

**AN EXPLORATORY STUDY OF THE FACTORS THAT INFLUENCE THE RETENTION OF
MANAGERS IN SMALL TO MEDIUM BUSINESS ENTERPRISES**

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Integrative Summary

Small to Medium Business Enterprises (SME's) are widely recognised as the driver of economic growth. SME's are responsible for employing large sections of the working population and, in doing so, facilitate the development of skills for many thousands of workers. Whilst SME's may differ (according to various definition criteria such as size or turnover) from other types of organisation, they share one common denominator across all organisations: their overall effectiveness depends largely on the individual and collective people that make up the organisation – their employees. In this context the central question relevant to the research is "how do SME's retain their valued employee managers?"

A quantitative research method was applied in the research. Data was collected by way of a structured self-administered survey questionnaire designed from a post positivist paradigm. The survey was constricted by way of modifying and adapting previous surveys designed to investigate factors that influence staff retention, to be relevant to managers employed by SME's. The sample consisted of 35 managers employed by SME's in and around East London in the Eastern Cape, South Africa.

The results of the research give rise to a number of clear indicators on the key retention factors of employee managers. Based on the research results SME's that want to have the best chance of retaining their employee managers need strong and effective leadership within the organisation, must address soft organisational factors that are conducive to an open and trusted working environment and the roles of managers must have inherent job factors that allow a sense of freedom to plan and execute tasks autonomously. Economic factors such as pay and financial benefits were identified through the research as being the least important factor when it came to manager retention. These conclusions provide SME owners and senior managers with insight into the factors that are most likely to influence their ability to retain employee managers.

DECLARATION

I, Nathan Carr, hereby declare that this dissertation is my own original work, that all reference sources have been accurately reported and acknowledged, and that this dissertation has not previously, in its entirety or in part, been submitted to any University for assessment purposes.

Nathan Carr

Date

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LIST OF ACRONYMS

BMR	Bureau of Market Research
CEO	Chief Executive Officer
EF	Economic Factors
GDP	Gross Domestic Product
HOF	Hard Organisational Factors
HR	Human Resources
IF	Individual Factors
JF	Job Factors
LF	Leadership Factors
MBA	Master of Business Administration
OECD	Organisation for Economic Cooperation and Development
PDF	Personal Development Factors
RF	Relational Factors
RSA	Republic of South Africa
SME	Small to Medium Enterprises
SMME	Small, Medium and Micro Enterprises
SOF	Soft Organisational Factors

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SECTION 1: ACADEMIC PAPER

1.1 Introduction

It is widely acknowledged that the individual and collective skills and experience of employees can be an organisations greatest competitive advantage (Bratton and Gold, 2003). Organisations are increasingly dependent on their staff at almost all levels to provide innovative solutions to increasingly complex customer and operational demands. Aron (2001) advocates that companies with high quality human capital perform better in the marketplace, delivering higher and more consistent returns to shareholders than companies with mediocre workers and management .

Stewart (1998) contends that a significant amount of a company's value is possessed by and within its employees and, when key employees leave, they take this value with them. Ulrich (1998) supports this view by advocating that successful companies will be the ones that are most adept at attracting, developing and retaining individuals that can drive the organisations responsiveness to both its customer's needs and the opportunities provided by advancing technology. He concludes by saying, "...thus the challenge for organisations is making sure that they have the capability to find, assimilate, develop, compensate and retain such talented individuals" (Ulrich, 1998: 86).

Turnover and staff attrition of key personnel within the work place has long been viewed as a major contributing factor to the war for talent between organisations competing for market share and sustainable growth and enhanced financial performance (Tulgan, 2001).

According to the Deloitte "Best Company to work for" survey (2007), the ability to attract, develop, motivate and retain top talent has the power to make or break an organisation. Retaining top talent, particularly at managerial levels within organisations, has become a Global challenge in the world economy characterised by highly mobile workers and an unprecedented shortage of skills (Swinney, 2006).

Conversely, an organisations inability to retain its valued managers and employees results in staff turnover which can have a directly negative impact on productivity and overall performance. There are a number of reasons for this relationship. Firstly, talented employees are often difficult and costly to replace (Cappelli, 2000). Secondly, it is often easier and possibly more important to retain staff as opposed to recruiting new staff (Coombs, 2009) and, thirdly, employees who leave, often take with them valuable knowledge, know-how and expertise gained through their experience (Coombs, 2009). For these reasons, the retention of staff, and particularly those employees who are regarded as assets to the enterprise and its operations, is of significant importance.

Staff turnover can arise for a variety of reasons. Employees may leave the organisation at the organisations request (involuntary turn over) as well as those that leave on their own initiative (voluntary turnover). Either way, staff turnover can cause disruptions in operations, work team dynamics, and unit performance (Mello, 2011).

The costs of staff turnover are not always easily quantifiable (Newstrom, 2011). The associated costs can include the direct economic costs of staffing and training new hires as well as the indirect costs of the down time needed for the new employee to gain proficiency in his or her job. In addition, those responsible for training and integrating the new employee into the organisation are pulled away from their regular day to day job responsibilities, which also adds to the indirect costs of turn-over (Mello, 2011).

Retention problems are usually a symptom of other things going wrong within an organisation, such as on-going change or poor management (Holbeche, 2004). The impact of staff turnover is often more acute at management level, particularly where there is a shortage of skilled and/or experienced talent available to replace managers who leave the organisation (Cappelli, 2000).

1.2 The Research Problem:

Whether due to the war for talent to attract and retain the best people to assert a competitive advantage or the need to avoid the negative impacts of staff turnover it has become increasingly important for organisations to consider and plan as to how to retain their valued managers. To do this, organisations need to understand both the reasons as to why managers stay in their employ and the reasons why managers leave their employ. This is one of the primary challenges faced by Small to Medium business enterprises (Chew, 2004). Contributing factors to this challenge are the shortage of skilled and experienced managerial staff in the market place, the lure and attraction of managers to work at larger national and multi-national enterprises were – by and large – there is greater opportunity for career development and progression as well as the war on talent between organisations fuelled by the shortage of managerial skills and experience across most management disciplines.

SME's play a vital role in the South African economy. According to the Annual Review of Small Business in South Africa (Department of Trade and Industry: 2005 – 2007) 15% of all economically active enterprises were regarded as Small to Medium business enterprises. It is estimated that SMME's (Small, Medium and Micro Enterprises) accounted for between 27 to 34 % of South Africa's total Gross Domestic product in 2006 (Department of Trade and Industry - Annual Review of Small Business in South Africa: 2005 – 2007). SMME's also contribute to the wider economy through creating employment. Given the importance of SME's their development is seen globally, and especially in developing countries, as a key strategy for economic growth, job generation and poverty reduction (Agupusi, 2007).

The concept and defining attributes of SME's is diverse and depends on the level of each country's economic development. Internationally, size of the entity concerned is the criteria adopted most in small business studies for the categorisation of SME's (Agupusi, 2007). Meanwhile, what constitutes the size of a small business varies from one economy to another. In developed countries such as the United States businesses with fewer than 500

employees are considered small, while in developing countries such as South Africa the number employed may be considerably smaller (The Department of Trade and Industry, Annual review of Small Business in South Africa: 2005 – 2007).

According to South Africa's National Small Business Act (1996), an SMME is defined as, "a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more persons which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy". The Act distinguishes between Micro, Very Small, Small and Medium business enterprises according to the number of employees, the gross annual turn-over and the value of assets under their control. For purposes of this research, and in broad alignment with the Act, the focus will be on Small to Medium business enterprises (referenced throughout the research as SME's) which employ less than 100 employees with a gross annual turnover of less than R50 million.

The researcher will analyse the factors that influence managers to remain in the employ of their SME employers. To do so, one also needs to clearly define the role of the manager.

The answer to the question "who is a manager?" depends not upon the tasks undertaken per se but upon an individual's social position in the organisations hierarchy. Willmot (1984: 64) defines a manager as, "an organisational member who is institutionally empowered to determine and/or regulate certain aspects of the actions of others". Therefore, mid to senior managers responsible for managing the activities and/or performance of other staff within the organisation will be within scope.

1.3 The aim and goals of the research

The goal of this research is to investigate and identify the factors that contribute to the retention of managers in SME's and to make recommendations that may inform retention strategies for managers in these organisations.

Therefore, the specific research objectives are:

- (a) To identify the most relevant and irrelevant factors that affect the retention of managers at SME's.
- (b) To provide recommendations on retention strategies that SME's could adopt to retain managers.

1.4 Research Methodology

The methodology selected and applied was based on its appropriateness to address the aims of the research. The population of the study consists of all managers employed by SME's. The sample for purposes of the research will focus on thirty (30) employee managers (the respondent's) employed at twenty four (24) different SME's in and around East London, South Africa. The business enterprises will vary across sectors and industries and in terms of overall employee numbers and gross annual turnover within the constraints of the definition of an SME as set out in 1.2.

Managers in scope for the research will be either middle or senior management who are empowered, by virtue of their role within the organisation, to regulate certain aspects of the actions of others (Willmott, 1984). Shareholder (or owner) managers are excluded from the research on the grounds that they have a long term vested interest in the enterprises success (through their shareholding or members interest) and therefore their reasoning and motivation for staying with the organisation is inherently different to non-owner or non-shareholder employee managers.

The research involved the collation and evaluation of data that is quantitative in nature. Quantitative analysis is described as; "the numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena that those observations reflect" (Babbie, 2008: 116). A post positivist approach has been adopted in an attempt to study and understand the data logically and rationally (Babbie, 2008).

The sample of 30 managers across 24 different SME's has been consciously selected to ensure that they fit within the defined characteristics of managers employed by SME's, namely, that they (the enterprises) achieve a gross annual turnover of less than R50 million per annum and that they employ one hundred (100) or less employees.

Convenience sampling (initially) as well as snowball sampling has been used during the data gathering. Both are non-probability sampling methods. "Snowball sampling" refers to the process of accumulation as each located subject suggests other subjects for inclusion (Babbie, 2008). The primary reason for adopting these sampling methods is the broad nature of the population under study and the need to collate data from managers employed at SME's as defined for the scope of the research.

For the purposes of this research, an existing staff retention survey has been modified by grouping a total of forty-five close-ended statements into eight key staff retention factors. The factors were adapted from the works of Nompula (2007) and Guest, Williams and Wilmot (2009). The eight key staff retention factors covered in the survey are: hard organisational factors (HOF), soft organisational factors (SOF), relational factors (RF), leadership factors (LF), economic factors (EF), individual factors (IF), personal development factors (PDF), and job factors (JF). The survey contained a biographical information section which required respondents to confirm details such as age, gender, highest qualification obtained, current job position, number of years work experience and number of years' service in their current roles as managers in SME's.

The survey was preceded by a covering letter explaining the nature, scope and purpose of the study. The covering letter and the survey were hand delivered or emailed to respondents who completed and returned the survey to the researcher either by hand or return email. The covering letter assures respondents that their identities shall remain anonymous and that the raw data of the completed surveys will only be available to the researcher.

1.5 Literature Review

The Literature Review draws on a variety of sources from academic journals, published articles, academic papers and text. Key aspects researched include the definition of SME's and managers, employee turnover, employee retention, the war for talent as well as theories and constructs for understanding what makes employees want to stay at organisations.

One of the key themes that emerge through the literature review is the growing relevance and importance of the individual employee within an organisational context. After the Industrial Age societies have entered the Information Age where wealth has become a product of knowledge. This knowledge has in turn become the most important production factor, assisting change and innovation (Evaggelia, 2007). Drucker (1999) is an advocate of the "knowledge society" that has developed within the Information Age. He claims that in this society, knowledge is not just another resource alongside the traditional factors of production – labour, capital and land – but the only meaningful resource today (Bontis, 1999). In the Information Age or the knowledge society, knowledge and ability are key to successful company's workforce. A businesses biggest asset is intellectual capital, a knowledgeable staff (Beckemeyer and Kilkeary, 1997). If there is one distinguishing feature of the new economy that has developed as a result of powerful forces such as global competition, it is the ascendancy of intellectual capital (Bontis, 1999).

Stewart (1997) defines intellectual capital as the intellectual material that has been formalised, captured and leveraged to create wealth by producing a higher valued asset. Marr and Schiuma (2001: 27) define intellectual capital as "the group of knowledge assets that are attributed to an organisation and most significantly contribute to an improved competitive position of this organisation by adding value to defined shareholders". The popular use of the terms intellectual capital, knowledge capital, knowledge organisation and human capital hint at the increased importance knowledge assets have in organisations (Evagellia, 2007).

Many organisations have realised that knowledge represents the most important factor in creating economic value that underpins a firm's value creation performance (Marr, Schiuma and Neely, 2002). Bontis (1999) advocates that there are three elements that, collectively, makes up intellectual capital. These are human capital, structural capital and customer capital.

The term "the war for talent" was coined by consultants at McKinsey and Company, one of America's largest and most well-known management consulting firms, in 1997 (Michaels et al, 2001). The term was widely used and explained in the book entitled "The war for talent" (Michaels et al: 2001) in which three of the companies senior consultants, Ed Michaels, Helen Handfield-Jones and Beth Axelrod advocate that "talent is now a critical driver of corporate performance and that a company's ability to attract, develop, and retain talent will be a major competitive advantage far into the future". Their research and conclusions centre specifically on Managerial talent as a key component of corporate success arguing that, whilst managerial talent is not the only type of talent that companies need to be successful, "it is a critical one and it is at the epicentre of the war for talent" (Michaels et al: 2001).

Through the Literature Review, an existing model for assessing factors that influence the retention of employees was identified and used for developing the self-administered

questionnaire applied in the field work. The model was developed through the works of Riggs and Rantz (2001) and adapted from the works of Nompula (2007). The model identifies eight retention factors which include: hard organisational factors, soft organisational factors, relational factors, leadership factors, economic factors, individual factors, personal development factors, and job factors (Amos et al, 2008).

- *Hard Organisational Factors* describe structural characteristics within the organisation itself (Homburg, Fassnacht and Guenther, 2000), for example, flat or hierarchical organisational structures and low or high levels of bureaucracy. These hard organisational factors are often influenced by organisational Policy.
- *Soft Organisational Factors* refer to non-structural organisational characteristics often relating to the way people and employees are managed and rewarded. Examples would include open, two-way communication, shared values, organisational culture and employees' behaviours (Amos et al., 2008: 174-175; Homburg et al., 2000: 2).
- *Relational Factors* refer to relationships both within and outside the organisation, for example, with leaders, supervisors and fellow employees; and with external stakeholders such as suppliers, customers and other organisations (Amos et al., 2008: 174-175).
- *Leadership Factors* are the manner, style and effectiveness of leadership within the organisation. Sound leadership gives direction and builds engagement. It also helps individuals to develop and expand their skills and abilities within their particular job (Amos et al., 2008: 174-175; Gappa, Austin and Trice, 2007: 303).

- *Economic Factors* are particularly important and refer to remuneration and benefits, such as performance-related pay; as well as indirect compensation (Amos *et al.*, 2008: 174-185; Nompula, 2007: 82).
- *Individual Factors* refer to the unique characteristics of the employee concerned, and include aspects such as, the importance of work relative to other aspects in employees' lives; and personal circumstances (Amos *et al.*, 2008: 174-175).
- *Personal Development Factors* relate to work with opportunities for learning and creativity; and recognition and feedback about one's work which in turn leads to personal growth and possible career advancement (Amos *et al.*, 2008: 174; Gappa *et al.*, 2007: 122).
- *Job factors* relate to the nature of the work the employee performs, for example, challenging work; clear job expectations; and the availability of new technology and systems to do the work (Amos *et al.*, 2008: 174).

The eight key retention factors identified by Riggs and Rantz (2001), and adapted by Nompula (2007) have been relied upon as the key variables in the development of the self-administered questionnaire for this research.

1.6 The Results and key conclusions

The results of the survey and data analysis provide some very clear indicators as to the importance and priority of various retention factors. One of the key results arising from the data is that Economic Factors, covering monetary elements such as pay, bonus and financial benefits, are not of central importance when it comes to the retention of managers working at SME's. Economic Factors, on a mean calculation score, rank as the least

important Retention Factor for manager retention and do not feature at all in the top 10 individual statements posed in the self-administered survey. Instead, Leadership, closely followed by Soft Organisational and Job factors are the highest scoring retention factors.

It is important, at this point, to highlight the uniqueness of this research. The research and data analysis was focused on managers employed by SME's as opposed to employees across all levels of different types and sizes of organisation. These clear criteria make the scope of the research very specific and, as a result, comparisons against broader research on retention (across manufacturing industries or mining companies that employ thousands of employees in large business organisations) are incongruous.

The key messages emerging from the Research data are that, SME organisations that want to have the best chance of retaining their valued employee managers need strong and effective leadership within the organisation, have soft organisational factors that are conducive to an open and trusted working environment and inherent Job factors that allow a sense of freedom to plan and execute tasks autonomously.

These conclusions should provide SME's owners and Senior Managers with helpful insight into what Factors are most likely to influence their ability to retain employee managers and the results seem to run against conventional theory and wisdom.

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Section 2: Literature Review

2.1 Introduction

Drucker (1994) describes the new economy as a new economic order in which knowledge is the key resource. The custodians of the knowledge referred to by Drucker (1994) within an organisational context are its employees. This knowledge is often termed "intellectual capital", the information and material that has been formalised, captured and leveraged by employees to create wealth by producing a higher valued asset (Stewart, 1997). Thus, through the development of knowledge and the rising value in intellectual capital, there has been a shift of power from the collective organisation to the individual level of employees (Michaels et al., 2001). Retaining employees who possess and contribute to the aggregate intellectual capital of the firm has become a key challenge for all business organisations (Butler and Waldroop, 1999).

This section is dedicated to defining key terms relevant to framing the scope of the research such as the defining attributes of SME's, managers and the discipline of management and to develop a theoretical basis for the concepts of employee turnover and retention as applicable to managers working at SME's. The section includes various theoretical models and explanations for understanding why employees' and managers in particular, stay in or leave organisations and what steps can typically be taken to retain valued employees and managers employed by SME's.

2.2 Small to Medium Business Enterprises ("SME's")

2.2.1 The definition and characteristics of SME's

According to Story (1994) there is no single, uniformly acceptable definition of a small firm. This view is supported by Scarborough and Zimmer (1996) who advocate that there is no universal definition of small business and that many qualitative and quantitative definitions

have been applied in the past. The concept and defining attributes of SME's is diverse and depends on the level of each country's economic development (Agupusi, 2007).

What constitutes the defining size of an SME varies from one economy to another.

Internationally, size of the entity concerned is the criteria adopted most often to distinguish small and medium business from large business. In developed countries such as the United States businesses with fewer than 500 employees are considered small, while in developing countries such as South Africa the number employed may be considerably smaller (The Department of Trade and Industry, Annual review of Small Business in South Africa: 2005 – 2007).

According to Nieman (2009: 73), notwithstanding the lack of uniformity in terms of defining SME's, most researchers and academics consider a business to be small if it:

- is independently owned, operated and financed, i.e. one or very few people manage it without a formalised management structure
- has a relatively small share of the marketplace or relatively little impact on its industry
- is independent and does not form part of a large enterprise.

Given the wide range of definitions and interpretations of what constitutes an SME it is helpful to refer to prevailing legislation. The criteria set out above by Nieman (2009) are not vastly different from the criteria listed in the South African National Small Business Act 102 of 1996 as amended ("the Act"). The Act offers an official definition of "micro", "small", "very small" and "medium" business in South Africa. According to the Act and the South African Department of Trade and Industry (2003) small business enterprises "employ between 11 to 50 employees, tend to be more established than micro-enterprises and their business practices tend to be more complex. Unlike micro firms a small enterprise has outgrown direct supervision by the entrepreneur".

These criteria apply across all sectors of the South African economy as well as all types of business enterprise; whether it be a partnership, private or public company. There are two parts to the criteria of what constitutes a micro, small and medium business pursuant to the Act, namely: qualitative and quantitative criteria.

In terms of the qualitative criteria the Act defines a Small, Micro or Medium Enterprise (collectively referred to as "SMME") as, "a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more persons which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy". The quantitative criteria are presented in the Schedule to the Act and classify businesses into micro, very small, small and medium based on the following criteria in respect of different sectors of the company:

- Total full-time paid employees
- Total annual turnover
- Total gross asset value (excluding fixed property)

Table 2.1: Classification of Micro, Very Small, Small and Medium businesses.

Sector or subsector in accordance with the Standard Industrial Classifications	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very small	20	R5.10m	R
	Micro	5	R0.20m	R0.10m
Transport, Storage and Communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m

Source: Schedule A to the South African National Small Business Act 102 of 1996

The definitions of what constitutes a Micro, Very Small, Small or Medium business, however, have been criticised given their lack of context. Conceptual distinctions between firms can be problematic as small firms differ greatly in terms of what they do and who they employ (Dundon and Wilkinson, 2004). Some smaller firms are dependent on larger organisations for their survival through outsourcing and contract services, while others operate in discrete and niche markets, such as hi-tech or business consultancy (Goss, 1991). Their size, operating models and resourcing requirements vary accordingly. In short, SME's are not homogenous but differ in terms of context, family and kinship along with variable labour and product markets (Edwards and Ram, 2009).

Whichever definition or conceptual framework that is applied to categorise small firms, one of the common determinants is size in terms of employee numbers. This employee number criterion has a number of practical consequences. Dundon and Wilkinson (2009) advocate that small firms are characterised by informal rather than bureaucratised internal relationships. Small firms rarely consider formalising their working practices and rely on an "emergent approach with the absence of structured professional HR management," for example (Marlow, 2005: 86). A small firm also typically has less diffused ownership and the owner is more likely to be directly involved in management (Hodgetts and Kuratko, 2001).

For the purposes of this research, the qualitative criteria provided by the Act of being "a separate and distinct business entity" and the quantitative criteria of the business entity employing less than 50 employees and generating an annual turnover of less than R50 million apply to the definition of an SME. Accordingly, only managers employed by SME's (applying this definition) were approached as respondents for the survey.

2.2.2 The role and importance of SME's in the wider economy:

SME's play a critical role in all economies (Jones and Tilley, 2003). The importance of SME's for employment and economic growth cannot be overstated. In most westernized economies smaller firms account for a significant proportion of economic activity (Dundon

and Wilkinson, 2009). According to Scarborough and Zimmer (1996) small companies lead the way in creating jobs and bear the brunt of training workers. Small businesses also play a major role in the economy in complementing large businesses by providing niche products and services large firms either cannot or will not do (Jones and Tilley, 2003). According to Hodgetts and Kuratko (2001) small firms are more likely to employ less skilled workers and individuals with no prior work experience.

Many SME's are also prominent in key sectors of the economy including retail, hotels and restaurants, transport and communications, financial services and business services (Wiseman et al, 2006). Given the importance of SME's their development is seen globally, and especially in developing countries, as a key strategy for economic growth, job generation and poverty reduction (Agupusi, 2007).

One of the key developments from the late 1970's onwards in developed economies was the relative increase in the importance of small firms (Vianen, 1993). Loveman and Sengenberger (1991) advocate that in most developed countries there has been a rise in the proportion of total employment provided by the small-firm sector. Loveman and Sengenberger (1991: 132) contend that small firms are also "the breeding ground of entrepreneurs that are willing to take risks in employing others to serve niche markets".

Nieman (2009) advocates that small firms are critical to the overall economy for the following reasons:

Small firms:

- Create an ease of entry and start up for new and nascent entrepreneurs
- Maintain a close relationship with customers and the community
- Form a vital link in the supply chain

- Develop risk takers
- Generate new employment
- Fill gaps left by bigger business.

According to the Annual Review of Small Business in South Africa (Department of Trade and Industry: 2005 – 2007) 15% of all economically active enterprises were regarded as SME's. It is further estimated that SMME's accounted for between 27% to 34 % of South Africa's total Gross Domestic Product ("GDP") in 2006 (Department of Trade and Industry - Annual Review of Small Business in South Africa: 2005 – 2007). SMME's play a particularly important role in the South African economy in terms of job creation, skills development and employment. The tables below reflect the sectoral contribution of SMME's to GDP and in terms of employment.

Table 2.2: Estimated % sectoral contribution to GDP by class size, 2002

Sector	Micro %	Small %	Medium %	Large %	Total %
<i>Agriculture, forestry and fishing</i>	3.4	9.2	43.8	43.6	100
<i>Mining and quarrying</i>	1.6	1.9	2.8	93.7	100
<i>Manufacturing</i>	4.9	7.5	21.2	66.4	100
<i>Construction</i>	2.8	32.5	14.7	50.0	100
<i>Trade, catering and accommodation</i>	4.2	24.6	12.1	59.1	100
<i>Transport, storage and communication</i>	8.8	19.1	20.2	51.9	100
<i>Community, social and other personal services, and finance and business services</i>	15.7	13.9	2.6	67.8	100
Total	5.9	14.8	15.4	63.9	100

(Source: Malgas, 2003)

Table 2.3: Estimated distribution of private sector employment by class size, 2002

Sector	Survivalist	Micro (0)%	Micro (1-4)%	Very small %	Small %	Medium %	Large %	Total %
Agriculture, forestry and fishing	6.7	12.9	15.3	12.7	16.3	17.6	18.5	100
Mining and quarrying	0.9	0.7	3.4	4.5	6.9	4.9	78.7	100
Manufacturing	11.2	7.4	6.8	3.1	9.3	14.4	44.8	100
Construction	18.7	10.8	20.5	10.1	12.7	12.0	15.2	100
Wholesale trade	7.9	9.6	15.7	16.4	17.1	5.3	28.0	100
Retail trade (including motor trade)	28.5	21.1	15.1	9.3	8.3	7.2	10.5	100
Catering and accommodation	1.2	2.5	8.1	14.9	35.1	14.8	23.4	100
Transport, storage and communication	14.5	14.0	12.8	5.6	7.5	11.2	34.4	100
Finance and business services	13.0	6.6	11.0	10.4	13.5	14.9	30.6	100
Community, social and other personal services, and finance and business services	7.2	5.8	8.8	9.3	16.6	20.7	31.6	100
Total	10.9	9.1	11.7	9.9	14.3	12.3	31.8	100

(Source: Malgas, 2003)

2.3 Management and managers

To navigate businesses effectively in today's turbulent environment requires managers to have various skills and qualities (Robbins et al, 2001). "The field of management is undergoing a revolution that requires managers to achieve even more with less, to engage employees, to see change rather than stability as the nature of things and to process visual and cultural values that allow people to create a truly collaborative work place". (Brevis, 2008: 117).

2.3.1 The role of managers and management within organisations

Managers work in organisations (Cronje, 2007). An organisation is a consciously coordinated social unit, composed of two or more people that functions on a relatively continuous basis to achieve a common goal or set of goals (Robbins et al, 2001). The business world in which organisations exist and compete is a complex system of individuals and businesses, which, in a market economy, transforms limited resources into products and services in order to meet the unlimited needs and wants of people (Brevis, 2008).

Organisations do not achieve their goals automatically. In addition to the people, physical, financial and knowledge resources there is a further indispensable element necessary to direct all these resources effectively towards its goals. That indispensable element is management (Cronje et al, 2006). Management is the process, facilitated by managers, whereby human, financial, physical and information resources are employed in order to reach the goals of an organisation (Cronje et al, 2006). Organisations that are well managed develop a loyal customer base, grow and prosper (Robbins and Coulter, 2003).

2.3.2 Who is a manager?

The answer to the question "who is a manager?" depends not upon the tasks undertaken but upon an individual's social position in the organisations hierarchy (Willmot, 1984).

Willmot (1984: 64) defines a manager as, "an organisational member who is institutionally empowered to determine and/or regulate certain aspects of the actions of others".

According to York (2010: 219), "what makes an employee a manager is that he or she directs the work of others and exercises independent judgement". A manager manages the work and manages the people doing the work". Robbins et al (2001: 27) advocates that "managers make decisions, allocate resources and direct the activities of others to attain goals". A manager must lead employees as they perform their daily tasks (Brevis, 2008).

There are varying levels of management within any organisation. Managers are found not only at the top of a business hierarchy, but at all its levels (Cronje et al, 2006). According to Nieuwenhuizen (2008) there are traditionally three levels of manager within organisations, namely top or senior managers (people in executive positions who make strategic decisions), middle managers (responsible for implementing senior management's strategy) and junior managers or supervisors (people responsible for implementing plan and strategies formulated by middle managers over the short term).

"In many organizations, the terms junior management, middle management and upper (or senior) management are used. These suggest three distinct levels of responsibility. Most junior managers are responsible for the day-to-day, front line results. Most senior managers are responsible for the vision of the company's future and organization-wide results. The middle managers are often responsible for the information flow between the other two levels, as well as having some accountability for the results of the front line staff and junior managers" (Lehman, 2007: 136).

Bartlett and Ghoshal (1997) contend that, in a traditional hierarchical organisation, top level managers set direction by formulating strategy and controlling resources, middle-level managers mediate the vertical information process and resource allocation processes by assuming the role of administrative controllers; and front line managers find themselves in

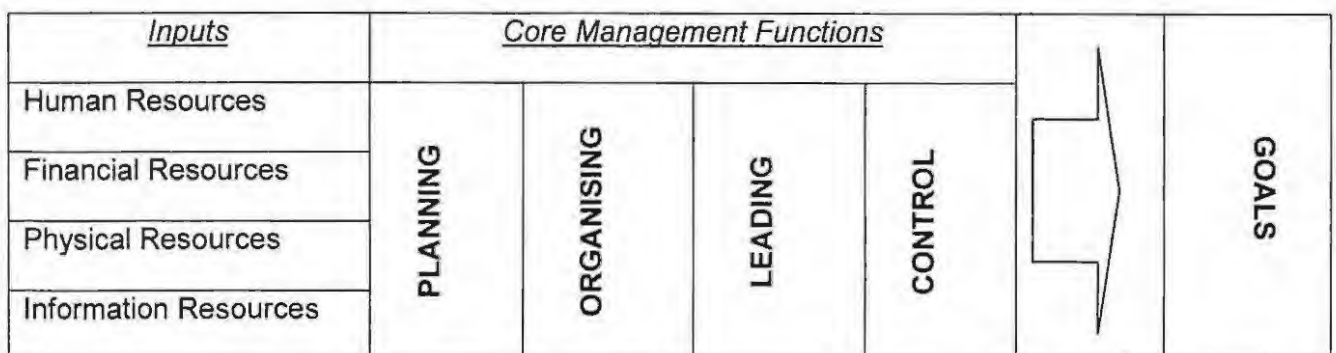
the role of operational implementers. Nieman (2009) identifies another classification of managers according to areas of expertise called functional management. Functional Management refers to specialised managers who are necessary for the different support functions of the business. Examples of functional managers would be a Marketing Manager or a Financial Manager. In larger organisations in terms of divisions and employee numbers there are likely to be several functional managers responsible for specialist areas or disciplines (Nieman, 2009).

2.3.3 Core functions and activities of managers within organisations.

All managers engage in certain interrelated activities to achieve desired business goals (Nieuwenhuizen, 2008). Although there is general agreement that management is necessary to direct a business towards its goals, the many definitions offered in literature on what management entails demonstrates the wide differences of opinion amongst writers about exactly what the activities of management are or should be (Cronje et al, 2006).

However, in recent times, broad consensus has been reached that there are four fundamental management tasks or functions, namely; planning, organising, leading and controlling (Robbins et al, 2001). These are illustrated in the figure below (adapted from Cronje et al, 2007).

Table 2.4: The four fundamental tasks of management:



(Source: Cronje et al, 2007)

Planning is typically the starting point in the management process. It requires determining the future position of the business and deciding on the strategies needed to reach that position. Organising is the second step in the management process. A manager must design and develop an organisational system to implement the plans. Throughout the management process managers must lead employees as they perform their tasks. Leading is the process of influencing employees to work willingly towards achieving the organisations goals. Finally, the activity of controlling is necessary to monitor, track and oversee the execution of the plans (Nieuwenhuizen, 2008).

2.3.4 The role of managers in SME's

Storey (1994: 109) states that "small and large firms are as different from each other as a caterpillar is from a butterfly". One of these differences relates to the nature and role of management (and managers) in SME's. Large and small business enterprises are managed according to the same principles, but certain management circumstances differ (Nieman, 2009).

Managers in SME's have to concentrate on all the management tasks (multiple functions), have access to all but limited resources and still try to grow the enterprise (Nieman, 2009).

Longnecker et al., (2003) identifies the following as typical features of small firm management which differentiates it from large business enterprises:

- Small business management often lacks professionalism
- Managerial inefficiency is common in small enterprises.
- Founders tend to be action orientated and less analytical than professional managers.
- Small business managers face special financial and human resources constraints.

- As a business grows, a need develops to add new levels of supervision and to increase the formality of management.
- It is necessary for the founder of a business to, over time, become more of a manager and less operationally involved.

The aspects mentioned by Longenecker et al. (2003) indicate similarity in the functions and roles in any size of business but illustrate the significant constraints in the capacity available in the smaller enterprise to fulfil various roles (Nieman, 2009).

Whereas the professional manager of a large enterprise controls a large number of personnel and - as a result - is assisted indirectly by other personnel, the small business operates with a smaller number of personnel and less levels of managerial oversight and functional division (Nieman, 2009).

According to Horwitz (1996), the main differences between the role of management in large and traditional organisations compared with smaller flexible ones are as follows:

- Smaller businesses have a decentralised management model.
- Smaller businesses have less overall manager and employee numbers
- There is more de-layering in smaller businesses (flatter structure, multi skills, fewer job grades and levels).
- Disaggregating (outsourcing, sub-contracting non-core and redefining core business).
- Deployment (retraining, relearning, multi-skilling, redeployment, job rotation)

For the purposes of this research reliance will be placed on Willmot's (1984) definition of a manager as being someone who is empowered by their standing and responsibility within an organisation to regulate, control or supervise the actions and performance of others.

The definition and scope will include senior, middle and/or junior managers as defined by Nieuwenhuizen (2008). However, the scope will be limited by the need for respondent managers to be employees within their SME businesses. Owner or shareholder managers are expressly excluded from the scope of the research. The reason for this is that the motivation and commitment of a shareholder/owner manager is fundamentally different to that of an employee manager and these factors impact on their decision or willingness to stay or leave the organisation. It is clear that a manager that is also a shareholder in a business has markedly different long term incentives to remain in the business which they own in part or in whole, whilst drawing a salary.

2.4 Intellectual capital and the war for talent

After the Industrial Age societies have entered the Information Age where wealth has become a product of knowledge. This knowledge has in turn become the most important production factor, assisting change and innovation (Evaggelia, 2007). Drucker (1993) is an advocate of the "knowledge society" that has developed within the Information Age. He claims that in this society, knowledge is not just another resource alongside the traditional factors of production – labour, capital and land – but the only meaningful resource today (Bontis, 1999). In the Information Age or the knowledge society, knowledge and ability are key to successful company's workforce. A businesses biggest asset is intellectual capital, a knowledgeable staff (Beckemeyer and Kilkeary, 1997). If there is one distinguishing feature of the new economy that has developed as a result of powerful forces such as global competition, it is the ascendancy of intellectual capital (Bontis, 1999).

Stewart (1997) defines intellectual capital as the intellectual material that has been formalised, captured and leveraged to create wealth by producing a higher valued asset. Marr and Schiuma (2001:44) define intellectual capital as "the group of knowledge assets that are attributed to an organisation and most significantly contribute to an improved competitive position of this organisation by adding value to defined shareholders". The

popular use of the terms intellectual capital, knowledge capital, knowledge organisation and human capital hint at the increased importance knowledge assets have in organisations (Evagellia, 2007).

Many organisations have realised that knowledge represents the most important factor in creating economic value that underpins a firm's value creation performance (Marr, Schiuma and Neely, 2002). Bontis (1999) advocates that there are three elements that, collectively, makes up intellectual capital. These are Human capital, Structural capital and Customer capital.

Human capital refers to the organisations tacit knowledge at individual employee level (Nelson and Winter, 1982) and is a combination of all individual's genetic inheritance, education, experience and attitudes on an individual level (Hudson, 1993). Structural capital is the internal organisational structure that either promotes or stifles intellectual capital. This capital exists in the "myriads of relationships that enable the organisation to function in a co-ordinated way [but] are reasonably understood by [at most] the participants in the relationship and a few others (Winter, 1987). An organisation with strong structural capital will have a supportive culture that allows individuals to try things, to fail, to learn, and to try again (Bontis, 1999). Finally, there is Customer capital which is the knowledge of marketing channels and customer relationships. Customer capital represents the potential an organisation has due to "ex-firm intangibles". These intangibles include the knowledge embedded in customers, suppliers, the government or related industry associations (Bontis, 1999).

All business leaders should be appreciative of the power intellectual capital can have on business performance (Evaggelia, 2007). According to Bontis (1999), "the study of intellectual capital stocks and their exponential growth due to organisational learning flows produces a tremendous amount of energy, energy that can take companies far beyond their current vision".

Handy (1989) suggests that the intellectual assets of a corporation are usually three or four times the tangible book value. Evagellia (2007) contends that companies in today's complex and turbulent business environment are required to be flexible, highly innovative and able to develop proactive strategic approaches. To reach these aims many organisations have realised that knowledge of their employees and staff represents the most important factor in creating economic value (Marr, Schiuma and Neely, 2002). "Businesses all over the globe are feverishly competing for people who, often for the first time in their lives, have numerous options and high expectations. Not even companies with well-established global experience can coast on past success in meeting their staffing needs" (Ready, Hill and Conger, 2008: 109). This competition amongst businesses for people resources has become a global challenge in a world economy characterised by highly mobile workers, an unprecedented shortage of skills and what is being called the "war for talent" (Human Capital Management, 2007).

The term "the war for talent" was coined by consultants at McKinsey and Company, one of America's largest and most well-known management consulting firms, (Michaels et al, 2001). The term was widely used and explained in the book entitled "The war for talent" (Michaels et al: 2001) in which three of the companies senior consultants, Ed Michaels, Helen Handfield-Jones and Beth Axelrod (2001: 3) advocate that "talent is now a critical driver of corporate performance and that a company's ability to attract, develop, and retain talent will be a major competitive advantage far into the future". Their research and conclusions centre specifically on Managerial talent as a key component of corporate success arguing that, whilst managerial talent is not the only type of talent that companies need to be successful, "it is a critical one and it is at the epicentre of the war for talent" (Michaels et al, 2001: 3).

The research of Michaels et al (2001) is underpinned by the overwhelming view of managers surveyed that the available supply of competent and talented managers was significantly

less than the growing demand of the now and future, causing a “war” between companies in an ever increasingly competitive and complex environment for scarce resources of managerial talent. Michaels et al, (2001), advocate that the war for talent began in the 1980s with the birth of the Information Age. “With it, the importance of hard assets –machines, factories and capital – declined relative to the importance of intangible assets such as proprietary networks, brands, intellectual capital, and talent” (Michaels et al, 2001: 2).

The heightening pursuit of limited talent between organisations is supported by the views of Ulrich and Brockbank (2005: 37), who argue; “The war for talent may rage or simmer, but is always there. Any position from executive level to frontline employee that is difficult to fill becomes a potential battleground. Simply stated, firms with better talent will be more successful than firms with lesser talent”.

Michaels et al (2001: 6) attribute the war for talent to three “fundamental forces”, namely: the irreversible shift from the Industrial Age to the Information Age, the intensifying demand for high-calibre managerial talent, and the growing propensity for people to switch from one company to another. The common denominator across all three of these forces is the shift of power from the corporation to the individual. Increasingly, individuals with the right skills, aptitude and competencies are in demand across the entire market place and can leverage this need to ratchet up their expectations when it comes to career opportunities and progression.

Michaels et al (2001: 9) conclude that the war for talent has two significant implications. Firstly, that the power has shifted from the corporation to the individual, and, secondly that talent management has become a “critical source of competitive advantage”. With the increasing competition for talent it also puts the spotlight on retention and how an organisation retains its talent once recruited. Butler and Waldroop (1999) argue that many talented professionals leave their organisations because senior managers don’t understand

the psychology of work satisfaction; they assume that people who excel at their work are necessarily happy in their jobs.

The 'war for talent' is an international phenomenon (Hay, 2001). The demand for and retention of talent are therefore not challenges unique to South African employers.

In South Africa, however, these challenges, according to Kotze and Roodt (2005), are aggravated by three additional factors, namely:

- the emigration of skilled people that has and still is taking place at an alarming rate (Frost, 2002);
- the relative scarcity of specialist and managerial employees due to an oversupply of unskilled labour and an under-supply of skilled labour (Frost, 2002); and,
- a national drive to address employment equity, which is fuelling the war for talent among people from designated groups.

Kotze and Roodt (2005) contend that employers are left with two options to succeed in the South African war for talent: Option 1 is to become and remain an employer of choice – thus becoming a "talent magnet" that is able to attract and retain people with the required profile (Johnson, 2002); and Option 2 is to develop, retain and efficiently utilise the employer's existing talent pool. As far as retention is concerned, the employer has to explore and then manage the factors or attributes that influence such skilled or talented employees to either "stay" or "leave" (Dibble, 1999).

2.5 Employee turnover

Employee turnover is a much studied phenomenon (Shaw et al., 1998). One of the reasons for this is that employee turnover is regarded by many researchers as an important measure or indicator of some aspects of organisational functioning (Van der Merwe and Miller, 1988). Turnover is frequently proposed as a measure of job satisfaction (Lefkowitz, 1971, Maimon and Roonen, 1978) or alternatively as an index of employee morale (Pencave, 1974).

2.5.1 The definition of turnover

There are various definitions of what constitutes employee turnover. Abassi et al (2000) defines employee turnover as the rotation of workers around the labour market; between firms, jobs and occupations; and between the states of employment and unemployment. Price (1977) defines turnover as, "the ratio of the number of organizational members who have left during the period being considered divided by the average number of people in that organization during the period".

Frequently, managers refer to turnover as the entire process associated with filling a vacancy: each time a position is vacated, either voluntarily or involuntarily, a new employee must be hired and trained (Ongori, 2007). This holistic replacement cycle is known as turnover (Woods, 1995). Absenteeism and turnover, whilst often related in terms of cause and effect, are different phenomena. Absenteeism is where employees miss work temporarily whereas turnover occurs when employees leave permanently (Cherrington, 1995).

Van der Merwe and Miller(1998) argue that whilst some turnover is inevitable and even desirable, as a means of introducing new blood as well as providing opportunities for advancement for employees internally, excessive turnover is costly, disruptive and self-

perpetuating. According to Richbell and Wood (2009) the loss of continuity through turnover and the break-up of well nurtured relationships between employees and customers, especially in service industries, threatens competitive ability. The retention of workers, particularly key knowledge workers, is an important strategic issue in the drive for sustained competitive advantage (Richbell and Wood, 2009). Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization, therefore managers must minimize employee turnover at all costs (Ongori, 2007).

Given that SME's traditionally employ less employees compared with larger business the turnover of employees – especially those in key managerial roles - can have a more acute and negative impact on overall productivity and performance (Pinder, 2008). However, whilst much focus is placed on the negative consequences of employee turnover, there are also some benefits to the organisation arising from employees leaving and new recruits joining (Mello, 2011). Employee turnover entails costs and benefits for both individuals and organisations (Mitchell et al., 2001).

2.5.2 The types of employee turnover

There is general consensus in academic research and literature that there are two types of employee turnover: voluntary and involuntary (Holbeche, 1999). Voluntary turnover happens when an employee leaves of his or her own volition, voluntarily. For example, he or she finds another job opportunity elsewhere and resigns. Involuntary turnover is where the employee does not leave on their own choosing but on the employer organisations request or directive. This could be as a result of poor performance, ill-discipline or through retrenchments and lay-offs. The other aspect to turnover is natural attrition where, for example, employees leave the organisation as a result of retirement age being reached, death or illness.

As a follow on to the categories of voluntary and involuntary turnover there is also the distinction between what is termed functional and dysfunctional turnover (Martin and Bartol, 1985). Dysfunctional turnover occurs when satisfactory or key, talented, performers leave the organisation. From the organisations perspective this turnover is dysfunctional in that the employer is losing valued employee resources. Functional turnover occurs when unsatisfactory performers leave (York, 2010).

Whether turnover is functional or dysfunctional depends on two factors: the individual's performance level and the difficulty the organisation would have replacing the individual (Mello, 2011). It is self-evident that organisations can benefit from the opportunity presented by functional turnover, as this presents an opportunity to replace the unsatisfactory employee with one that can perform better, and are prejudiced through dysfunctional turnover where valued employees leave (Mitchell et al., 2001).

Both voluntary and involuntary turnover can be managed strategically to allow the organisation to maximise the benefits of turnover and minimise the costs incurred with the process (Mello, 2002). However, it is important to distinguish that management is usually concerned with learning more about the reasons for voluntary (dysfunctional) turnover - why good employees quit – as opposed to involuntary (functional) turnover.

Martin and Bartol (1985) developed the matrix tabled below to assist organisations in managing turnover more strategically based on two criteria, namely; performance and replace-ability of the employee/s concerned.

Figure 2.5: The turnover performance/replace-ability matrix

		Replace-ability	
		<i>Difficult</i>	<i>Easy</i>
Performance	<i>High</i>	High performers – difficult to replace <i>Highly dysfunctional turnover</i> Retain/invest in employee: develop back ups	High performers – easy to replace <i>Dysfunctional turnover</i> Retain/invest in employee
	<i>Average</i>	Average performers – difficult to replace <i>Dysfunctional turnover</i> Retain/provide performance incentives: Develop back ups	Average performers – easy to replace <i>Dysfunctional Turnover if replacement costs are high</i> Retain/provide performance incentives
	<i>Low</i>	Poor performers – difficult to replace Short-term dysfunctional/Long term <i>Functional turnover</i> Improve performance or terminate: develop backup	Poor performers – easy to replace <i>Functional turnover</i> Improve turnover Improve performance or terminate

(Source: Martin and Bartol, 1985)

2.5.3 The causes of employee turnover

There is no standard reason why people leave organisations and turnover may stem from a variety of causes (Kotze and Roodt, 2005).

The causes of turnover are a complex mix of factors both internal and external to the organisation (Carrell et al, 2002). Many researchers (Bluedorn, 1982; Kalliath and Beck, 2001; Kramer et al, 1995; Peters et al, 1981; Saks, 1996) have attempted to answer the question of what determines people's intention to quit by investigating possible antecedents of employees intentions to leave. To date, there has been little consistency in the findings (Ongori, 2007).

A wide body of research conducted in the 1970's (Porter and Steers, 1973, Pettman, 1973, Munchinsky and Tuttle, 1979 and Rothwell, 1980), however, identified three broad categories of reasons that cause turnover, namely; *individual factors* (such as age and personal mobility), *organisational factors* (including the types of relationships the employee has within the employer organisation) and *environmental factors* (such as the prevailing labour market and economic conditions).

General economic conditions have an important bearing on the overall availability of jobs (Carrell et al, 2002) which in turn impacts on turnover. Turnover rates are strongly influenced by economic conditions. An analysis in fluctuations in average turnover and unemployment over a period of several years shows an inverse relationship between turnover and unemployment in depressed economic climates (Cherrington, 1995). Therefore, when the economy is depressed and unemployment levels go up, turnover in most companies goes down.

Another factor that affects turnover is the local labour market, which is influenced by both local economic conditions and the supply-demand ratio for specific kinds of work, positions and occupations in the labour market (Carrell et al, 2002). The availability (or unavailability) of alternative employment has been recognised as a major factor in determining whether an unhappy employee will actually leave a paying job voluntarily (Mitchell et al., 2001).

Carrel et al (2002) also identifies individual factors such as age, personal mobility, levels of job security and demographic factors as key themes of causation for turnover. Several studies attest to the inverse relationship between age and turnover (Van der Merwe and Miller, 1988). New hires, who are generally younger people, are widely regarded as the highest turnover risk. Another key cause of turnover can be job dissatisfaction. The highest turnover levels are found in companies or divisions of companies where employees report the greatest dissatisfaction. Job dissatisfaction can stem from any number of reasons from compensation through to the quality of supervision (Telly et al, 1971).

Consequently, most explanations of turnover maintain that employees leave their jobs when alternative jobs that better satisfy their needs become available (Cherrington, 1995). To reduce abnormally high turnover levels companies should improve the quality of the work environment. As job dissatisfaction can be a primary reason for turnover, management and researchers often try to pin point the specific causes of dissatisfaction in the work place. This can be done by employee opinion surveys and exit interviews.

However, Pinder (2008) argues that although job dissatisfaction may generate a desire to leave ones organisation in favour of employment elsewhere, one cannot assume that low levels of turnover are indicative of generally positive work attitudes. A number of factors may lock in disgruntled employees preventing them from leaving dissatisfying work environments (Flowers and Hughes, 1973; Hershey, 1973). Many organisations inadvertently prevent their employees from leaving because of the "golden handcuffs" they manage to lock onto their workforce over the years through pension plans, health insurance plans and other benefits (Pinder, 2008).

One study found that people who feel that they have been mistreated are more likely to quit than others (Boswell and Olson-Buchanan, 2004) whereas Cote and Morgan (2002) found that employees whose jobs require them to suppress unpleasant emotions suffer decreased job satisfaction, which in turn related to intentions to quit.

According to McKeown (2002) external or "pull" factors attract people who may otherwise be satisfied with their job, while internal or "push" factors are those that prompt them to explore new opportunities outside the organisation.

Recent research quoted by Cowie (2004) suggests that push factors are a great deal more significant in most resignations than managers appreciate. People generally do not leave jobs in which they are happy, even when offered higher pay elsewhere. Whilst there is no finite list of push and pull factors the table below records the most common drivers behind turnover in research conducted by Taylor (2002).

Table 2.6: Push and pull factors influencing turnover.

Push (internal) factors	Pull (external) factors
<ul style="list-style-type: none"> • Lack of training and personal development • Lack of promotion prospects • Lack of support to pursue professional qualifications • Lack of manager support • Dissatisfaction with pay • Redundancy/dismissal • Unmanageable workload • Dissatisfaction with working hours • Work-related stress 	<ul style="list-style-type: none"> • Promotion or more responsibility outside the organisation • Greater pay and benefits • Opportunity to move to a larger or more prestigious employer • Headhunted after qualifying • Leaving to have children • Change of career • Relocation • Ill Health • Retirement

(Source: Taylor, 2002).

2.5.4 The costs and consequences of employee turnover

Employee turnover is expensive from the view of the organisation (Ongori, 2007). In accentuated circumstances of high dysfunctional employee turnover of key staff the economic costs can be staggering (Mello, 2011). There are both direct and indirect costs incurred through turnover (Dess et al, 2001).

These can be broken down into various components, namely; separation costs (severance pay, administrative costs, additional over time, temporary employees), recruitment costs (recruiting replacements, testing and training) and performance costs due to productivity loss (Hansen, 2005; Johnson, 2000).

The indirect or invisible costs incurred as a result of employee turnover include the loss of intellectual capital (especially technically skilled employees and members of management or customer facing staff leave), the time invested by existing employees to orientate and train the replacement employee and the effects on productivity, customer service and satisfaction

(Kemal et al, 2002). Bowey (1974) also emphasises the interpersonal strain among employees that results when the labour force is continually changing.

When turnover occurs among top performers in senior organisational ranks, the cost can be particularly acute. The value contributed by higher paid employees is usually higher than that contributed by lower organisational levels and it can be more difficult to locate and recruit suitable replacements (Pinder, 2008). Finally, the loss of senior managers, especially high performing ones, can mean the loss of future leadership talent for the organisation as a whole (Trevor, Gerhart and Boudreau, 1997).

Using data from a sample of 262 fast food restaurants, Kacmar et al. (2006) found that turnover had a negative impact on unit level performance in terms of both sales and profits. Furthermore, Shaw, Gupta and Delery (2005) found that voluntary turnover was significantly related to workforce performance levels for truck drivers at 379 trucking companies.

The cost of turnover is not simple to compute and varies considerably according to the type of job involved, the amount and length of training given and the skill and experience of the separating employee (Van der Merwe and Miller, 1988). Research estimates indicate that hiring and training a replacement worker for a lost employee costs approximately 50% of the workers annual salary (Johnson et al, 2000).

According to Taylor (2002) the cost of losing a professionally qualified employee is approximately equal to 18 months salary with typical costs including lost productive time, recruitment costs and sub-optimal performance as the new recruit settles in.

Excessive turnover can also impact the morale of employees and the organisations reputation as being a good place to work, which in turn makes retention and recruitment more challenging and time consuming (Mello, 2011). Reducing dysfunctional turnover means reducing the costs associated with both recruitment and selection and getting a better return on the investments the organisation has made in training and development.

Turnover can, however, be beneficial to organisations in certain circumstances. It can allow the organisation to hire new employees with fresh ideas and who bring with them new ways of doing things. This opening of opportunity to recruit and work with new people can facilitate innovation. Turnover can also lower the average tenure of employees and translate into lower payroll expenses and also affords opportunities to promote talented high performers within the organisation. Also, when poor performers or disruptive employees leave the organisation both morale and productivity can improve (Mello, 2011).

2.5.5 Managing and measuring employee turnover

Labour turnover is a readily measurable, objective behavioural act (Van der Merwe and Miller, 1988). Given the costs associated with employee turnover as well as the need to manage employee turnover and retention strategically it is important for organisations to track and measure turnover rates. This can be done using the following calculation.

$$\text{Monthly employee turnover rate} = \frac{\text{Number of separations during month} \times 100}{\text{Average number of employees on payroll during month}}$$

The number of separations includes all permanent separations except those that have been laid off or retrenched (Cherrington, 1995).

2.5.6 Employee turnover for SME's

Dysfunctional turnover in SME's can be extremely damaging, more so than in large business organisations particularly at managerial levels (Taylor, 2002). The reason for this is because of the smaller number of employees within SME's. When a valued employee manager leaves on their own volition the vacuum left can be extremely significant. Interpersonal relationships within the organisation and relationships with customers and key suppliers will be negatively impacted as a result.

Furthermore, the leaving employee will take with them specialised knowledge and expertise. Unlike in large organisations where this occurrence can be far more easily mitigated through stand in resources and systems being deployed to negate the impact, small business operations generally find it more difficult to adjust to functional turnover. The time spent in identifying, recruiting and on-boarding a replacement will also fall on a smaller group of individuals in small business organisations again accentuating the disruption and adding to the direct and indirect costs of turnover. For these reasons, high and/or regular volumes of functional turnover needs to be managed proactively by small businesses.

2.6 Employee retention

Instead of being concerned only with employee turnover and the reasons for employees leaving, the emphasis in recent years has shifted to understanding the corollary of turnover: why people stay in an organisation and the ways in which they become integrated and committed (Griffeth and Hom, 2001). According to Amos et al (2008) the recent trend is for organisations to focus on understanding the factors that attract and retain employees as opposed to only understanding why they may choose to leave.

Despite the vast literature on employee turnover, which is aimed at identifying factors that cause employees to quit (e.g., Griffeth, Hom and Gaertner, 2000), less is known about the factors that compel employees to stay. For example, Maertz and Campion (1988:177) note "relatively less turnover research has focused specifically on how an employee decides to remain with an organization and what determines this attachment...retention processes should be studied along with quitting processes". Steel et al., (2002) argue that "the fact is often overlooked, but the reasons people stay are not always the same as the reasons people leave".

Given the often negative consequences of dysfunctional employee turnover the retention of employees has become an important consideration and topic of study. The challenge of retaining valued employees is heightened by the "war for talent" which in turn is fuelled by

employees growing mobility in a globalised market place and the scarcity of specialist and skilled managers amongst competing organisations (Ulrich and Brockbank, 2005).

Taylor (1992) relies on the Towers Perrin survey to highlight the growing importance of retention. The survey was conducted among HR professionals in the UK in which 75% of the respondents rated employee retention as their number one people related issue. In the same survey 92% of the respondents were of the opinion that retention is increasing in importance (Kotze and Roodt, 2005). Griffeth and Hom (2001) believe that understanding the reasons why people stay is a critical goal of management that needs to influence strategic decisions of an organisation.

2.6.1 The definition of employee retention

Employee retention according to McKeown (2002) refers to the ability of an organisation to keep its valued employees through various proactive methods and strategies such as effective recruitment, personal development and training and offering competitive remuneration and benefits. Ulrich and Brockbank (2005) define retention as binding existing talent to the organisation. Purcell (2005) describes retention as a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address diverse needs effectively.

2.6.2 The importance of retaining valued employees

Retaining top talent remains a primary concern for many organizations today (Hausknecht et al., 2008). A critical analysis of workforce trends points to an impending shortage of highly-skilled employees who possess the requisite knowledge and ability to perform at high levels, meaning that organizations failing to retain high performers will be left with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rappaport et al., 2003).

According to Holbeche (2001) many managers are grappling with the issue of how to build, maintain and retain intellectual capital. Recruiting talented employees may be one way of building intellectual capital but it is of little use if an organisation cannot retain key employees (Van der Merwe and Miller, 1988). The direct and indirect costs associated with recruiting and recovering from the loss of key, talented and/or highly skilled employees makes retention a particularly critical business issue (Kaye and Jordan-Evans, 2000).

The Business Week (1999) reports that in a survey conducted with executives worldwide 75% of them ranked human performance ahead of productivity and technology in strategic importance. 80% of the respondents said that by 2010, attracting and retaining people would be the number one force in guiding strategy. Retention is also a critical element of an organization's approach to talent management. Lockwood (2006) defines talent management as "the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining, and utilizing people with the required skills and aptitude to meet current and future business needs".

2.6.3 Retention of employees in SME's

While the retention of quality employees is important for both large and small firms retaining key individuals can be particularly important for SME's (Wagar and Rondeau, 2004). Several studies conclude that retaining employees is one of the biggest problems small firms have to cope with (Golhar and Deshpande, 1997). Recruiting, motivating and retaining employees seems to be a major challenge for small firms (Gatewood and Field, 1987).

There are two reasons for this. Firstly, the negative consequences in terms of direct and indirect costs of employee turnover are accentuated for SME's. A small firm is less likely to have a suitable internal candidate or the resources to manage the departure of a key employee compared with larger firms (Sels et al., 2006). Also, small firms are likely to find it

more difficult to absorb the direct and indirect costs associated with turnover compared with larger business.

Secondly, SME's often find it harder to retain employees when competing against larger businesses. Small firms battle to compete with large companies when it comes to employment conditions, career prospects and employment conditions (McEvoy, 1984). Often, larger businesses provide more attractive and comprehensive remuneration and benefits packages, clearer and broader career progression prospects and more comprehensive training and development opportunities than smaller firms. For these reasons, employee retention is a very relevant and important priority for SME's.

2.6.4 Retention and employee commitment

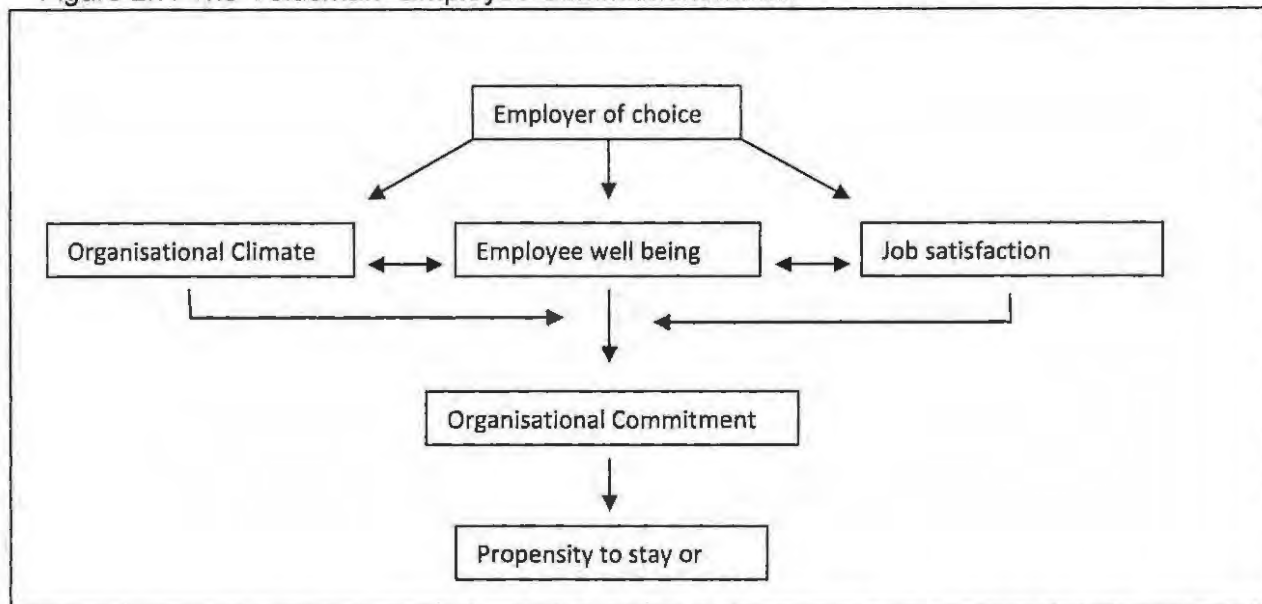
To effectively retain workers, employers must know what factors motivate their employees to stay in the field and what factors cause them to leave (Michal et al., 2001). One of the key aspects to retention is an understanding of what influences levels of employee commitment.

Durkin and Bennett (1999) define employee commitment as a mind-set that ties the individual to the organisation. In their research Durkin and Bennett (1999) identified three levels of employee commitment, namely: (1) *Internalised commitment*: the specific behaviours and attitudes an employee adopts because of the level of alignment between the individual's value system and that of the organisation, (2) *Identification commitment*: the attitudes and behaviours the employee adopts in order to gain association with a valuable third party, and (3) *Compliance commitment*: specific patterns of behaviour and attitudes the employee adopts in return for specific rewards.

Cotton and Tuttle (1986) studied the relationship between commitment and turnover and concluded that employees' commitment and their propensity to stay or leave are negatively related to labour turnover. Udo and Tor-Guimaraes (1997) found significant correlations between organisational commitment and employees intention to stay (correlation of 0,33) amongst 216 plant managers studied. Veldsman (2003) developed the "employee

commitment model” to explain the relationship of various factors that affect the propensity of an employee to stay or leave the organisation. The Veldsman “Employee Commitment model” is illustrated below (adapted from Kotze and Roodt, 2005).

Figure 2.7: The Veldsman “Employee Commitment model”



(Source: adapted from Kotze and Roodt, 2005)

According to the model, an individual – at the outset - holds certain views regarding his/her organisation as an Employer of Choice which affects his/her decision to join initially and thereafter to stay (or not to stay) with the organisation. The propensity to stay with the organisation is influenced further by three key factors, namely: the *Organisational climate*, *Job satisfaction* and *Employee wellbeing*.

Organisational climate is defined as an enduring characteristic of an organisation which embodies the member's collective perceptions with respect to dimensions such as trust, cohesiveness, support, recognition, innovation and fairness (Kotze and Roodt, 2005).

Organisational commitment also reflects the prevalent norms, values and attitudes within the organisations culture (Moran and Wolkwein, 1992). Job satisfaction is largely a result of an employee's perceptions of how well their jobs provide in those qualities that they perceive to be important (Luthans, 1998).

A strong correlation and a causal relationship between job satisfaction, employee commitment and retention has been established in several studies as reported by Roland et al., (1996). Employee wellbeing relates to the employees level of personal contentment with the organisation. Employee wellbeing is differentiated from job satisfaction as wellbeing relates to matters of personal development, being treated fairly and appropriate levels of supervision and support (Kotze and Roodt, 2005).

The propensity to stay or leave according to the Veldsman model is moderated by an individual's mobility (the ability to pursue and find alternative employment) and the prevailing market conditions facing the individual (Veldsman, 2003). This relationship between personal mobility and market or industry conditions in relation to employee commitment and retention is illustrated in the figure below.

Table 2.8: The relationship between personal mobility and market/industry conditions on turnover.

MOBILITY	HIGH	<i>Medium propensity to stay</i>	<i>High propensity to leave</i>
	LOW	<i>High propensity to stay</i>	<i>Medium propensity to leave</i>
		UNFAVOURABLE	FAVOURABLE
	MARKET/INDUSTRY CONDITIONS		

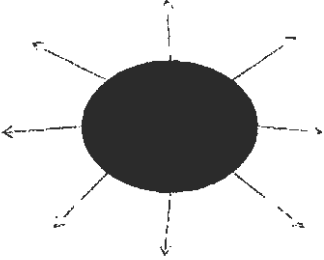
(Source: Veldsman, 2003)

2.6.5 What makes employees and managers stay?

As with employee turnover there is no single reason as to why employees stay in organisations. There are a variety of reasons that may cause an employee to remain in their current employ. There is a vast amount of research that has been conducted to analyse what makes employees remain loyal to their employers and not to pursue jobs elsewhere

Looking at the retention of employees and managers holistically eight key retention factors have been identified through the works of Riggs and Rantz (2001) and adapted from the works of Nompula (2007). These eight retention factors include: hard organisational factors, soft organisational factors, relational factors, leadership factors, economic factors, individual factors, personal development factors, and job factors (Amos et al, 2008).

Table 2.10: The eight key retention factors.

<p>Organisation factors (Hard)</p> <ul style="list-style-type: none"> • Open, flexible & flat organisational structure • Equitable HRM policies • Low levels of bureaucracy • Efficient, user-friendly & performance orientated systems and processes 	<p>Organisation factors (Soft)</p> <ul style="list-style-type: none"> • Inclusive development and performance-orientated organisational culture • Supportive climate • Open, two-way communication 	<p>Relational factors</p> <ul style="list-style-type: none"> • Positive organisational reputation • Collegiality and team work • Partnerships with other organisations • Good customer relationships and loyalty
<p>Economic factors</p> <ul style="list-style-type: none"> • Competitive salaries & benefits • Pay for performance • Contribution-reward equity 		<p>Leadership</p> <ul style="list-style-type: none"> • Effective strategic leadership • Effective and supportive supervision • Participative decision making
<p>Individual factors</p> <ul style="list-style-type: none"> • Work-life balance • Quality of life • Personal circumstances • Personal mobility 	<p>Personal development factors</p> <ul style="list-style-type: none"> • Opportunities for learning and development • Opportunities for career development and growth • Coaching and mentoring • Constructive feedback on performance 	<p>Job factors</p> <ul style="list-style-type: none"> • Absence of role stress and conflict • Clear job expectations • Challenging work • Enriched jobs • Availability of new technology

(Source: Riggs and Rantz, 2001, adapted by Nompula, 2007).

Hard Organisational Factors describe structural characteristics within the organisation itself (Homburg, Fassnacht and Guenther, 2000), for example, flat or hierarchical organisational structures and low or high levels of bureaucracy. These hard organisational factors are often influenced by organisational policy. *Soft Organisational Factors* refer to non-structural organisational characteristics often relating to the way people and employees are managed and rewarded. Examples would include open, two-way communication, shared values, organisational culture and employees' behaviours (Amos *et al.*, 2008: 174-175; Homburg *et al.*, 2000: 2).

Relational Factors refer to relationships both within and outside the organisation, for example, with leaders, supervisors and fellow employees; and with external stakeholders such as suppliers, customers and other organisations (Amos *et al.*, 2008). *Leadership Factors* are the manner, style and effectiveness of leadership within the organisation. Sound leadership gives direction and builds engagement. It also helps individuals to develop and expand their skills and abilities within their particular job (Amos *et al.*, 2008; Gappa, Austin and Trice, 2007).

Economic Factors are particularly important and refer to remuneration and benefits, such as performance-related pay; as well as indirect compensation (Amos *et al.*, 2008; Nompula, 2007). *Individual Factors* refer to the unique characteristics of the employee concerned, and include aspects such as, the importance of work relative to other aspects in employees' lives; and personal circumstances (Amos *et al.*, 2008).

Personal Development Factors relate to work with opportunities for learning and creativity; and recognition and feedback about one's work which in turn leads to personal growth and possible career advancement (Amos *et al.*, 2008; Gappa *et al.*, 2007). Lastly, job factors relate to the nature of the work the employee performs, for example, challenging work; clear

job expectations; and the availability of new technology and systems to do the work (Amos *et al.*, 2008).

The eight key retention factors identified by Riggs and Rantz (2001), and adapted by Nompula (2007) will be used as the key variables in the development of the self-administered questionnaire for this research.

2.7 The research problem

Partly due to the war for talent as well as the need to avoid the negative impacts of staff turnover it has become increasingly important for organisations to consider and plan as to how to retain their valued managers. To do this, organisations need to understand both the reasons as to why managers stay in their employ and the reasons why managers leave their employ. This is one of the primary challenges faced by Small to Medium business enterprises (Chew, 2004).

Contributing factors to this challenge are the shortage of skilled and experienced managerial staff in the market place, the lure and attraction of managers to work at larger national and multi-national enterprises were – by and large – there is greater opportunity for career development and progression as well as the war on talent between organisations fuelled by the shortage of managerial skills and experience across most management disciplines.

This research will analyse the factors that cause managers to remain in the employ of their Small to Medium business enterprise employers.

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SECTION 3: RESEARCH METHODOLOGY

3.1 Introduction

This section describes the methodology that was applied to conduct the research. The choice of methodology applied was based on the overarching aim of the research, namely to identify the most relevant factors that contribute to the retention of managers employed by SME's and to make recommendations based on those factors that may inform retention strategies for these organisations.

A quantitative research method was used. Data was collected by way of a structured self-administered survey questionnaire which was distributed to the sampled respondents either electronically (by email) or by hand for those respondents who did not have regular access to email. The survey was designed by way of modifying and adapting previous surveys for investigating factors that influence staff retention, to be relevant to managers employed by SME's.

The data collected through the survey is intended to address the research problem by identifying the most relevant retention factors that influence managers to remain in their current employment.

3.2 Research question, aim and goals

The research question that the study seeks to answer is: what are the key factors that influence the retention of managers employed by SME's? The aim of the study is therefore to identify the most relevant factors that influence an employee manager's thinking and decision making to either remain in their current employ or to leave in order to inform retention strategies that such businesses can develop to retain their valued employee managers. In order to achieve this aim there are two specific objectives, namely:

- To identify the most relevant factors that affect the retention of managers employed at SME's.
- To provide recommendations on retention strategies that SME's can adopt to retain their employee managers.

3.3 Delimitation and limitations of the study

In light of the research aim and objectives the research data was gathered from thirty (30) managers employed by SME's in and around East London in the Eastern Cape, South Africa. The employee managers sampled ranged from senior through to middle and junior managers across a number of industry sectors including hospitality, manufacturing, retail and professional services. Only employee managers qualified for the sample. "Owner" managers (that hold a shareholding or beneficial interest in the employing business) were expressly excluded from the scope of the research and therefore the sample on the grounds that they have a vested long term interest in remaining in the organisation by virtue of their ownership/shareholding which employee managers do not have. Therefore, the reasoning, incentives and retention factors applicable for owner managers are assumed to be inherently different from those managers that are employees and not shareholders.

Given the sampling techniques applied, namely convenience and snow ball sampling - both of which are non-probability sampling methods - there was no systematic process to identifying which employee managers to select as respondents other than the need for them to conform to the research scope and definition requirements. The conformance criteria that needed to be satisfied to fall within the scope of the research were that each respondent needed to be an employee manager employed by an SME. The definitions and conformance criteria for both an employee "manager" and what constitutes an SME are set out in Section 2. Whilst the actual data provided by the respondents was fairly extensive, the sample size and number of responses surveyed are too small for factor analysis to be applied.

3.4 Ethical considerations

Ethics is an important guiding consideration in terms of how social research should be conducted and relates to the morality of the research and how data is gathered and used by the researcher (Babbie: 2008).

The key ethical considerations in this research were confidentiality in relation to respondent's data and information which they provided, anonymity in terms of the personal identity of the respondents who participated in the survey and transparency in clearly explaining the nature and objectives of the research. Whereas anonymity is the assurance provided to respondents that they will not be identified with any of the responses or opinions they may express, confidentiality relates to the data collected and is the assurance that the data collected will be treated in the strictest confidence and not disclosed to any third parties (Collis and Hussey, 2003).

All three of these ethical considerations were addressed in the manner in which the research data was sought from the sampled respondents and, thereafter, how the data was used and presented in the research findings.

For purposes of achieving transparency the covering letter that accompanied the survey provided a comprehensive and accurate explanation of the nature and purpose of the research. A copy of the covering letter that was provided to respondents is enclosed (ANNEXURE A). In the covering letter, respondents were assured that they would remain anonymous (by not identifying individual respondents in the research product) and that their individual responses and data provided would be treated as confidential and therefore would not be disclosed to third parties. To honour these assurances on confidentiality only aggregated data is reflected in the findings of the research. Whilst the survey questionnaire required respondents to identify themselves and provide some basic biographical information the individual naming of respondents in the research has been avoided to

achieve anonymity and the data provided by each individual respondent has been kept confidential and not disclosed to any third parties to ensure confidentiality.

These assurances and ethical principles were of particular relevance to the research as respondents were required to provide information relating to their place of work and their respective views on leaving their current employer organisation which is understandably sensitive information.

The integrity of the research is largely dependent on the manner in which the data was gathered via the structured questionnaire. To enhance the objectivity and reliability of the data the self-administered survey method was applied to minimise the direct contact between researcher and respondents and therefore the influence of the researcher on the respondents and data gathering.

There was no direct contact between the researcher and the respondents of the survey beyond the email sent or personal distribution of the questionnaire. Respondents completed the questionnaire in their own time and at a venue of their choice.

Five of the total number of respondents that completed the survey (for purposes of the pilot survey) were personally known to the researcher. These individuals were employee managers at the researcher's employer organisation, Global Business Solutions, at the time of conducting the research. The researcher was consciously aware of the need to conduct the research in an ethically sound manner as well as in a way to enhance the validity and reliability of the data. To achieve this, the researcher intentionally did not have any additional contact with his colleague respondents in administering and collecting the survey.

3.5 Research Paradigm

Paradigms are patterns or models for understanding (Kane; 2001). Paradigms influence how researchers understand the world around them and how they relate to and interact with the subject matter of their research (Wilkinson: 2000). Babbie (2008: 34) describes a paradigm

as “a model or framework for observation and understanding which shapes both what we see and how we understand it”.

The research was conducted in the post-positivist paradigm. Kelemen (2008: 56) defines post positivism as “a position that assumes reality to exist but to be only probabilistically apprehendable because of the limitations of human cognition”. The post positivist paradigm is centred on the notion that an “objective” real world does exist which is both orderly and predictable but also that, “although a real world does exist, imperfect humans cannot fully comprehend it” (Kane, 2001: 34). Kane (2001: 18) advocates further that “to address and mitigate the imperfections we have as humans, researchers should be honest and forthcoming about our methods and assumptions”.

Remenyi (1996: 109) advocates that “being a post positivist implies that the researcher is working with observable social reality and that the end product of such research can be the derivation of laws or law-like generalisations similar to those produced by the physical and natural sciences”.

Applying the post positivist paradigm to this research requires that the researcher be as detached and as objective as possible in the analysis and interpretation of the reality under observation. In practical terms this requires recognising possible assumptions about what the data may reflect and consciously ensuring that such assumptions do not influence the researcher’s analysis and recording of the results. Applying a self-administered questionnaire and thereby limiting the direct contact between the researcher and the sampled respondents aided the pursuit for objectivity.

3.6 Research Design

Research is constructed through rigorous, systematic inquiry, and research instruments are the tools used to collect and structure data transforming it into useful information (Wilkinson: 2006). “Research design is the science of planning procedures for conducting studies so as to get the most valid findings” (Vogt, 1993: 217). Research design involves a set of decisions

regarding what topic is to be studied, among what population, with what research methods and for what purpose (Babbie, 2008). These decisions need to be well thought through and decided upon at the beginning of the research as their choices will influence the outputs of the research (Easterby-Smith: 1994).

Collis and Hussey (2003) advocate the following sequential overview process in research design:

1. Identify research problem
2. Determine purpose of research
3. Develop theoretical framework
4. Define research questions/hypothesis
5. Define terms
6. Identify limitations of study
7. Decide methodology
8. Determine expected outcome.

The research was conducted through a self-administered questionnaire which was constructed specifically to probe the relevance or otherwise of various retention factors for employee managers in order to address the research question. The data collated was quantitative in nature in that it provided a numerical representation and manipulation of the observations for the purpose of describing and explaining the phenomena that those observations reflect (Babbie, 2008).

Quantitative research is highly structured and produces data that is amenable to statistical analysis (Wilkinson, 2006). According to Kelemen (2008: 71) quantitative research has been characterised by" its concern for objective data collection, its emphasis on researcher

control, the development of systematic and standardised procedures and counting". The results of quantitative research are presented in the form of descriptive or complex statistics like tests of significance, correlation or regression analysis.

3.6.1 Characteristics of the survey research method

The survey research method is one of four main ways of gathering quantitative data, namely interviews (also referred to as surveys), questionnaires, tests/measures and observation (Easterby-Smith: 1994). A survey is a structured questionnaire given to a sample of a population and designed to elicit specific information from respondents (Malhotra et al., 2002).

The survey method is concerned with gathering data from, usually, a large number of people, and the data gathered usually focuses on the views, ideas and attitudes of those respondents in relation to the research topic (Kane, 2001). According to Kane (2001) surveys should be used when you need broad-based data, a high level of precision, or when statistical background data are needed and lacking. Surveys are also useful for discovering variations on patterns which have been discovered through other research methods such as observation. According to Wilkinson (2006) surveys can be used:

- Early in a project to get a general picture,
- To look at an issue, or a small number of issues, as the main focus of research,
- To reinforce other methods of research, or,
- To get a baseline of information.

3.6.2 Factors that influenced the choice of methodology

The key factors that influenced the selection of the survey method was the need for the research to be quantitative and the significant size of the population being all managers

employed at Small to Medium business enterprises. Babbie (2008: 239) contends that survey research is “probably the best method available to the social researcher who is interested in collecting original data for describing a population too large to observe directly”. Other considerations that influenced the choice was the type of information required from the respondents (their opinions and views) and the overall objective of being able to analyse and present findings in a numerical and statistical manner.

3.7 Data gathering methodology

3.7.1 The questionnaire

Babbie (2008) defines a questionnaire as a document containing questions and other types of items designed to solicit information appropriate for analysis. Leedy (1997) describes the questionnaire as an instrument used for observing data beyond the physical reach of the researcher. Although questionnaires may seem simple to use and analyse, their design is by no means simple (Easterby-Smith, 1994).

The self-administered questionnaire, in which respondents are asked to complete the questionnaire themselves, was deemed appropriate for the research based on the nature of the enquiries, the sample size and in interests of both expediency and objectivity. Each questionnaire was distributed in one of two ways: either by email to those respondents who had regular access to email or by hand to those respondents who did not. Each questionnaire was accompanied by a covering letter which explained the nature and purpose of the research and also provided very clear details on how, to whom and when to return the completed questionnaire. The covering letter and self-administered questionnaire are enclosed marked as ANNEXURE A.

3.7.2 Construction of the questionnaire

The questionnaire was constructed by modifying surveys used in previous employee retention research, namely Nompula (2007) and Guest et al (2009). The questionnaires used

in both influenced the construction of the questionnaire for this research with some modifications and amendments to align the survey specifically to employee manager respondents employed by SME's.

The questionnaire consists of two sections. Section A is entitled "Biographical details of respondent" and contains eight questions soliciting information about each respondent's respective age, employer, qualifications and the like. The purpose of this section in the survey is to be able to draw comparisons and identify differences in the sampled respondents when analysing the data. These comparisons are set out and analysed under sections 3.8.2 – 3.8.6.

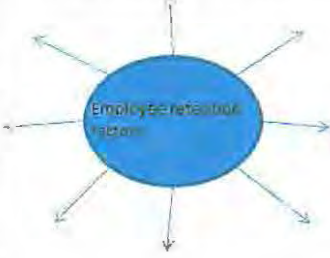
Section B is the actual retention survey and consists of forty closed questions. Closed questions require that the respondent chooses one or more responses from a pre-defined category of "answers" to the question (Wilkinson, 2006). The strength of closed questions is that they are quick to complete and analyse; the weakness is that the data obtained may be very superficial (Easterby-Smith: 1994).

The forty closed questions are presented with five possible response answers based on a five point Likert scale measure. A Likert scale is a "composite measure using standardised response categories in survey questionnaires to determine the relative intensity in different items" (Babbie, 2008: 189). The Likert scale was used to determine the relative degree of importance for each survey statement and possible responses ranged from: no influence (1); little influence (2); neutral (3); significant influence (4); to highly significant influence (5).

The forty closed questions are designed to probe the relevance and/or influence of eight different key staff retention factors identified by Riggs and Rantz (2001) and adapted from the works of Nompula (2007) and Guest et al (2009). These eight key retention factors are: Hard Organisational Factors (HOF), Soft Organisational Factors (SOF), Relational Factors (RF), Leadership Factors (LF), Economic Factors (EF), Individual Factors (IF), Personal Development Factors (PDF) and Job Factors (JF). The five closed questions per each

retention factor were randomly arranged in the questionnaire. These eight key staff retention factors (Riggs and Rantz, 2001) are illustrated and defined in the figure below (adapted from Nompula: 2007).

Figure: Eight key retention factors

<p>Organisation factors (Hard)</p> <ul style="list-style-type: none"> • Open, flexible & flat organisational structure • Equitable HRM policies • Low levels of bureaucracy • Efficient, user-friendly & performance orientated systems and processes 	<p>Organisation factors (Soft)</p> <ul style="list-style-type: none"> • Inclusive development and performance-orientated organisational culture • Supportive climate • Open, two-way communication 	<p>Relational factors</p> <ul style="list-style-type: none"> • Positive organisational reputation • Collegiality and team work • Partnerships with other organisations • Good customer relationships and loyalty
<p>Economic factors</p> <ul style="list-style-type: none"> • Competitive salaries & benefits • Pay for performance • Contribution-reward equity 		<p>Leadership</p> <ul style="list-style-type: none"> • Effective strategic leadership • Effective and supportive supervision • Participative decision making
<p>Individual factors</p> <ul style="list-style-type: none"> • Work-life balance • Quality of life • Personal circumstances • Personal mobility 	<p>Personal development factors</p> <ul style="list-style-type: none"> • Opportunities for learning and development • Opportunities for career development and growth • Coaching and mentoring • Constructive feedback on performance 	<p>Job factors</p> <ul style="list-style-type: none"> • Absence of role stress and conflict • Clear job expectations • Challenging work • Enriched jobs • Availability of new technology

(Source: Riggs and Rantz, 2001, adapted by Nompula, 2007)

The construction of the questionnaire was done with regular reference to the following key questions posed by Wilkinson (2006) as being relevant in survey development:

- To whom is the questionnaire directed?
- Will the instrument be received and acted upon by the intended recipient

- How will the questions be structured?
- How will the returns be processed?
- How will the responses be analysed?
- How can the questionnaire be designed to enhance the response rate?

A conscious effort was made to ensure that the survey followed a logical sequence, that the instructions provided were both sufficient and clear, that there was no or as little jargon as possible and that the language used throughout was plain and easy to understand. The responses and feedback achieved through the pilot survey assisted in the refining of the questionnaire.

3.7.3 The pilot survey

Piloting the survey with a small group of selected respondents is an important exercise to ensure that respondents don't misunderstand the questions being asked (Wilkinson, 2006). Pre-testing the survey by running a pilot is necessary to ensure that the sequence of questions flows properly, that the survey is arranged in a workable way and that it does not take too long to complete (Kane: 2001).

Before the field work was commenced, the questionnaire was piloted with five work colleagues, all of whom were employed as managers in an SME (Global Business Solutions). All five colleagues were sent the survey and covering letter by email and were asked to complete and return the questionnaire.

They were also asked to comment on how clear the over-riding objectives of the research were as described in the covering letter, whether there were any anomalies in the survey, how long it took them to complete it and whether there were any instructions or questions that were ambiguous. This feedback was then used to modify and refine both the covering letter and the survey in limited respects before commencing the field work.

3.7.4 Content validity and reliability

In all research strategies and approaches the aim should be to develop procedures which produce results that are both reliable and valid (Wilkinson: 2000). Reliability refers to matters such as the consistency of a measure and the likelihood of the same results being obtained if the procedure was repeated whereas validity relates to the extent to which the measure achieves its intended aim (Wilkinson: 2000). Validity determines whether the research truly measures that which it intended to measure (Cooper and Schindler: 1998).

In developing the research questionnaire care was taken to ensure both validity and reliability. During the pilot study the nature of the responses were assessed to identify any trends or anomalies. The feedback provided by the pilot respondents was also used to identify any aspects of the survey that would prejudice or adversely impact on the reliability of the survey.

The content validity of the questionnaire was influenced by the core retention factors identified in the literature review and ensuring that those factors was appropriately represented and probed in the survey questions. To this end previous employee retention surveys and questionnaires, notably those of Nompula (2007), Guest, Williams and Wilmot (2009) and Riggs and Rantz (2001), were reviewed and adapted in certain respects to ensure that the end survey tool was valid for the scope of the research question and aims. The adaptation centred on amending some of the survey statements to be relevant to the roles played by managers within organisations as opposed to all employees.

3.8 The population and sample selected for the study

A population is a group who share the same characteristics whereas a sample is a selection which is taken from a group or population which is usually considered to be representative of that group (Kane: 2001). According to Wilkinson (2006), the main aim of sampling is to construct a subset of the population, which is fully representative in the main areas of

interest. It is then possible to infer statistically the likelihood that a pattern observed in the sample will also be replicated in the population.

For this research the population is all managers (as defined in Section 2) employed by SME's. The sample of the population, therefore, is the sub set of that population from which data is sought in which to draw inferences and make certain conclusions. The sample was therefore thirty managers employed at SME's.

Given the aim of the research and the wide nature of the population the two sampling techniques that were applied were purposive and convenience sampling (Polonsky and Waller, 2005). Purposive sampling is the selection of a sample based on knowledge of the population, its elements and the purpose of the study (Babbie, 2008). In this case, the criteria of the sampled respondents was set and defined as employee managers employed by SME's. Only employee managers qualified for the sample. Owner managers (that hold a shareholding or beneficial interest in the business) were expressly excluded from the sample and data gathering on the grounds that they have a vested long term interest in remaining in the organisation. Only respondents that satisfied these criteria were eligible for the sample.

Secondly, once a list of potential respondents had been identified using convenience sampling, snowball sampling was applied. Snowball sampling is a technique in which an initial group of respondents is selected and then subsequent respondents are identified based on referrals provided by the initial referrals (Polonsky and Waller, 2005).

In snowball sampling the researcher collects data on the few members of the target population he or she can locate, then asks those individuals to provide information needed to locate other members of that population whom they happen to know and who fit the sample criteria (Babbie: 2008). This was a particularly effective technique in this research in terms of achieving the desired sample amount. The researcher also liaised with the local Chamber of Commerce (the Border-Kei Chamber of Business) to solicit leads and referrals on potential

respondents within the local business community that met the criteria. Through these sampling techniques a total sample of 30 respondents was achieved.

3.8.1 Biographical information of respondents

The first section of the questionnaire asked respondents for their biographical information. The biographical information sought allows for descriptive statistics to be documented and analysed. According to Leedy (1997) descriptive statistics are used to describe patterns and general trends in a data set. In the biographical section of the questionnaire respondents were asked to confirm their gender, age, managerial level, industry sector and qualifications. Another benefit of probing biographical data is to assess the diversity across the sample of respondents to ensure that the data is not skewed due to a sample being dominated by a particular population sub set. A schedule of the biographical information across the sample of respondents is enclosed (ANNEXURE B). Respondent names and identities have been deleted for purposes of confidentiality.

3.8.2 Gender distribution

Of the 30 respondents, 16 were males and 14 were females. Table 3.1 below reflects the gender distribution across the sample. It is almost evenly balanced and this ensures that the conclusions reached through the research are not skewed by gender specific views or preferences.

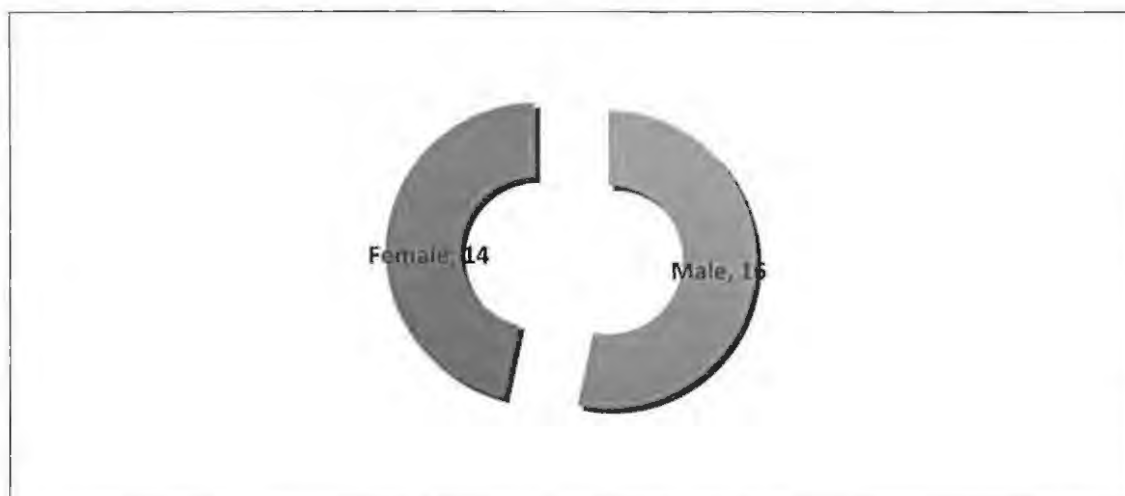


Figure 2: Gender Distribution.

3.8.3 Age Distribution

Table 3.2 below represents the age distribution across the sample. The majority of respondents (47%) are between the ages of 35 – 45. Whilst 33% of the respondents are within the age grouping of 45 – 55 only 7% fall within the age grouping of 25 – 34. On balance, the age distribution across the sample is fairly balanced with the vast majority of respondents falling within the middle two age groupings of 35 – 44 and 45 – 55 as would be expected.

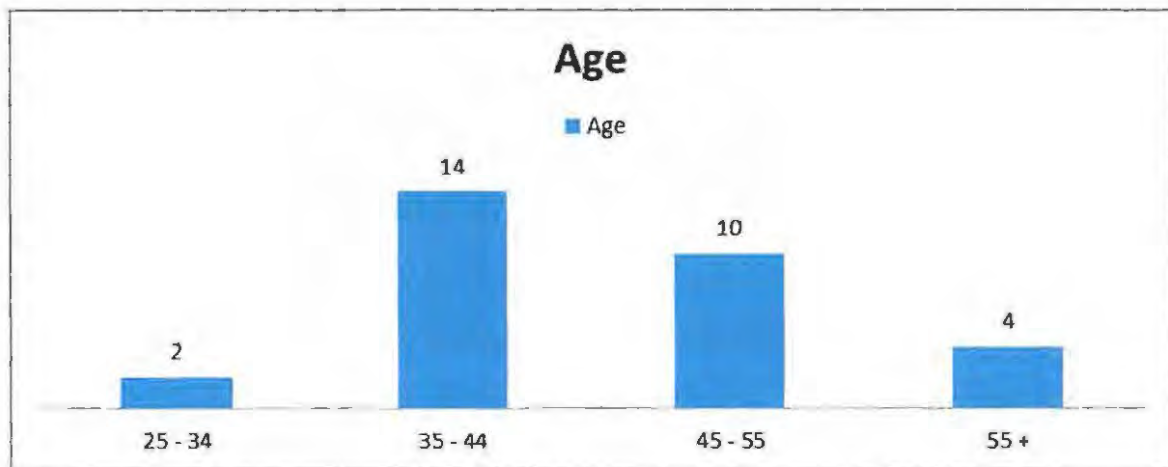


Figure 3: Age Distribution

3.8.4 Managerial Level

A total of 44% of the respondents classified themselves as Senior Managers within their organisations, whilst 33% and 23% classified themselves as Middle and Junior managers respectively. Guiding definitions were provided in the questionnaire as to what constituted Junior, Middle and Senior Managers. The distribution shows a good spread across the sample of Junior, Middle and Senior managers.

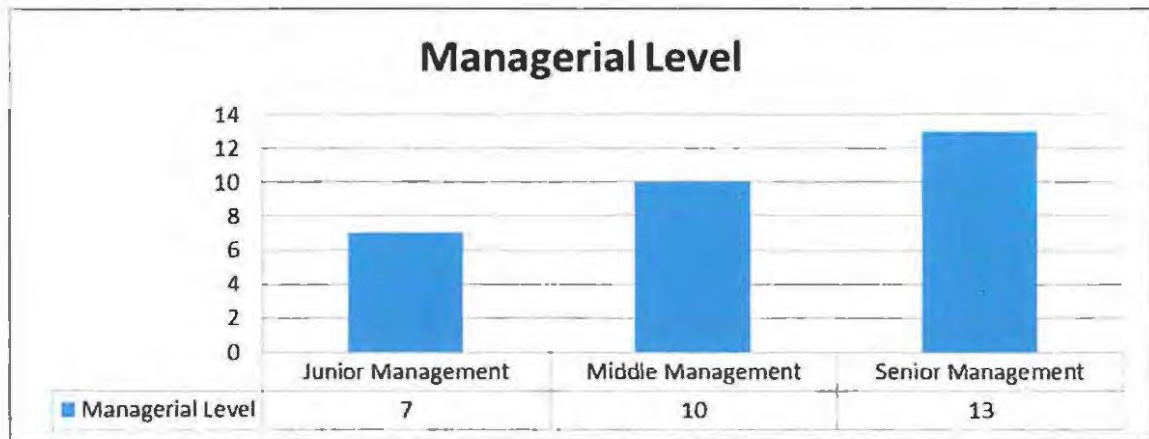


Figure 4: Managerial Distribution

3.8.5 Industry sector

Table 3.4 below sets out the distribution across Industry Sectors of the respondents. The majority of respondents (44%) were professionals (lawyers, accountants, financial advisors or business consultants), whilst 23% were working in the Retail sector. There were no respondents from either the Construction or Transport sectors whilst 17% stated "other" as their industry sector.

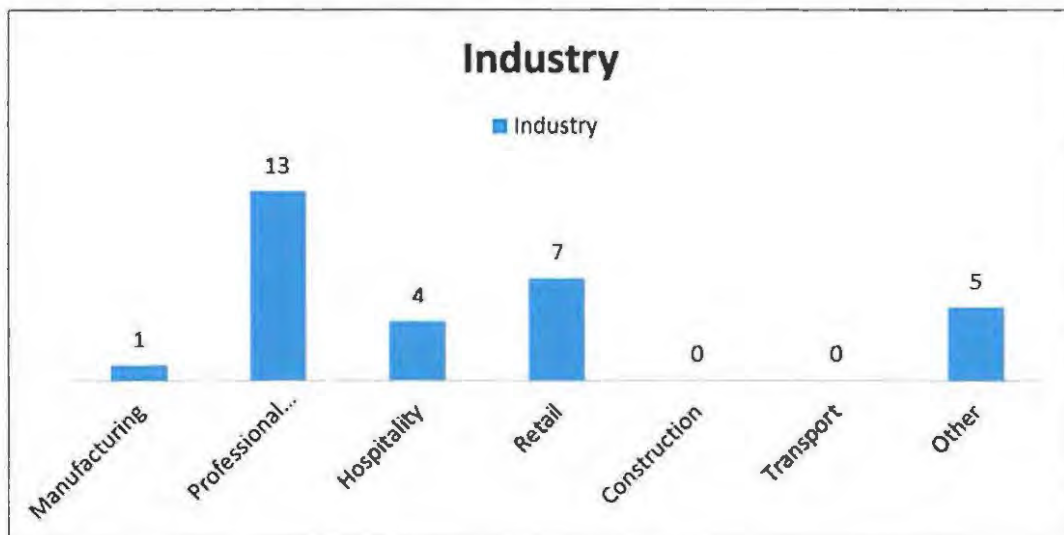


Figure 5: Industry Sector Distribution

3.8.6 Qualifications

Finally, respondents were asked to record their highest academic qualifications. The distribution of qualifications is recorded in table 3.5 below. Whilst 40% recorded "matric" or "grade 12" as their highest qualification, 23% went on to achieve a Diploma and 17 % went on to achieve a Bachelors degree and 17 % went on to achieve Honours. Only 1 respondent (representing 3% of the sample) graduated with a Masters degree.

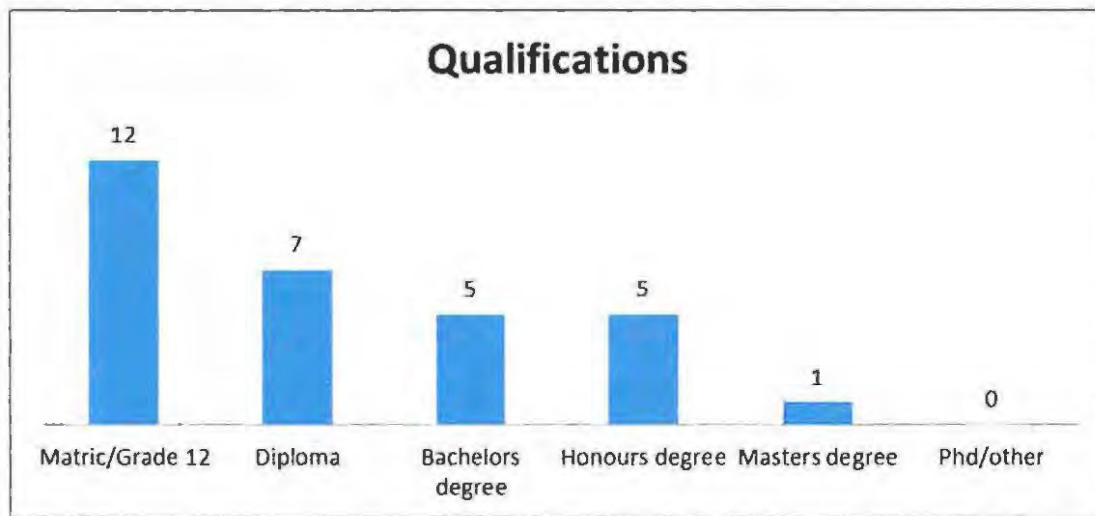


Figure 6: Qualifications Distribution

3.9 Data analysis

The data, once collated from the respondents, was analysed and presented in various formats. The first presentation of data was done by way of the scoring per survey question. The full set of scoring results per each survey question is enclosed (ANNEXURE C). An example is set out below:

Question 1: Technology, equipment, resources and tools to perform work				
No influence	Little influence	Neutral	Significant influence	Highly significant influence
0	3	7	17	3

Reference: scoring for Survey question number

1.

Given the objective of the research, namely to “identify the most relevant and irrelevant factor or factors that affect the retention of managers at SME’s” the most revealing indicators of relevance was the tabled data reflecting the ranking, from 1 to 8 of the respective Retention Factors. Analysis was also done to identify and rank the top 10 scoring individual statements in the questionnaire (across all 8 retention factors). Both tables were ranked by calculating the mean score per each retention factor and individual statement across all returned questionnaire. By doing so, one can readily identify the highest scoring retention factor down to the lowest and likewise for the individual statements. Both tables are set out below.

The most relevant and irrelevant factors affecting retention: i.e. which retention factor scored the highest mean score from ranking 1 – 8.

Mean scores of each Retention Factor		
Rank Order	Retention Factor	Mean score
1.	Leadership Factors	4.25
2.	Job Factors	4.13
3.	Soft Organisational Factors	4.09
4.	Individual Factors	4.05
5.	Hard Organisational Factors	3.89
6.	Relational Factors	3.89
7.	Personal Development Factors	3.74
8.	Economic Factors	3.58

Table 3.1 Mean scores of each Retention Factor.

The highest scoring (mean) of all retention factors was Leadership, whilst the lowest scoring factor was economic factors.

Table 3.2: The top 10 individual statements from all factors:

Mean scores of the top 10 most relevant individual statements			
No.	Individual statements	Retention Factor	Mean score
1.	Quality of leadership from senior management/owners.	Leadership	4.63
2.	Effective and open two-way communication within the organisation	Soft Organisational	4.47
3.	Management that values individuals' contributions and fully utilises their skills	Leadership	4.3
4.	Scope to balance work and life pursuits	Individual	4.3
5.	Opportunity to achieve personal and professional goals	Individual	4.27
6.	Freedom to plan and execute work independently	Job	4.27
7.	Recognition for contribution to business goals	Soft Organisational	4.23
8.	Treated with courtesy and respect by colleagues	Relational	4.23
9.	Positive relations and team work amongst colleagues	Relational	4.23
10.	Supportive environment that recognises individual needs	Relational	4.2

Table 3.2 Mean scores of the top 10 most relevant Individual Statements

From the table ranking of the 10 most relevant individual statements (on a mean score calculation) it is worth noting the following:

- Based on the retention factor groupings of statements, of the top 10 individual statements, only 5 of the total of 8 retention factors feature.

- Hard Organisational, Economic and Personal Development Retention Factors are not represented in the top 10 individual statements.
- Whilst the Leadership Retention Factor is represented in the highest and third highest scoring individual statements, Relational Factors feature three times whereas Soft Organisational and Relational Factors are represented twice each in the table.

3.10 Conclusion

The data analysis provides some interesting and informative results. Given the widely held importance of effective leadership in the general success of small organisations it is perhaps not surprising that the Leadership Retention Factor came out as the most relevant retention factor. What may be surprising, however, is that Leadership was ranked as the highest scoring and therefore most relevant factor in the context of retention. Furthermore, and perhaps contrary to any starting presumptions, Economic Factors, covering monetary elements such as pay, bonus and financial benefits, are clearly not of central importance when it comes to the retention of managers working at SME's. In fact, Economic Factors, on a mean calculation score, is ranked as the least relevant retention factor for employee manager retention and does not feature at all in the top 10 individual statements. Instead, Leadership, closely followed by Soft Organisational and Job factors are the highest scoring retention factors.

The key messages emerging from the research data are that, SME organisations that want to have the best chance of retaining their valued employee managers need strong and effective leadership within the organisation, have soft organisational factors that are conducive to an open and trusted working environment and inherent Job factors that allow a sense of freedom to plan and execute tasks autonomously.

These conclusions should provide SME's owners and Senior Managers with a helpful insight into what factors are most likely to influence their ability to retain employee managers.

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ANNEXURE A: Research Survey – Covering letter and Questionnaire:

[insert] October 2011

To:[insert name and address]

Dear [insert name]

MBA RESEARCH THESIS: AN EXPLORATORY STUDY OF THE FACTORS THAT INFLUENCE THE RETENTION OF EMPLOYEE MANAGERS AT SMALL TO MEDIUM BUSINESS ENTERPRISES

I refer to our discussion and would like to thank you for agreeing to participate in the data gathering for my MBA Research. The research is an exploratory study of the factors that influence the retention of employee managers at Small to Medium Business Enterprises.

Attached is a questionnaire designed to solicit information and insight into what factors influence managers to remain in their current employment at small to medium businesses. Given the scope of the Research, the questionnaire is limited to employee managers (not shareholders in the business employer).

The aim of the research is to identify, through the enclosed questionnaire, the most relevant factors that cause employee managers to stay in the employ of their Small to Medium Business employer. The results will be used for academic purposes and the final report will be available on the Rhodes University Intranet. The research may also guide and inform Business Owners, Managers and/or Human Resource Practitioners in the development of staff retention strategies and policies going forward.

This is an anonymous questionnaire. Your individual responses will not be shared or communicated to your employer/s (past or present) or any other third party. You will also not be personally identified in the reporting of the results or in the Research itself.

The questionnaire consists of a short biographical section and 40 (forty) close ended statements where you are required to tick the most appropriate answer. Please complete both sections and respond to all 40 close ended questions. Completing the questionnaire should take about 20 minutes. Kindly return the questionnaire to me by either email (attaching a scanned copy of the completed questionnaire) at nlacarr@gmail.com or call me on 072 432 3649 and I will collect the completed hard copy personally from you. I would be grateful if you could complete the questionnaire by **31 October 2011**.

If you have any queries concerning the questionnaire, please contact me on either my email address or cell phone as per the details above.

Thank you for your participation.

Yours sincerely

Nathan Carr

AN EXPLORATORY STUDY OF THE FACTORS THAT INFLUENCE THE RETENTION OF EMPLOYEE MANAGERS AT SMALL TO MEDIUM BUSINESS ENTERPRISES

SECTION A: BIOGRAPHICAL DETAILS OF RESPONDENT

Please complete Section A in full. Note that your completed survey will not be analysed on an individual basis. Your responses will remain anonymous. Rather, the biographical information obtained will be used to generate comparisons across various groups.

Please complete by entering the correct response or category number in the field provided on the right hand side of each question.

1.	Your Name:	
2.	Gender: Male <input type="checkbox"/> Female <input type="checkbox"/>	
3.	Age: 1 = 18 – 25; 2 = 25 – 35; 3 = 35 – 45, 4 = 45 – 55; 5 = >55	
4.	Employer entity/business name:	
5.	Industry or Sector that your employer business operates in: 1 = Manufacturing 2 = Professional services (accountants, legal, finance, consulting) 3 = Hospitality, food and beverage 4 = Retail 5 = Other	
6.	Your current position/level of management: 1 = junior management 2 = middle management	

	3 = senior management	
7.	Number of years with current employer: 1 = <5 years; 2 = 5-10 years; 3 = >10 years	
8.	Number of previous employers:	
9.	Your highest qualification obtained: 1 = Matric/Grade 12, 2 = Diploma; 3 = Bachelors Degree; 4 = Honours Degree; 5 = Masters Degree 6 = Higher (PhD)	

SECTION B: FACTORS THAT INFLUENCE YOUR DECISION TO STAY IN THE EMPLOY OF YOUR CURRENT EMPLOYER

Please answer all the questions in Section B below.

Please indicate the extent to which the following statements would currently influence your decision to remain employed at your current employer business by placing a cross (X) in one of the five columns.

For example, if you rate a particular question as being a **highly significant influence**, it means that this retention factor would definitely influence your decision to remain employed at your current employer business. Conversely, if you rate a particular question as being of **no influence**, it means that this retention factor would definitely not influence your decision to remain employed at your current employer business. Lastly, if you rate a particular question as being **neutral**, it means that you are uncertain or have no opinion on the influence of this staff retention factor regarding your decision to remain employed at this particular institution.

It is important that you show variation in your responses, as some of the staff retention factors will influence your decision to remain employed more so than others.

SECTION B: FACTORS THAT INFLUENCE YOUR DECISION TO STAY AT YOUR CURRENT EMPLOYER

DEGREE OF INFLUENCE

	<u>STAFF RETENTION FACTORS</u>	NO INFLUENCE	LITTLE INFLUENCE	NEUTRAL	SIGNIFICANT INFLUENCE	HIGHLY SIGNIFICANT INFLUENCE
1	Technology, equipment, resources and tools to perform work					
2	Organisational culture that nurtures learning and academic development					
3	Partnerships with other organisations					
4	Size and structure of remuneration package					
5	Quality of leadership from senior management.					
6	Personal circumstances (e.g. access to well-renowned schools in the area)					
7	Opportunities for rotation of roles to gain new skills and knowledge					
8	Challenging work assignments in your area of expertise					
9	Effective and transparent performance management system					
10	Effective and open two-way communication within the organisation					
11	Supportive environment that recognises individual needs					
12	Offer to work elsewhere for a higher remuneration package					
13	Supportive supervision from management and/or supervisors					

14	Personal mobility (willingness to adapt to a changing environment)					
15	Opportunities for training, development and career progression					
16	Freedom to plan and execute work independently					
17	Management and business structure/s that is/are efficient.					
18	Recognition for contribution to organisational goals					
19	Treated with courtesy and respect by colleagues					
20	Sufficient benefits and reward packages					
21	Management/Supervisors listen and respond to employees' ideas					
22	Sense of achievement (individual achievements recognised)					
23	Opportunities for feedback, self-improvement and career advancement					
24	Freedom and autonomy to assume more responsibility on work assignments					
25	Freedom from bureaucracy					
26	Opportunity to innovate and improve systems					
27	Positive relations and team work amongst colleagues					
28	Premium remuneration for specialist skills and knowledge					
29	Participative decision-making by Management and staff					
30	Opportunity to achieve personal and professional goals					
31	Job enrichment, rotation and enlargement					
32	Balanced workload that matches competence level and time					

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33	Fair and reasonable HR and work policies					
34	Coaching and mentoring (skills transfer and knowledge sharing is easily facilitated)					
35	Favourable organisational reputation					
36	Indirect compensation (e.g. car allowance, medical aid and pension fund)					
37	Management that values individuals' contributions and fully utilises their skills					
38	Scope to balance work and life pursuits					
39	Public exposure through presentations at conferences and publications for the general public and specific audiences					
40	Control over work assignments (clear job expectations)					