

STAFF RESIGNATION AND ORGANIZATIONAL PERFORMANCE OF SELECTED FIRMS IN PORT HARCOURT, RIVERS STATE

Dr. James Enwin Vinazor
Department of Management, Faculty of Management Sciences,
Ignatius Ajuru University of Education, Port Harcourt, Rivers State, Nigeria

Email: vinazorjame@gmail.com

ABSTRACT

The study determined the relationship between staff resignation and organizational performance of selected firms in Port Harcourt, Rivers State. Generally, the objective of the study was to empirically investigate how staff resignation relates with organizational performance in terms of profit margin and expansion of selected firms in Port Harcourt, Rivers State. The study adopted explanatory survey research design. The research population consisted of 20 selected medium scale enterprises in Port Harcourt, Rivers State, Nigeria. 5 managers from each of the organizations (thus totaling 100 managers) were selected purposively as representative units in the observation. By census study, the entire population was employed as the sample size of the study. The research instrument was pretested on a pilot sample of ten (10) respondents who were not part of the research sample. The retrieved instrument was analysed and the two results were correlated using the Spearman's rank order correlation coefficient and a coefficient of 0.80 was obtained. Out of 100 copies of the questionnaire distributed, 97 copies of the questionnaires were retrieved. The data obtained from the field were analyzed using Spearman's Rank Order Correlation Coefficient with the aid of SPSS Version 22.0. The study found that: there is a very strong negative relationship between staff resignation and profit margin of selected firms in Port Harcourt, and; there is a strong negative relationship between staff resignation and expansion of selected firms in Port Harcourt. The study concluded that staff resignation can be a very big blow on a firm's performance in finance and expansion, especially when they do not practice routine training and retraining, and also institute viable retention strategies. Among others, the study recommended that management of firms should train and retrain staff, and also employ viable retention strategies that will keep employees working for them for a very long time, and also help organizations quickly withstand against the shock of employee resignation.

Keywords: Staff Resignation, Organizational Performance, Profit Margin, and Expansion.

Background of the Study

Like customers, the human resource of any organization has remained its working engine. Any organization without staff is almost like a statue – just the name, no one to make it operational. This tells that the loss of a staff at the event of resignation equates to the loss of talent, skills, expertise, ingenuity, etc., resulting to a drop in performance, competitiveness, profitability, customer base, service delivery, productivity, etc. Depending on the capacity the staff, the resignation of any staff creates a gap in the organization such that their performance is affected. However, how they are affected depends on the capacity of the staff and the organization's preparedness for situations of that sort. Since poor performance can translate to many negative outcomes in an organization, it becomes very important that firms train, retrain, and retain talents. This will guard against incessant resignation and very significant drop in performance at the event of a resignation from any of their staff.

The idea of organizational performance refers to the objectives the organization has set for itself over a specified time period to describe the accomplishments associated with each stage. The

performance of an organization in any developing economy is dependent upon the productive capacity of the workforce, particularly, if they are adequately motivated. The outcome that shows or reflects an organization's efficiency or inefficiencies in terms of reputation, competencies, and financial performance is generally referred to as organizational performance (Ahmed & Shafiq, 2014). It is crucial to remember that organizational performance refers to an organization's actual output or result as compared to its anticipated outputs, goals, and objectives. Organizational performance includes a company's actual results or effects in comparison to its upcoming aims or objectives. Concerning authorities in many sectors of effort, it also crosses over strategic planners, operations, finance, legal, and organizational growth. The output of an organization as determined by its aims and purposes is also psychotherapy. In firms such as medium scale enterprises, their performance can be measured in terms of profit margin and expansion.

Profit margin is a measure of how much money a company is making on its products or services after subtracting all of the direct and indirect costs involved (Troy, 2023). It has a percentage as its expression. It is a gauge of the financial health of a business. A frequent indicator of how profitable a business or certain commercial activity is is its profit margin. After deducting all expenses, a company's profit margin is the percentage of sales revenue that remains after profits are earned. For instance, if a business claims to have made a 35% profit margin in the most recent quarter, it indicates that for every naira in sales, it made 0.35 naira in profit. Lenders, investors, and companies themselves consider profit margins as a gauge of a firm's sound financial standing, the caliber of its management, and its potential for expansion.

Expansion typically occurs when a company has reached a point of growth and is actively seeking out additional opportunities to generate greater profits (Giacomo, 2023). Diverse approaches can be taken to business expansion. It entails investing in new equipment, setting up shop, hiring additional salespeople, stepping up marketing, expanding franchises, breaking into untapped markets, introducing fresh goods and services, and more. When a company grows to the point where it looks for new ways to make more money, that is referred to as business expansion (The Upwork Team, 2023). It could be appropriate to think about expanding a business after it hits market saturation. Seeking methods to increase market competitiveness, attract a wider audience, and diversify your revenue streams are all strategies to grow your company. Not all companies and enterprises will be successful in handling business expansion, despite the fact that many of them do. It is crucial to approach business expansion with a well-thought-out strategy and the necessary infrastructure because of this. Whether expanding into new areas, creating strategic alliances, or going online, a business might discover exciting new opportunities through expansion. But there are obstacles in the way of growth. It necessitates thorough preparation, thoughtful consideration of the pros and cons, and smart decision-making.

As stated earlier, staff resignation could strongly affect the performance of an organization in the negative sense if organizations are not training, retraining, and retaining their staff. By definition, staff resignation refers to the termination of employment initiated by the employee (Brad, 2022). In other words, the worker freely chooses to leave their job and notifies the employer in writing of their decision. An employee may be required to provide their employer written notice of their resignation by letter (or email). The day an employee delivers written notice to their employer via email or letter that they wish to terminate their job is the start of the notice period, which concludes on the last day of work. Employee departures may be forced or voluntary.

Voluntary resignation is when an employee chooses to terminate their own employment with their employer (Grant, 2023). The employee makes the ultimate decision to leave their position. Employer pressure may or may not affect whether the resignation is regarded as genuinely voluntary, depending on the specifics. When an employee formally files a resignation letter or

notifies their employer of their leave in another way, it is considered a voluntary resignation. Usually, this is decided upon when employment first begins. It is no longer seen as a voluntary resignation when an employee is let go for causes beyond their control, such as being laid off. A forceful resignation is when an employee quits their position of employment as a result of pressure from managers, supervisors or members of a board (Palmquist, 2023). In contrast to voluntary resignations, which are the result of coercion, forced resignations are not the result of an employee's choice. In many places, particularly those with at-will employment rules, a forced resignation is permissible; but, in other states, it may not be. For a number of reasons, including performance concerns, workforce redundancies, financial restrictions, disciplinary issues, office politics, etc., employers may request that workers leave.

Though the study suggests that staff resignation could bear negative consequences on organizations, especially in terms of poor performance, but it is still uncertain. It is yet vague, because there seem to be no empirical evidence, as online and offline searches for jobs bothering on the relationship between staff resignation and organization performance of selected firms in Port Harcourt proved abortive (Fuchs, 2016; Emmanuel, 2014; Uzoma, 2014; Gonzalez, 2016; Idornigie, 2016). This is the knowledge gap that the study intends to fill.

Statement of Problem

In spite of the dissatisfaction many employees across medium enterprise firms in Port Harcourt are getting from their jobs, which is ringing resignation, numerous firms are still taking for granted staff retention, training, retraining, onboarding, development, etc. so as to prepare for succession planning and a negative surprise such as staff resignation, especially voluntary resignation. This has made a mess of many of them at the voluntary resignation of their very resourceful staff. Many firms have fallen so low on profit margin, business expansion, competitiveness, productivity, profitability, service delivery, etc., indicating poor performance. This is in tandem with Winkle (2019), as he opined that organizations should prepare for worst cases in business, which will keep them resilient, in spite of what they are blown with. Obviously, this is a situation that seeks for a quick action to ensure that staff resignation is well-managed.

Another issue that prompted the study was the seeming of empirical literature on the relationship between staff resignation and organizational performance of selected firms in Port Harcourt (Fuchs, 2016; Emmanuel, 2014; Uzoma, 2014; Gonzalez, 2016; Idornigie, 2016). This shows that little or nothing has been done on the relationship between staff resignation and organizational performance of selected firms in Port Harcourt. To seal this gap, the researcher is bent on embarking on this study - the relationship between staff resignation and organizational performance of selected firms in Port Harcourt.

Conceptual Framework

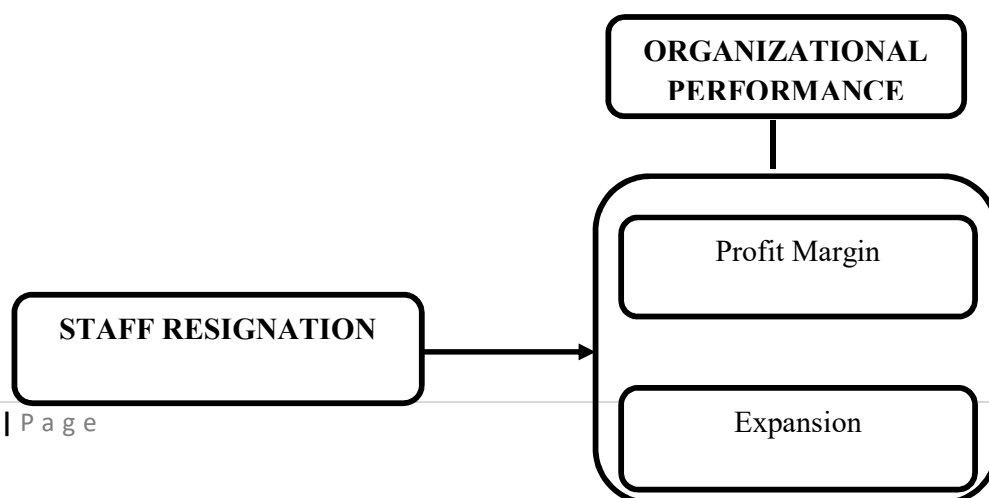


Fig. 1.1: Conceptual framework showing relationship between staff resignation and organizational performance.

Source: The Researcher's Conceptualization (2023).

Aim and Objectives of the Study

The aim of the paper was to determine the relationship between staff resignation and organizational performance of selected firms in Port Harcourt, Rivers State. The specific objectives of the study include the following:

1. To ascertain the relationship between staff resignation and profit margin of selected firms in Port Harcourt.
2. To determine the relationship between staff resignation and expansion of selected firms in Port Harcourt.

Research Hypotheses

Based on the above objectives of the study, the following hypotheses were formed thus:

- Ho₁: There is no significant relationship between staff resignation and profit margin of selected firms in Port Harcourt.
- Ho₂: There is no significant relationship between staff resignation and expansion of selected firms in Port Harcourt.

Theoretical Framework

This study is built on Human Capital Theory by Gary Becker and Theodore Schultz in the 1960s.

Human Capital Theory

The theory states that companies have an incentive to seek productive human capital and to add to the human capital of their existing employees. Put another way, human capital is the concept that recognizes that labour capital is not homogeneous. This study applies Human Capital Theory (HCT) to analyze the relationship between staff resignation and organizational performance. The expression, "Human Capital" is used to indicate the investment in the activities of Higher Education (HE) and work placement that frame graduate's capabilities and in return enhance his income (Slaughter *et al.*, 2015). The theory assumes that:

- i. Formal education is highly instrumental and necessary to improve the productive capacity of a population.

The Implication of Human Capital Theory to the Study

Human capital theory emphasizes that employees bring skills, knowledge, and experience to the organization, which contributes to its performance. When experienced employees resign, organizations may lose valuable human capital. Managing this loss through knowledge transfer, succession planning, and training can mitigate the negative impact on performance. Human capital theory is highly relevant to the relationship between staff retirement and organizational performance. This theory emphasizes the importance of human resources, skills, knowledge, and experience as valuable assets that contribute to an organization's overall productivity and performance. The Human Capital Theory (HCT) states that putting money into human capital will boost economic results. However, a lot of businesses neglect to make investments in their staff, particularly in recent hires. The organization loses talent when a person leaves for whatever

reason—retirement, resignation, death, illness, relocation, etc. As a result, companies must take seriously the need to periodically train, retrain, and develop their staff members as well as create succession plans and other measures that will enable them to keep talented workers when they retire.

Summarizing, human capital theory emphasizes the importance of workers' abilities, backgrounds, and roles in improving organizational performance. When considering employee departure, it becomes clear that companies must deal with the difficulties brought on by the loss of human capital, make investments in knowledge transfer, and put plans in place to draw in, keep, and develop talent. Organizations can improve their competitive edge, manage performance risks, and make the most of their human resource by managing the transition of departing employees.

METHODOLOGY

The study adopted explanatory survey research design. The research population consisted of 20 selected medium scale enterprises in Port Harcourt, Rivers State, Nigeria, as contained in the Rivers State Ministry of Commerce and Industry update of existing SMEs, 2023. 5 managers from each of the organizations (thus totaling 100 managers) were selected purposively as representative units in the observation. By census study, the entire population was employed as the sample size of the study.

The instrument for data collection as earlier noted was researcher-made questionnaire. It was structured into two main sections – (a) the demographic section, and (b) the constructs section. All constructs contain four (4) items each. The response pattern was multiple-choice, which were five options, namely; Strongly Agree (SA), Agree (A), Undecided (U), Disagree (DA) and Strongly disagree (SDA). The instrument was validated by two experts who are senior lecturers in the Faculty of Business Studies, Ignatius Ajuru University of Education, Rumuolumeni. The research instrument was pretested on a pilot sample of ten (10) respondents who were not part of the research sample. The retrieved instrument was analysed and the two results were correlated using the Spearman's rank order correlation coefficient and a coefficient of 0.80 was obtained. From the total of 100 copies distributed, only 97 copies were successfully retrieved and utilized in the analysis of the study. The data obtained from the field were analyzed using Spearman's Rank Order Correlation Coefficient with the aid of SPSS 22.0 (Statistical Package for Social Sciences).

Decision Rule: Using a level of significance of 0.05 (confidence interval of 95%), when a calculated significant value is less than 0.05 the null hypothesis is rejected, if otherwise, the null hypothesis is accepted.

Results/Findings

Ho₁: There is no significant relationship between staff resignation and profit margin of selected firms in Port Harcourt.

Ho₂: There is no significant relationship between staff resignation and expansion of selected firms in Port Harcourt.

Table 1: Relationships between Staff Resignation and Organizational Performance

		Staff Retirement	Productivity	Service Delivery	
Spearman's rho	Staff Retirement	Correlation Coefficient	1.000	-0.939**	-0.729**
		Sig. (2-tailed)	.	.000	.000
		N	97	97	97
	Productivity	Correlation Coefficient	-0.939**	1.000	0.937**
		Sig. (2-tailed)	.000	.	.000

	N	97	97	97
Service	Correlation	-0.729**	0.937**	1.000
Delivery	Coefficient			
	Sig. (2-tailed)	.000	.000	.
	N	97	97	97

** . Relationship is Significant at the 0.01 level (2-tailed).

Source: SPSS Output, 2021

Column two of table 1 above shows r value of -0.937 at a significance level of 0.00 which is less than the chosen alpha level of 0.05 for the hypothesis relating staff resignation and profit margin. Since the significance value is less than the alpha level of 0.05, the null hypothesis (H_{01}) which states that there is no significant relationship between staff resignation and profit margin of selected firms in Port Harcourt was rejected. This implies that there is a very strong negative relationship between staff resignation and profit margin of selected firms in Port Harcourt.

Column three of table 1 above shows r value of -0.729 at a significance level of 0.00 which is less than the chosen alpha level of 0.05 for the hypothesis relating staff resignation and expansion. Since the significance value is less than the alpha level of 0.05, the null hypothesis (H_{02}) which states that there is no significant relationship between staff resignation and expansion of selected firms in Port Harcourt was rejected. This implies that there is a strong negative relationship between staff resignation and expansion of selected firms in Port Harcourt.

These results showed that staff resignation has a significant negative relationship with organizational performance of selected firms in Port Harcourt, as it results in poor profit margin and low business expansion.

Summary of Findings

Based on the analyses presented above, the following findings were evident:

1. There is a very strong negative relationship between staff resignation and profit margin of selected firms in Port Harcourt.
2. There is a strong negative relationship between staff resignation and expansion of selected firms in Port Harcourt.

Discussion of Findings

The tests of hypotheses one and two showed that staff resignation has a significant negative relationship with organizational performance of selected firms in Port Harcourt, as it results to poor profit margin and low business expansion. This study has shown that resignation affects organizational performance. This is because it will take some time and the efforts of the management to replace an experienced staff that has decided to leave the organization on the ground of ill-health, voluntary retirement or other cogent reasons. Employee separation in business organizations that are localized may be very high since their lines of operation may be similar (Emmanuel, 2014).

Workers are easily enticed with better allowances and fringe benefits. This is actually the reason for gainful employment (Nnaa, 2011). This study has also indicated a strong link between job satisfaction and employee separation. This is the reason why most jobs that attract better compensations and rewards may scare some vulnerable employees who do not want to be "enslaved" by their employers. Some organizations may force the employees to work for extra time even when they are on shifts, particularly, when the management want to meet set targets (Machado & Davin, 2014). The need for an experienced staff to work with some new employees may be dehumanizing, particularly, if they are supposed to rest or to go on leave. It is also very important to note that companies may decide to down-size the workforce so as to cut the cost of production and make more profits, at the detriment of the employees. This may cause some of

the workers to leave if their tasks and responsibilities increase, without a commensurate increase in their compensations and allowances (Fuchs, 2016; Reid & Sanders, 2016).

Through this study, it has become much simpler to distinguish between those who choose to leave on their own and those who are subject to a mandatory dismissal that may follow a command from management to an employee who has violated the law. The norms of engagement are adhered to in both situations, especially if the employee has any claims to make at the time of departure. Yet, workers who are retiring have a right to receive their entire set of benefits (Tourish, 2013). However, the results of this study suggest that the rate of employee separation may have an impact on the profitability of a firm. These can be observed in both the quantity and quality of the goods and services offered.

At times, the number of capable workers who are willing to quit the company's payroll may rise, which might be extremely important to the expansion of the business, especially if it has not yet broken even (Ton, 2014; Branham, 2012). In the event of a prolonged illness, the worker may be allowed to retire with all benefits and privileges, especially if the work-related health issues were the cause of the illness. When battling fire outbreaks on the production line, some courageous employees have risked their lives, and they may be compensated for these kinds of occupational hazards. Even if they wish to quit the company, an employee who became amputee while using certain risky machinery may still receive compensation (Bryant & Allen, 2012).

CONCLUSIONS

Judging from the study's analysis and discussion of findings, it suffices to conclude that staff resignation can be a very big blow on a firm's performance in finance and expansion, especially when they do not practice routine training and retraining, and also institute viable retention strategies. It also concludes that the resignation of staff impacts negatively on the dynamics of the work environment in a manner that destabilizes the relationships and structure of the organization such that affects the productivity, profitability, service quality and expansion. Many organizations will still be hit hard, because of their carelessness with the health, wellness, satisfaction, retention, training and retraining, etc. of their employees. Getting resourceful employees have not been an easy task, so it becomes carelessness when measures are not put in place to retain them happily. Firms need to learn their lessons and ensure that they care for their employees so that they will be retained to a very great extent, and if any leaves for any reason, they will be resilient enough to withstand the shock.

RECOMMENDATIONS

1. Management of firms should train and retrain staff, and also employ viable retention strategies that will keep employees working for them for a very long time, and also help organizations quickly withstand against the shock of employee resignation.
2. Management should adopt feedback mechanisms that allow for their monitoring and assessment of employee wellbeing in such a way that drives the functionality and trust between the employers and employees of the organization and thus leads to preferred organizational outcomes.

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