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An Exploratory Investigation into Voluntary Employee Turnover and Retention Practices in the Small Business Sector

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Abstract

This study addresses the question, what factors influence voluntary employee turnover in small businesses and how do owner-managers retain key employees? More specifically the study explores four research objectives: 1) the negative effects of voluntary turnover of key employees on small businesses; 2) common reasons why employees voluntarily leave small businesses; 3) characteristics of the small business that might enhance retention of employees; and 4) strategies that are employed to retain key employees.

The current study employed an exploratory qualitative research design. Data was collected via semi-structured interviews with nine owner-managers and seven key employees from eleven Australian small businesses. A variant of the critical incident technique (CIT) was incorporated into the interviews with owner-managers with the aim of retrieving actual accounts of voluntary employee turnover and retention.

The findings revealed that voluntary turnover of key employees have a number of adverse consequences for small businesses, including, but not limited to, lowered productivity and disrupted business continuity. A lack of financial resources to retain staff and limited long term career prospects, amongst other factors, were identified as common reasons for actual and intended turnover amongst key employees. In contrast, flat management structures and egalitarian work environments were some of the small business characteristics claimed to enhance employee retention. Owner-managers reported on a suite of remuneration based (e.g. providing pay rises and paid training) and positive emotion based (e.g. maintaining pleasant group dynamics) retention strategies.

Some of the findings in the current study have been widely discussed in the literature whilst others cast light on relatively under-explored causes and consequences of voluntary employee turnover and employee retention strategies. Implications of the findings for management practice are explained. Limitations of the current study and their implications for future research as well as other areas that warrant further research are also discussed.

DECLARATION

I certify that this thesis does not, to the best of my knowledge and belief:

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Table of Contents

List of Tables

List of Figures

Chapter 1: Introduction to the Study

This chapter begins by outlining the economic significance of small business sectors in Australia and other national economies. This is followed by a comparison between human resource management (HRM) in large and small businesses. The chapter then discusses voluntary employee turnover and retention in small businesses and reveals that these two phenomenon are relatively under-researched in comparison to large businesses. Thereafter, the focal research question, research objectives and theoretical framework of the current study are introduced. This chapter concludes with a brief overview of the remaining report chapters.

1.1   The Small Business Sector

Small businesses, however defined, form a vital underpinning for local, national and international economic landscapes. From a local perspective, there were an estimated 202,811 small businesses (0 to 19 employees) operating in Western Australia in 2008-09 representing 97.6 percent of all businesses in the state (Clark, Eaton, Lind, Pye & Bateman, 2011). As such, the Western Australian small business sector plays an important role in rural and regional communities as a key provider of goods and services (Barrett & Mayson, 2005). Western Australian small businesses in the mining sector also contribute heavily to inter-state markets, providing 35.7 per cent of all mining services (Clark et al., 2011).

On a national level, as at June 2009 Australian small businesses represented a staggering 96 percent of all actively trading businesses (Clark et al., 2011). Consequently small business employment dominates the workforce with the sector employing close to 4.8 million people, representing almost half of total industry employment in 2009-10 (Clark et al., 2011). Further, small businesses contributed close to 83 percent of total value to the agriculture, forestry and fishing industry. Moreover, 55.5 percent of total construction and 74.1 percent of total rental, hiring and real estate services was attributable to small businesses (Clark et al., 2011). Evidently, the small business sector is a key driver of the Australian economy and this facet is also evident on a global scale.

In the regard to the international economic landscape, productivity and economic growth in OECD countries is strongly influenced by the contributions of the small business sector (Organisation for Economic Co-operation and Development, 2000). Within the European Union, small firms are of significant importance to the economy, generating more than 65 percent of employment (Chaston, 2009). In Western Europe the small and medium sized enterprise (SME) sector is and will continue to be a key contributor to Gross Domestic Product (GDP) (Ayyagari, Beck & Demirguc-Kunt, 2007). Moreover, "small business productivity has been the driving engine of the US economy for the past two decades" (Kuratko, Goodale & Hornsby, 2001, pg. 293). Evidently, the small business sector is a leading source of job creation, major contributor to GDP and key driver of economic growth both in Australia and overseas. Yet despite the increasing evidence about the worth of the small business sector, there is little in the way of research devoted to addressing how small firms can minimise the loss and enhance the retention of perhaps their most valued assets; their human resources (Baron & Hannan, 2002).

1.2   Small and Large Business: Human Resource Management Context

A traditional assumption is made that small businesses can essentially use the same policies and practices as large businesses, but on a smaller scale. Welsh and White (1981) refute this assumption in their article titled 'A small business is not a little big business'. They argue that small businesses are fundamentally different from their larger counterparts. Small businesses generally have low levels of bureaucracy with a prevalence of egalitarian structures (Taylor, 2006; Forth, Bewley & Bryson, 2006) and their owner-managers employ informal management styles and more flexible control mechanisms (Down, 2010). Further, small firms are typically faced with resource constraints (Welsh & White, 1981) making them less able to invest in multiple or advanced technologies (Lee & Newton, 2000). Additionally, external environmental forces tend to have greater impacts on small firms (Welsh & White, 1981) and consequently they will work under shorter time horizons, taking actions that deliver predominately short-term results (Storey & Skyes, 1996). However, one of the most prominent differences between small and large businesses is the nature of HRM.

The vast majority of HRM literature is dedicated to the context of large business (Cassell, Nadin, Gray & Clegg, 2002; Cardon & Stevens, 2004). Large businesses

commonly adopt formalised, documented and 'proven' HRM practices (Ng & Maki, 1993; Golhar & Deshpande, 1997) particularly in the areas of training and performance management (Storey, Saridakis, Sen-Gupta, Edwards & Blackburn, 2010). Further, large businesses generally use formal recruitment channels, pay higher wages and offer attractive fringe benefits (Storey & Greene, 2010). Given the considerable differences between large and small businesses in terms of characteristics such as resource availability and management structure, managing employees in large businesses is considerably different to managing employees in small businesses. This reinforces the argument that small business HRM policies and practices cannot be depicted by those adopted in their larger counterparts (Kotey & Slade, 2005).

Differences such as those previously noted coupled with variations in organisational size, structure and strategic direction makes the notion of transferring HRM policies and practices from large businesses to small businesses unsuitable and impractical (Kotey & Slade, 2005). HRM in small businesses is predominately informal in nature (Barrett & Mayson, 2005; Storey et al., 2010; Cardon & Stevens, 2004; Markova, 2009). For instance, one-on-one interviews are a favoured selection tool (Golhar & Deshpande, 1997), training and development activities are usually unstructured and conducted on an ad hoc basis (Cassell et al., 2002; Cardon & Stevens, 2004) and autonomy and flexible work roles facilitate informal work-related learning (Arnold, Schalk, Bosley & Van Overbeek, 2002). Further, small firms are unlikely to have specialised in-house HR departments or personnel leaving the owner-manager responsible for the majority of HRM issues (Hornsby & Kuratko, 2003; Forth et al., 2006). However, even though employees are a potential source of competitive advantage (Boxall & Purcell, 2011) and small businesses are acknowledged as the 'engine room' of the Australian economy (Barrett & Mayson, 2005), the area of HRM in small businesses is largely under-researched (Heneman, Tansky & Camp, 2000; Bartram, 2005; Cassell et al., 2002; Chandler & McEvoy, 2000).

With increasing evidence that there is a positive relationship between synergistic 'bundles' of HRM practices and organisational performance (Way, 2002; Wagar & Rondeau, 2006), it is surprising that HRM in small businesses has not been more extensively researched. A comprehensive review of the literature on HRM in SMEs conducted by Cardon and Stevens (2004) revealed that several areas of HRM such as training and development, performance management, change management and labour

relations in small businesses have received little attention. Further, the literature on recruitment practices in SMEs is relatively scant (Heneman & Berkley, 1999). As the following quotation indicates, the lack of research on employee retention in SMEs is another shortcoming of the literature on HRM in small businesses: "Although employee retention may be important in many organizations, there is little guidance for what needs to be done in SMEs to retain key staff" (Wagar & Grant, 2008, p. 464).

1.3   Small Business Employee Turnover and Retention

The fact that little research has been conducted into the area of employee retention in small businesses (Cardon & Stevens, 2004; Wagar & Rondeau, 2006) is surprising, considering that the retention of quality staff is a key area of concern for small business owner-manager's (Hornsby & Kuratko, 1990; Barrett & Mayson, 2005). Small businesses want to enhance the retention of qualified staff "whose knowledge often represents the firm's most valuable asset" (Baron & Hannan, 2002, p.12). Hence, the limited amount of literature concerning employee retention in small businesses is problematic (Heneman et al., 2000).

Small businesses face difficulties in retaining employees for a number of reasons. Firstly, small organisations are often perceived to lack legitimacy as employers (Williamson, 2000) and in turn struggle to represent themselves as attractive places for employment. Secondly, employees in small firms have limited access to formal training opportunities, compensation packages are deemed as weak spots (Arnold et al., 2002) and career development prospects are typically poor (Down, 2010). It is apparent then that there are unappealing characteristics of small businesses that are likely to contribute to voluntary employee turnover. For small businesses that rely on just a few key employees, voluntary employee turnover should be minimised.

Employee turnover can be categorised as either voluntary or involuntary. Voluntary turnover, also referred to as quit, occurs when an employee decides to leave a workplace on their own accord (Wagar & Rondeau, 2006). The decision to leave may have been influenced by a more appealing job offer, a change in career direction or changes in personal circumstances. Conversely, involuntary turnover, also referred to as discharge, arises when an employer decides to terminate the employment contract (Shaw, Delery, Jenkins & Gupta, 1998). Disciplinary issues, sub-standard job

performance or operational requirements can influence an employer's decision to end the employment relationship. Whether turnover is voluntary or involuntary, small businesses are likely to be placed under increased pressure following the departure of a key employee. Extensive research indicates that voluntary turnover of key employees can be costly, both directly and indirectly, to small businesses. When key employees leave the firm direct costs such as recruitment, training and general administration costs (Wagar & Rondeau, 2006) are incurred whilst the indirect costs such as lowered productivity and competiveness (Abdullah et al., 2007) hinder small business growth and success. Further, Wagar and Rondeau (2006, p.1) noted, "If a high-quality employee leaves the organization, a smaller firm may be less likely to have a suitable internal candidate or lack of resources to selectively recruit on the external market." These factors highlight the importance of employee retention in small businesses.

Quality employees contribute knowledge, skills and abilities, all of which maximise a business's ability to grow, remain competitive and be responsive to changes in external environments. Without a skilled workforce, small businesses will struggle to achieve organisational goals and objectives. Accordingly, there is a need for further research that focuses on employee retention strategies that are suitably aligned with the unique characteristics of small businesses.

1.4 Research Question and Objectives

The purpose of the current study was to explore the factors that influence voluntary employee turnover in small businesses and the strategies employed to retain key employees. In doing so, the findings from this study will contribute to the existing but small body of research and help to address the gap in the literature. Small businesses are vital to the economic growth and success of the national and international economies. The ability for small firms to make such a contribution is largely dependent on the firm's key human resources, who possess the knowledge, skills and abilities to deliver desired business outcomes. The importance of retaining a competent and valued workforce is of grave importance for small businesses considering that voluntary turnover of key employees have direct and indirect negative consequences for the firm.

The current study addresses the question:

What factors influence voluntary employee turnover in small businesses and how do owner-managers retain key employees?

The focal question of this study is broken into the following research objectives. To explore owner-managers' and employees' perceptions of:

1. The negative effects of voluntary turnover of key employees on small businesses.
2. Common reasons why employees voluntarily leave small businesses.
3. Characteristics of the small business that might enhance retention of employees.
4. Strategies that are employed to retain key employees (owner-manager perspective only).

The fundamental purpose of the current study was to explore the phenomenon of employee turnover and retention in small firms from owner-manager and employee perspectives. Given the lack of prior research on employee turnover and retention in small firms, the current study employed an exploratory study design. To gather data for the study, the owner-manager and employee respondents participated in semi-structured interviews making the collected data qualitative in nature. The interviews with the owner-managers incorporated the critical incident technique. Further detail about the research design of the current study will be explained in Chapter 3 Research Design and Methods.

1.5 Theory Underpinning the Study

The resource based view (RBV) of the firm will, in part, provide the theoretical basis for the current study. This theory focuses on the analysis of a firm's internal environment; more specifically it explores the value-creating potential of internal resources (Boxall & Purcell, 2011). This focus deviates from the traditional approach of determining how external factors can affect a firm's competitive advantage (Hoskisson, Hitt, Wan & Yiu, 1999). Although the latter holds true, it is equally important to recognise the influence that internal resources have on a firm's competitive advantage.

Human resources are no exception to the notion that a firm's internal resources can be sources of competitive advantage. Under this theoretical construct, employees are regarded as important resources whose knowledge, skills and abilities are highly

valuable. An assumption made by the RBV is that all human resources are strategically valuable (Boxall & Purcell, 2011). However, in reality not every single employee can inject 'core competencies' into a firm and subsequently create a competitive advantage (Boxall & Purcell, 2011).

For human resources to be potential sources of competitive advantage they must meet specific criteria. Barney (1995) noted that to provide a sustainable source of competitive advantage, resources must be rare, valuable, inimitable and non-substitutable. Collectively human resources who fulfil these criteria will build a "highly skilled and highly motivated workforce" (Wright, Dunford & Snell, 2001, p. 4) that displays productive behaviours (Wright et al., 2001). It is these talent laden human resources that organisations endeavour to retain.

Generally firms will manage their strategically valuable human resources differently to other employee groups (Lepak & Snell, 1999). Boxall and Purcell (2011) propose that organisations would have invested heavily into developing these employees who hold critical knowledge and skill. Additionally, human capital is neither widely accessible nor easily imitated (Boxall & Purcell, 2011). Accordingly, the retention of key workers remains problematic particularly in a small business context, where there are fewer employees. The RBV provides the cornerstone for understanding the value of a firm's human resources and reiterates the need to retain them.

Employees are often categorised in terms of ability, value and contribution. Accordingly, it is impractical to assume that small businesses want to retain every single employee, in particular poor performers (Griffeth & Hom, 2001). Turnover of unmotivated employees who lack ability and skills and do not contribute to business success can be a desirable outcome for small businesses (Wagar & Rondeau, 2006). Instead this study will focus on key employees who are typically depicted as employees with scarce skills and good performance records (Boxall & Purcell, 2011). The current study will therefore focus on the retention of high quality small business employees known as 'stars' and solid citizens (Ordiorne, 1985).

Ordiorne (1985) developed a typology of performance types which categorised employees into one of the following groups; 'stars', solid citizens, marginal performers and chronic under-achievers. In the context of the RBV of the firm, 'stars' and solid citizens are more likely to be sources of competitive advantage. They are perceived as

highly advanced personnel who foster creativity and acquire technical know-how whilst marginal performers and chronic under-achievers struggle to positively impact business outcomes. This framework can assist small business owner-managers to identify which types of employees are most valuable to the firm.

An underlying message that can be derived from Ordiorne's (1985) typology is that not all employees contribute equal value to a firm. The impact on a small business as a result of a 'star' employee leaving would be much greater than the impact felt by the departure of a chronic-under achiever. Marginal performers and chronic under-achievers lack the ability and motivation to make valuable contributions to the firm and hence their exit will have fewer adverse outcomes for employers. Griffeth and Hom (2001) suggest that the departure of these employees will have functional impacts on the firm. On the other hand, the departure of 'stars' and solid citizens could result in adverse consequences for the firm due to the loss of specialised skills and experience.

1.6   Organisation of the Thesis

This report comprises six chapters. The investigation into employee turnover and retention practices in the small business sector will continue in the five chapters that follow.

Chapter Two presents an analysis of the related literature. The analysis covers five areas: 1) human resource management in small businesses; 2) working in small businesses; 3) voluntary employee turnover; 4) voluntary employee turnover in the small business context; and 5) employee retention in small businesses. This chapter reveals a gap in the literature pertaining to turnover and retention in the small business context. The chapter concludes with a summary of the analysis of relevant literature that provides a rationale and a focus for the current study.

The research design and methods used for the current study is explained in Chapter Three. The chapter commences by justifying the choice of an exploratory research design. Following this, the chapter offers a detailed description of the research sample, data collection techniques and approach to data analysis. Strategies for dealing with ethical issues in the study are also discussed.

Chapter Four presents the findings of the interviews with owners-managers and employees. Chapter Five discusses the findings of the interviews in the context of previous research and shows the relationship of the current work to that of other prior work.

The final chapter draws conclusions about the research objectives, based on the research findings. This chapter also presents the implications of the findings for small business practitioners and makes suggestions for future research.

1.7   Chapter Summary

The foundation for the current study was established in Chapter One. The research problem was introduced and its importance justified on theoretical and practical grounds. The focal research question and accompanying research objectives were presented and the theory that underpins the current study was explained. Following this, the report chapters were outlined.

Chapter 2: Literature Review

The review of the related literature begins with an exploration of the nature of HRM in small businesses. This is followed by an investigation into the literature that focuses on the positive and negative aspects of working in small firms. Following this, the wider turnover literature is examined with a focus on original and well-known turnover process models. Next, the literature adopts a sharper focus with a review of voluntary employee turnover and associated functional and dysfunctional impacts from a small business perspective. The final part of the review examines the literature on employee retention practices in small firms. This part of the literature review shows that employee retention has been included in a few studies that have examined a range of HRM issues in small firms, but only as minor components of these studies. Just four studies explicitly address employee retention in small businesses and this is indicative of a significant gap in the literature.

2.1   Human Resource Management in Small Businesses

Relatively scant attention has been given to literature on HRM in small businesses (Wilkinson, 1999; Williamson, 2000; Heneman et al., 2000; Gilbert & Jones, 2000; Hornsby & Kuratko, 2003; Cardon & Stevens, 2004). Cardon and Stevens' (2004) comprehensive review of the HRM small business literature found that the areas of training, performance management and labour relations have received limited attention and warrant further research. Recruitment practices (Heneman & Berkley, 1999) and the total rewards approach to compensation (Heneman et al., 2000) also requires further exploration in the literature. With studies (e.g. Hess, 1987; Heneman et al., 2000) revealing that HRM is often ranked as one of the most important management functions in small businesses, it is surprising that there is little coverage devoted to these areas.

In contrast, the scholarly and empirical research on HRM in large businesses is abundant (Williamson, 2000; Hornsby & Kuratko, 1990; Hornsby & Kuratko, 2003; Cardon & Stevens, 2004). Whilst some scholars (e.g. Hornsby & Kuratko, 1990) argue that this research can be applied to a small business context, others question the suitability and practicality of doing this. Welsh and White (1981) and Cardon and

Stevens (2004) noted that large firm HRM policies and practices cannot simply be extended to a small firm setting, especially without any modification. Small businesses have unique characteristics that set them apart from their larger counterparts. These characteristics determine the policies and practices that small businesses adopt in their day-to-day operations, including HRM (Baron, 2003). Hence the literature would benefit from research that focuses specifically on HRM processes in small firms (Baron, 2003) and progressively closes the gap in the literature.

An overarching theme regarding small business HRM is that small firms generally adopt informal and unstructured HRM practices (Gilbert & Jones, 2000; Kotey & Slade, 2005; Bartram, 2005; Marlow, 2002; Markova, 2009; Down, 2010). To illustrate, the findings from an on-line and paper survey of 408 Victorian small businesses conducted by Barrett and Mayson (2005) characterised HRM practices in small firms as informal and ad hoc. This study revealed recruitment, selection and performance appraisals were unlikely to be systematic (Bartram, 2005) or strategically aligned (Down, 2010) with organisational objectives and that planning was not given a high priority. Gilbert and Jones's (2000) study of New Zealand small businesses produced similar findings noting that performance appraisal "was seldom supported by formal procedures" (p. 61). Moreover, studies have found that small businesses generally use convenient and inexpensive resources to recruit, for instance, newspaper advertisements and referrals (Heneman & Berkley, 1999) and that on-the-job learning and observation is a popular training avenue (Marlow & Patton, 1993; Kotey & Slade, 2005; Forth et al. 2006). The prevalence of informal HRM practices in small businesses is due primarily to two factors. First, most small businesses are faced with crippling resource constraints. Second, the small business owner-manager, who typically lacks know-how in designing and implementing HRM policies and employment relations protocols, is likely to become responsible for the HR activities (Hornsby & Kuratko, 1990; Barney, 1991; Longenecker, Moore & Petty, 1994; Storey & Greene, 2010).

Some scholars view HRM informality as a shortcoming of small businesses. Hornsby and Kuratko (2003) noted that "informal approaches to managing human resource issues may be detrimental to a firm's success" (p. 2). Consistent with this finding commentators have noted that formalised HRM policies and practices are beneficial for meeting legal requirements (Gilbert & Jones, 2000), maintaining records and enhancing efficiency (Kotey & Slade, 2005). Kotey and Slade also reported that job

description forms are not always provided to small business employees. Arnold et al. (2002) noted that formal documents such as job descriptions promote standardisation and minimise errors in perceptions about job roles which in turn reduces the potential for problems with the employment relationship (Gilbert & Jones, 2000). Additionally, scholars have suggested that there is a positive relationship between synergistic 'bundles' of formal HRM practices and organisational performance (Heneman et al., 2000; Way, 2002; Wagar & Rondeau, 2006). Accordingly, some research suggests that small businesses employing informal HRM practices are significantly disadvantaged.

Formalised HRM practices are not entirely non-existent in small firms. Kotey and Slade's (2005) survey of 371 Australian micro, small and medium sized businesses found that as small firms expand and overextend on familiar and informal styles of management (for example, word-of-mouth recruitment and one-on-one selection interviews) they will turn to sophisticated and prescribed HRM practices. Other small business scholars have made similar observations (Hornsby & Kuratko, 1990; Wilkinson, 1999; Storey et al., 2010). Wilkinson (1999) and Marlow (2002) found that as firms expand, HRM practices get assigned to professional and specialised personnel and HRM policies are designed to reflect 'best practice'. For instance, Williamson (2000) found that employee selection decisions in some small businesses are based on 'best practice' initiative of achieving person-organisation fit. In other words, managers aim to align the applicant to the needs of the organisation rather than to the job (Heneman et al., 2000).

As some commentators suggest that informality is a shortcoming of small businesses, others present competing views. Coetzer, Cameron, Lewis, Massey and Harris (2007) and Gilbert and Jones (2000) noted that informal approaches to HRM are relevant and beneficial in a small business context. Tightly defined procedures reduce flexibility (Bartram, 2005) and hinder a small firm's capacity to respond rapidly to changing environmental variables (Wilkinson, 1999; Kotey & Slade, 2005). Informality fosters creativity and innovation whilst less bureaucratic structures promote close working relationships (Storey & Greene, 2010). Marlow (2002) contended the latter stating that "seeking flexibility and managing change does not support a labour management stance based upon formal, bureaucratic policies and procedures" (p. 473). This stance is typical in larger organisations, though Heneman et al. (2000) revealed

that SME founders were not overly concerned with traditional HRM policies or 'best practice' typically utilised in large firms.

Alternatively, some literature proposes that small firms employ a 'best fit' approach to HRM whereby HRM practices are 'crafted' to suit individual business contexts (Wilkinson, 1999). Marlow (2002) and Gilbert and Jones (2000) suggested that the way in which labour is managed is widely determined by the conditions the small business is operating in and the specific needs of the business (Deshpande & Golhar, 1994; Heneman & Berkley, 1999). As previously noted, Storey and Greene (2010) reported on the prevalence of bureaucratic policies and procedures to promote close working relationships. This philosophy is relevant for small businesses considering that the small business setting is typically one where employees often work in close proximity. This feature places great importance on the need for close bonds between managers and staff. Based on qualitative interviews with owner-managers in 50 New Zealand small firms, Coetzer et al. (2007) found that typical non-formal practices adopted in SMEs are suited to situational factors including small size, resource constraints and short communication lines. For example, an informal approach to training through observation and on-the-job learning is job-specific and better suited to the small business context (Coetzer et al., 2007) particularly in firms faced with resource constraints. Thus, in the opinion of the aforementioned commentators, small business informality should not be solely perceived as a shortcoming, but a contextually appropriate approach to HRM.

2.2   Working in Small Businesses

Arguably the most prominent disadvantage of working in small businesses is pay conditions. Small businesses typically pay employees less than larger businesses (Forth et al., 2006) and provide fewer fringe benefits (Storey & Greene, 2010). Small firms also struggle to afford annual salary increases (Balkin & Logan, 1988). As small firms operate under a high degree of sales and profit uncertainty, the capacity to offer fixed annual salary increases is minimised. Instead, lump sum payments, for example discretionary bonuses, are more feasible and manageable for small businesses (Cardon & Stevens, 2004).

Access to formal training is also limited (Gilbert & Jones, 2000; Cassell et al., 2002; Cardon & Stevens, 2004; Storey & Greene, 2010) and this is significantly disadvantageous for employees who value knowledge acquisition, skill development and professional growth. In small businesses, the cost of formal training and the time away from work determine what training and development opportunities are provided (Banks, Bures & Champion, 1987). Despite scarce resources and limited access to formal training initiatives, Banks et al. (1987) indicated that employee development is still important in small businesses. The literature suggests that small firms will substitute formal training with unstructured alternatives such as on-the-job learning and organisational socialisation (Chao, 1997; Cardon & Stevens, 2004). Thus, regardless of the absence of structured training programs, learning and skill acquisition still occurs in small businesses but not in a transferable way.

Small businesses are less likely to have trade union representation (Wilkinson, 1999) which can be unattractive for employees who are concerned about working conditions or industrial relations (IR) issues. Additionally, small businesses are not likely to employ HRM specialists (Wilkinson, 1999; Gilbert & Jones, 2000) that are knowledgeable of current IR regulations and legislations. Consequently, Gilbert and Jones reported cases where disciplinary procedures, occupational health and safety protocols and other legislative requirements were not adequately understood by management in small businesses. Maintaining informality, particularly in regards to employment relations can be problematic (Wilkinson, 1999) as it could potentially taint the legitimacy and attractiveness of the small business as a reputable employer (Williamson, 2000).

In contrast to the seemingly negative aspects of working in a small firm, small businesses foster social environments and egalitarian structures (Wilkinson, 1999). This is a common reason why the small business setting is often characterised as one with regular and personalised communications or interactions between managers and employees (Wilkinson, 1999; Barrett & Mayson, 2005; Down, 2010). Regular interaction between an employee and the owner-manager provides opportunities to discuss how the employee's performance contributes to overall organisational performance and objectives (Storey, 1994). Additionally, frequent and close contact enables small business owner-managers to successfully communicate their inspirations and vision for the firm's survival and growth (Gilbert & Jones, 2000). Moreover, the

literature reveals that small businesses are highly flexible (Wilkinson, 1999). This flexibility is thought to foster skill variety enabling employees can participate in varied and diverse roles (Storey, 1994).

Arnold et al. (2002) administered a self-report questionnaire to 126 graduates on their experiences of working in small businesses in the United Kingdom and the Netherlands. Findings from this study provide insight into the various factors that directly impact on employee work experiences. The study found that task variety and opportunities to enhance skills and abilities are highly attractive aspects of working in small businesses. However, in line with existing research the study also found that prospects for career progression are typically weak. Arnold et al. also established that job autonomy was regarded as a positive graduate experience. As most small firms do not implement highly standardised practices, autonomy is easily enhanced. Their research also revealed the unattractiveness of small businesses in terms of pay and benefits. With limited resources and the liabilities of smallness, small businesses struggle to offer elaborate compensation packages, especially in comparison to their larger counterparts.

Some studies have indicated that job satisfaction is typically higher in small businesses relative to job satisfaction in large organisations (Rowden, 2002; Forth et al., 2006; Storey & Greene, 2010). Studies such as these have revealed a range of factors that stimulate employee job satisfaction. Rowden's investigation challenged the common perception that small and mid-sized businesses invest few resources to develop their human resources. Instead, Rowden revealed the opposite and reported a positive relationship between formal, informal and incidental workplace learning and increased worker satisfaction in small businesses. Forth's et al. survey of employment practices in private sector United States (US) SMEs found that employee involvement in decision making and high managerial responsiveness to employee demands contributed significantly to perceptions of job satisfaction. Additionally, Forth et al. reported that close working proximity between managers and their subordinates created opportunities for discussion and engagement with employees was a feature that enhanced job satisfaction amongst respondents.

2.3 Employee Turnover

Employee turnover has been and will continue to be a salient management issue for organisations of all sizes (Lee & Mitchell, 1994). It is therefore not surprising that the turnover literature has a well established history (Cotton & Tuttle, 1986; Muchinsky & Morrow, 1980; Hom & Griffeth, 1991; Steel & Lounsbury, 2009) with research conducted as early as 1912 (e.g. Crabb, 1912). Employee turnover is indeed a popular social phenomenon, however there are no models perfectly suited to explain each and every turnover scenario (Morrell, Loan-Clarke & Wilkinson, 2001). Reasoning for this is the lack of integration between the turnover studies (Muchinsky & Morrow, 1980; Steel & Lounsbury, 2009) which are high in volume and diverse in content. Due to the high volume of turnover studies, the following review has been limited to a manageable sample that examines some of the most prominent and original turnover models (e.g. Porter & Steers, 1973; Mobley, 1977; Lee & Mitchell, 1994).

2.4 Antecedents of Employee Turnover

Over time a set of 'core' models have been established in the literature (e.g. Porter & Steers, 1973; Mobley, 1977; Lee & Mitchell, 1994) and many have since been duplicated by other authors. However, the underlying principles of the models still remain fairly consistent. The turnover process models typically categorise the antecedents of turnover into one of three disciplines: 1) individual employee; 2) work-related; and 3) economic. Some scholars however have attempted to produce models that adopt a multidisciplinary approach (e.g. Muchinsky & Morrow, 1980; Brief, 1998; Hom & Kinicki, 2001) by incorporating all three disciplines.

Personality traits and individual personal circumstances comprise a number of variables that can set turnover in motion (Steel & Lounsbury, 2009). Muchinksy and Tuttle (1979) found that family responsibilities which create pressures in an individual's personal life such as marital status and age and number of children are positively related to turnover (Minor, 1958). In addition, personality traits such as high achievement orientation, aggression and independence are found to have a positive correlation with turnover (Porter & Steers, 1973). Steel (2002) continued with this school of thought and found that an individual's positive self-evaluation of their employability and self-worth

can influence active job search in alternative places of employment (Trevor, 2001; Booth & Hamer, 2007).

A review of the wider turnover literature yields the common finding that job dissatisfaction is positively and directly related to turnover (Porter & Steers, 1973; Carsten & Spector, 1987; Hom & Griffeth, 1991; Mitchell, Holtom, Lee, Sablynski & Erez, 2001; Hom & Kinicki, 2001). Mobley (1977) however, challenges that these two variables are directly related proposing that there are intermediate linkages between experienced job dissatisfaction and the decision to quit. Mobley's Employee Turnover Decision Model identifies a series of post-job dissatisfaction steps, for instance, thoughts of quitting, intention to search for alternative job prospects, actual job search, evaluation and comparison of alternatives, intention to quit or stay and turnover or retention. This model lends to the fact that the dissatisfaction-turnover relationship is much more complex. The model also accounts for incidents involving impulsive behaviour whereby individuals may not engage in any intermediate steps but instead withdraw from an organisation in an impetuous manner.

Hom and Kinicki's (2001) research extends on the work of Mobley (1977) by proposing that inter-role conflict and job avoidance behaviour indirectly intervene in the dissatisfaction-quit causal process. Their findings reveal that inter-role conflict arising from inconsistency between work and personal endeavours will influence turnover decisions. In terms of job avoidance, organisational withdrawal behaviour such as regular absenteeism and tardiness were found to eventually lead to actual decisions to leave the organisation.

Mobley's (1977) model serves as an attitudinal construct to explain the possible preceding steps from job dissatisfaction to turnover. Despite the model receiving widespread appreciation due to its relevance on theoretical and practical grounds, Steel and Lounsbury (2009) argue that it cannot be applied extensively. In contrast, Lee and Mitchell's (1994) framework is much more inclusive (Steel & Lounsbury, 2009) as it gives consideration to a wider range of personal and contextual factors that influence turnover.

Lee and Mitchell's (2004) model proposes that critical events or *shocks* can lead one to re-assess their current job and to possibly quit. Examples of critical events and shocks include; unsolicited job offers (Mitchell, Holtom & Lee, 2001), low tolerance for

authority, working in a large/small organisation, missing a promotion, downsizing, having a spouse transfer to another location, adopting a child or receiving a bonus (Lee & Mitchell, 1994). The experience of critical events or *shocks* combined with social and cognitive circumstances, known as decision frames, initiate the start of the turnover process whereby the individual proceeds down one of three decision paths: 1) shock to the system followed by a match between past and present decision frames which leads to a decision to stay or leave; 2) shock to the system leading to a reassessment of organisational commitment; and 3) shock to the system leading to an assessment of the probability of commitment to another organisation. The fourth decision path is not initiated by neither a critical events nor a *shock* but is instead triggered by one's evolving, casual and possibly random reassessment of their commitment to an organisation.

The construct of job embeddedness is regularly utilised by scholars (e.g. Mitchell et al., 2001) to explain turnover patterns. Job embeddedness comprises three components; links, fit and sacrifice. In regards to links, Mitchell et al. suggest that employees who are loosely bound, whether it be professionally or personally, to their job and the organisation are more susceptible to turnover. Mitchell et al. concludes that poor job compatibility or fit, for instance with inconsistencies between personal values and career goals, can strengthen intentions to quit. The final component, sacrifice, presents the notion that employees who do not foresee their departure to result in any considerable loss are relatively more inclined to leave an organisation (Mitchell et al., 2001). Hulin, Roznowski and Hachiya (1985) and Hom and Kinicki (2001) suggest a similar notion to the latter in that if the costs of turnover for the employee are relatively greater than the benefits of quitting, then turnover intentions will be less likely.

The turnover process models reviewed thus far depict the turnover process from a psychological perspective. All the same, there is considerable empirical research which analyses turnover from an economic viewpoint (March & Simon, 1958; Price, 1975; Muchinsky & Morrow, 1980; Price & Mueller, 1981; Carsten & Spector, 1987). March and Simon claim that economic factors are the most accurate determinates of labour turnover. Muchinksy and Morrow support this stance with their multidisciplinary model of turnover which identifies economic factors (e.g. national, regional and occupational employment rates) as playing a pivotal role in mediating the relationship between individual and work-related variables and turnover. For example, when jobs

are readily available in the market, it is anticipated that the connection between individual and work-related factors and turnover will be stronger than when jobs prospects are limited (Muchinsky & Morrow, 1980).

Other scholars have proceeded to support Muchinsky and Morrow's (1980) philosophy. Carsten and Spector (1987) found that the correlation between job satisfaction and turnover will strengthen during times of economic prosperity and weaken during periods of economic hardship. Similarly March and Simon (1958) suggest that employment levels or the availability of suitable job alternatives play a critical role in determining the satisfaction-turnover process. More recently, Booth and Hamer (2007) adopted an economic perspective in their research into labour turnover in the retail industry. The study identified economic variables of labour supply and demand in regional markets as uncontrollable determinates of labour turnover.

2.5   Employee Turnover Consequences

The consequences of employee turnover identified in the wider literature are analysed at two levels: 1) organisational-level; and 2) individual-level. An objective of this study is to explore the consequences of voluntary employee turnover on small businesses; hence this review will focus on the literature that examines the organisational impacts of turnover. Scholars both early and recent have attempted to elucidate how turnover impacts organisations at social and economic levels. Despite these attempts, the literature on the consequences of turnover is less developed than the literature which focuses on the determinants (Dalton & Todor, 1979). Muchinsky and Morrow (1980) identified this imbalance and reported that "little attention has been devoted to the consequences of turnover" (p. 280).

The negative outcomes of turnover are perhaps more frequently studied in the literature (Mobley, 1982). Examples of this include employee separation, replacement and training costs, reduced productivity and output and disruption to business operations (Dalton & Todor, 1979). The departure of *talented* employees was also identified in the literature as a turnover cost (Dalton & Todor, 1979; Mobley, 1982). Abelson and Baysinger (1984) extend on the latter by noting that dysfunctional turnover constitutes the loss of a valued employee that subsequently results in lowered organisational effectiveness. Turnover can also have negative implications from an

organisational-social perspective. By way of example, disruptions to internal communication lines (Mobley, 1982) and severed personal ties within work groups (Muchinksy & Morrow, 1980) are possible adverse outcomes of voluntary turnover. Despite turnover being widely conceptualised in the literature as a negative outcome for organisations, there is empirical evidence to support the contrary.

A consensus exists on the need to guard employee turnover from being viewed solely from a negative perspective (Dalton & Todor, 1979; Muchinsky & Morrow, 1980; Mobley, 1982; Abelson & Baysinger, 1984). Empirical studies suggest that turnover can be beneficial to organisations. Grusky (1960) implied that mobility of employees introduces "new blood" to the organisation stating that "succession can vitalise the organization so as to enable it to adapt more adequately to its everchanging internal demands and environmental pressures" (p. 105). Mobley supports this stance, proposing that turnover can give way to the infusion of new knowledge and ideas to the workplace. Moreover, Abelson and Baysinger extended on the work of Bluedorn (1982) and revealed a conceptual model of optimal turnover. This model postulates that organisations can achieve an optimum level of turnover if management considers a range of variables including individual, organisational and environmental attributes, costs of retention and turnover and HRM policy. Variables such as these bear significant impact on an organisation's capacity to retrieve functional outcomes from employee turnover.

2.6 Voluntary Employee Turnover in Small Businesses

Schlosser and Todorovic (2006) and Wagar and Grant (2008) note that the loss of quality employees in a small firm is particularly damaging as they rely on just a handful of key employees. Way (2002) commented that "research has suggested that within the small business sector the inability of firms to retain a competent workforce has inhibited firm success" (pg. 776). Employees have the knowledge and skills that small firms require to fulfil business strategies and goals (Arnold et al., 2002). Further, as previously noted, human resources can inject 'core competencies' into a firm and subsequently create a competitive advantage (Boxall & Purcell, 2011).

As small businesses struggle to portray themselves as attractive and legitimate employers (Williamson, 2000), turnover becomes a highly problematic and challenging

issue for small firms. Voluntary employee turnover is associated with substantial indirect and direct costs. These include, recruitment and training costs, general administration costs and the costs associated with lowered productivity (Wagar & Grant, 2008), profitability and competiveness (Huselid, 1995; Shaw et al., 1998). But perhaps the most influential is that "if a high-quality employee leaves the organization, a smaller firm may be less likely to have a suitable internal candidate or lack of resources to selectively recruit on the external market" (Wagar & Rondeau, 2006, p.1).

Wagar and Rondeau (2006) present an alternative view of employee turnover suggesting that turnover can have functional outcomes for small businesses. Unproductive employees who fail to perform at desired levels are likely to become liabilities as they consume valuable business resources but fail to deliver positive results (Shaw et al., 1998). Hence, turnover that sees the exit of unproductive employees, for example, marginal underperformers and chronic under-achievers (Boxall & Purcell, 2011), is a positive outcome (Wagar & Rondeau, 2006). Nevertheless, human resources are "potentially more important to the success of smaller ventures where there are fewer employees" (Schlosser & Todorovic, 2006, p. 51). Further, Baron and Hannan (2002) stated that "few imperatives are more vital to the success of young technology companies than retaining key technical personnel" (p. 21). It is findings such as these that emphasise the need to place voluntary employee turnover at the forefront of avoidable outcomes. Despite this there is limited literature that explores factors that influence employees to stay within small businesses (Cardon & Stevens, 2004).

2.7 Employee Retention in Small Businesses

The research indicates that maintaining access to a competent workforce that can produce desired outputs is paramount for small businesses (McEvoy, 1984; Hornsby & Kuratko, 1990; Deshpande & Golhar, 1994; Golhar & Deshpande, 1997; Way, 2002). Small businesses that are able to retain qualified and competent staff are likely to grow and expand (Barrett & Mayson, 2005). Earlier research by Mehta (1996) champions the latter, revealing that a lack of qualified employees poses a threat to small business growth, expansion and survival. Moreover, earlier research from Hornsby and Kuratko (1990) and more recent studies by Graham, Murray and Amuso (2002) and Barrett and Mayson (2005) have established that the retention of quality staff is a key area of concern for small businesses (Kickul, 2001; Coetzer et al., 2007). Thus, it is surprising

then that there is so little research which specifically focuses on employee retention in small businesses (Deshpande & Golhar, 1994; Cardon & Stevens, 2004; Wagar & Rondeau, 2006; Wagar & Grant, 2008).

There are some studies that have included retention as part of a wider study of HRM. However, employee retention is mentioned only briefly in these studies. Heneman and Berkley (1999) investigated attraction techniques in 117 small businesses and revealed that formalising recruitment and selection practices can enhance employee retention rates. Barrett and Mayson (2005) revealed that salary increases, profit sharing or share option plans and non-financial incentives are popular retention methods in small firms. Coetzer et al. (2007) revealed similar findings, concluding that some of the surveyed small businesses offered pay rises, bonuses and other reward schemes to retain employees. However, Coetzer et al. found the majority of surveyed firm's utilised non-financial retention practices including developing social bonds through cohesive work groups, emphasising person-organisation fit during employee selection processes and fulfilling employee affiliation needs.

Only four studies have explicitly focused on employee retention in small businesses. Kickul's (2001) questionnaire administered to 151 employees in small businesses in the US examined the association between psychological contracts and employee retention. The study showed that perceived violations of reciprocal expectations and promises adversely impacts employee work attitudes and intentions to remain employed with the firm. Hence, the fulfilment of employee expectations or delivery of employer promises (e.g. career advancement or opportunity to develop skills) can promote employee loyalty and job satisfaction. Accordingly, the study found that by communicating reasonable expectations and providing realistic information to current and potential employees regarding job positions, small businesses can potentially prevent breaches of the psychological contract and in turn promote employee retention.

Way's (2002) study sample of 446 small US firms (fewer than 100 employees), revealed the association between high-performance work systems (HPWSs) and firm performance. HPWSs are commonly depicted as a set of interrelated HRM practices (Huselid, 1995) designed to enhance employee involvement in decision making and to harness employee skills in a way that heightens firm performance (Boxall & Purcell,

2011) and competitive advantage. Whilst Way's study did not solely focus on retention, the findings still paid substantial attention to the correlation between HPWSs and voluntary turnover and retention. A key finding from Way's study posited that HPWSs are inversely related to voluntary turnover rates. Moreover, Way concluded that through the use of HPWSs, small firms can enhance their ability to retain a productive workforce that is a source of competitive advantage for the firm.

Graham et al. (2002) focused their study on employee retention through the lens of stock-related rewards. The study proposes that stock-related rewards, for instance cash incentives and stock ownership, comprise psychological components which impact on employee work attitudes. Stock-ownership plans assign employees with an equity stake in the firm and the findings determined that this in turn promotes employee responsibility and identification to the business. Heneman and Tanksy (2002) maintained a similar viewpoint. Their study revealed that share plans in small ventures gives employees greater control over organisational outcomes which can consequently enhance retention amongst these employees. Moreover, Graham et al. determined that rewards reinforce desirable entrepreneurial behaviours and this element positively impacts an individual's identification with the firm. In other words, compensation and reward schemes signify an organisation's appreciation for employee efforts and this encourages individuals to remain with the firm. However, in order for compensation and reward scheme to achieve this outcome, Graham et al. (2002) emphasised the need for cash compensation to increase in line with competitive market rates.

Wagar and Rondeau's (2006) research focused on the relationship between HRM practices and employee retention in SMEs. Senior executives in 323 manufacturing businesses were surveyed and the findings revealed a positive relationship between the two variables. HRM practices such as rigorous selection techniques, employee assistance programs, formal training and compensation packages were found to enhance employee retention. The research also found team-based work promotes peer association and group responsibility and in turn reduces quit rates. Additionally, encouraging employee involvement in decision-making through the application of participative management styles was another technique found to enhance employee retention.

2.8   Conclusions about Current State of the Literature

The literature review found that small businesses typically implement informal and ad hoc HRM practices. This approach to HRM is both supported and criticised in the literature in terms of its suitability. The literature which details the experience of working in small businesses revealed a variety of negative (for example, pay conditions and lack of formal training) and positive (for example, egalitarian structures and job diversity) small business features.

An overwhelming number of studies, both early and recent, are dedicated to examining the antecedents and consequences of voluntary employee turnover. Turnover antecedents can be summarised under three broad categories: individual; organisational; and economic whilst the consequences are two-fold: individual level and organisational level. The turnover process models in the reviewed studies are not aimed at developing an understanding of employee turnover in the small business sector. They instead view this social phenomenon from a more generic standpoint. Thus, the turnover literature would benefit from research that investigates turnover in more specific contexts, for example, from a small business perspective.

A lack of literature on voluntary employee turnover from a small business perspective is indicative of a gap in our understanding of the causes and effects of this phenomenon. More importantly there is little research into the strategies that small businesses employ to actively reduce voluntary employee turnover and enhance employee retention. This is unexpected considering that the knowledge of qualified staff is often viewed as the "firm's most valuable asset" (Baron & Hannan, 2002, p. 21). Additionally, the literature insinuates that employee turnover has a number of consequences, thus further research that explores strategies to reduce turnover and in turn minimise its impacts, is warranted.

Chapter 3: Research Design and Methods

This chapter begins by explaining the research design employed in the current study. The chapter then focuses on the data collection techniques used to retrieve information on each of the four research objectives. This is followed by an explanation of the sampling methods and interview procedures. Thereafter the techniques used to analyse the collected data will be introduced. The chapter concludes with an overview of the strategies for dealing with ethical considerations.

3.1 Research Design

Research designs can be classified into some basic types. One classification is in terms of the fundamental purpose of the research: exploratory, descriptive or explanatory/causal. Exploratory studies are common for areas that are under researched and require a theoretical framework for subsequent studies (Babbie, 2010). Descriptive studies typically generate detailed descriptions of events and situations based on observations (Yin, 2012; Babbie, 2010). Explanatory or causal studies seek to reveal potential cause-and-effect relationships (Maylor & Blackmon, 2005; Yin, 2012). These distinctions are not absolute; any given study may have multiple purposes, but one purpose is usually dominant (Churchill & Iacobucci, 2005; Neuman, 2006).

The fundamental purpose of the current study was to explore and gather information about the phenomenon of employee turnover and retention in small firms from owner-manager and employee perspectives. Thus, the current study employs an exploratory study design. An exploratory design is appropriate as there has been limited research into the area of employee turnover and retention in small businesses. Furthermore, this research design will provide a broad scope to yield potential new insights and establish the groundwork for future studies (Babbie, 2010) on voluntary employee turnover and employee retention in small businesses.

In addition to the research question and research objectives, a research conceptual framework that is synthesised from the review of the literature also guided the investigation. Figure 1 presents the research conceptual framework that guided this study by focussing the researcher and providing boundaries for the study. The framework provides a simplified representation of the intermediate linkages between

turnover antecedents and turnover consequences. Given that the current study is primarily concerned with the organisational variables that can set turnover into motion, the framework illustrates a pathway that stems directly from organisational variable antecedents. Following this pathway is a connected series of subsequent pathways which lead to two overall outcomes; employee retention and actual voluntary turnover.

Figure 1: Conceptual Framework

Source: Synthesised from Literature Review

3.2   Overview of the Approach to Data Collection

To gather data for the study, the owner-manager and employee respondents participated in semi-structured interviews. The semi-structured interviews were guided by a set of pre-determined questions and additional probing and open questions were asked throughout the interview (Wengraf, 2001). This approach prevented the interview from becoming too rigid, enabled the interviewer to thoroughly explore the participant's

responses and gave the interviews a conversational feel. These characteristics allowed for a strong level of flexibility and fostered a participant-led process, whereby respondents were given freedom to express their ideas and report on experiences.

The semi-structured interviews conducted with owner-manager respondents incorporated a variant of the critical incident technique (CIT). The CIT complemented the semi-structured interview process and acted as an additional component to the interview questions. The CIT is a research tool that was established over half a century ago (Flanagan, 1954) and since then it has been widely used in its original and modified form. The primary intent of the CIT is to capture and explore recollections of incidents that have significant meaning to the participant (Chell, 2004). Typically the CIT consists of three: (1) antecedents (the events leading up to the incident); (2) a description of the event itself; and (3) a description of the outcome parts (Butterfield, Borgen, Amundson & Maglio, 2005). Additionally, much attention is directed toward highlighting the effective and/or ineffective ways to perform a specific activity.

To investigate these three parts in the context of the current study, retrospective self-reports on incidents involving voluntary employee turnover and retention regarded as having a critical impact were collected from owner-manager respondents. The critical incident (CI) component of the research was linked to the focal research question and specifically addressed the following research objectives:

1. Negative effects of voluntary employee turnover of key employees on small businesses. (Part 3 of a typical CI.)
2. Common reasons why employees voluntarily leave small businesses. (Part 1 of a typical CI.)
3. Strategies that are employed to retain key employees. (Part 2 of a typical CI.)

Owner-manager participants were asked to recall an incident where a key employee had intentions to the leave the business. The current study places emphasis on voluntary turnover and retention of key employees. Hence the concept of 'stars' and solid citizens was reiterated to owner-managers to remind them to recall an incident that involved a key employee. The intention of asking owner-managers to explain the antecedents of the incidents was to retrieve information specific to the small business setting. In other words, the researcher intentionally positioned the owner-manager to talk about antecedents that pinpointed small business characteristics that can cause

voluntary employee turnover. The second part of the CI account provided information about the retention strategies that small businesses utilise to reduce voluntary turnover of key employees. In the final part of the CI account, owner-managers reported on the outcome/s of the incident. This helped to uncover the negative consequences that voluntary turnover of key employees has on small businesses.

The rationale for using the CIT with owner-managers in the current study is essentially two-fold. First, the technique provides the opportunity to collect information on *actual* rather than hypothetical incidents involving voluntary turnover of key staff and owner-manager attempts to retain them. Second, the use of retrospective self-reporting in the CIT provides for a strong degree of flexibility. Respondents are given considerable range to select and report on a critical incident (Gabbott & Hogg, 1996). Consequently, the data collected from the CIs is potentially rich and entirely from the perspective of the respondent (Chell, 2004).

3.3   Sampling and Pre-Interview Procedures Method

For the purposes of this research a small business was defined as an enterprise employing less than 20 people ("Small Business in Australia", 2009). Accordingly, the small businesses selected for the sample employed less than 20 employees (or less than 20 fulltime equivalents). With business size as the underlying criteria for the sample, a combination of purposeful, convenience and snow-ball sampling was used to select businesses to form the sample. Small businesses in which staff turnover is likely to present more problematic outcomes (e.g. businesses that rely primarily on professional and skilled employees) when compared to other businesses where the effects of turnover are less influential (e.g. businesses that employ primarily unskilled staff) were chosen. Some of the sample businesses were accessed through personal contacts (convenience sampling) whilst others were recommended for participation by owner-manager participants (snow-ball sampling).

The first attempt at recruiting potential interview candidates comprised a mail-out of the Information Letter (Appendix A) to 19 small businesses in August 2011. Of the 19 small businesses, one owner-manager responded with approval, three owner-managers responded and declined the invitation to participate and the remaining 16 did not respond. Over the period from August 2011 to April 2012, access to small

businesses was achieved through the use of personal contacts and word-of-mouth from family members and work colleagues. Using this approach, nine small business owner-managers and seven employees were interviewed.

Upon initial contact with the owner-managers who agreed to participate in an interview, the researcher introduced themself as a university research student, the nature of the study was explained and the estimated length of the interview (45 minutes) was indicated. During the first point of contact the owner-manager's permission was sought to interview a key employee from the business. Participants were asked to select a convenient place and time to conduct the interview.

3.4   Interview Procedures

Each interview began with a brief explanation of the nature of the study including the research question and objectives. At this stage participants were asked to refer to the Information Sheet. Participants were notified that participation in the interview was completely voluntary and that they could refrain from answering any questions with which they felt uncomfortable. Further, participants were informed of the confidentiality of the data collected from the interviews. Owner-manager participants were given notice that they would be asked to provide an account of an actual incident involving employee turnover and retention during the second part of the interview. The participants were asked to give permission to digitally record the interview to ensure accuracy of interview data. Following the opportunity for participants to ask questions or clarify concerns, participants were asked to sign a Consent Form (Appendix B) and notified of the recorder being switched on.

Owner-managers and employees were interviewed using two separate sets of demographic and interview questions. One set was for the owner-manager respondents (Appendix C) and included five pre-determined interview questions as well as the CI questions. The first part of the interview for owner-managers consisted of the demographic and interview questions. Probing and open-ended questions were asked throughout the interviews to collect more detailed information and to give participants the opportunity to elaborate on their responses. The CI accounts formed the second part of the interview. The aim of the CIT was communicated and owner-managers were then asked to recall an incident when a key employee wanted to leave the business, the

antecedents, actions taken (if any) to retain the employee and the overall outcome/s. From the nine owner-managers, seven CIs were collected. The second set of interview questions was for the employee respondents (Appendix D) and included a set of demographic questions and three interview questions directly linked to objectives 1, 2 and 3. Probing and open-ended questions were also used throughout the interviews with employee participants.

To conclude the interview, respondents were thanked for their participation and asked if they would like a copy of the interview transcript sent to them to check for accuracy. Participants were also reminded that all information gathered during the interview would remain strictly confidential and anonymity would be maintained.

3.5   Data Analysis

All interviews were digitally recorded (with the consent of the participants) and transcribed verbatim by the researcher. To analyse the owner-manager and employee interview responses, the transcripts and hand-written notes were read repeatedly and key ideas and statements were highlighted and reflective comments made in the margins. Content analysis was used to aid in the classification of the textual interview data into four broad categories: a) small business characteristics that encourage turnover; b) small business characteristics that promote retention; c) employee retention practices; and d) negative consequences of voluntary employee turnover. All phrases, sentences and statements in the interview data were reviewed in relation to these four categories and then organised into the most relevant category. To assist with the identification of central ideas (Strauss & Corbin, 1998) the organised data was then reviewed to identify 'recurring regularities' and themes (Patton, 2002).

Data collected from the CIs was analysed using a slightly different approach. The CI data was categorised according to the three CIT components: (1) the events leading up to the turnover incident; (2) actions taken (if any) by owner- manager to retain the employee; and (3) outcomes of retention efforts. Once the CI data was organised according to these components, the key concepts were highlighted then linked to the appropriate research objectives. Similar to the analysis of the interview responses, the data was then reviewed for patterns and themes within each of the four research objectives.

Due to the fairly small number of study participants (16), the interview data obtained from the owner-managers and employees were combined during data analysis. This is because the current study focuses on what is common, rather than what is different, in the perceptions of the two groups of study participants. Similarly, the semi-structured interview data and the CI data were combined in the analysis of interview data. However, the data related to research objective 4 was analysed separately. As mentioned previously, interview data about retention strategies was gathered from owner-managers only, as employee respondents are unlikely to be knowledgeable about specific retention strategies.

3.6   Strategies for Dealing with Ethical Issues

All procedures for the collection of data that involves human subjects were carefully adhered to and overseen by the university's human ethics committee. Ethical issues and strategies employed for dealing with these issues are discussed below.

3.6.1   Access to Participants and Informed Consent

Owner-manager participants were contacted through telephone or mail and asked to take part in a voluntary interview and their permission was sought to interview a key employee from the business. The rationale for seeking to obtain an employee perspective was explained to the owner-manager and those who gave consent were asked to identify employees who the researcher could approach about their voluntary participation in the study. Prior to the interviews taking place, all participants were provided with an Information Sheet containing details of the study and Consent Form. Participants were asked to read the Information Sheet and to raise any questions or concerns that they might have. After addressing any questions or concerns that were raised, the participants were asked to read and sign the Consent Form if they agreed with the conditions outlined in the Information Sheet. Participants who gave permission to have the interview digitally recorded were informed when the recorder was switched on and off and it was explained that the researcher would be solely responsible for transcribing the interviews.

3.6.2 Confidentiality and Anonymity

Confidentiality and anonymity was maintained to a high standard. Audiotapes and copies of interview transcripts were stored in a locked cabinet in the researcher's home office. Electronic copies of audiotapes and transcripts were stored on the researcher's home computer and are accessible only by using a secure password. All interview recordings were transcribed by the researcher. The identities of the organisations and participants are not revealed in this report, and if the findings of this study were to be written for publication, no identifying information will be used.

3.6.3 Promises and Reciprocity

At the conclusion of the interview, participants were asked if they would like to review a copy of the final interview transcript. Participants who agreed to this were informed that a hard copy of the transcript would be sent to them. The researcher personally delivered the transcripts and informed participants that if they wanted to make any changes to their responses, to note it on the transcript and return it to the researcher via mail (envelope and postage stamp were provided by the researcher).

3.7 Chapter Summary

This chapter explained the research design and the techniques used to gather and analyse data in the current study. The conceptual framework that emerged from the literature review was also presented in this chapter. Finally the strategies for dealing with potential ethical concerns were also discussed. The next chapter (Chapter Four) presents a profile of the participants and the findings of the interviews.

Chapter 4: Findings

This chapter begins with a description of the study sample and includes profiles of owner-manager and employee respondents and the selected small businesses. The chapter then focuses its attention on the findings of the interviews with owner-manager and employee respondents. The findings are organised according to the four research objectives. The findings are presented in the form of themes that emerged from the analysis of the interviews. Each theme is illustrated with the aid of quotations by the participants.

4.1   Sample Description

The sample consisted of nine owner-managers and seven employees employed from ten small businesses across Perth, Western Australia and one small business located in Sydney, New South Wales. Owner-managers were asked to nominate employees who they regarded as key contributors to the small business. Nominated employees were then invited to participate in an interview. Owner-managers typically based their selection on the employee's length of service, knowledge and experience.

All of the small businesses that participated in the research employed less than 20 employees. Two of the small businesses in the sample were owned by a franchise chain whilst the remaining nine businesses were independently owned and operated. The small businesses operated in a variety of industries such as building, motor vehicle, clothing manufacturing, food and beverage, real estate and pharmaceuticals.

4.2   Owner-manager Respondents

Table 1 lists owner-manager respondents according to an identification code. Also included in the table is information on how long the owner-manager has owned the small business, the products and services provided by the business and the number of staff employed at the business.

The duration of business ownership figures are indicative of the owner-manager's depth of experience in the small business sector. This wealth of knowledge and experience provided the potential for valuable insights into how the phenomenon of

voluntary employee turnover and retention functions in a small business environment and positively impacted on the richness of the interview data.

Table 1: Profile of Owner-manager Respondents

Participant Code	Duration of ownership	Products and Services	Number of Employees
OM1	10 years	Bamboo flooring product sales and installation	31 (15 FTE)
OM2	40 years	Car sales and mechanical service and repairs	6
OM3	10 years	Management consulting and assurance services	10 (6 FTE)
OM4	13 years	Clothing manufacturing	6
OM5	12 years	Food and beverage	14
OM6	20 years	Hairdressing	7 (6 FTE)
OM7	6 years	Real Estate sales	11 (9 FTE)
OM8	30 years	Life coaching, detox and weight loss, remedial therapy and massage	4
OM9	6 years	Supplement wholesaling and sales	2 (1.5 FTE)

FTE = Full Time Equivalent

4.3 Employee Respondents

Table 2 provides basic information about employee respondents by also using an identification code. The table itemises information on how long the employee has been employed at the small business as well as their position title and description of the key duties that they perform.

The majority of employee respondents have been employed with the small businesses for a period exceeding 12 months. This depth of experience enabled employees to provide rich insights into a range of small business characteristics that can prevent or promote voluntary employee turnover. Similar to owner-manager

respondents, this knowledge and experience enhanced the quality of the research findings.

Table 2: Profile of Employee Respondents

Participant Code	Employment Duration	Position Title	Key Duties
EM1	5 years	Sales Consultant	Product sales
EM2	10 years	Senior Motor Mechanic	Motor vehicle repairs
EM3	4 years	Senior Hairdresser	Colouring and cutting specialist Trainer
EM4	1 year	Pharmacist	Medicine dispensary
EM5	6 years	Real Estate Agent	Property sales
EM6	6 years	National Sales and Marketing Manager	Sales and marketing
EM7	7 months	Administration Support Officer	Customer service and liaison, accounts receivable and data entry

4.4 Themes

As detailed in the section titled 'Data Analysis' in Chapter Three, content analysis was used to classify key ideas from interview data according to the four research objectives. Further analysis of the key ideas revealed 'recurring regularities' or themes within each of the research objectives. These themes are presented below.

4.4.1 Negative effects of voluntary turnover of key employees on small businesses

Theme 1:   Business productivity is reduced

The majority of owner-manager and employee respondents indicated that the loss of a key employee would adversely impact business productivity. Both groups reported that key employees have primary roles and responsibilities within the business that collectively form a work team accountable for the day-to-day running of the

business. Respondents reported that key employees and their designated roles and responsibilities are coexistent and that key employees often provide a fundamental intermediary function between different areas of the business. To illustrate, an owner-manager stated:

> *"Everybody has a designated, specified, trained, targeted role. The people are all particles in this big arrangement, this big organisation of things that need to be done... basically everyone fulfils their part and if you take any player out it's no longer a team anymore" (OM1)*

Consequently, respondents expressed that the departure of a key employee will directly impact business output through a series of flow-on effects triggered by a reduction in the efficiency of fundamental key work processes or by potentially leaving certain business functions inactive for an unknown period of time. In some cases, owner-manager respondents reported the potential need to take on additional duties left unattended by the departing employee.

The majority of owner-manager respondents reported that following the departure of a key employee is the requirement to find a *quality* replacement which in some cases was identified as a difficult task. Owner-manager respondents reflected on the time and financial costs associated with the process of recruiting and selecting an employee to replace a key employee. Subsequent to the recruitment and selection process, owner-manager respondents reported on the significant training costs necessary to develop a replacement employee to a desired level of competency. In some cases, owner-manager respondents reflected that the process of carrying out duties associated with recruiting, selecting and training an employee will significantly reduce their time to fulfil pre-existing responsibilities resulting in a period of reduced productivity.

Owner-manager and employee respondents reported that key employees in sales and marketing roles have established vital client bases. As such, respondents reflected that the goodwill of the business lies with the staff. The departure of a key employee can potentially lead to the loss of key clientele and this outcome is susceptible in some industries more so than others. Owner-manager respondents also reported that key employees build strong rapport and establish mutual expectations with business clients and this relationship assists in the delivery of high quality customer service. Owner-manager and employee respondents alike reported that in the instance of a key

employee leaving the business, this business relationship will be severed and the ability to continue delivering the exact same standard of service will be dramatically reduced.

Theme 2:   Specialised skills that are difficult to replace are lost

Owner-manager and employee respondents identified that key employees essentially become 'experts' in their role and that their knowledge, skills and abilities are unique to the individual. This is illustrated in the following comment:

> "There's a specific thing in their jobs that no-one else can do. So the retail manager, she has relationships with certain reps that she orders through that we don't know about" (EM4)

In line with this finding are reports that key employees have been purposely trained to acquire a diverse skill set to enhance their transferability within different areas of the business. Owner-manager and employee respondents reported that the knowledge and skills of key employees is usually a product of lengthy employment and experience with the small business. Respondents reflected that unique and customised skills and experience will be lost with the departure of a key employee.

Theme 3:   Business continuity is disrupted

Owner-manager and employee respondents identified that key employees provide a level of consistency to work processes and to the culture of the business. Respondents reported that as key employees familiarise themselves with the functions, expectations and culture of the business, their presence provides a degree of business continuity. Hence, both groups reported that the loss of a key employee can interrupt the stability of work processes and unbalance team structures. Owner-managers specifically reflected that a disruption to business continuity has a direct impact on job demands, job allocation and team dynamics. To illustrate, the following comment was made:

> "If they've been here for a while it sets the team a bit unbalanced. We all try to work as a team so it unbalances it all and then we have to get someone new that they can trust" (OM6)

4.4.2   Common reasons why employees voluntarily leave small businesses

Theme 1:   Lack of financial resources to retain staff

Owner-manager and employee respondents reported that a lack of financial resources to retain staff would be a primary antecedent of voluntary employee turnover. Owner-managers reflected that pay rises were difficult to justify due to scarce resources and uncertainty in business outputs and profits. CI recollections captured actual accounts of employees seeking alternative employment because they were dissatisfied with pay rates in the small business. Both respondent groups stated that dissatisfaction with pay rates and lack of financial flexibility on behalf of the small business would trigger perceptions of lack of appreciation and prompt employees to search for alternative jobs that offer a higher wage. This theme is illustrated by the following quotes:

"We weren't going to pay him what he was asking for because it was well and truly above his skill level and his qualifications at that point in time and so we just couldn't go that far" (OM3)

"He left basically because of the money issue and I think [employee] had the attitude that the grass may have been greener on the other side" (EM1)

Resource scarcity and business uncertainty in combination with organisational structure were also identified as barriers to career progression. Employee respondents reflected on the inability to advance professionally within the business. This is illustrated in the following comments:

"If you wanted to grow or improve your position you would have to go because there is nowhere to move up" (EM1)

"If someone wants to increase their responsibilities or get better at their job and therefore require more income for that, then that can't happen unless the business expands" (OM1)

Theme 2:   Escape from relationship conflict

Both respondent groups reported that personality clashes between colleagues and management are often intensified due to the close working conditions. Respondents reflected that internal conflict and the associated moods and emotions resonate quickly throughout the business. Employees noted that internal conflict is often difficult or sometimes impossible to avoid and this in turn disrupts work functions, taints the working environment and places undue pressure on working relationships. Owner-manager and employee respondents alike reported that a remedy to resolve conflict with a colleague or member of senior management would be to leave the business.

> *"One of the downsides I guess of being involved in a small business is that if you do have conflict then it does get magnified quite a bit. I've found that in other small businesses, certainly not here, that the employers have been pretty tough to work for and it does create a bit of animosity between the staff and the business" (EM6)*

Theme 3:   Informality leads to work overload and stress

Both groups reported on the impacts that informality, in terms of unstructured working arrangements and job descriptions, has on workload and work stress. Owner-managers recognised that unstructured work tasks and responsibilities can add additional pressure on employee workloads. Similarly to this unstructured approach to work design, an owner-manager and employee respondent from the same business commented that a lack of set work hours can result in the number of overall work hours exceeding the average. Respondents reported that under these circumstances, burn-out and/or work-related stress can eventuate.

4.4.3   Characteristics of the small business that might enhance retention of employees

Theme 1:   Flat management structures and egalitarian work environments

Employees and owner-managers both noted that a lack of hierarchical structures and an egalitarian work environment are small business characteristics that encourage employee retention. The findings revealed that a prevalence of egalitarian structures

foster close working relationships and allow for business outcomes to be directly influenced by employees.

The presence of strong working relationships between employees and with the owner-manager was a prevalent finding amongst both employee and owner-manager respondents. Both groups commented that the small businesses have a family orientated feel whereby employees feel as though they are part of a team or "work family". Owner-manager respondents and the majority of employee respondents commented that close and personalised working relationships encourage loyalty, trust and respect for one another and to the business.

> *"He [owner-manager] is someone that I respect and admire and get along with really well and we have good rapport, we have a good time. He's not on my case every five minutes asking what I'm doing. I sort of come and go as I please. I have enough respect to get here on time and work to a certain hour each day. At the end of the day if the sales are there each month he doesn't really pressure me on what I do" (EM6)*

Close working relationships in small businesses was also identified as an antecedent for relationship conflict amongst employees and owner-managers. Despite this finding, respondents commented that the physical set-up of the workplace for example, desks and offices situated closely and communal kitchens and dining rooms, promotes interaction amongst employees at a professional and social level. This characteristic was regarded as one that fosters a relaxed and friendly work culture which in many cases was considered to be an element that encourages employee retention.

Flat management structures give employees greater opportunities to have a direct impact on business decisions and outcomes as there are fewer intermediary levels that their ideas need to pass through.

> *"It's a very flat structure so the hierarchy is not there [like] in a traditional consulting practice where there is a manager and the manager then communicates with the partner and the partner will then communicate everything down and the graduate is too scared to speak with them" (OM3)*

"If changes need to be made of if you have ideas, those changes or ideas can be implemented relatively quickly and you can see the effects of those changes pretty much straight away or within a short period of time" (EM6)

Owner-manager respondents reflected that employees are empowered to be actively involved in the day-to-day running of the business. Respondents also noted that it is relatively easy to communicate with employees to understand their ideas and opinions.

"If someone says "I don't think it should be done that way" there's no fear, hopefully of that person saying "well no I don't agree". And there's always the ability for people to raise that or to challenge it or try something different" (OM3)

Employee respondents also reflected on their close involvement in the decision making process with some employee respondents commenting that the ability to influence business outcomes strengthens their connection to the organisation and enhances their sense of responsibility.

Theme 2:   Varied job duties and responsibilities

Both groups reported that small businesses offer a high level of variety in terms of job duties and responsibilities. Owner-managers and employees commented that this diversity challenges and develops employees by exposing them to a variety of business functions and prevents employees from becoming pigeonholed into a single work function. The desirability of this characteristic and its role in enhancing employee retention is illustrated in the following comments:

"That's the beauty of being here is that I've gone back to having that variety in my role in the dozen different things that I do which makes it much more enjoyable rather than just doing sales day in day out" (EM6)

"I was offered a typist position in a medical legal firm that was paying 10-15 % more but due to the nature of the role I said no" (EM7)

Theme 3:   Flexible working arrangements

Owner-manager and employee respondents reported that small businesses offer a high degree of flexibility when approving employee leave requests and manoeuvring work hours. Owner-managers commented that the absence of stringent protocols and "red-tape" in small businesses allows for greater flexibility in allowing employees to take time off and to tailor work schedules to suit out-of-work commitments.

4.4.4   Strategies that are employed to retain key employees

Theme 1:   Ensure that employee personalities are compatible

Achieving person-organisation fit is a prevalent employee retention strategy in the selected small businesses. Owner-manager respondents commented on the importance of ensuring that new employees to the business have a personality that will suit the personalities of existing employees. Respondents reported that achieving this personality compatibility helps to maintain healthy work dynamics which positively influence the organisational culture and environment.

> *"If people feel safe at work and you introduce someone who brings about some negative stuff, which we've had, the whole things starts to go bad...What I've come to understand over time is that people want to work with people they like" (OM1)*

> *"I think after [employee] left he realised that money wasn't really the answer. He was being paid more in the other place that he was working, a much more attractive package, but the people were terrible, the people weren't nice and I think he came to appreciate the culture and the relationships that he had at [business] which in a lot of ways became much more important than a pay rise" (EM1)*

Theme 2:   Empower employees to succeed in their job roles

The majority of owner-manager respondents reflected on the role that employee empowerment plays in employee retention. Respondents commented on the importance of setting employees up to succeed in their job roles and identified a number of ways in which this could be achieved. All owner-managers reported that they offer paid training

opportunities to key employees to develop their competencies. Owner-managers also commented that they assign employees roles that they enjoy doing and avoid micro-managing their performance and progress. The majority of owner-manager respondents noted that they encourage employee involvement in the decision making process to increase their interest in and commitment to the business.

Theme 3:   Tailor remuneration packages to suit individuals

Tailoring remuneration and total remuneration packages to suit individual employees was a recurrent retention strategy in the sample small businesses. The majority of owner-manager respondents noted that ensuring that key employees are satisfied with their pay structure is a valuable retention tool. Respondents identified the following strategies to achieve pay satisfaction: negotiate pay structures with employees; allocate pay rises where appropriate; and ensure that pay is processed correctly with no discrepancies.

Owner-manager respondents reported on the significance of catering for employee needs and interests when deciding how to non-financially remunerate individuals. By way of example, one owner-manager reflected that certain employees have a strong preference for training and development hence they are regularly offered opportunities to attend paid training courses and seminars. The following quote further illustrates this approach:

> *"What we do every 6 months is look at how much money we've generated off each individual and what they've cost us both in their salary but also in other costs such as training or whatever it may be. And we look at their attitude and what they've done and their willingness to actually be flexible... We've got our ears out for what interests people and we just store that away and when we come to talk about remuneration and bonuses we say, "Well why don't we do that instead of this?" I think they appreciate our willingness to actually do that"* (OM3)

Theme 4:   Offer flexible working arrangements

Owner-managers reflected on use of flexible working arrangements when attempting to retain key employees. In many cases, owner-manager respondents commented that key employees are likely to leave due to dissatisfaction with pay rates.

On occasions where a pay rise is not appropriate or cannot be justified, owner-managers reported that they resort to non-financial benefits such as flexible work hours to make the job more appealing. Owner-managers reported on giving key employees, with intentions to leave, the option of adjusting their work hours to suit their individual circumstances. Furthermore, an owner-manager reported on a situation where a key employee could not be allocated a pay rise so instead they were offered additional working hours in return for more pay.

4.5   Chapter Summary

Chapter Four described the research sample and included profiles of the owner-manager and employee participants. The chapter then presented the findings of the interviews according to each research objective. Table 3 summarises the key findings of the study. These findings are discussed in the context of the existing literature in the next chapter (Chapter Five).

Table 3: Summary of Key Findings

Research Objective	Theme
Negative effects of voluntary turnover of key employees on small businesses	Theme # 1: Business productivity is reduced Theme # 2: Specialised skills that are difficult to replace are lost Theme # 3: Business continuity is disrupted
Common reasons why employees voluntarily leave small businesses	Theme # 1: Lack of financial resources to retain staff Theme # 2: Escape from relationship conflict Theme # 3: Informality leads to work overload and stress
Characteristics of the small business that might enhance retention of employees	Theme # 1: Flat management structures and egalitarian work environments Theme # 2: Varied job duties and responsibilities Theme # 3: Flexible working arrangements
Strategies that are employed to retain key staff	Theme # 1: Ensure that employee personalities are compatible Theme # 2: Empower employees to succeed in their job roles Theme # 3: Tailor remuneration packages to suit individuals Theme # 4: Offer flexible working arrangements

Chapter 5: Discussion

This chapter analyses and discusses the findings of the interviews. The discussion of the findings is organised according to the four research objectives. In doing so, it makes links to the relevant literature, in particular the literature covered in Chapter Two (Literature Review).

5.1 Negative effects of voluntary turnover of key employees on small businesses

Consistent with the findings of previous research (e.g., Dalton & Todor, 1979); Abdullah et al., 2007; Wagar & Grant, 2008), findings from the current study indicate that voluntary employee turnover adversely impacts business productivity. Without the input of key employee knowledge, skills and abilities, business efficiency and profitability is heavily compromised. The reason for this can be attributed to the finding that key employees are responsible for specific roles and in some cases these roles involve acting as an intermediary function between different areas. Hence, the departure of a key employee can potentially leave an entire business function unoccupied and result in a loss of functionality within coexisting areas. Evidently, the loss of a key employee triggers a series of flow-on effects that can permeate through various areas of the small business causing organisational effectiveness to falter (Abelson & Baysinger, 1984).

Owner-manager and employee respondents alike, claim that the series of flow-on effects triggered by key employee turnover disrupts business continuity. Over time, key employees familiarise themselves with the overall running of the business, including expectations of input and output standards and how resources are allocated. This tacit knowledge provides a level of consistency to work processes and procedures. Hence, the loss of a key employee and their tacit knowledge can interrupt the flow of business processes and overall business continuity.

Interruption to business continuity can also be viewed from a social perspective. Over time, groups of key employees build strong working relationships within the small business. In some cases these relationships provide stability to the work environment and organisational culture which in turn helps employees to feel secure. Therefore, the loss of a key employee can disrupt business continuity by severing communication lines (Mobley, 1982) and personal ties within work groups (Muchinsky & Morrow, 1980). As

a consequence, the existing team dynamics can become unbalanced and leave employees feeling disconcerted.

The skills and abilities of key employees in the current study are often the product of lengthy employment with the small business. These skills and abilities, over time become tailored to suit the unique requirements of the business. Furthermore, a key employee's tacit knowledge or nonverbalised or intuitive knowledge (Hedlund, 1994) of the business is also enhanced over time. The concept of tacit knowledge adequately portrays the type of knowledge key employees from the current study possess. Both respondent groups reflected that the knowledge of key employees is exclusive to the individual and that it would be difficult to capture and retain if the employee were to leave the business particularly if the employee left with short notice. Hence, the departure of a key employee will result in the loss of specialised skill sets that are difficult to replace with a comparable skill set of a replacement employee.

Following the departure of a key employee, there could potentially be a period where the position and its corresponding functions are left unattended. Owner-managers may take it upon themselves, or allocate another employee in the small business to temporarily carry on the position. In these circumstances the time and effort that is usually assigned to substantive duties is reduced to attend to the vacant position. This situation has a direct impact on business output; hence this arrangement is in most cases only suitable for a short period of time. The owner-manager will need to adopt a long-term outlook and find a *quality* replacement employee from the external market.

Significant emphasis, from both respondent groups, was given to the importance of finding a *quality* employee to replace a key employee. Owner-managers remarked that filling a vacant position with the first available applicant would be a straightforward process. This approach however is unlikely to benefit the position or the business and is therefore viewed as undesirable. Instead, owner-managers reported on the importance of engaging in proper recruitment and selection to find a *quality* replacement. Similar to findings from Wagar and Rondeau (2006), participants noted that the recruitment and selection process can be time consuming and expensive. The burden of these costs is relatively more impeding for small businesses as they are typically resource constrained (Welsh & White, 1981; Storey & Greene, 2010). The process of appointing a replacement employee requires small businesses to stretch their already limited

resources even further. Thus, the importance of finding a *quality* replacement employee after the first recruitment attempt is amplified as small businesses do not have an abundance of resources that they can readily draw upon.

5.2 Common reasons why employees voluntarily leave small businesses

A lack of financial resources to retain staff was identified as a prominent cause of actual and intended voluntary turnover. CI reports and employee responses identified that dissatisfaction with pay rates can lead a key employee to search for alternative jobs that offer higher wages. The small business literature is supportive of this cause with various scholars (e.g. Storey & Greene, 2010) revealing that small businesses typically pay employees less than their larger counterparts. An employee's perception, whether it is actual or perceived, that their pay level does not accurately reflect their work roles and responsibilities or loyalty to the business can prompt feelings of inequity and under-appreciation. Feelings such as the latter can lead to actual or intended voluntary turnover. Complimentary to this theme is the difficulty for small businesses to provide career development opportunities and long-term career prospects (Down, 2010) to long serving or high achieving employees.

In line with existing research (e.g. Arnold et al., 2002), barriers to career progression can cause voluntary employee turnover in small businesses. As depicted by Maslow's (1954) hierarchy of needs theory, self-actualisation encompasses the need for personal growth, achievement and self-fulfilment. For some individuals, this higher-order need can be achieved by professional advancement in their work through a job promotion or increased work responsibilities. The structure of small businesses in terms of job positions in particular management roles and work areas typically cannot accommodate for the level of professional advancement that key employees often desire. Employee respondents in the current study claim that limited or no growth opportunities in small businesses can prompt them to search for alternative jobs that offer greater scope to progress professionally. The small business structure does however foster close working relationships, which depending on circumstance, can also cause voluntary turnover.

Close working relationships, whether they are essential to the role or desired by the individual, more often than not involve frequent interaction amongst employees and

with owner-managers. In some cases, this interaction can be between persons who have differing views, opinions and/or personalities. The work settings typically offered in large organisations gives employees room to avoid or distance themselves from these types of indifferences. However, the physical closeness of employees that is often seen in small business layouts can magnify personality clashes, create tension and heighten emotions. These conflicts resonate relatively quicker in smaller and more intimate settings such as that offered by small businesses. As such, employees can become uncomfortable, insecure and dissatisfied not only with the concerned parties but with the working environment as a whole. Essentially, employees typically don't want to work with people that they don't get along with and if the relationship cannot be improved or reconciled then an option may be to resign from the business.

The literature emphasises that small businesses characteristically adopt informal HRM practices (e.g. Marlow, 2002; Markova, 2009; Down, 2010). The findings of the current study were similar to the literature, revealing that small businesses foster this informality through unstructured working arrangements and loosely defined job descriptions. Work structure provides consistency, establishes employee expectations and increases the likelihood of those expectations being met. The absence of such structure, through unstructured working arrangements and flexible job descriptions, can result in employees working unprecedented hours and fulfilling unsolicited work roles and responsibilities. In these circumstances work overload and work related stresses such as burnout are common outcomes. Outcomes such as these can reduce the amount of time that employees spend with their family and friends and adversely affect their overall health and wellbeing. Thus, in response to these undesirable circumstances, employees may seek more structured and manageable positions within a different organisation.

5.3 Characteristics of the small business that might enhance retention of employees

The absence of traditional tiered management structures in small businesses gives employees at all levels relatively better access to business decision making processes. The reasoning for this is that there are typically fewer levels within small businesses that employees must go through to have their ideas and opinions heard by management personnel. The current study revealed that this approach to decision

making was encouraged by owner-managers and valued by employees as they are able contribute more to organisational performance and objectives. Complimentary to this characteristic and consistent with existing literature (Storey, 1994), is that employees are able to readily see the impact that their contributions have on organisational outcomes. Both of these factors help to maintain a key employee's personal affiliation and identification (Schlosser & Todorovic, 2006) with the business.

Complimentary to previous research (e.g. Wilkinson, 1999; Barrett & Mayson, 2005; Down, 2010), the current study also revealed that the lack of bureaucratic structures in small businesses accommodates strong employee/manager working relationships. In small businesses, working relationships usually involve relatively more personalised forms of interaction, for example face-to-face communication between the owner-manager and employee. Interacting on professional, social and even personal levels in the work place creates a "work family" atmosphere which helps employees to feel a part of something much more than a profit-making entity. The "work family" atmosphere encourages loyalty, trust and respect amongst employees and with owner-managers and promotes a friendly atmosphere where employees feel relaxed, valued and content at work.

Informality in terms of job roles and responsibilities and the associated links to workload and stress, was identified as cause of voluntary turnover. However, the variety offered by loosely defined job descriptions presented itself as a characteristic that can also enhance key employee retention. The small business literature highlights task variety as a highly attractive aspect of working in small businesses (e.g. Arnold et al., 2002; Down, 2010). As opposed to engaging in monotonous work that can be tedious, small businesses traditionally expose employees to a range of roles and responsibilities whether it is on an on-going or ad hoc basis. Moreover, this type of exposure can foster skill development and workplace learning. The benefits and disadvantages of this flexibility can be interpreted differently depending on individual preferences. However, for an employee who does not want to be pigeonholed into a single work function, this work diversity promotes continued employment with the business.

The current study identified willingness by owner-managers to tailor employee work schedules, approve leave requests and manoeuvre work hours to suit individual employee circumstances. Respondents made comparisons between small and large

businesses in terms of ease of providing flexible work arrangements and reported perceptions that there is relatively less "red tape" or protocols in small businesses. By way of example, respondents reflected that leave applications can be approved relatively faster even when short notice is given. The availability of flexible work arrangements such as these is highly regarded by employees particularly those who have pressing out-of-work commitments, for example, family responsibilities. This finding challenges the contention by Shields (2010) that flexible work hours can disadvantage working parents, as reduced work regularity makes it difficult to organise family commitments. All the same, the findings of the current study suggest that flexible work arrangements give employees a sense of security in knowing that their personal commitments, including preferences for leave, can be accommodated.

5.4   Strategies that are employed to retain key employees

The current study found a combination of conventional and unconventional key employee retention strategies. Some strategies have been widely discussed in the literature whilst others cast light on different yet successful approaches to employee retention. The findings of the current study revealed that small businesses do not utilise documented employee retention strategies. However, the majority of owner-managers, whether it is intentionally or unintentionally, do adopt management philosophies and styles that are supportive of employee retention. Further, many of the key employee retention strategies that follow are proactive rather than reactive in nature. In other words, instead of implementing retention strategies only when there is a potential for turnover, owner-managers apply ongoing strategies that are aimed at keeping employees satisfied and content in the work environment.

One can assume that there is a preference on the part of the employee to work with people that they get along with. This assumption is particularly pertinent considering that some employees may spend more time with their colleagues at work than they do with their family and friends. Consistent with this assumption, owner-managers reported the importance of key employees feeling comfortable and content with their colleagues noting that poor work relationships can ultimately ruin employee job satisfaction and trigger intended or actual turnover. It is not surprising then that owner-managers aim to ensure that new and existing employees are compatible with one another. The current study identified two approaches to this retention strategy.

The first approach involves screening new employees in the selection process to assess whether their personality traits will suit the personalities of existing key employees and the organisational culture. Owner-managers reflected that personalities which have the potential to negatively disrupt workplace dynamics should not be introduced into the business. The second approach is concerned with addressing and resolving personality conflicts early so to ensure they do not escalate. As previously discussed, internal relationship conflict is a cause of voluntary turnover thus "airing" out disagreements and restoring positive workplace dynamics is imperative for employee retention.

One owner-manager elaborated on the importance of addressing internal conflict and organisational politics. The owner-manager commented that he attempts to redress conflict in its early stages by targeting and discussing the primary source of conflict with the concerned parties. The owner-manager reported that this strategy ensures that the resolution to the conflict is mutually agreed upon and that employees are able to readily resume their work roles and responsibilities. This in turn minimises voluntary turnover triggered by the need to escape internal conflict.

The second retention strategy identified in the current study involves empowering employees to succeed in their work. This approach focuses on providing employees with the resources they require to achieve work objectives. These objectives can be professional growth, acquisition of qualifications or completing a project. Employees that are able achieve in the workplace report high levels of job satisfaction (Herzberg, 1987). It also instils a sense of personal fulfilment and encourages employees to take ownership of their work. The current study revealed a number of ways that small businesses empower their key employees. These include: offering opportunities for paid training and development; allocating work that employees enjoy and excel in; giving employees work autonomy; and involving employees in business decision making. Owner-managers reflected that these empowerment techniques heighten employee interest in and commitment to their work and in the business as a whole.

Similarly to findings from Way (2002) CI reports from the current study revealed that small businesses offer higher pay in an attempt to reverse employee turnover intentions. In some incidents, owner-managers reported that a pay rise

provided the means to satisfy the employee and encourage continued employment with the business. However, the effectiveness of this approach to retention is questionable, with reports of employees resigning or remaining with the business but continuing to look for alternative jobs, regardless of being offered a pay rise. In these specific incidents, an increase in pay did not address the underlying cause of the turnover intentions. Turnover intentions that are triggered by relatively more embedded sources such as, incapacity to progress professionally or feelings of not being appreciated due to lack of recognition cannot be remedied solely by an increase in pay. It is circumstances such as these that emphasise the importance of tailoring total remuneration-type retention strategies to suit individuals.

A reward that appeals to one employee may not appeal to another and so the benefit of the remuneration, in terms of its impact on retention, is lost. The current study found that small businesses respond to this issue by understanding the preferences and desires of the individual and then tailoring the rewards accordingly. For example, an owner-manager from the current study reported that a key employee displayed a personal interest in a particular camera model. As part of the employee's end-of-year benefit, the owner-manager purchased the camera for the employee to reward him for his efforts. This example is not meant to suggest that small businesses should commonly reward employees with material goods. It does however, suggest that managers in small businesses have the flexibility to recognise employees through tailored as opposed to generic rewards. The relevance of this approach to retention is that it recognises employee efforts, with financial or non-financial benefits that are personally worthwhile. Additionally, this approach to remuneration is reflective of owner-managers taking a keen interest in their employees. This in itself can please employees by observing that the owner-manager values them as an individual and not just a business asset.

The current study found that small businesses offer flexible working arrangements to enhance the retention of key employees. This strategy was evident in some of the CI accounts with owner-managers reporting that flexible working arrangements were offered to employees with turnover intentions caused by pressing personal commitments and changing circumstances. There were also accounts of retention where employees were given a greater choice in reorganising their work commitments to suit personal ones. The effectiveness of this retention strategy is

supported by the finding that flexible working arrangements are regarded as a small business characteristic that can enhance the retention of key employees. Flexible start and finish times, rostered days off and approving leave requests at short notice are examples of flexible working arrangements that foster employee work-life balance and employee reciprocity towards the owner-manager.

The willingness of owner-managers to offer this flexibility is reflective of their interest in helping employees. It also shows that owner-managers recognise the importance of employee work-life balance. The current study shows that willingness on the part of the owner-manager is in many cases mirrored by employees who are willing to 'return the favour' so to speak. They do this by being flexible with personal arrangements that can impact on their work, ensuring that work demands are always achieved and compensating for lost work time by working unsolicited hours. This reciprocity between owner-managers and key employees becomes an important part of the working relationship as it sets expectations and encourages mutual respect and understanding.

The CIs revealed cases where owner-managers did not employ any explicit retention strategies to prevent a key employee from leaving the business. This finding is an unexpected one given that the literature reports that small business operators often comment on the importance of retaining quality employees to support business growth and success (Carlson, Upton & Seaman, 2006). Not employing a retention strategy to retain a key employee is indicative of two things. First, it is reflective of some owner-manager perceptions that key employees are, in some cases, dispensable and easily replaceable. Further, it suggests that some owner-managers do not fully appreciate the impacts the loss of a key employee can have on the small business or that they have systems in place to mitigate the adverse impacts of the employee leaving. Second, it indicates that some owner-managers may believe that turnover intentions compromise an employee's ability to be an effective and active contributor to the small business. Owner-managers indicated that once turnover intentions are set, they are very difficult to reverse and thus investing any further resources in trying to retain these employees will be ineffective and unproductive.

This chapter discussed findings of the interviews reported in Chapter Four. In the discussion, the findings were linked to the relevant literature. The next chapter

(Chapter Six) presents the main conclusions about the research objectives, and the implications of the findings for small business practitioners and researchers.

Chapter 6: Conclusions and Implications

This chapter begins by reiterating the research question and objectives of the current study. Following this is a summary of conclusions about each of the research objectives. The chapter then outlines implications of the findings for small business practitioners and for future research.

The current study addresses the question, what factors influence voluntary employee turnover in small businesses and how do owner-managers retain key employees? This focal question is important because it addresses a relatively under-researched area of significance for small businesses; employee retention. There are limited studies dedicated to exploring this management issue in the context of the small business setting. This significant gap in the literature is indicative of a lack in understanding of how small businesses can reduce voluntary employee turnover and enhance retention of key employees.

More specifically, this study investigates the following research objectives (ROs) from owner-manager and employee perspectives.

1. To investigate the negative effects of voluntary turnover of key employees on small businesses.
2. To explore the common reasons why employees voluntarily leave small businesses.
3. To identify the characteristics of the small business that might enhance retention of employees.
4. To address strategies that are employed to retain key employees (owner-manager perspective only).

The ROs were accomplished through conducting semi-structured interviews with owner-managers (nine) and key employees (seven) from selected Australian small businesses (eleven). In addressing these ROs the study builds on previous research by including an employee perspective, uncovering small business characteristics that enhance their attractiveness as employers and analysing actual incidents involving owner-manager attempts to retain key employees.

6.1   Conclusions about the Research Objectives

In regard to RO1, the reported negative effects of voluntary employee turnover were primarily related to reduced business productivity and business continuity. As key employees contribute consistency to business processes and to the organisational culture, their departure can often cause a series of flow-on effects that permeate throughout multiple areas of the business. Owner-managers and employees alike reflected that the departure of a key employee essentially means the loss of specialised skill and tacit knowledge. In many cases this valuable skill set is the product of extended employment with the business and as such finding a comparable replacement employee presents a difficult task. Owner-managers reported that time and financial costs associated with recruiting a *quality* replacement employee can place increased pressure on already scarce business resources.

A lack of financial resources to retain staff was a prevalent finding in relation to RO2, with key employees reporting that dissatisfaction with pay rates can prompt a search for alternative jobs that offer higher wages. A lack of career progression opportunities by way of job promotions and increased work responsibilities was also presented as a major antecedent for actual and intended voluntary quit. Additionally, respondents reported that interpersonal conflicts, fostered through close working proximity between colleagues and with the owner-managers, in some cases cannot be resolved. As such, respondents reflected that employees may resign from the business to escape from irreconcilable relationships. An informal management approach that was evident in unstructured work hours and loosely defined job descriptions was found to result in employees working extended hours and fulfilling unsolicited work duties. The consequences of this approach were perceived to be work overload, stress and reduced work-life balance and were identified as antecedents of voluntary turnover.

Regarding RO3, the current study found that flat management structures and egalitarian work environments foster frequent and close communication, employee involvement in decision making and a 'work family' culture. The characteristics were identified as promoting key employee retention through enhancing employee identification with and involvement in the business. Respondents reported that varied work roles and responsibilities is a facet of small businesses that they valued as it encourages skill development and workplace learning. The final small business

characteristic reported as enhancing key employee retention was the availability of flexible working arrangements through avenues such as tailored work schedules and approved leave requests that were made at short notice.

In regard to RO4, the retention strategies identified in the current study were based on both practical and emotional underpinnings. In terms of practicality, owner-managers reported on the use of pay rises, financial rewards and paid training and development opportunities to retain key staff. The remaining retention strategies sought to address emotional and social elements. A leading retention strategy was focused on maintaining healthy group dynamics to promote employee job satisfaction. This retention strategy is achieved by two approaches. First, is ensuring that newcomers have personalities that are compatible with existing key employees. Second, is addressing and resolving interpersonal conflicts early to prevent them from escalating. The final retention strategy was the provision of flexible working arrangements. This approach to retention was perceived as promoting improved employee work-life balance and encouraging a give-take relationship between owner-managers and employees.

6.2   Implications for Management Practice

Findings of the current study emphasise the importance of owner-managers understanding their key employees at an interpersonal level. The findings for all ROs relate in some way to the significance of workplace emotions and group dynamics in small businesses. This finding suggests that rational elements such as pay and benefits are just part contributors to effective employee retention. The other part is concerned with owner-managers giving individualised consideration for internalised or implicit aspects such as interpersonal relationships and belongingness. Thus, small business practitioners can further improve their retention strategies by taking measures to keep their employees satisfied, not only financially, but also by attending to their emotional and social needs as well.

There were a number of small business characteristics that were recognised as initiators of voluntary turnover, for example, unstructured work tasks. However, evidence in the current study also suggests that these same characteristics can also promote employee retention. This discovery suggests that small business practitioners should reassess the role that 'negative' small business characteristics play in voluntary

employee turnover and retention. Consistent with the theory of social information processing (Salancik & Pfeffer, 1977) which postulates that attitudes and behaviours are partly based on the information embedded in social contexts, small business practitioners should look at ways to position employees to view traditionally 'negative' business characteristics from a positive viewpoint. For example, the respondents in the current study claimed that fulfilling varied and additional work tasks due to loosely defined job descriptions can lead to work overload. This negative attitude towards job variety can be altered if owner-managers persuasively communicate the *benefits* of job variety such as skill and knowledge development and diversified instead of monotonous work.

6.3   Implications for Future Research

The limitations of the current study have implications for future research. A limitation of the current study and one that presents noteworthy implications for future research relates to the data retrieved using the CIT. The CIT did not yield as much information as anticipated. Owner-managers were asked to report on at least two CIs each. However, the majority of owner-managers reported only one CI whilst some were unable to report on any. This left the number of actual collected incidents well below the expected amount. Further, some owner-managers gave vague recollections and/or failed to focus on one incident at a time. These factors compromised the quality of the CI data.

Regardless of the CIT not delivering the desired results for the current study, the potential effectiveness of this research tool should not be overlooked in future research. To retrieve a greater number of useable CIs it would be beneficial to provide participants, pre-interview, with a brief overview of the CIT requirements. The overview should include a description of the type of the CIs that are needed for the study. By providing this information pre-interview, participants can familiarise themselves with the aim of the CIT and prepare CI accounts accordingly. To improve the quality of the CI data it would be beneficial to prompt participants before and during the interview to provide as much detail as possible and to remind them to focus only on one incident at a time.

The second limitation was that the owner-manager responses appeared to be affected by social desirability bias (Maylor & Blackmon, 2005). This bias was evident in the full responses for RO3 where owner-managers were asked to report on the attractiveness of working at their small business. In contrast, owner-manager responses regarding RO2, common reasons why employees would leave small businesses, were relatively less detailed. This bias was counter-acted, to a degree, by gathering employee perspectives as well. However, employee respondents were understandably cautious when responding to questions about factors that could potentially influence them to voluntarily leave the small business setting.

There are at least three techniques that can be applied in future research to reduce social desirability bias. Firstly, when asking participants to report on potentially sensitive topics it is important to reassure them, pre-interview, about the confidentially and anonymity of their responses. Secondly, depending on the circumstances, it can also be beneficial to conduct interviews outside of the workplace in a more relaxed environment, for example, at a local cafe. The final technique is to structure questions in a positive light and in a way that prevents participants from feeling as though they need to be critical about certain situations or issues. For example, in the context of the current study, rather than asking employees what they don't like about working at the small business, they were invited to talk about factors that could influence them to voluntarily leave the small business setting.

A third limitation of the current study is that the employee responses regarding RO2 were based on opinions. Whilst the CIs provided actual reasons for employee turnover, the employee respondents were only able to provide opinion-based reasons. Thus, future studies could ideally seek to interview employee's who have left a small business. This approach could assist in retrieving more robust evidence on the common reasons for turnover in the small business sector.

The sparse nature of the small business turnover and retention literature warrants further research into a number of areas. The first area could be to investigate and make comparisons between generation Y and generation X turnover patterns in small businesses and the approaches to retention for the two demographics. A second area that warrants further research is the use of profit-sharing schemes in small businesses and its impact on employee retention. The use of profit-sharing to retain key employees was a

finding of the current study but did not emerge as a theme. Finally, the literature would benefit from further exploration into and comparison between turnover patterns and retention strategies across specific industries. This would provide more fine-grained findings that are more applicable to small businesses operating within certain industries. Clearly, much work remains to be done.

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Appendices

APPENDIX A
Information Letter

Project Title:

Employee Retention Practices in Small Businesses

My name is Olivia Gialuisi and I am completing an Honours research project under the supervision of Dr Alan Coetzer.

Attracting and retaining staff is a major challenge for many small businesses, especially during periods of labour scarcity. Yet there is limited research into employee turnover and retention in small businesses. Accordingly, my study seeks to answer the question: What factors influence voluntary employee turnover in small businesses and how do owner-managers retain key employees? You are well-qualified to help me answer this question. Specifically, my study will examine issues such as the causes and effects of voluntary employee turnover, characteristics of small businesses that can enhance employee retention and the strategies that are employed to retain key employees. Your insights into these topics will be invaluable to my study.

Participation in this research requires you to take part in a face-to-face interview. Your opinions are extremely worthwhile so please understand that there aren't wrong or right answers to the interview questions. It is your understanding of factors that influence voluntary employee turnover and retention in small businesses which I will be looking for. The questions should take approximately 45 minutes to answer.

Please note that your participation in this research is completely voluntary. You are free to withdraw at anytime. If at any stage you feel uncomfortable about the questions that I ask during the interview then let me know and we can move onto the next question or finish the interview if that is what you wish.

With your consent the interview will be recorded to ensure accuracy of the interview data. I will inform you when the recorder is being turned on or off. If you wish, I will provide you with a copy of the transcript and you are welcome to edit the transcript if necessary. Please be assured that all information collected from this interview will remain strictly confidential, and participants and business names will not be revealed.

This research has been approved by the Faculty of Business and Law (FBL) Ethics Committee. If you have any questions or would like further information about this study please do not hesitate to contact me. If you wish to speak with someone not connected with the study, please contact:

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Project Title:

Employee Retention Practices in Small Businesses

Consent Form

I understand the aims of the project, the benefits and potential risks and that my participation is completely voluntary. I realise that I can withdraw at any time and that I am not obligated to answer questions. I understand that any information I provide will remain confidential, my identity and business name will not be revealed and the collected data will not be used for purposes other than this research project.

I consent to having my interview digitally recorded and transcribed by an independent person who will be required to sign a confidentially agreement.

Name: _____

Phone: _____

Signed: _____

Date: _____

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Interview Questions: Owner-managers

Demographic Questions

1. Name of interviewee
2. How long have you been the owner-manager?
3. What products and services does your business provide?
4. Approximately how many employees do you have? Roughly how many FTEs is that?
5. Does your business have any formal strategies for retaining employees? If yes, what are they?

Interview Questions

1. Why do you consider your key employees to be important to the success of (business name)?
2. What would be the consequences to (business name) of losing one of your key employees?
    a. Are you able to put a dollar value to that?
    b. How difficult would it be to find a replacement employee?
3. What would you consider to be the attractive aspects of working at (business name)?
    a. Why do think some employees would prefer to work in a small firm?
4. What are some factors that may influence one of your employees to voluntarily leave (business name)?
    a. Over time, some of your employees have left (business name). What do you think influenced their decision to leave?
5. How do you go about retaining key employees?
    a. Do you have any specific retention strategies? Or do you deal with retention on a case by case basis?

Critical Incident Questions

Recall at least 2 incidents when a key employee had intentions to leave (business name).

1. Can you describe the lead up to this event? For example, what triggered the intentions to leave?

2. How did you manage the situation? What did you do to try and retain them? For example, did you implement any specific strategies to convince them to stay?

3. What was the outcome? For example, did the employee stay at or leave (business name)? What was the impact on the organisation? If the employee decided to stay, what impacts did the situation have on them?

APPENDIX D

Interview Questions: Employees

Demographic Questions

1. Name of interviewee
2. What is your position title?
3. How long have you been employed at the business?
4. What are your key duties and responsibilities?

Interview Questions

1. Your manager has identified you as a key employee to the organisation.
   a. Could you elaborate on this?
   b. What is it that you do?
   c. How does your work role contribute to the success of (business name)?
   d. How is your work related to the core business of the organisation?
2. What would you consider to be the attractive aspects of working at (business name)?
   a. What motivates your decision to work in a small business as opposed to a large firm?
3. You have spoken about the attractive aspects of (business name) however if you were ever in the position to leave the organisation, what would be the reasons?