

# Uncertainty and volatility

[Business](#), [Organization](#)



Uncertainty and volatility are common attributes of today's national economies. While Small and Medium Enterprises (SMEs) represent major players in these economies, their stability and profitability are crucial issues that need further investigation. This statement is particularly significant in the Saudi Arabian context, because such enterprises have relatively recently begun to emerge and are beginning to play a dominant role in the country's economy.

At the same time, the SME sector in Saudi Arabia is currently facing many barriers related to their relatively new economic situation (Kuada, 2006), as the atmosphere of the economic world is constantly changing and tends to be somewhat uncertain. As a result, companies, including SMEs, need to be more creative and flexible as they seek to get maximum profits in the minimum amount of time. Moreover, it has been noted that human resources play a vital role for every company to achieve its goals (Barney & Wright, 1998), hence most companies seek to recruit high aptitude managers who can be a valuable addition to a workplace and can lead a company to achieve sustained success.

In this respect, employee retention is considered one of the most serious challenges facing the stability of small organizations, since employee turnover can be harmful and expensive. When an employee intends to leave the company voluntarily, the issue is of such importance that numerous researchers have investigated the causes and effects of voluntary turnover (Al-A'Raj, 1989). Whilst the cost of losing skilled employees can be harmful for any organization (Ballinger, Craig, Cross, ; Gray, 2011), it is particularly so in SMEs as the effect is proportionally greater. According to O'Connell and

Mei-Chuan (2007), the average cost of employee turnover is approximately \$13, 996 per employee.

Further, Ballinger, Craig, Cross and Gray (2011) estimate that the direct cost of hiring and training a new employee can range from 25% to 500% of the employee's annual salary, and, as such, Boushey and Glynn (2012) found that the replacement of highly educated executive employees averages 213% of the annual salary bill for a company. It has been noted that because this significant turnover is such a costly process (Al-A'Raj, 1989), it could lead to serious negative consequences for an organization. Indeed, in some situations, the consequences of significant turnover rates could expand beyond the organization to influence the labour market, the economic cycle and communities in general. Furthermore, Hyson (2016) and George (2015) argue that an organization can both conserve knowledge and manage resources more cost-effectively through being proactive in attempting to retain valuable employees.

As a result of such deliberate actions to maintain staff, organizations are likely to increase their overall performance and develop long-term stability. In this respect, it has been suggested that manager behaviour plays a vital role in staff turnover. For example, Snyder and Lopez (2009) have specifically asserted that the encouragement of skilled employees by managers is vital in this regard. Of particular interest to the current study is that, in the SME sector, because enterprises are fiscally smaller their resources are generally scarcer. In the light of this scarcity, employee turnover is a more harmful occurrence than in large organizations which are

able to absorb the consequential additional financial outlay described above. For this reason, the SME sector constitutes an important area for further research.

Moreover, researchers analysing the behaviour of managers in SMEs report that the manager's emotional intelligence is of great importance, as it significantly affects the management processes and outcomes within their enterprises. It is telling that the debate over topics related to EI and employee's behaviour is ongoing in different cultures and parts of the world (Ang et al., 2007) , and it is asserted here that the role of EI in reducing turnover is one particular area that requires further investigation. Therefore, it is postulated that the analysis of the role of EI in the SME context should be carefully investigated in order to understand the way it affects employee's retention outcomes in Saudi Arabia.

It has also emerged that there is an extensive amount of controversy surrounding whether there are any differences in the levels and perceptions of EI in managers from different backgrounds and cultures, and, in addition, to what extent EI can be affected by these factors. limited research has been conducted on the relationship and/or link between EI and employee turnover in SMEs, specifically in the Middle Eastern context. Thus, this research aims to fill an important void in the literature.