Employee Dysfunctional Behaviour and The Costs of Running Business in Manufacturing Companies of Central Nigeria

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Abstract

The workplace is characterized with certain employee abnormal and dysfunctional behaviour that can have direct bearing on the costs of running organisations. The major objective of this paper is to assess the impact of dysfunctional behaviour on the cost of running business. Data was collected from a convenient sampling of 100 senior personnel of four manufacturing companies located in the North central geopolitical zone of Nigeria and analyzed using the Kolmogorov-Smirnov (K-S) test statistic. The result showed that certain employee dysfunctional behaviour traits impact the cost of business by 77%. It was concluded that employee dysfunctional behaviour significantly and positively affect the cost of business. The paper recommends that labour cost estimators and project managers should understand that in any area of behaviour costing, some types of costs are controllable through prudent human resource decision, while others are simply beyond the control of the organisation; Project managers should undertake a study of absenteeism, presenteeism and turnover with the aim of understanding causes more clearly. Also, project managers should ensure better hiring practices, orientation, training, working conditions, remuneration and health benefits and opportunities for advancement. This would ultimately reduce resignations from the organisation.

Keywords

Dysfunctional Behaviour, Employee, Business Costs, Manufacturing Companies.

I. Introduction

The manufacturing industry in central Nigeria, like most of its counterparts elsewhere, contributes a significant part of the Gross Domestic Product (GDP) and forms a vital ingredient in national development. National development goals include the need to promote industrial growth and competitiveness in an increasingly globalized economy that meets the needs of primary and secondary consumers as well as compete favourably with multinationals (Abdullahi, 2001:240). The contributions of the central Nigerian manufacturing industry notwithstanding, the industry currently faces the problem of high cost of running business as a result of certain employee dysfunctional behaviour. Employees exhibit certain behaviour that unnecessarily add to the cost of production.

Dysfunctional behaviour occur in every organisation (whether private or public). Behaviour is deemed dysfunctional or deviant when an individual or group violates an organisation’s norms, policies or internal values, and threatens the welfare of the organisation (Tobak, 2008). Pulich and Tourigny (2004), attempt to distinguish dysfunctional behaviour into two categories which are interpersonal workplace deviance and organisational deviance. Interpersonal deviance refers to both minor and serious harmful behaviour that target specific stakeholders such as clients and co-workers. Minor offences include political deviance such as gossiping about co-workers, blaming workmates instead of accepting one’s responsibility for failure, competing in a manner that does not benefit the organisation and, showing favouritism. While serious harmful behaviour refers to personal aggression such as physical abuse, stealing from workmates or clients and endangering colleagues by reckless or negligent practice.

Organisational deviance constitutes production and property deviance. Robbinson et al (1995) states that production deviance is viewed as behavior that violates organisational norms with respect to minimal quality and quantity of work to be accomplished as part of one’s job while the later refers to instances where employees either damage or acquire tangible assets from the organisation without authorization. When dysfunctional behaviour it targeted at functions like Production, Sales or Marketing, Engineering, HR, IT, or Finance, it can be disruptive and counterproductive to any organisation, big or small. Dysfunctional behaviour can substantially harm work team functioning and diminish organisation’s success. It destroys morale and affects operating cost and performance. Signs and symptoms of organisational deviance will include absenteeism, presenteeism, high rate of turnover, tardiness, unauthorized extended break and lunch times, excessive socialization time, intrusion of personal problems into workplace, not following standard operating procedures and guidelines and waste of time.

II. The Problem

Man’s behaviour anywhere and especially on the job can be unpredictable and dysfunctional. Cost estimators in the Nigerian manufacturing industry mistakenly treat employees like machines with the belief that workers will always present themselves to work and behave well by executing their specific jobs according to specifications. This is not always the case as employees seem to exhibit certain dysfunctional behaviour. This behaviour may cost manufacturing companies a lot of money. What is not yet very clear, however, is whether or not, or further still, which of these dysfunctional behaviour affect the cost of running business in central Nigerian manufacturing companies and in what dimension and extent. Further compounding the problem is whether these costs are calculable? If yes, then how can they be reduced? The principal objective of the paper therefore, is to assess the impact of dysfunctional behaviour on the cost of running business.

III. Methodology

The research design used for the study is the survey research method. Primary data for the study were sourced from four manufacturing companies in central Nigeria. Central Nigeria (middle-belt region) comprises of six states namely: Plateau, Nassarawa, Benue, Kogi, Niger and Kwara. The four categories of companies were purposely sampled for purposes of ensuring a good representation of all manufacturing companies which represented a broad spectrum of such companies in central Nigeria. They include Nasco Biscuits Company, Fibre Factory of Nigeria, Nasco Confectioneries and Nasco Cornflakes Company, Jos. Convenient sampling technique was used to select 100 senior personnel from each of the four manufacturing companies located in the central Nigeria.
personnel of the companies. For its data collection, a suitable Likert Scale (5 point) questionnaire was designed and developed. Respondents were requested to determine the idea of agreement or disagreement on the 10 statements contained in the instrument. The data so collected was then analyzed using the Kolmogorov–Smirnov (K–S) test statistic. The Kolmogorov–Smirnov (K–S test) is a nonparametric test for the equality of continuous, one-dimensional probability distributions that can be used to compare a sample with a reference probability distribution (one-sample K–S test), or to compare two samples (two-sample K–S test). The Kolmogorov–Smirnov statistic quantifies a distance between the empirical distribution function of the sample and the cumulative distribution function of the reference distribution, or between the empirical distribution functions of two samples. The null distribution of this statistic is calculated under the null hypothesis that the samples are drawn from the same distribution (in the two-sample case) or that the sample is drawn from the reference distribution (in the one-sample case). In each case, the distributions considered under the null hypothesis are continuous distributions but are otherwise unrestricted. The empirical distribution function $F_n$ for $n$ iid observations $X_i$ is defined as:

$$F_n(x) = \frac{1}{n} \sum_{i=1}^{n} I_{X_i \leq x}$$

where $I_{X_i \leq x}$ is the indicator function, equal to 1 if $X_i \leq x$ and equal to 0 otherwise. The Kolmogorov–Smirnov statistic for a given cumulative distribution function $F(x)$ is

$$D_n = \sup_x \left| F_n(x) - F(x) \right|$$

where $\sup x$ is the supremum of the set of distances. By the Glivenko–Cantelli theorem, if the sample comes from distribution $F(x)$, then $D_n$ converges to 0 almost surely. Kolmogorov strengthened this result, by effectively providing the rate of this convergence (see below). The Donsker theorem provides yet a stronger result. Under null hypothesis that the sample comes from the hypothesized distribution $F(x)$,

$$\sqrt{n}D_n \xrightarrow{n \to \infty} \sup_t B(F(t))$$

in distribution, where $B(t)$ is the Brownian bridge. However, the Kolmogorov–Smirnov computer-Statistical Package for Social Sciences (SPSS)-16.0 version was used to test the hypotheses.

### IV. Theoretical Considerations

In order to adequately estimate the total cost of dysfunctional behaviour in an organisation, the financial implications of the employee’s behaviour must be ascertained. This approach assigns monetary ($, N, £, etc) estimates to employee behaviour such as the absenteeism, turnover, and job performance of employees and managers. Behaviour costing does not measure the value of an employee or manager as an asset, but rather it considers the economic consequences of his or her behaviour. In the opinion of Mirvis, et al (1976: 212-226), behavioural costing is an expense model of human resource accounting, and contrary to popular belief, these are methods for determining the cost of employee behaviour in all human resource management activities — behaviours associated with the attraction, selection, retention, development, and utilization of people in organisations.

### A. Costing Employee Absenteeism

A good understanding of what is being measured is very important in any human capital resource application. As a result, it is important to know exactly what is being measured. From a business standpoint, absenteeism is any failure of an employee to report for or to remain at work as scheduled, regardless of reason. (Cascio, 2003:45). The term “as scheduled” is very significant, for it automatically excludes vacations, holidays, and the like. It also eliminates the problem of determining whether an absence is “excusable” or not. Medically verified illness is a good example. From a business perspective, the employee is absent and is simply not available to perform his or her job; that absence will cost money.

How much money will absenteeism cost? In a survey conducted, it was discovered that the cost of unscheduled absences in United States workplaces was about $800 per employee per year. (VanDerWal, 2001:14). The Bulletin to Management (2000:27) begins to differ slightly from the above record by reporting that absenteeism is expensive and costs an estimated $600 per employee per year and total employer productivity losses due to absenteeism exceed $12 billion annually. In a similar development, Braun Consulting News (2003:1) reports that a survey conducted between June 16 and July 9, 2003 reveals a drop in the average annual per-employee cost of absenteeism from $789 to $645 in 2002, $755 in 2001 and $610 in 2000.

The leading causes of absenteeism are family issues, ill-health, physical needs and stress. Would it surprise you to learn that the leading causes of absenteeism are family related issues? Personal illness, the reason you might expect to be the main justification for calling in sick, is actually true only in about 1 in 5 cases. Other causes are personal needs (about 1 in 5 cases), stress (about 1 in 6 cases), and entitlement mentality (about 1 in 6 cases) (VanDerWall, 2001:14).

A flow chart showing how to estimate the total costs of employee absenteeism over any period is shown in fig. 1.

![Fig. 1: Flow Chart Showing How to Estimate Total Cost of Employee Absenteeism](chart.png)

1. Compute total employee hours lost to absenteeism for the periods.
2. Compute weighted average wage or salary / hour/ absent employee
3. Compute cost of employee benefits / hour/ absent employee

<table>
<thead>
<tr>
<th>4a.</th>
<th>Yes</th>
<th>Are absent workers paid?</th>
</tr>
</thead>
<tbody>
<tr>
<td>4b.</td>
<td>No.</td>
<td></td>
</tr>
</tbody>
</table>

4. Compute total compensation lost to absent employees(1 x 4a. or 4b, as applicable)
5. Estimate total supervisory hours lost to employee absenteeism
3. Compare average hourly supervisory salary + benefits

4. Estimate total supervisory salaries lost to managing absenteeism problems (6. x 7.)

5. Estimate all other costs incidental to absenteeism

6. Estimate total costs of absenteeism (∑5., 8., 8.)

7. Estimate total cost of absenteeism / employee (10. + Total No. of employees)


One formula suggested by the U.S. Department of Labour for computing absenteeism rates is as follows:

Number of person-days lost through job absenteeism period x 100
(Average number of employees) x (Number of work days)

This rate can also be based on number of hours instead of number of days (Mathis & Jackson, 2003:76). It should be noted that controlling voluntary absenteeism is easier if managers understand its causes more clearly. However, a variety of approaches can be used to reduce voluntary absenteeism. Organizational policies on absenteeism should be stated clearly in an employee handbook and stressed by supervisors and managers.

B. Presenteeism: Another Face of the Problem

An interesting aspect of absenteeism is something known as “presenteeism”. Presenteeism is a term used by human capital professionals to describe circumstances in which employees come to work even though they are ill, posing potential problems of contagion and lower productivity. (Braun Consulting News Vol.7. No. 4 Winter, 2003:5). When employees go to work sick they risk infecting their co-workers and will most likely not be as effective or productive in their work. The drag on the bottom line and overall productivity of the workplace can be subtle and hard to track effectively, but has now been acknowledged as a legitimate factor in assessing costs relating to morale and absenteeism. It may seem contradictory at first to find a negative spin on an increased number of employees being at work and having less schedule absenteeism, but a closer look at this situation reveals that presenteeism is actually the result of lower moral and more pressure on workers. The cost is not directly in lost workdays, but indirectly in paying for more inefficient workdays and a potential for exponential multiplication of this cost by greater numbers of employees being affected by ill health and lost productivity. Strangely, it seems that workers at companies with low morale are more likely to show up for work sick. According to the CCH survey as cited in Braun consulting News (Vol.7 No, 4 Winter, 2003:6), employers with low moral reported that 33 percent of unscheduled absences were due to personal illness, compared to 39 percent at companies with Good to very Good morale. And yet again, the study found that morale had an impact. Despite higher rates of unscheduled absenteeism overall, companies with low moral have more ill workers showing up for work. Both higher rates of unscheduled absenteeism, and higher rates of sick workers at work results in poor morale at the jobsite. In fact, the study has it that 52 percent of organizations with poor to fair morale reported presenteeism was a problem, while just 38 percent of organizations reporting Good to very Good moral saw presenteeism as an issue. Lower morale and more pressure to be at work, therefore, seem to result in sick people being at work, and others taking unscheduled leave for personal reasons. However, the method of estimating presenteeism is another area that is yet to enjoy full research.

C. Costing Employee Turnover

Like absenteeism, turnover is related to job satisfaction and organizational commitment. Employment turnover refers to the process of employee leaving an organization and requiring being replaced (Aswathappa, 2005: 615). Also, turnover may be seen as any permanent departure beyond organizational boundaries (Macy, 1983: 139-177). In the IRS Employee Development Bulletin (2000:8-12), the point is made that ‘rates of labour turnover’ provide a graphic illustration of the turbulence within an organization. High rate of attrition can destabilize a business and de-motivate those who attempt to maintain levels of service and output against the background of vacant posts, inexperienced staff and general discontentment. Armstrong (2003:378) is of the opinion that an analysis of the reasons for leaving derived from exit interviews will provide useful information on which to base retention plans. Exit interviews aim to establish why people are leaving, not to persuade them to stay. The reasons for leaving according to Armstrong can be classified under the following headings: more pay, better prospects (career move) more security; more opportunity to develop skills, better work conditions, and poor relationship with project manager/ team leader. Others include poor relationship with colleagues, bullying or harassment, personal-pregnancy, illness, family issues and moving away from the area.

There are a number of ways of measuring labour turnover, as described below:

Labour turnover index – This method (sometimes referred to as the employee or labour wastage index) is the traditional formula for measuring wastage. It has been described by the CIPD (2000:7) as the crude wastage method: it is calculated as follows:

Number of leavers in a specified period (Usually 1 year) x 100
Average number of employees during the same period.

This method is commonly used because it is easy to calculate and understand.

Stability Index- The stability index in the opinion of Armstrong (2003:377) is considered to be an improvement on the turnover index. The formular is:

Number with 1 year’s service or more x 100
Number employed 1 year ago

This index provides an indication of the tendency for longer service employees to remain with the company, and therefore show the degree to which there is continuity of employment. But this too can be misleading because the index will not reveal the vastly different situations that exist in a company or department with a high proportion of long serving employees, in comparison with one where the majority of employees are short service. There are three broad categories of costs in the basic costing model: Separation costs, replacement costs, and training costs. Only the cost elements that make up each of these three broad categories have been taken into consideration. Cascio (2000:53-54), advises that those who
wish to investigate the subject more deeply may seek information on the more detailed formulae that are available.

V. Shift Work
Circadian Technologies Inc. study (2008) (http://www.circadian.com) reports the unintended and largely unrecognized costs associated with irregular schedules, night shifts and extended hours. They report that these factors are eroding the profits of American businesses by $206 billion annually, or approximately $8,600 per extended hours employee. Around 24 million Americans, half of whom are in professional or white-collar occupations, work irregular schedules, night shifts or extended hours positions. Extended hours employee only account for 17.6 per cent of the U.S. workforce, but a whopping 41 percent of the total U.S. cost of absenteeism. This is clearly a significant number and indicates a serious problem. Circadian Technologies Inc. laments that “difficult economic times have resulted in understaffed and inefficiently staffed conditions in many extended hours facilities. This in turn, leads to excess and imbalanced overtime, high absenteeism and turnover rates, increased costs of recruitment, and excessive employee health and accident costs”. “The costs and risks of extended hours operations generally are unrecognized”, the report states, because most employee data is not segmented by shift and because senior executives are generally not present when the majority of problems related to extended hours operations occur. The study concluded that some of the essential costs and risks preventing companies from achieving the full potential benefits of extended hours’ operations are:

A. Lost Productivity
Measured as output per employee hour, productivity is 5% lower between the hours of mid night and 7.00 a.m. than during the day.

B. Absenteeism
Average absenteeism among companies with extended hours operations is more than twice the national average, at 4.9% versus 2.1%.

C. Turnover
Average turnover is nearly three times higher among extended hours workers, with a turnover rate of 9% in 2002 compared with a national average of 3.4%.

D. Health Care Costs
Employees operating extended hours operations suffer from significantly higher rates of obesity, gastrointestinal disorders, cancer, sleep disorders, and fatigue-related car accidents.

VI. Results and Discussion of Findings
The questionnaire was distributed to 100 senior personnel of the four selected manufacturing companies and 96 copies representing 96% were completed and returned. This instrument contains 10 questions relating to the impact of certain employee dysfunctional behavior on the cost of running business in the organisations under study. The questions covered dysfunctional behavioural traits like absenteeism, low morale, presenteeism, employee turnover, shift duty, corruption and stealing, employee quarrels/fighting and excessive socialization among staff. The responses reveal a total expected response frequency of 950. Of this, the observed response frequencies of strongly agree = 338 or 35.6%, agree = 395 or 41.6%, undecided = 85 or 9%, disagree = 96 or 10% and strongly disagree =36 or 3.8%. This information is used to test hypothesis 1 with the result as shown in Table1. The Kolmogorov–Smirnov (K–S) Computer-Statistical Package for Social Sciences (SPSS)-16.0 version was used to test the relationship between employee dysfunctional behaviour and the cost of running business. For these and other purposes, we formulated hypothesis 1 as follows: Hypothesis 1: Employee dysfunctional behaviour significantly impact the cost of running business. We set out to provide the necessary lead for empirical examination of the impact of dysfunctional behaviour on the cost of running business. The result of the Kolmogorov–Smirnov (K–S) test showing the relationship between employee dysfunctional behaviour and the cost of running business (as shown on Table 1) reveals that employee dysfunctional behaviour impact the cost of running business by 77%.

A. Statistical Decision
Level of significance = 0.05; Sample size (n)=100; Test statistics = Kolmogorov–Smirnov (K–S) test; Decision criterion = Reject Ho if K-Sc Calculated > k-St = 0.5. Since K-Sc = 0.77 > k-St = 0.5, we reject Ho and accept H1. It was concluded that certain employee dysfunctional behavioural traits impact the cost of running business in manufacturing companies of central Nigeria.

Table 1: The Result of the Kolmogorov–Smirnov Test Showing the Relationship Between Employee Dysfunctional Behaviour and Business Costs

<table>
<thead>
<tr>
<th>Test Statisticsa,b</th>
<th>Business Costs</th>
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<tr>
<td></td>
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</tr>
<tr>
<td>Chi-Square</td>
<td>0.357</td>
</tr>
<tr>
<td>Df</td>
<td>1</td>
</tr>
<tr>
<td>Asymp. Sig. –</td>
<td>0.77</td>
</tr>
<tr>
<td>Dysfunctional</td>
<td></td>
</tr>
<tr>
<td>Behaviour</td>
<td></td>
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</table>

a. Kolmogorov–Smirnov (K–S) Test
Source: Field survey, 2012

This result of the test of hypothesis 1 agrees with the findings of Sears et al as cited in Cascio (2003). Sears et al, who applied behaviour-costing methodology to study the relationship between employee attitudes, customer behaviour, and profits report that there is a chain of cause and effect running from employee behaviour to customer behaviour to costs to profit. The result of the test of hypothesis 1 also agrees with the findings of a large U.S.–based multinational firm which conducted a 4-year investigation of the effect of its corporate, managerial, sales and technical training functions (Cascio, 2000). The cost of such training, which may have its roots from vacancies created by employee turnover amounted to $240 million.

VII. Conclusion
Man’s behaviour is unpredictable and this is also true of his behaviour in the work place. A plethora of unpredictable reasons make the worker to absent himself from work or even be at work physically but cannot actually work (presenteeism). Several other “push factors” make the worker to leave or permanently depart beyond the organisational boundaries (turnover). Also, the leading causes of absenteeism are family issues, ill-health, physical needs and stress. Presenteeism is another workers’ behaviour
that silently increases the cost of labour on project sites. The reason why workers abandon project sites when their services are needed most include more pay, better prospects, more security, more opportunity to develop skills, better work conditions, poor relationship with project managers/team leaders and colleagues, and other personal issues like pregnancy, illness, family issues etc.

VIII. Recommendations

There is no doubt that behaviour exhibited by workers on project sites have implications on the labour cost estimation. Project managers and labour cost estimators require far more than the usual parameters in labour cost estimation. So to understand and properly manage these work behaviours, labour cost estimators and project managers will therefore, need to understand that in any area of behaviour costing, some types of costs are controllable through prudent human resource decision, while others are simply beyond the control of the organisation; Project managers should undertake a study of absenteeism, presenteeism and turnover with the aim of understanding causes more clearly. Once the causes are known, project managers should make organisational policies that are clearly stated in an employee handbook and stressed by supervisors and project managers. Also, project managers should ensure better hiring practices, orientation, training, working conditions, remuneration and health benefits and opportunities for advancement. This would reduce untimely resignation from the organisation.

References