Strategies for Reducing Employee Turnover in Small- and Medium-Sized Enterprises

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ABSTRACT

Employee turnover leads to increased operational costs and workloads and affects sales performance. Reducing employee turnover is essential for managers of small and medium sized enterprises to minimize costs and increase sales performance. Grounded in the job embeddedness theory, the purpose of this qualitative multiple case study was to explore strategies the managers of small and medium sized enterprises use to reduce employee turnover that negatively affects sales performance. Data were collected using semistructured, face-to-face interviews, and a review of organizational documents. The participants consisted of three managers of small and medium sized enterprises in the Bronx, New York. After conducting the interviews, the interviews were transcribed. The transcripts and organizational documents were then uploaded into NVivo v12 software to analyze the data (i.e., organize data, create codes, and identify themes). The analysis revealed that recognition and rewards, training and career advancement opportunities, effective communication, and pay, compensation, and benefits are effective in helping to reduce employee turnover. Managers of small and medium sized enterprises may use the findings to devise recognition and reward strategies to decrease employee turnover. The findings and recommendations from this inquiry may help managers of small and medium sized enterprises, business leaders or owners, and human resource personnel to reduce employee turnover and improve sales performance, profitability, and competitiveness.

Keywords: employee turnover, job embeddedness, employee retention, employee retention strategies, and employee engagement
Globalization and technology have led to competition between companies’ and managers’ need to leverage the skills and expertise of their employees to gain a competitive advantage (Pasban & Nojedeh, 2016). Organizational managers consider company employees as valuable assets (Pasban & Nojedeh, 2016). Employee retention is the result of the actions an organization takes to keep employees within the organization. Turnover refers to the exchange between a past employee and a newly added employee. Turnover is measured as a percentage through the rate of employees leaving when compared to the average amount of employees. This percentage is referred to as the turnover rate. Employee turnover is a challenge that organizational managers face, resulting in a cost to the business such as recruitment, training, and advertisement costs, with an estimated annual value of $11 billion in the United States (McManus & Musca, 2015). Information from the U.S. Bureau of Labor Statistics in 2015 indicated that business managers in the United States expend $60.6 million on employee turnover events. Turnover events include such things as advertisement, employee recruitment, and new employee training.

The focus of organizational managers is to not only attract employees but also to retain them to minimize cost and improve sales performance (Singh et al., 2014). When managers succeed in retaining their employees, they spend less compared to replacing employees (Guilding et al., 2014). Consequently, the goal of this qualitative multiple case study was to explore some of the strategies that managers of small and medium sized enterprises (SMEs) may use to reduce employee turnover events that affect sales performance.

Although there is a plethora of extant literature on employee turnover, there is a gap in the literature related to employee turnover in SMEs within the Bronx area of New York. Further research was needed to identify SME managers' perspectives regarding employee turnover and to understand their retention strategies to decrease turnover in this area specifically. In addition, research into a linkage between possibilities of social change and reduction of employee turnover had yet to be explored.

**Literature Review**

The conceptual framework of this research was the job embeddedness theory, and it was developed by Mitchell et al. in 2001 (William et al., 2014). Job embeddedness is the aggregate of social, financial, and psychological forces that influence employee retention (Nafei, 2014). An employee’s attachment to peers and teams in the workplace, how they fit into the company’s culture, and the sacrifice they perceive they would make when leaving a job, is called job embeddedness. Job embeddedness provides insights into the factors to keep individuals from leaving their jobs (Erkutlu & Chafra, 2017). The three dimensions of the job embeddedness theory are (a) link, (b) fit, and (c) sacrifice. Links are the connections that individuals have with others, activities, or their organizations (Zhang et al., 2012). These links may be formal or informal. The attachment links that employees have with others are social, financial, and psychological in nature (Zhang et al., 2012). Fit is the perception that employees have about their compatibility with institutions, their place of work, or their community (Karatepe, 2016; Zhang et al., 2012). Compatibility with a job or organization is important because of the ability for employees to foster comfortability (Zhang et al., 2012). Sacrifice is the perceived cost of leaving an organization or one’s community (Zhang et al., 2012). Thus, employees may leave their organization if the sacrifice to leave is smaller than the psychological or material gains would be if they stayed (Kiiazad et al., 2015).

**Employee Turnover**

During the lifetime of an organization, when employees leave for any reason, the performance of the organization is affected. The phenomenon that impacts organizational performance is employee turnover. Employee turnover occurs either voluntarily, involuntarily, or due to downsizing (Parker & Gerbasi, 2016). According to Park and Shaw (2013), a voluntary turnover occurs when an employee decides to leave the organization on their own. This situation could be for reasons such as job dissatisfaction or the new job may be perceived as better than the current one (Park & Shaw, 2013). Sometimes, an employee voluntarily leaves their job because of pressure from management. This mainly
occurs if the leadership of the organization cannot fire the employee for legal or contractual reasons (Parker & Gerbasi, 2016). According to Ferreira and Almeida (2015), the 1970s was the period when studies about employee turnover began to gain more attention. This turn of events made the phenomenon a critical issue for management scholars and industry practitioners (Saraih et al., 2017). A report from the U. S. Bureau of Labor Statistics (2018) showed that total separations (quits, layoffs, discharges, and other forms of employee turnover) increased from 60.9 million to 63.0 million from 2016 to 2017, respectively.

The Impact of Employee Turnover

Employee turnover can have negative implications for organizational performance. According to Park and Shaw (2012), human and social capital theories indicate that there exists a negative correlation between turnover rates and organizational performance. The relationship between corporate performance and collective employee turnover has been investigated from different theoretical perspectives such as Herzberg’s two-factor theory (1974), the firm specific human capital (FSHC) theory developed by Baker in 1975, and Bernard’s (1938) theory of employee turnover. But what most scholars have agreed upon is that employee turnover negatively impacts organizational performance (Lee, 2017).

Hale et al. (2016) asserted that the consequences following a turnover event are, in most cases, detrimental. However, the level of implications depends on an array of factors such as the nature of an employee’s work, whether an employee works independently or otherwise, and how challenging it would be to replace the employee financially and process-wise. Besides, the cost and time to replace the employee may be different for new employees than employees who have been in the organization for a while (Holtom et al., 2013).

Current theories do not give an estimation of how long a disruption of organizational processes (following a turnover event) could last. However, a study conducted by Hale et al. (2016) showed that the separation of employees from their organizations generally does not last long but managers may experience its impact immediately after the occurrence of a turnover event. According to Lee and Ha-Brookshire (2017) and Sun and Wang (2016), employee turnover may result in a waste of resources for recruiting new staff and cause disruptions in company operations as some employees may find it challenging to complete the tasks of the departed worker.

Studies indicate that in the United States more than 25% of employees work for an organization for less than one year and 40% of employees stay with an organization for less than three years (Holtom et al., 2013). Employee turnover has been a concern to organizations, particularly managers of SMEs, because of the cost associated with turnover (Inabinett & Ballaro, 2014). Employee turnover affects sales performance when there is a turnover event (DeConinck, 2014). The departure of an employee, particularly a salesperson, may impact sales levels and the overall organizational performance (Hausknecht & Trevor, 2011). Financially, according to DeConinck (2014), organizations in the sales industry can expect costs between $75,000 and $300,000 to recruit, interview, and hire an employee.

Employee Turnover may be Good for Some Organizations

Contrary to the views of many scholars, such as Wynen et al. (2018), employee turnover rates do not always negatively impact organizational performance (Parker & Gerbasi, 2016). Some scholars found the phenomenon to, at times, be beneficial to organizations (Zhang, 2016). According to Shakeel and But (2015), a balanced turnover rate may lead to a well-functioning organization. For example, when the turnover event involves an underperforming employee, it is in the best interest of the organization (Parker & Gerbasi, 2016). The departure of an underperforming employee could reduce deficiencies in the activities of the organization, and therefore, result in positive outcomes (Wynen et al., 2018).

Although there is a plethora of extant literature on employee turnover, there is a gap in the literature related to employee turnover in SMEs within the Bronx area of New York. Further research was needed to identify SME managers’ perspectives regarding employee turnover and to
understand their retention strategies to decrease turnover in this area specifically. In addition, research into a linkage between possibilities of social change and reduction of employee turnover had yet to be explored.

Method

A qualitative inquiry was used for this research to explore opinions, attitudes, beliefs, and views of the participants. In this study, the objective was to explore the strategies that managers of SMEs use to reduce employee turnover events that affect sales performance. A qualitative multiple case study design was employed to seek an in-depth understanding of a real-life problem. A multiple case study occurs when participants are from more than one entity instead of a single case study where participants are from a single entity (Yin, 2018). A multiple case study was appropriate because the researchers could then explore the research question widely, equating to a robust study. By using semistructured interviews, we were able to understand participants’ views on the successful strategies they used in reducing employee turnover and their experiences in dealing with employee turnover events.

Data Collection and Analysis

Face-to-face interviews were conducted in a semistructured form using open-ended questions that enabled the three participants from different organizations to express their views and feelings about their experiences. Examples of the questions include: What strategies have you used to reduce employee turnover events that affect sales performance? What strategies did you find worked the best in reducing employee turnover events that affect sales performance?

Follow-up questions were asked to reach clarity on the answers. The three participants were experienced with having success in addressing turnover issues as managers. Data was triangulated to foster a better understanding and enhance the validity of the results. Company documents with information related to this study were requested. Some of the documents were about the employee performance appraisal process. The information derived from the documents concerned rewarding employees' achievements and contributions to the organizations and the respective promotions and rewards for deserving employees. Other documents were about employee professional development, which helped provide an insight into how the managers supported their employees through training programs such as workshops and seminars. The interviews were audiotaped to aid in the transcription of the interviews for data analysis.

Data was analyzed using Yin’s (2018) five stages of data analysis: a) compiling of data, b) disassembling of data, c) reassembling of data, d) interpreting the meaning of the data, and e) concluding the data. The data was compiled, put into categories, and disassembled to ensure the number of themes were minimized, and that the themes were not variant. NVivo v12 was the software used for data organization, compilation, arrangement, and coding.

Findings

Semistructured interviews were conducted to help gain an in-depth understanding of the strategies that managers of SMEs use to reduce employee turnover. Four themes emerged from analyzing the data captured from the interviews and company documents. The most mentioned theme was recognition and rewards to retain employees. Offering bonuses and promotions to employees were seen by the managers to help employees feel valued and cared for, and this feeling, the managers relayed, encouraged employees to continue working within the organization for an extended time. Training and career advancement opportunities was the second theme. This theme proposed to provide an increase in employee commitment to the organization that increased job embeddedness. SME managers stipulated that their employees be provided opportunities to improve their skills and understand their job through such activities as workshops or sponsorships to attend a conference. Providing employees financial assistance to pursue further educational opportunities was found to be a way to support employees to grow personally and professionally. Training and career advancement were indicated as ways to increase employee commitment and reduce turnover rates. The participants conveyed a third theme of effective communication through open, constructive, and
honest discussions with employees on work-related matters. This theme was reported as fostering trust between management and employees that could help the employees to work for the organization for an extended time. Fair pay, compensation, and benefits serve as a source of motivation for employee loyalty according to the fourth theme observed through the data. These forms of incentives may cause employees to have a high satisfaction with the company, and thus, increase job embeddedness.

**Theme 1: Recognition and Reward**

Recognition and rewards emerged from the analyzed data as one of the strategies used to address employee turnover and its associated problems. Recognition and rewards are a form of openly acknowledging and appreciating the work of an employee so he or she will continue to work harder (Li et al., 2016). Employees who meet organizational expectations want their management or supervision to recognize their achievements (Bussin & Van Rooy, 2014), and those who exceed management expectations want acknowledgement for their accomplishments (Facer et al., 2014). Recognition helps to reduce employees' intentions to leave their organization because when management rewards them, they feel satisfied and wish to stay and contribute more to the organization's success (Langove & Isha, 2017; Herzberg, 1974).

All the participants (P1, P2, and P3) indicated that they used recognition and reward as a strategy to reduce employee turnover. According to P1, “When employees are aware that you recognize their contributions, they become motivated and committed to the organization.” P2 and P3 also indicated that employees consider reward and recognition as a stimulus that energizes them and makes them want to stay longer and do more for the organization. P1, P2, and P3 said that recognition and rewards helped to reduce employee turnover because as P2 related, “recognition and rewards serve as incentives bring satisfaction and a feeling of importance to the employee.”

Employees feel valued by their leaders when they receive recognition and are rewarded for their performance (MsenOni-Ojo et al., 2015), which may influence the employees’ decision to stay, and therefore, reduce employee turnover. P3 disclosed to us that recognizing employees’ efforts leads to increased job satisfaction for the staff, and satisfied employees feel encouraged and cared for. For example, P1 said that visiting employees at their desks and letting them know how appreciative they are for their contribution makes them feel at home and respected, and the fact that they came to the person to express their gratitude further instills this feeling.

Another aspect that was uncovered was that both monetary and nonmonetary incentives are effective strategies for reducing employee turnover. On nonmonetary incentives used as rewards for employees, P2 related the following:

We have instituted monthly and annual rewards to celebrate hardworking employees… yes we reward the employees in recognition of their excellent performance and contribution to the success of the organization. The selection of the employees depends on the feedback we receive from supervisors and my observations of how they handle customers. There is a system that our workers use to recognize their colleagues and recommend them to us for a reward. We also do get feedback from customers about our employees. I tell you that… recognition and rewards are effective in enhancing the employees’ commitment and loyalty to the organization, and this program uh… makes them want to be with the organization for a long time.

Additionally, P1 indicated that they recognize and reward employees by hanging their pictures on a “wall at the reception and in my office” for some time. P3 stated that although the organization collectively recognizes and rewards individual achievers, departmental heads and supervisors also acknowledge and reward the employees. P2 added that they also acknowledge their employees’ contribution by rewarding them with pay raises and pay the workers on certain days where they are off work and stated, “This is a way of showing our appreciation to the employees for playing important roles in the organization.”

Bambacas and Kulik (2013) linked rewards to job embeddedness, suggesting that reward systems are essential in ensuring
employee embeddedness in organizations (Bambacas & Kulik, 2013). Thus, through recognition and rewards, managers of SMEs may increase employee embeddedness, which may help reduce turnover intentions. Gonzalez et al. (2016) stated that employers might increase organizational embeddedness through recognition of the achievements and also instituting some work-life programs that foster a family and friends-centered environment.

In a high-quality leader-member exchange (LMX), employees get more recognition and receive rewards from their leaders or supervisors compared to employees in a low-quality LMX (Shu & Lazatkhan, 2017). Adil and Awais (2016) stated that high-quality LMX exists when there is a feeling of trust in the relationship between managers and their employees. They also specified a belief held by the employees that the managers support the employees and want the employees to succeed in the organization. They indicated that in a low-quality LMX, the relationship between managers and employees is weak and characterized by poor communication when the managers know very little about the employees and do not provide support the employees need to perform efficiently. The workers who receive incentives may develop a positive attitude toward work, which may reduce employee turnover. However, if leaders treat their followers unequally, followers (employees) who do not receive favorable treatment from their leaders may be unhappy and decide to quit their jobs (Shu & Lazatkhan, 2017).

Theme 2: Training and Career Advancement Opportunities

The second theme that emerged from the data was training and career advancement opportunities. The implementation of this theme was seen by the participants as creating opportunities for employees so that the employees could challenge themselves by handling tasks where they could improve their skills and competencies. P1 said, “We provide our employees with training and career advancement opportunities and help them to have a long-term goal that they work on accomplishing with our organization, and this helps reduce employee turnover.” P1, P2, and P3 all emphasized the essence of training and educating workers and the concept of employee professional growth, which influences employees’ intention to stay longer in their jobs. P1 shared that “developing a path for growth enhances employees’ attachment to their organization.”

All the participants noted that training and career advancement lead to employees performing their job more efficiently that in turn promotes their job content and satisfaction. According to P2 and P3, training advances employees’ skills and competence, which results in job satisfaction. P2 said, “We provide training to all our employees at all levels, and... the training begins once the individual is employed.” P3 noted,

We have a comprehensive onboarding training program that helps us to assess new employees’ skills and competence levels so that we can provide them with the required training. Training not only makes employees efficient and fit for their respective roles... but also appreciate their value and capabilities.

Jang et al. (2017) supported this view that training opportunities for improvement not only make employees competitive, but also helps to retain employees. P1, P2, and P3 mentioned that they organize workshops and seminars for employees. P1 said, “The workshops help skills development and prepare our staff for challenging tasks.” P2 and P3 mentioned that access to in-house training serves as a means of education and advancement within the organization whereby employees want to remain within the organization. A review of P2’s organizational documents revealed that the management had scheduled workshops and training programs for employees. P2 indicated that recruits are required to attend orientation programs, and the orientation helps provide the workers with the opportunity to learn about their specific roles. P2 said, “Every quarter, we provide training and mentoring for staff, and those programs help us to set goals for job advancement in our company, and this idea helps keep the employee working for the company.” According to P1, “When employees know how to handle their job well, they perform better and
become satisfied with their job, which can make them remain in the organization."

P1 also considered that employees who get training and education that advances their careers are motivated and have the tendency to maintain their job. As Xie et al. (2016) indicated, career advancement is an essential motivating stimulus, causing workers to continue working for their organization, which reduces employee turnover. Xie et al.’s assertion is also in line with P3’s explanation that employees who value personal and professional growth, view opportunities for advancement from management as a sign of appreciation, so they commit their time and expertise to the development of the organization.

The job embeddedness theory aligns with participants’ responses regarding training and career development opportunities. Embedded employees may have the chance to develop their potential and grow professionally (Mitchell et al., 2001). For example, employees that have a good fit with their job may have the opportunity to learn more skills and improve their know-how through on-the-job training, seminars, and conferences (Mitchell et al., 2001). There is a positive relationship between job embeddedness and the development of human capital (Holtom et al., 2006). For instance, highly embedded workers are committed employees who may have more opportunities for training and advancement than other employees (Ng & Feldmen, 2013). The problem with offering opportunities for improvement is that it furthers the marketability of employees and may increase their intention to leave if they feel that they do not get the compensation and benefits that are commensurate with their skills and experience (Mathis et al., 2015; Sicilia, 2007).

Relating theory to theme 2, research shows that a high-quality LMX may increase employees’ attachment to their organizations (Adil & Awais, 2016). Followers consider the support and resources they receive from their leaders. Employees with a high level of LMX relationships may have more opportunities for growth (Dulebohn et al., 2012). For instance, workers with a high level of LMX relationships may have some unique means of communicating with their leader in a way that helps them to stay within the organization and to take advantage of career advancement (Dulebohn et al., 2012).

### Theme 3: Effective Communication

The interviews revealed that P1, P2, and P3 used effective communication as a strategy for reducing employee turnover. Effective communication leads to interpersonal relationships, and interpersonal relationships can help decrease employee turnover (Adil & Awais, 2016). The participants agreed that effective communication is a means of motivating employees to remain in their company. P2 indicated, "I sit down with my employees every month to interact with them and discuss any issues they are facing and help them resolve the problem." P3 postulated,

Employees value my interaction with them. Whenever I have a one-on-one chat with my employees, I can see the excitement on the face. The interactions and exchanges of ideas that I have with the employees give them a feeling of being important and valued by the company management. I believe... that... every employee wants to be at an organization where their input counts.

P3 further explained that honest and constructive communications fostered long-term bi-directional interpersonal relationships between him and his staff. As P1 puts it, “Because of my strong personal and professional relationship with my employees, one of our workers who left the company came back, and he is now working with us.” A participant’s company’s public document also showed that they organize monthly occasions to bring all employees together to chat and share ideas. According to P2, "We organize mini functions, where employees gather to share food, listen to music, and interact with each other, and sense of community makes the employees want to stay and work together for a longer period."

Further, employees may not accomplish their goals without clear and effective communication (Van De Voorde & Beijer, 2014). P1 noted that “interacting with our staff provides us the opportunity to identify their needs that we provide for them to make them achieve their short and long-term goals, which they hope to...
accomplish in our organization.” According to P2, employees receive positive feedback through effective communication. P2 added that, “When you interact with employees, and they receive honest, constructive feedback, their confidence level goes up, as well as their commitment to the organization, and this approach helps retain the employees.” P3 also explained that in business, it is essential to always have effective communication bottom-up and vice versa, stating that open and objective communication enhances job embeddedness and organizational commitment. P3 added that the employees become committed and identify themselves with the organization because they are involved in discussions that concern their work and future. P2 also said, “Effective communication with useful feedback can increase employee loyalty, which can help reduce turnover intentions.” Another finding was that being available to all the staff so they can come in and discuss their issues is essential because it leads to employee retention and engagement (P1, P2, and P3). P1 posited that the feedback employees received from him was an integral part of communication that played an essential role in employee retention, because they felt more committed to him in that they were understood. Effective communication means contributing ideas and listening to others’ views and reflecting on those ideas in the interest of the organization (Van De Voorde & Beijer, 2014).

Open and honest communication also fosters respect. As all participants noted, employees show respect to their supervision when the supervision engages them in discussions that help the employees improve their performance and meet supervisors’ expectations. P1 reported,

We take transparency seriously in this organization. We deem it essential everyone in this company knows and is aware of their respective roles. We make each employee know that they have individual goals that they need to achieve toward the broader organizational goal. We accomplish this mission by communicating everyone’s role to them; we make sure that each employee has a full job description so that they can perform well without difficulty. Employees get frustrated if they do not understand what is expected of them… which can lead to dissatisfaction and intention to leave.

P1 stated that they spend ample time communicating with staff, and the approach has produced meaningful results over the years by making their company an exciting place to work. P1 also postulated, “We not only encourage communication between management and employees, but we also promote open and respectful communication between employees.” P3 suggested that people always want to be “where they are welcome, where they can share their views, and where they receive constructive feedback that can help them overcome challenges and accomplish goals.” P2 and P3 both said that communication can lead to reduced turnover events if one communicates in a timely, consistent manner. They added, and P1 concurred, that practical, honest, and open communication can help facilitate teamwork and collaboration among employees and reduce turnover intentions.

Theme 3 relates to the link component of job embeddedness theory, which promotes an increase in the level of connection between coworkers and between workers and their supervisors or managers as a result of effective communication. Based upon participants’ information, effective communication brings people together, and when people feel connected at their workplace, they find it difficult to leave each other - a situation that improves employee retention. The LMX theory helps in furthering effective communication, personal, and professional relationship in the workplace and supports participants’ responses on Theme 3. Managers and supervisors engage their subordinates meaningfully through direct and honest communication and constructive feedback, which are some of the tenets of the work engagement theory that managers employ to reduce employee turnover. Employee engagement, which is a workplace mode of fostering employees’ emotional attachment to their work and organization, is a critical approach for retaining employees. All the participants agreed that effective communication fosters job embeddedness.
Theme 4: Pay, Compensation, and Benefits

All the participants indicated that a fair compensation helps employees feel committed to their organization. According to Pouramini and Fayyazi (2015), when employees do not receive fair compensation, their levels of motivation and commitment decrease. P1 noted, “Offering very competitive and fair pay can boost employees’ morale and make them give their best to the company.” P1 also reported, “One of the means of reducing employee turnover is by offering fair pay or wages that commensurate workers’ experience contribution.” P2 and P3 agreed that a package that includes fair pay and attractive benefits is an effective strategy for retaining employees. Managers should come up with an employee benefits package that can motivate employees and influence their decision to stay in the organization (Green, 2016). P2 said, as a small business, some employees would like to use our company as a steppingstone. For this reason, we make efforts to ensure that wages are competitive to reduce the intention of employees searching elsewhere for jobs. So far, most of our workers are happy with the benefits they receive because they have not received any complaint regarding benefits. But… you know… people will always wish for more of everything that is good. We are humans, and I hope you understand.

Although monetary compensations may not be effective retention strategies (Idris, 2014), P1 and P3 were of the view that compensation and benefits such as increased pay helped to reduce turnover intentions. P1 mentioned that “offering pay or wages below the industry’s average does not help in retaining employees.” P3 insisted, “Financial incentives can positively impact morale and performance and can reduce turnover intentions.” Compensation strategies, such as flexible work schedule and hours, coupons, perks, and bonuses, increase employees’ commitment and intention to stay in an organization (P1 and P3). P2 stated that

I work with our employees on their schedules; I consult them for their input regarding their other appointments and plans outside of their work schedule to get a sense of which days they might want to take a day off. This approach is another way of engaging the employees on matters that affect the company, which makes them feel valued and respected by the management.

The views of P2 and P3 on the impact of competitive pay and benefits on employee turnover are in line with Ugoani’s (2016) assertion that competitive salaries can cause employee satisfaction and reduce employee turnover. P1 indicated that employees become more engaged, productive, and dedicated to their work and the organization when they receive pay and benefits that are proportional to their efforts and experience. P2 posited that bonuses are effective in increasing employees’ morale and commitment. “For example, if employees do an outstanding job, I give them bonuses to acknowledge their efforts and to encourage them to do more” (P2). P3 explained that “even though we do not have a huge budget for employee benefits, we support our staff by sharing their expenses on health insurance. The employees understand our position financially, and so they are happy with the kind of support we offer them.”

Happy employees tend to be hardworking, more productive, and loyal to the organization (P1, P2, and P3). P1 explained that they offer health coverage to all employees. However, one has to be with the company for at least 6 months before they become eligible for the coverage. P2 explained that when management sees employees showing commitment to an organization, it is essential to reciprocate with goodwill to ensure that there is a mutual benefit for all parties. This view by P2 aligns with Adil and Awais’s (2016) statement that organizational policies that foster mutual benefits for both employer and employee can help reduce employee turnover.

The strategies mentioned by P1, P2, and P3 agree with Sankar’s (2015) findings that one of the ways to retain employees is to show care for the workers and offer fair compensations. Barnes et al. (2012) supported Sankar’s position that inadequate compensation packages could result in increased turnover intentions. According to P2, they endeavor to help their employees in
any way possible. For example, employees who need money before their payday can get financial support from management, which they would then arrange to pay back on flexible terms (P2). P3 revealed that they give their workers coupons to purchase things such as gasoline and groceries. A well-packaged compensation benefit means taking good care of your workers (P1, P2, and P3). “Some days, I order lunch for everyone in the company. All of us share the food and take some to our homes. It is another way of relieving our workers of the burden of having to buy food on such days,” said P1. Although money may not be a motivating factor to some workers, Sarmad et al. (2016) postulated that managers could succeed in retaining their workers by paying and compensating them fairly. P1 and P3 agreed with this in that employers need to take care of their employees’ basic needs by offering competitive wages. According to P1,

As a small business, our long-term goal is to expand to other cities. Most of our workers have been with the organization for a long time because we compensate them for what is worth their time and effort to keep them in the company.

Job embeddedness theory aligns with participants’ responses regarding pay and compensation. The concept of organizational sacrifice, which managers use to increase the level of sacrifice employees might make if they leave their organization, is in line with the idea of offering fair or above-average pay and compensation, which manages use to attract and retain employees. By sitting around a table, sharing meals, and chatting, as P1 indicated, members of an organization may improve their personal and professional network, which enhances embeddedness and reduces employee turnover (Cheng & Chang, 2015). Because leaders (managers) are those who determine the resources for motivating their followers, high-level exchanges between the leader and followers may lead to the provision of benefits such increased salary and bonuses (Wobker, 2015). These benefits may foster employee satisfaction and reduce turnover intentions (Wobker, 2015). Mayfield et al.’s (2015) conclusion that fair pay and benefits can help reduce employees’ intention to leave their organization supports the findings in this study on pay, compensation, and benefits.

**Implications**

The findings of this study are of relevance to HR practitioners, managers of SMEs, and organizations in other industries. Kossivi et al. (2016) and Mohamed (2015) indicate that employee training and development increases organizational performance, leads to job satisfaction, and reduces employee turnover. For instance, managers may help employees acquire new knowledge and skills to improve the employees’ efficiency and competency, which may result in job satisfaction and increase employees’ commitment to their organization.

Employees like to stay in a company where they can build their careers through training and education (Ambrosius, 2016). Managers may devise programs and policies that may foster workplace attachment by openly expressing their appreciation to their employees or subordinates. For instance, managers may institute a reward system to acknowledge employees’ performance.

Each employee may have needs or concerns to address to complete their duties efficiently and effectively. To help resolve such issues, organizational managers need to identify those concerns through effective communication. Through communication, both employer and employees may learn what is required of them to perform their duties (Van De Voorde & Beijer, 2014). Effective communication may enhance the level of trust and interpersonal relationships between management and employees and also lead to job embeddedness.

**Recommendations for Future Studies**

The findings of the study shed light on some of the measures that participants used to prevent employee turnover issues. Varying motives may lead to employee turnover, and managers need specific, tailored strategies to reduce turnover rates. Researchers should conduct further studies in other types of organizations than just in SMEs to increase the understanding of strategies those organizations use in order to provide a variety of perspectives. Such research may help unravel different
employee retention strategies that this project did not reveal. The study population for this project may not reflect the perspectives of the managers in the banking industry in general. We recommend that researchers replicate this study but employ a more extensive study population to help improve the understanding of retention strategies from a more diverse and broad number of participants. We recommend further studies include SMEs whose managers have increased sales performance and profitability by addressing employee turnover issues. This may help provide management with comprehensive, practical, and effective strategies for reducing employee turnover rates.

Significance of the Research

Significant to Business Practice

The results of this study may bring about improvements in effective management practices and work processes within SMEs. The findings may provide managers contemporary business ideas, essential leadership approaches, and strategies for motivating employees and for creating a conducive workplace atmosphere for all employees. Additionally, the results may provide managers with insights on employee training and development programs such as workshops and seminars on skills, personal, and professional development as a result of job embeddedness. Training programs and opportunities for professional development may lead to (a) improvements in employees’ skills, (b) increases in employees’ loyalty to their organization, and (c) motivation for employees to stay in their organization, which may result in a reduction of employee turnover costs and increased sales performance.

Implications for Social Change

The significance of the study with respect to positive social change includes that implementing the study results may help managers understand the needs of their employees. Understanding the needs of employees may improve the quality of employees’ work/life balance. Implementing these strategies may not only help reduce employee turnover, but it may also help improve competitiveness. The increased performance of the SMEs may foster the social and economic life of the people in communities, including improved service. Employees, particularly those with skills and expertise, may help SMEs to provide higher quality services to the communities they serve, which may add value to customers. The information in the study may help SMEs to be competitive and continue to operate efficiently enabling corporations to start, maintain, or increase contributions to communities for supporting education and development programs benefiting citizens. Devising and implementing these strategies may not only reduce employee turnover, but it may further boost organizational managers’ efforts in promoting positive social change. Thus, a reduction in turnover events may result in increased profits, part of which, managers of SMEs and other organizations may use to fund educational and developmental programs to benefit individuals and communities.

Limitations

One of the limitations of this study was that the validity and quality of the data depended on participants’ answers, as the accuracy of a study’s results depends on the information that participants provide (Maskara, 2014). The more accurate and honest the participants are, the more reliable and authentic the data would be. Because of the confidential nature of some of the SMEs, participants might not have been willing to provide some of details necessary to fully answer the research question. The sample size was also small, which implies that the views of the selected managers may not represent the views of the study population, let alone be a representation of views outside of the study population.

Discussion and Conclusion

The object of this study was to explore the strategies that managers of SMEs use to reduce employee turnover that negatively affects sales performance. Employee turnover can cause businesses to incur losses financially, a situation that negatively impacts sales performance. Addressing employee turnover issues is critical to sustaining the operations, profitability, and growth of SMEs and other organizations. This study revealed that recognition and rewards, training and career advancement opportunities, effective communication, and pay, compensation, and
benefits may help SME managers to reduce employee turnover. Employees are happy when their work is recognized by management. Instituting programs to reward employees may increase their commitment to the organization and cause the workers in question to stay in their jobs for an extended period. Workers who believe that there are opportunities in their organization to develop professionally and personally may decide to continue working for the employer. Managers of SMEs should organize training and career development programs to enhance the skills of their employees. Effective communication may help improve the relationship between workers and their manager. It is essential that managers of SMEs make themselves approachable and communicate clearly and meaningfully with their subordinates to help the employees address their concerns and handle their tasks efficiently. Workers, like any individuals, have financial needs and would like to be compensated for what they believe that they have given for the work they do. A better compensation package not only motivates employees, but it also gives the organization a competitive edge.

References


