due to inefficiency and inexperience of newly appointed workers,
(ii) Loss arising due to defective work and increased wastage in production,
(iii) Increased cost of recruitment and training (of replacement staff).
(iv) The new workers are more accident-prone, and increased number accidents cause loss of output and increase in medical expenses and cost of repairs.
(v) Lack of cooperation and coordination between old and new workers results in a drop in output, and increased cost of production.
(vi) Newly employed workers are likely to mishandle tools and equipment resulting in destruction of tools,

The overall result of labour turnover is a higher cost of production and lower profitability (Tziner & Birati, 1996). When accounting for the costs (both real costs, such as the time taken to select and recruit a replacement, and also opportunity costs, such as lost productivity), are taken into consideration. There are both direct and indirect costs. Direct costs relate to the cost of leaving, replacement costs and transition costs, while indirect costs relate to the loss of production, reduced performance levels, unnecessary overtime and low morale. In a healthcare context, staff turnover has been associated with worse patient outcomes (Wikipedia, 2013).

In view of contemporary high cost of attracting and retaining labour**,** high labour turnover is often detrimental to the interest of a firm. Stressing this point further, Gaudet (1960) put forward a comprehensive list of turnover cost which connotes items such as advertising, college recruiting, applicant's travel expenses, medical examinations and psychological testing, recruitment awards for employees, and 'hotel entertainment'. He also asserted the loss of sales because of vacancies and higher average pay due to extra overtime and that the more difficult to estimate are the extra expenditures for training and learning contextual skills, because this include also the cost of coaching, supervision and the loss of quality and product output. Even more complicated is the accounting for items like the loss of team productivity, the loss of effectiveness of informal communication and co-ordination processes and a decreased motivation of those employees who are left behind (Mobley, 1982).

Definition of small and medium scale business

What is a small scale business? Any attempt to answer this question with precision and exactitude proves futile. There is no standard definition that could possibly include the diversity of small businesses. Thus the definition of small scale business attracts a wide range of understandings. Where to draw the line between big and small is somewhat arbitrary, since there are several factors which relate to smallness or bigness such as the number of employees, type of business, yearly Naira value of sales or receipts that is turnover, total assets, capital outlay, management style, size within the industry, size of the competition, market share coverage etc. (Pickle & Abrahanson, 1981).

Most definitions appear to be governed by the interest of the perceiver, the purpose of the definition and the stage of development of the particular environment in which the definition is employed. Hence the definition of small scale business tends to differ among countries and individuals. This arises from differences in industrial organizations, level of economic advancement among countries and differences in economic development in parts of the same country. Therefore there has always been controversy over the definition of small scale business as there is no consensus on the yardstick for measuring smallness.

The Central Bank of Nigeria (CBN) defines small businesses as establishment whose turnover does not exceed ₦500,000 but for loan basis, CBN recommended for Merchant Banks that small businesses are those with a maximum annual turnover of five million Naira or one with investment of not more than two million Naira (excluding cost of land) (Central Bank Bulletin, 2010). The Federal Ministry of Commerce and Industries defined small business as establishments employing one to fifty persons and with cost of investment not exceeding ₦750,000 and capital input of not more than ₦300,000 in machinery and equipment (CAMA, 1990).

Two of the common definitions of small businesses are from the Community on Economic Development (CED) and the Small Business Act of 1974 and 1953 respectively. CED (1974) states that a business would be classed to be small if it is characterized and meets two or more of the following criteria: management is independent, (usually the managers are also the owners); capital is supplied and ownership is held by an individual or a small group; the area of operation is mainly local – workers and owners are in one home community, market need not be local; relative size within the industry – the business is small when compared to the biggest units in its field.

However, this study adopted the Microfinance and Enterprise Development Agency (MEDA), Cross River State 2012 business classification of SMEs – that is firms having between ten and two hundred and fifty employees and capital investment of between five million and two hundred and fifty million Naira.

III. Methodology

The study adopted the cross sectional survey research design. The study was carry out in the eighteen Local Government Area of Cross River State. Cross River State was chosen for this study because it is Nigeria's foremost tourist destination, endowed with abundant human, material and natural resources and with a peaceful serenity and potentials of entrepreneurial development. SMEs are the main stay of the State's economy. SMEs also play key role in tourism development.The study covered firms registered with the Microfinance and Enterprise Development Agency (MEDA), Cross River State as at 2012 and had been in operation for a minimum of five years. The firms' registration with the State agency – MEDA, served as accreditation to the business legality. A two stage sampling procedure involving simple random and judgmental (to ensure typical kinds of businesses are included) sampling techniques were used in selection of samples. The population of the study was 42,361. The responses rate was 368, after the sample size was determine using Taro Yamane formula (1967) as follows:

$$n = N / 1 + (N . e^2)$$

Where n = Sample size
N = actual Population
e = is the error limited (0.05 on the basis of 95 per cent confidence level).
This is computed as follows:

n = 42,361 / [1 + (42,361 x 0.05^2)
n = 42,361 / [1 + 105.90]
n = 396. sample size.

Model specification
The regression model is specified as:
(1) PERF (ROI) = αo + βLT + ε
(2) PERF (ROE) = αo + βLT + ε

Where: PERF (ROI) = SMEs Performance (Return on Investment)
PERF (ROE) = SMEs Performance (Return on Equity)
LT = Labour Turnover

IV. Data Analysis

The effect of labour turnover on the performance of the firm studied

As shown in the table 1, in 2007, eight (2.17 per cent) of the firms studied had labour turnover rate of less than five per cent. Their average capital was ₦6,719,760, their average current liability was ₦4,300,647, their average profit before interest and tax was ₦1,712,408, their average return on equity was 26.55 per cent and their average return on investment was 16.19 per cent.

Seventy nine (21.47 per cent) of the firms had labour turnover rate of between five and ten per cent. Their average capital was ₦6,612,540, their average current liability was ₦4,232,025, their average profit before interest and tax was ₦1,1592982, their average return on equity was 17.67 per cent and their average return on investment was 10.77 per cent.

One hundred and nine (32.61 per cent) of the firms had labour turnover rate of between eleven and fifteen per cent. The average capital was ₦8,042,866, their average current liability was ₦5,147,434, their average profit before interest and tax was ₦867,989, their average return on equity was 11.50 per cent and their average return on investment was 7.01 per cent.

One hundred and twenty (29.62 per cent) of the firms had labour turnover rate of between sixteen and twenty per cent. Their average capital was ₦12,978,283, their average current liability was ₦8,306,101, their average profit before interest and tax was ₦854,801, the average return on equity was 8.13 per cent and their average return on investment was 4.96 per cent.

Fifty two (14.13 per cent) of the firms had labour turnover rate of above twenty per cent. Their average capital was ₦21,237,331, their average current liability was ₦13,591,892, the average profit before interest and tax was ₦988.926, their average return on equity was 6.65 per cent and their average return on investment was 4.05 per cent.

In 2008, eight (2.17 per cent) of the firms studied had labour turnover rate of less than five per cent. Their average capital was ₦6,719,760, their average current liability was ₦3,628,671, their average profit before interest and tax was ₦1,705,970, their average return on equity was 26.43 per cent and their average return on investment was 17.16 per cent.

Sixty six (17.93 per cent) of the firms had labour turnover rate of between five and ten per cent. Their average capital was ₦6,590,944, their average current liability was ₦3,559,110, their average profit before interest and tax was ₦1,188,868, their average return on equity was 18.23 per cent and their average return on investment was 11.84 per cent.

One hundred and one (27.45 per cent) of the firms had labour turnover rate of between eleven and fifteen per cent. Their average capital was ₦7,665,152, their average current liability was ₦4,139,182, their average profit before interest and tax was ₦901,457, their average return on equity was 12.55 per cent and their average return on investment was 8.15 per cent.

A total of eighty six (23.37 per cent) of the firms had labour turnover rate of between sixteen and twenty per cent. Their average capital employed was ₦10,145943, their average current liability was ₦5,478,809, their average profit before interest and tax was ₦828,848, their average return on equity was 8.89 per cent and their average return on investment was 5.77 per cent.

One hundred and seven (29.08 per cent) of the firms had labour turnover rate of above twenty per cent. Their average capital was ₦18,608,240, their average current liability was ₦10,048,450, their average profit before interest and tax was ₦954,354, their average return on equity was 7.15 per cent and their average return on investment was 4.65 per cent.

In 2009, four (1.09 per cent) of the firms studied had labour turnover rate of less than five per cent. Their average capital was ₦6,786,411, their average current liability was ₦3,461,069, their average profit before interest and tax was ₦1,498,603, their average return on equity was 24.32 per cent and their average return on investment was 16.11 per cent.

Thirty three (8.97 per cent) of the firms had labour turnover rate of between five and ten per cent. Their average capital was ₦6,287,045, their average current liability was ₦3,206,393, their average profit before interest and tax was ₦1,551,797, their average return on equity was 24.82 per cent and their average return on investment was 16.44 per cent. Ninety four (25.54 per cent) of the firms had labour turnover rate of between eleven and fifteen per cent. Their average capital was ₦6,932,327, their average current liability was ₦3,535,487, their average profit before interest and tax was ₦1,099,283, their average return on equity was 16.22 per cent and their average return on investment was 10.74 per cent.

A total of ninety nine (26.90 per cent) of the firms had labour turnover rate of between sixteen and twenty per cent. Their average capital was ₦9,435,564, their average current liability was ₦4,812138, their average profit before interest and tax was ₦960,916, their average return on equity was 11.11 per cent and their average return on investment was 7.36 per cent..One hundred and thirty eight (37.50 per cent) of the firms under study experienced labour turnover rates of above twenty per cent. Their average capital was ₦16,624,482, their average current liability was ₦8,478,486, their average profit before interest and tax was ₦1,015,481, their average return on equity was 8.29 per cent and their average return on investment was 5.49 per cent.In 2010, nine (2.45 per cent) of the firms studied had labour turnover rate of less than five per cent. Their average capital was ₦6,623,015, their average current liability was ₦3,179,047, their average profit before interest and tax was ₦1,970,585, their average return on equity was 30.88 per cent and their average return on investment was 20.86 per cent. Sixty five (17.66 per cent) of the firms had labour turnover rate of between five and ten per cent. Their average capital was ₦8,539,979, their average current liability was ₦4,099,190, their average profit before interest and tax was ₦1,502,230, their average return on equity was 17.30 per cent and their average return on equity was 11.69 per cent. Seventy three (19.84 per cent) of the firms had labour turnover rate of between eleven and fifteen per cent. Their average capital was ₦7,039,136, their average current liability was ₦3,378,785, their average profit before interest and tax was ₦1,020,764, their average return on equity was 15.22 per cent and their average return on investment was 10.28 per cent.

A total of eighty two (22.28 per cent) of the firms had labour turnover rate of between sixteen and twenty per cent. Their average capital was ₦9,760,275, their average current liability was ₦4,684,932, their average profit before interest and tax was ₦1,041,843, the average return on equity was 11.23 per cent and their average return on investment was 7.59 per cent.One hundred and thirty nine (37.77 per cent) of the firms had labour turnover rate of above twenty per cent. Their average capital was ₦16,618,441, their average current liability was ₦7,976,852, their average profit before interest and tax was ₦1,038,904, their average return on equity was 8.48 per cent and their average return on investment was 5.73 per cent.In 2011, one (0.27 per cent) of the firms studied had labour turnover rate of less than five per cent. The average capital was ₦5,796,650, the average current liability was ₦2,608,493, the average profit before interest and tax was ₦2,106,534, the average return on equity was 36.34 per cent and the return on investment was 25.06 per cent. Twenty seven (7.34 per cent) of the firms had labour turnover rate of between five and ten per cent. Their average capital was ₦6,488,659, their average current liability was ₦2,919,896, their average profit before interest and tax was ₦1,815,602, the average return on equity was 28.52 per cent and the average return on investment was 19.67 per cent.

Ninety eight (26.63 per cent) of the firms had labour turnover rate of between eleven and fifteen per cent. Their average capital was ₦6,763,353, their average current liability was ₦3,043,509, their average profit before interest and tax was ₦1,184,579, the average return on equityt was 17.87 per cent and their average return on investment was 12.33 per cent.A total of one hundred and three (27.99 per cent) of the firms had labour turnover rate of between sixteen and twenty per cent. Their average capital was ₦9,400,106, their average current liability was ₦4,230,048, their average profit before interest and tax was ₦1,028,612, the average return on equity was 11.92 per cent and their average return on investment was 8.22 per cent.One hundred and thirty nine (37.77 per cent) of the firms had labour turnover rate of above twenty per cent. Their average capital was ₦16,565,081, their average current liability was ₦7,454,286, their average profit before interest and tax was ₦1,085,694, their average return on equity was 8.88 per cent and their average return on investment was 6.13 per cent. From the above five year analysis, it was observed that firms with less than five per cent labour turnover rate had better return on investment (ROE) and equity (ROI) than those with higher labour turnover rate. This ofcourse suggests an association between labour turnover rate and SME performance.

Table 1: Distribution of five years performance indicators of the firms studied

Years	LTR per cent	Freq.	Per cent	AV. Capital	AV C. Liab.	AV. Profit	AV. ROE	AV .ROI
2007	<5	8	2.17	6719760	4300647	1712408	26.55	16.19
	5-10	79	21.47	6612540	4232025	1152982	17.67	10.77
	11-15	109	32.61	8042866	5147434	867989	11.50	7.01
	16-20	120	29.62	12978283	8306101	854801	8.13	4.96
	>21	52	14.13	21237331	13591892	988926	6.65	4.05
	Total	368	100					
2008	<5	8	2.17	6719760	3628671	1705970	26.43	17.16
	5-10	66	17.93	6590944	3559110	1188858	18.23	11.84
	11-15	101	27.45	7665152	4139182	901457	12.55	8.15
	16-20	86	23.37	10145943	5478809	828848	8.89	5.77
	>21	107	29.08	18608240	10048450	954354	7.15	4.65
	Total	368	100					
2009	<5	4	1.09	6786411	3461069	1498603	24.32	16.11
	5-10	33	8.97	6287045	3206393	1551797	24.82	16.44
	11-15	94	25.54	6932327	3535487	1099283	16.22	10.74
	16-20	99	26.90	9435564	4812138	960916	11.11	7.36
	>21	138	37.50	16624482	8478486	1015481	8.29	5.49
	Total	368	100					
2010	<5	9	2.45	6623015	3179047	1970585	30.88	20.86
	5-10	65	17.66	8539979	4099190	1502230	17.30	11.69
	11-15	73	19.84	7039136	3378785	1020764	15.22	10.28
	16-20	82	22.28	9760275	4684932	1011843	11.23	7.59
	>21	139	37.77	16618441	7976852	1038904	8.48	5.73
	Total	368	100					
2011	<5	1	0.27	5796650	2608493	2106534	36.34	25.06
	5-10	27	7.34	6488659	2919896	1815602	28.52	19.67
	11-15	98	26.63	6763353	3043509	1184579	17.87	12.33
	16-20	103	27.99	9400106	4230048	1028612	11.92	8.22
	>21	139	37.77	16565081	7454286	1085694	8.88	6.13
	Total	368	100					

Source: Field work

Interpretation of research model

Model 1: $\text{PERF (ROE)} = \alpha o + LT + \varepsilon$

The ordinary least square regression was used to estimate the equation. The result is presented in Table 2. This result shows an R^2 value of 0.504 which implies that about 50 per cent changes in performance (ROE) of small and medium enterprises is explained or caused by labour turnover. The adjusted R^2 value of .503 shows that the model fits the data well, meaning that the model has 50 per cent goodness fit. The F-statistics was used to test the robustness of the R^2, because the R^2 may have occurred by chance. The F-value of 401.13 which is greater than the critical F-value of 3.14 at 0.05 level of significance with the degree of freedom n - 2 (that is 368 - 2 = 366), implies that there exist a significant relationship between performance of the firm and labour turnover.

The estimated coefficient for labour turnover (LT) is negative, which indicates that there exist an inverse relationship between labour turnover and performance (return on equity). This result is in line with other research findings on the effect of turnover on firms performance of Benedict, Josiah, Ogungbenle and Akpeti (2012); Boxall, Macky and Rasmussen, (2003); Garino and Martin, (2007); Griffeth, Hom and Gaertner, (2000); Huselid, (1995); Mabindisa (2013); Mobley, Griffeth, Hand, and Meglino (1979); Reilly, Nyberg Maltarich and Weller (2014); Ton and Huckman (2008). The result is statistically significant at a 0.05 per cent level of significant. The second order test, that is test for autocorrelation shows that the calculated D.W of 1.89 falls within the inconclusive region of D.W partition curve. So it can clearly be stated that there exists no degree of autocorrelation.

Table 2

Regression results of the impact of labour turnover on Firms' performance – Return on Equity (ROE)

Dependent Variable: Return on Equity

Variable	Estimated Coefficients	Standard Error	T-Statistic	P- Value
Constant	21.537	.551	39.098	.000
LT	-.341	.017	-20.028	.000

R	=	0.710
R-Square	=	0.504
Adjusted R-Square	=	0.503
F – Statistic	=	401.13
Durbin Watson Statistic	=	1.89

Source: SPSS Computation.

Model 2: PERF (ROI) = αo + LT + ε

The ordinary least square regression was used to estimate the equation. The result is presented in Table 3. This result shows an R^2 value of 0.514 which implies that about 50 per cent changes in performance (ROI) of small and medium enterprises is explained or caused by labour turnover. The adjusted R^2 value of .513 shows that the model fits the data well, meaning that the model has 50 per cent goodness fit. The F-statistics was used to test the robustness of the R^2, because the R^2 may have occurred by chance. The F-value of 387.5 which is greater than the critical F-value of 3.14 at 0.05 level of significance with the degree of freedom n - 2 (that is 368 - 2 = 366), implies that there exist a significant relationship between performance of the firm and labour turnover.

The estimated coefficient for labour turnover (LT) is negative, which indicates that there exist an inverse relationship between labour turnover and performance (return on investment). This result is in line with other research findings on the effect of turnover on firms performance of Benedict, Josiah, Ogungbenle and Akpeti (2012); Boxall, Macky and Rasmussen, (2003); Garino and Martin, (2007); Griffeth, Hom and Gaertner, (2000); Huselid, (1995); Mabindisa (2013); Mobley, Griffeth, Hand, and Meglino (1979); Reilly, Nyberg Maltarich and Weller (2014); Ton and Huckman (2008). The result is statistically significant at a 0.05 per cent level of significant. The second order test, that is test for autocorrelation shows that the calculated D.W of 1.65 falls within the inconclusive region of D.W partition curve. So it can clearly be stated that there exists no degree of autocorrelation.

TABLE 3

Regression results of the impact of labour turnover on Firms' performance – Return on investment (ROI)

Dependent Variable: Return on Investment

Variable	Estimated Coefficients	Standard Error	T-Statistic	P- Value
Constant	23.659	.482	49.054	.000
LT	-.1.219	.062	-19.693	.000

R	=	0.717
R-Square	=	0.514
Adjusted R-Square	=	0.513
F – Statistic	=	38.750
Durbin Watson Statistic	=	1.65

Source: SPSS Computation.

Test of research hypotheses

H_o There is no significant relationship between Labour turnover and the performance of SMEs in Cross River State.

H_A: There is significant relationship between Labour turnover and the performance of SMEs in Cross River State.

Decision rule: Reject Ho if t-cal < 1.96 the critical value, otherwise
Accept Hi if t-cal > 1.96 the critical value

From Table 2 and 3, using t-statistic to test for the statistical significance of the estimated coefficients; the calculated t-statistic values are 20.03 and 19.69 for ROE and RO1 respectively. While the table critical value is 1.96 at 95 per cent confidence level. Given that the calculated t-statistic values are greater than the table critical value, that is 20.03 > 1.96 and 19.69 > 1.96 with the degree of freedom n - 2 (that is 368 – 2 = 366) and at five per cent level of significance, the null hypothesis is rejected, and the alternative accepted. Therefore, labour turnover has a significant effect on the performance of SMEs.

V. Discussion Of Findings

The research found that there is a significant inverse relationship between labour turnover and the performance of SMEs. This implies that higher level of labour turnover, impact on the performance (Return on Equity and Return on Investment) of firms. The study showed that about ninety seven per cent of the SMEs in Cross River State had labour turnover rate of above five per cent. This, by Tamunomiebi's standard and yardstick, is very high for any firm. Tamunomiebi (2003) argued that an efficient, effective and profit oriented firm in Nigeria should not have more than two per cent to 3.5 per cent labour turnover in any given year. From the five year analysis, the study found that only eights firms representing two per cent of the 368 firms studied had labour turnover rate of less than five per cent and whose performance (ROE and ROI) was 2007: 26.55 and 16.19 per cent, 2008: 26.43 and 17.16 per cent, 2009: 24.32 and 16.11 per cent, 2010: 30.88 and 20.86 per cent and 2011: 36.34 and 25.06 percent respectively. While 360 representing 98 per cent of the firms had labour turnover rates of above five per cent. Their performance (ROE and ROI) was 2007: within 17.67 to 6.65 and 19.77 to 4.05 per cent, 2008: within 18.23 to 7.15 and 11.84 to 4.65 per cent, 2009: within 24.82 to 8.29 and 16.44 to 5.49 per cent, 2010: within 17.30 to 8.48 and 11.69 to 5.73 per cent and 2011: within 28.52 to 8.88 and 19.67 to 6.13 per cent respectively.

Also the OLS regression ($R^{2)}$ result of .504 and .514 for ROE and ROI respectively clearly indicate that labour turnover accounts for above fifty per cent changes in ROE and ROI of SMEs in Cross River State. This implies that labour impact negatively on the performance of SMEs in the State.

VI. Conclusion

From the research findings, it can be deduced that labour turnover partly explains the unsatisfactory performance of SMEs in Cross River State, Nigeria. Thus, their poor and dismal performance goes well beyond the much perceived and well-advertised lack of finance, inadequate business infrastructure and lack of access to markets among others. The relatively high labour turnover (mostly voluntary) found among SMEs is therefore indicative of firm's management lack of the requisite skills and knowledge to articulate effective human resource management practices to stem the tide of employees' turnover. Thus, most workers often see themselves as transient members of the organisation and they naturally tend to leave the firm voluntarily as soon as an opportunity arises.

Recommendations

1. Management should create incentives and opportunity for growth and development where an employee could be co-opted as co-owner of the business over the years and have the privilege and right to partake in the share of end of year profit or end of contract bonus, as this would build a strong sense of job security and employee's commitment and thus discourage erratic movement of employees form one organisation to another.
2. The processes of staffing should be designed in a way that ensures that only workers whose values, interests and goals align with those of the firm are employed. This should help reduce the problem of high voluntary turnover rate, as those job seekers whose objective is to use the firm as a temporary launching pad towards other jobs will be identified and eliminated during recruitment exercise.
3. Managers of firms should undergo training and development in skills and knowledge acquisition in igniting effective human resource practices through workshop, seminars, in-house courses etc.

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