EFFECT OF HUMAN RESOURCE MANAGEMENT FACTORS ON PERFORMANCE OF SMALL AND MICRO ENTERPRISES: A CASE STUDY OF REAL ESTATE AND MANAGEMENT AGENCIES IN NAIROBI, KENYA

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Abstract
Small and Medium Enterprises (SMEs) play an important economic role in many countries. Although it is globally acknowledged that SMEs have been duly recognized as a major source of economic growth in many emerging economies and have provided countless job opportunities to the citizens, the challenges they face have prevented them from realizing their full potential, particularly in Kenya. This study examined human resource management factors that determine the performance of small and micro scale real estate and management agencies in Nairobi. A mixed research approach, which combined qualitative and quantitative methods, was employed to collect data in this study. Data was analyzed using descriptive statistics to determine the mean, standard deviation, minimum and maximum of the various variables. In addition Chi-square test of significance was conducted to test the association between employee turn-over and the level of remunerations. Correlation analysis was conducted to determine the strength and direction of association between training in management and performance of real estate agencies. The findings indicate that real estate agencies face the following challenges: lack of access to credit, high labor turnover rates as a result of poor employee remuneration, and lack of career development prospects, and cheap services offered by non-established agents resulting in the closure of the more established businesses. Results indicated that training in management, equitable employee remuneration, and hiring of competent staff, are the human resource management functions that influenced performance the most.

Keywords: Small and Micro enterprises, human resource management, entrepreneur, performance improvement
1.0 Introduction
Every year, thousands of individuals motivated by a desire to be their own boss, to earn a better income, and to realize their dreams, launch new business ventures. These entrepreneurs have been essential to the growth and the vitality of the free enterprise system (Mondy, Noe, & Premeaux, 2002). The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Kenya Government Policy on Economic Recovery Strategy (Kenya SMEs Project, 2006), SMEs employed 74% of the labor force and contributed over 18.4% of Kenya’s GDP in 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007).

Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes. Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises (Longenecker, et al., 2006). Human Resource Management (HRM) concerns the human side of enterprises and employees with their firms. Its purpose is to ensure that the employees of a company (its human resources) are used in such a way that the employer obtains the greatest possible benefits from their abilities and the employees obtain both material and psychological rewards for their work (Graham & Bennett, 1998). In fact, an organization’s unique advantage has become increasingly dependent upon its firm’s most valuable assets, (Mondy, Noe, & Premeaux, 2002) the people working there who individually and collectively contribute to the achievement of its goals (Armstrong, 2001).

The management of human resources involves developing and working through an integrated human resource management system. This study assessed human resource management factor that influence performance of SMEs with the aim of establishing the challenges faced and make suggestions for improvement. The study specifically focused on real estate and management agencies in Nairobi.

1.2 Statement of the Problem
It is generally recognized that SMEs (Small and Micro Enterprises) face unique challenges, which affect their growth and profitability and hence diminish their ability to contribute effectively to sustainable development. Many SMEs owners or managers lack managerial training and experience. The typical owner or managers of small businesses develop their own approach to management, through a process of trial and error. As a result, their management style is likely to be more intuitive than analytical, more concerned with day-to-day operations than long-term issues, and more opportunistic than strategic in its concept (Hill, 1987). Creative leadership may be a key strength at the start-up stage of any business, but problems may arise when managers with limited or no training and experience in management are faced with complex decisions to make, especially when faced with cut-throat completion and a rapidly changing business environment. King and McGrath (2002) stated that, the majority of those who run SMEs are an ordinary lot whose educational background is lacking. Hence they may not be well equipped to carry out managerial routines for their enterprises.

In virtually every market, consumers are demanding higher quality, lower costs, and faster cycle times. To meet these requirements, firms must continually improve their overall performance. The most important competitive advantage for any firm is its workforce, one that must remain competent through continuous training and development efforts (Armstrong, 2001). The development of human capabilities and their
effective use result in economic effects which are highly desirable in organizations (Jamison & Moock, 1984). Training in the world of work has become a major part of the real education system (APEC, 2002). Education and skills are needed to run micro and small enterprises. However, research shows that majority of the lot carrying out micro and small enterprises in Kenya are not quite well equipped in terms of education and skills (King & McGrath 2002).

The core employees of a real estate agency are its sales staff. Armstrong (2001) states that, the main element of the sales reward mix are basic salary, commissions, bonuses and other motivators such as incentives (for example, rewards in kind, in the form of gifts), compensations, and non-financial rewards generally. The question of what constitutes a fair day’s pay has plagued management, unions and workers for a long time. Armstrong (2001) states that, there are no hard-and-fast rules governing how sales representatives should be paid. It depends on the type of company, the products or services it offers its customers, and the nature of the sales process – how sales are organized and made. The lack of set rules in remunerating sales representatives can easily translate to poorly integrated policies, processes and practices for rewarding employees in accordance with their contribution, skill, competence and their market worth, the consequence being de-motivated workers who fail to perform to their optimum.

Although HRM plays an important role in organizations, there is little information on its influence on performance of real estate and management agencies. This study evaluated HRM factors that influence the performance of small and micro scaled real estate and management agencies in Nairobi with the aim of understanding the problems encountered and recommend workable suggestions for improvement.

1.3 Purpose of the Study
The overall purpose of this study was to explore the effect of human resource factors on performance of small and micro-enterprises. Its specific objectives were: (a) to determine the human resource management challenges facing small and micro-enterprises, (b) to establish the strategies that can be employed by small and micro-enterprises to counter the challenges that they face, and (c) to evaluate the factors that can help small and micro-enterprises improve their performance.

2.0 Methodology
The research design employed in this study was a descriptive survey. Kerlinger (1973) points out that descriptive studies are not only restricted to fact finding, but may often result in the formulation of important principles of knowledge and solution to significant problems. They are more than just a collection of data. They involve measurement, classification, analysis, comparison and interpretation of data. Orodho and Kombo (2002) stated that they are used to collect information about people’s attitudes, opinions, and habits. This was a formalized study structured with clearly indicative investigative questions aimed at a targeted population from a representative sample of real estate agencies in Nairobi.

This study applied a mixed research design where both quantitative and qualitative methods of data collection are employed (Easterby-Smith et al., 1991). The qualitative technique employed open ended questions in the form of a self-administered questionnaire which provided a complete detailed description of the opinions of the respondents and their unifying traditions. Respondents provided written descriptions of their experiences on the matter at hand. The quantitative technique involved classification of features, measuring or counting them and construction of statistical models to explain what was observed. Data
collected was in the form of numbers and statistics using a structured questionnaire. A mixed research design was employed to enable the researcher gather information exhaustively on the subject matter.

2.1 Population
Jennings (2001, p.136) defines population as “all the study subjects (managers) or study units (firm) that are the focus of the research project”. A list of real estate agencies (population) was obtained from the records of the Registrar of Companies at the Attorney General’s Chambers. The population size was 160 real estate agencies.

2.2 Sample and Sampling Techniques
The main purpose of sampling is to achieve representation; the sample should be assembled in such a way as to be representative of the population from which it is taken (Gilbert, 1993; Jennings, 2001). The sample size was obtained using random and systematic sampling methods. A sample size of 50 real estate agencies was selected from the population of 160, which represents 31% of the population.

Systematic selection was used, where sample members were selected at fixed intervals throughout the population starting from a randomly determined point. Subsequent items were selected by taking every kth item of five from the population where ‘k’ refers to the sampling interval or sampling ratio that was the ratio of population to the sample size. Any item which was selected but could not be accessed was skipped from the respective interval and the next item in the sequence was selected and included in the sample. This continued until the required sample size was obtained. This method gave equal Probability for selection to every item in the population. One respondent, (Proprietor or CEO) was chosen from each of the items selected.

2.3 Data Collection
A questionnaire was the survey instrument employed in this study to collect primary data. The questionnaire comprised of both structured and unstructured questions. A structured questionnaire format was used to collect quantitative data which included designs, techniques and measures that produced discrete numerical or quantifiable data (Mugenda & Mugenda, 1999). The qualitative section of the instrument was used to collect the qualitative data (Mugenda & Mugenda, 1999) which provided a complete detailed description of the opinions, perceptions and experiences of the real estate sector and its unifying traditions. A pilot test was conducted to field test the reliability of the instrument and the validity of the study by testing it on five real estate agencies in Nairobi. The responses provided valuable insights which were used to modify the survey instruments accordingly. Secondary data was collected from various sources including but not limited to published authors, journals, government publications, agency records, and the World-wide web (Internet).

3.0 Findings and Discussions
3.1 Description of participants by demographics
The following tables show participant distribution by their demographics:

Respondents’ Designation
Out of the respondents interviewed, 28% were Property Managers, 22% were in the rank of Directors, and 14% were HR Managers. Other designations included Managing Director at 12%, Agency manager and Marketing Managers at 4% each amongst others. Chart 1 indicates the breakdown of various designations.
These responses show a phenomenon where most of these firms are led directly by the owner and that very few are led by professional managers and even fewer have employed Human Resource Managers.

**Formal Training**
Of the respondents interviewed, 70% had some formal training in management which was well spread in both genders, where males who have had some formal training at 73% and 65% for females as illustrated in Chart 2.

**Chart 2 – Respondents who have formal training**

**Level of Training Achieved**
Out of the 70% who have formal training in management, 65% are at diploma level – 34% Diploma Level – 1 year, and 31% at 9 months. 23% have university education at 4 years as shown in chart 3.
This shows that implementation of any strategies geared towards improving performance would be relatively smooth given that the majority of players have formal training in management.

**Legal form of the business**

Of the businesses sampled, 50% were limited companies, 26% were sole proprietors and 24% were partnership as illustrated in chart 4 below.

The fact that 50% of the firms sampled are limited companies clearly shows the seriousness of the investors in the industry.
Length of Time the Company has been in Operation
Slightly above two thirds of the firms sampled are relatively young with having been established less than 5 years ago. 32% of the companies have been in operation beyond six years as illustrated in chart 5.

Chart 5 – Length of firm operation

The fact that 32% of the respondents have been in operation beyond six years is an indicator that real estate is a sustainable industry.

Physical Location
Most of the real estate’s businesses are located in Kilimani area (42%) of Nairobi while 28% are based in the Central Business District. Industrial area had the least number at 2% as illustrate in chart 6.

Chart 6 – Physical location of the sampled firms

Market Segmentation
From the survey, it was established that most of the respondents main business category was in the up market segment at 62% with middle market at 34% and partly 4% in the lower market as shown in Chart 7.
Further analysis indicated that most of the firms that dealt with the up market segment were mainly based in Kilimani area, whiles those dealing with the lower segment having their base in Westlands and the Central Business district. This shows that there is need for companies to venture into the other seemingly unexploited areas, such as Industrial Area. A high concentration of real estate agencies in one particular area could be detrimental to the growth of individual companies as they will be entering an already saturated market area, keeping in mind that realtors operate within the precincts of their offices.

**Source of capital to Start Business**

It’s also encouraging to note that the 77% of the initial capital required to start the businesses was from personal savings, with 20% getting loans from family members and friends. A loan from banks and lending institutions was a mere 2% as illustrated in figure 9.

**Chart 9 – Source of Capital**

The above indicates that entrepreneurs encounter problems in securing loans from banks and other lending institutions to start up their business and are therefore forced to dip into their personal savings for the same.
The majority of businesses (77%) started with capital of below KShs. 100,000, which is very little compared to the current capital requirements of a business in terms of material and operational capital. “With these businesses starts with such little capital, they are limited in terms of capital equipment and physical facilities particularly technological oriented equipment, quality improvement and marketing of their services, all of which are important in promoting the growth of a business” (Gakure, 2006 p. 77). The low capital injection into the business affects the business operations by limiting the choices available for the business to invest in activities that could generate growth. Many SMEs compromise on quality of service because of inadequate funds.

**Amount of Startup Capital**

The amount required as initial capital differed and was as little as Ksh. 10,000.00 to a maximum of Ksh. 1,600,000.00. The table 1 below, show the amount used as initial capital.

<table>
<thead>
<tr>
<th>Amount of startup capital</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ksh. 50,000 and below</td>
<td>16</td>
<td>38</td>
</tr>
<tr>
<td>Ksh. 50,001 – Ksh. 100,000</td>
<td>17</td>
<td>39</td>
</tr>
<tr>
<td>Ksh. 100,001 – Ksh. 500,000</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Ksh. 500,001 – Ksh. 1,000,000</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Ksh. 1,000,000 and above</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>43</strong>*</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*The base is based on the total number of respondents who respondent to this question, 7 respondents declined.

The majority of the agencies, 77%, had a startup capital of below Ksh. 100,000/. This may be due to the fact that the capital comes from personal savings; which may be the reason why many companies either close shop within a year or fail to realize their potential as there is not enough working capital to give the business a good start. The few that had startup capital of Ksh. 1,000,000/= and above may have access to funding from banks and other lending institutions.

### 4.0 Empirical findings

**Remuneration Levels and Labor Turnover**

To further understand the relationship between employees resigning and remuneration we conducted a test on the null hypothesis that remuneration and employees leaving real estate Organizations are independent. *Ho - No Association exists between employee turnover and level of remuneration.* Chi-Square test was done.

<table>
<thead>
<tr>
<th>Value</th>
<th>Degree of Freedom (df)</th>
<th>Level of Significance (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>7.304(a)</td>
<td>8</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>8.997</td>
<td>8</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>.020</td>
<td>1</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

100
The lower the significance value, the less likely it is that the two variables are independent (unrelated). From the table above, the significance value is so low (.000), that it implies that these two variables are indeed related. The null hypothesis is therefore rejected, hence it is concluded that there is a direct dependent association between labor turnover and the level of remuneration real estate agencies offer their employees. The high rate of employees leaving Real Estate Agencies is directly related to the poor remuneration in the sector. This implies that when staffs in Real Estate Agencies are poorly remunerated, this in turn affects their performance due to lack of motivation. The end result of this is high employee turnover, as observed earlier in the report.

The concept of reward management is founded on the premise that people agree to exchange an effort (work) for a certain value and that value is what is called a reward. So reward management is a series of decisions that ensure that employees are rewarded equitably. It’s that process of developing and implementing strategies and policies which help the organization to achieve its goals. To achieve organizational objectives, the reward management system is useful when it obtains and retains employees it needs, motivating and training them to buy their commitment (Mondy, Noe, & Premeaux, 2002).

**Management Training and Performance**

A correlation analysis was conducted to determine the strength and directions of association between Training in Management and performance of Real Estate Organizations on key performance attributes as illustrated in Table 3.

**Table 3– Pearson Correlation**

<table>
<thead>
<tr>
<th></th>
<th>Formal Training in Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour utilization</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.097</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.511</td>
</tr>
<tr>
<td>N</td>
<td>48</td>
</tr>
<tr>
<td>Customer Complaints</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.212</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.148</td>
</tr>
<tr>
<td>N</td>
<td>48</td>
</tr>
<tr>
<td>Profit/ Net income</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.298(*)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.039</td>
</tr>
<tr>
<td>N</td>
<td>48</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.258</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.076</td>
</tr>
<tr>
<td>N</td>
<td>48</td>
</tr>
<tr>
<td>Cost Effectiveness</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.298(*)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.040</td>
</tr>
<tr>
<td>N</td>
<td>48</td>
</tr>
<tr>
<td>Customer Service</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.360(*)</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.014</td>
</tr>
<tr>
<td>N</td>
<td>46</td>
</tr>
<tr>
<td>Introduction of new services</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-.282</td>
</tr>
</tbody>
</table>
The findings of this study indicate that a fairly significant and positive correlation exists between formal training in management and performance. This implies that the greater the management training, the greater the performance. These findings are supported by studies (Gakure, 2006) which have found that the lack of managerial skills impacted negatively on business owned by small-scale enterprises. Studies also suggest that those with more education and training are more likely to be successful in the SME sector (King & McGrath 2002). As such, for SMEs to be successful in Kenya, it is essential to enhance their human resource capabilities by developing the intellectual capital required by these organizations, as well as ensuring that the right quality of people are available to meet present and future needs.

Labor Turnover
An analysis was done among the firms that have been operating between the years 2001 to the year 2005. During this time, the average labor turnover is as illustrated in Table 4:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AVERAGE NO. EMPLOYED</th>
<th>AVERAGE NO. WHO RESIGNED OR WERE TERMINATED</th>
<th>AVERAGE RATE OF TURNOVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>5</td>
<td>2</td>
<td>40%</td>
</tr>
<tr>
<td>2002</td>
<td>9</td>
<td>3</td>
<td>30%</td>
</tr>
<tr>
<td>2003</td>
<td>6</td>
<td>2</td>
<td>33%</td>
</tr>
<tr>
<td>2004</td>
<td>7</td>
<td>4</td>
<td>57%</td>
</tr>
<tr>
<td>2005</td>
<td>5</td>
<td>3</td>
<td>60%</td>
</tr>
</tbody>
</table>

A turnover rate of more than 25% would be considered a problem (Cole, 2002). As observed above, the average labor turnover from the year 2001 to 2005 in the firms interviewed was more than 30% which therefore indicates a high labor turnover. This can be disastrous for the organization and can result in loss of skilled manpower that is costly to replace. However, management controlled labor turnover can be beneficial and even crucial in some cases. It brings in fresh ideas and skills especially in this age of rapidly changing technology and stiff competition.
Exit Interviews

Chart 10: Organizations Conducting Exit Interviews

Of the respondents, 36% indicated that their firms conducted exit interviews with the employees leaving the organization. A big majority doesn’t conduct exit interviews and this can be detrimental to growth as the manager will keep making the same mistakes. Exit interviews provide vital information to management because employees who are leaving feel less inclined to hide information and speak freely about issues which are pertinent to them or areas where they feel management is lacking in the organization. Of the 36% who conducted exit interviews, the majority cited poor pay as the main reason for leaving, followed by the lack of career development prospects. These findings indicate poor implementation of human resource management practices by agencies.

Management

Respondents were asked whether they thought that Real Estate and Management Agencies were professionally managed.

Chart 11 – Real Estates Managed Successfully

A vast majority (84%) of the respondents indicated that real estate agencies are not managed professionally, whereas, 14% indicated that they have been professionally managed, the remaining 2% were indifferent. The main reasons given by respondents for lack of professionalism were the high presence of quacks and
briefcase agents who have neither experience nor the appropriate training to offer professional services. They also cited the fact that these quacks and briefcase agents, having very minimal overhead costs (with a mobile phone and some money for advertising, one could easily be in business), could afford to charge much lower fees for the services they offer than the established firms. Because of their large numbers, they were influencing pay for service rendered and therefore forcing many established businesses to close down. Another reason cited for poor management of agencies was the lack of experience among managers of real estate agencies. Majority of firms (68%) have been in business for 5 years and less, indicating that they were mostly start-up ventures. Most (52%) managers of these firms have 5 years and less experience in the real estate agency business. This finding gives a vivid picture of the perceptions of the industry players about themselves and further shows that there is great need to regularize the industry from within.

5.0 Conclusions
The current study concludes with the following:

Specific objective One: To determine the human resource management challenges facing small and micro Real Estate and Management Agencies?

i) SMEs face "liability of smallness." Because of their size and resource limitations, they are unable to invest the right amounts of operational and material capital to make the business be competitive and grow.

ii) The lack of access to credit is a key problem for real estate and management agencies. Credit constraints operate in a variety of ways in Kenya where undeveloped capital market forces entrepreneurs to rely on self-financing or borrowing from friends or relatives. Lack of access to long-term credit for small enterprises forces them to rely on high cost short term finance.

iii) The high presence of quacks and briefcase agents, who have neither experience nor the appropriate training to offer professional services, are giving the industry a bad reputation. Because of their large numbers, these free agents influence the fees for service offered by the industry. Because of their low overhead costs, they are running the established firms out of business.

iv) The lack of adequate management experience is one of the main reasons for poor management of real estate agencies. Most of the firms are start-up ventures run by managers with 5 years and less experience. The lack of experience renders them incapable of comprehending the more complex aspects of managing a firm in the current fast changing and competitive business environment.

v) The labor turnover rate in real estate agencies is very high. This has resulted in the loss of skilled manpower at a high cost to the agencies. Poor remuneration and lack of career development prospects are the main reasons for employees leaving the agencies.

5.2 Specific objective two: To establish the strategies employed by small and micro Real Estate and Management Agencies in countering the challenges that they face.

i) The first rule of solving any problem understands it. So, identifying HRM functions that influence the performance of real estate agencies is an important management exercise. Training and development, equitable employee remuneration, and hiring of competent staff, are the human resource management functions that influenced performance the most.

ii) Management should adopt policies and processes that will promote the practice of HRM functions in their organizations. Unless there is an effective process of continuous training and development, employees will
not have the necessary skills and competence to perform at their optimum. Unless there is a clear path for career development and equitable employee remuneration, there will be no employee retention.

5.3 Specific objective three: To evaluate the factors that can help small and micro Real Estate and Management Agencies to improve their performance.

i) Since majority of small enterprises lack finance, government should establish a friendly small loaning system. This would include low interests rates to ensure the continuity of these businesses. SMEs have the potentiality of transforming the economy of a nation. As such, every effort should be made to boost their growth.

ii) Government should come up with proper regulatory policies that are small enterprise friendly. It should facilitate the creation of a professional body of real estate agencies that will, among other tasks, set the code of conduct for operations in this industry. This will ensure that only qualified individuals and professional firms are allowed to operate. This body will also act as a source of redress in cases of dispute within the industry. This has been done successfully by other professions, for example, architects, lawyers, and accountants. Realtors shouldn’t be any different. Such a body will prevent quacks and other unscrupulous agents who resort to unorthodox means of conducting business from operating. All real estate agencies will be obliged to be members of this body. Registration for membership will be subject to set professional qualifications and adherence to certain ethical criteria. This will lend credence to the profession and will provide a channel through which real estate agencies can seek financing from financial institutions.

iii) Performance based pay should be part of the remuneration structure of real estate agencies. This will increase productivity by motivating employees, attracting competent workers, and thus regulating labor turnover rates to manageable levels.

iv) Problems contributing to employee discontent in the workplace and high labor turnover rates are more likely to be brought to management’s attention and resolved before they get out of hand (for example industrial strikes, go-lows, and poor performance) if there are grievance handling mechanisms in the organizations’ structure. It is important for firms to conduct exit interviews because this will inform managers of the reasons contributing to the high labor turnover rates. With this information, management may put in place remedial measures.

6.0 Managerial Implications

The real estate sector should embrace technological change which will make them appear more professional, lower the cost of operation, since a single website with an annual fixed cost can be used to advertise, sell, market and get access to properties that owners are offering. These will greatly lower the overhead costs as well as enable the management hire better qualified professionals than they currently have.

Managers should develop short and long term strategies for performance and performance management should be linked with other key processes such as business strategy, employee development, reward management and total service quality management. Unless there is an effective process of continuous development, there will be no employee retention.

The labor market like all other markets has buyers (employers) and sellers (employees) and pay levels need to be determined solely by the laws of supply and demand. If supply exceeds demand, the pay levels go down and if demand exceeds supply, then pay levels go up. This is the theory of equalizing differences and will ensure that there is no exploitation of employees. Skill based or performance based pay should also be
a part of the remuneration structure for employers. This will increase productivity by motivating the employees, attracting better candidates, reducing labor turnover and assuring workers that they are treated fairly.

Dissatisfaction and problems contributing to high labor turnover are more likely to be brought to management’s attention when there is effective joint consultation. The views of individual workers can also help point to problem areas for example; exit interviews will help identify characteristics common to leavers as well as recording classification details such as the pay and other terms and conditions of work, supervision and management, training and career prospects within the organization, and equal opportunities.

Management should facilitate the development of an employee’s career and serve as a catalyst and sounding board, to show the employee how to go about the process and evaluate the conclusions. This will serve to sensitize the employee to training opportunities available and assess the employees’ objectives and perceived development needs. However, this is only possible if the manager him/herself is trained in career development planning, to equip them with the skills needed for individualized career planning. Training and development of employees is advantageous to an organization. Individuals become more motivated as they have definite career targets to aim at and their sense of loyalty to the organization is enhanced.

References


