



Employee Retention Strategies Adopted By Smes

KEYWORDS

Small and medium-sized enterprises (SMEs), Retention, Human Resource (HR).

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ABSTRACT

The Small and medium-sized enterprises (SMEs) are seen as mainstays for the growth of many nations especially the developing countries. The purpose of this study therefore, is to provide an understanding on the employee retention challenges faced by SME managers in India and also identifies requisite strategies for mediating such challenges. Because of low level of administration and leaner work power structure, it is less demanding for HR to execute change administration programs in SMEs. The HR confronts the test to stick to the concurred approach standards which succumb to the exceptions from the proprietors. HR additionally needs to comprehend that the proprietors would prefer not to feel themselves without choice making power because of progress in approaches. HR experts should be cognizant that polished skill without the loss of productivity and responsiveness is the right change course for SME's prosperity. This paper investigates the different inventive HR Retention procedures that can prompt change administration and all things considered guarantee a supportable future for the SMEs.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) are portraying their effect on national and provincial economies all through the world. They have been perceived in both developed and developing nations as a compelling instrument for making occupation opportunities with a small measure of capital venture. Small scale modern segment assumes a predominant part in the financial advancement of both developed and developing nations. In developing nations, small scale commercial ventures are particularly imperative in setting of opportunities, even handed dissemination of national wage, adjusted provincial development and improvement of provincial and semi urban ranges, Rahman (2006). They give quick substantial scale livelihood, offer a technique for guaranteeing a more evenhanded dissemination of the national pay and encourage compelling preparation of assets of capital and expertise which may somehow or another remain unutilized (ICSI Herald, 1998). Small scale commercial enterprises assume an extremely pivotal role even in industrialized and propelled nations like the U.S.A., the U.K., Canada, and West Germany and all the more especially in Japan, Baruha (2000). This part is thought to be a motor of development, particularly in a developing nation like India because of their commitment to salary era, work, GDP and fare income. The Indian economy is currently the second quickest developing economy of the world. According to the Ministry of Finance, the GDP of India remained at 8.8% in the main quarter of 2010-11 (the general development of GDP in 2009-10 was 7.2%); general development in the Index of Industrial Production (IIP) was recorded at 13.8% amid July 2010 instead of 7.2% in July 2009. In such an unmistakable development environment, enormous endeavors are being made by SMEs to make their unmistakable vicinity felt and to change over their development arrangements into reality. In most recent two decades, there have been certain spaces where numerous SMEs have not become either by decision or by difficulties in capacities to change their business. SMEs contend with huge players either as B2B or as B2C plans of action. For substantial organizations, shaping key cooperation's and community associations can be basis to their capacity to seize innovative opportunities, to assemble basic

asset qualities and aggressive abilities, to enhance production network efficiencies and convey quality to their clients (Kaplan and Hurd, 2002). Following the developing economies are portrayed by high unemployment rates, the conclusion of enormous organizations, declining monetary development and declined ways of life, it gets to be critical to advance SMEs as they are a means for work creation and financial development. A situation helpful for the development of SMEs is required, and this has required an examination concerning the components influencing the execution of SMEs.

SMEs are generally labor intensive construction items, But extraordinarily, HR procedure of small scale manufacturing models is likely one of the least researched areas (Man- kelow, 2008). Whenever we consider about an HR supervisor we think about tremendous businesses. Small companies additionally want HR managers. Performance and strong human resource management enables the entrepreneurs to support for fine production. As a consequence, the robust business systems emerge as inevitable for SME sector. The industry function in SMEs is hindered with the aid of constraints reminiscent of limited access to assets, and a scarcity of talents on the part of the proprietor/manager. While entrepreneurs are willing to explore methods to decrease this inertia, HR and its specific aspects additionally play a main role to handle the development disorders that SMEs face.

2. LITERATURE REVIEW

Employee retention in today's economy is essential for the success of any company. The problem in the current labor market is that the staff is available, but finding and holding on to the right people can prove to be difficult. According to Gunnigle et al (1997) once an organization has completed the human resource planning, recruitment and selection stage the organization develops a range of procedures and practices that facilitates retention. These involve monitoring performance (appraisal); facilitating continuous improvement (employee development); determining the scope of the effort-reward bargain (reward practices); designing an effective system of work (job design);

and finally managing employee relationships (employee relations). By examining these procedures and practices I will explore some ways of retaining employees. It is stated that the organization is large enough to have the resources for these steps, which may not be the case for small to medium sized enterprises (SMEs). As this research will later show, there are constraints on small firms. One constraint is the lack of finances available for training and developing and further education. Another drawback with the smaller firms is that there is very little or no room for promotion within the organizations. Furthermore small firms rarely have a human resource department to control recruitment and selection, training and development, pay and rewards and performance management. Therefore all this responsibility is left to the managers and the owners, and can be carried out on a personal basis.

2.1 Why employee retention strategies?

ERS refer to policies and practices that an organization uses to satisfy the diverse needs of employees and create an environment that encourages them to stay with the organization.

- Employees are increasingly mobile today.
- Causes of turnover unknown to employers.
- Turnover is here to stay, but try and reduce it.
- Employers need to know why turnover happens.
- But also turnover is costly.
- Hence, employee retention matters.
- Pay is only part.

2.2 Seven main reasons for turnover (Yazinski, 2009)

- Employees feel the job or workplace is not what they expected,
- There is a mismatch between the job and person,
- There is too little coaching and feedback,
- There are too few growth and advancement opportunities,
- Employees feel devalued and unrecognized,
- Employees feel stress from overwork and have a work/life imbalance, and
- There is a loss of trust and confidence in senior leaders.

3. SIGNIFICANCE OF THE STUDY

An article in HR Focus, Retention - reducing costly turnover discusses the importance of employee retention. This article discusses how important it is to retain employees, arguing that workforce stability is a powerful and competitive strategy. Organizations, especially service firms, have a need for competent, dedicated people to help keep customer loyalty. When employees are in a firm for long enough things run more smoothly. Longevity of employees usually results in dedication to high performance and an understanding of how to bolster profits. With the expanding economy today quality employees are scarce and expensive. In the present scenario employees are no longer looking for life time employment, they are staying with a job for two to four years then moving on, taking control of their own careers, and the older generation of workers are following them. Employers must fight against this, which is difficult as they are working counter-trend, it is an uphill struggle. Employers today are very vulnerable to employee turnover. They are left under staffed, and it costs a lot of money to re-staff a workforce. Some of the costs of restaffing are marketing and advertising; hiring; processing costs; orientation and training; overtime to carry the load of departed employees; lost production due to slower new employees; executive time participating in meetings about reducing turnover. There are also indirect costs to turnover, such as loss of customers; inferior quality; loss of employee

morale; a reputation for high turnover; and stress. Retaining valued employees is a strategic issue. Throwing money at workers is not the answer; employers need to address the important issues. These are the issues already mentioned training and development, performance management, pay and reward, the job design, and the culture of the organization. All these are aspects to employee retention, but the theories are mainly applicable to large organizations. Because this research is concentrating on small to medium firms certain theories must be questioned as to whether they are appropriate or not and whether they can be applied or not to these firms.

3.1 Tips for Retention Strategy

Employee retention is an essential requirement for the continued sustainability of any organization (Provided by Solutions Consultant and BizMantra)

3.2 Paying Competitive Wages

Raising pay is not an automatic method to avoid employee turnover. Paying too little during low unemployment will contribute to turnover. Paying competitive wages is important but it is not the only method nor is it a guarantee.

3.3 Providing Flexibility

Increasingly, employees want flexibility in their jobs and will remain with an employer who guarantees it. Schedule changes, fixed shifts, time off for personal matters and other family-friendly initiatives are appreciated.

3.4 Championing Longevity

Employees appreciate an employer who honors long service. While signing bonuses make sense in tight labor markets, employers also recognize those whose continued service is valued.

3.5 Respecting Employees

Loyalties, like respect, are values that appear to be reciprocal. Individualized work sites, relationship with peers and superiors and providing training are some of the techniques employers can use to reinforce their respect for employees.

3.6 Increasing and Improving Communications

Tell employees periodically about the advantages of employment. Benchmark competitors and communicate advantages. Explore various communication methods, such as focus groups, on-line data bases and hotlines and attitude surveys. Demand that good communications be a priority for all managers and measure progress.

3.7 Paying Retention Bonuses

During difficult times -- mergers, acquisitions, plant or site closures, financial difficulties -- more and more employers are using retention bonuses to key staff to ensure continued employment through transitions. Part of an overall retention bonus strategy is to design a program that includes more than salary payments and can include other benefits such as college tuition, relocation, and retirement enhancements. It is more effective to pay retention bonuses in payments over time as opposed to a lump sum.

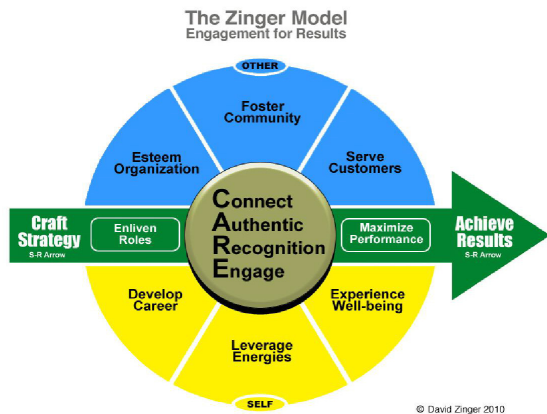
Efficiency and Reward management for SMEs in the retail sector performance administration and efficiency appraisal meetings have been evaluated within the businesses surveyed. As seen in the findings, most effective 20% of the establishments have a efficiency management approach in place, but sixty seven% hold efficiency appraisal meetings. Because the two aren't at the same time distinctive there

is a possibility that the question on efficiency administration was now not totally understood. Gunnigle et al (1997) argued that a formal appraisal system is imperative for mighty efficiency administration (see Chapter 2), yet because the outcome show, all of the organizations surveyed who preserve efficiency appraisal meetings achieve this in an casual surroundings. These meetings give the workers the opportunity to present feed again at any time. They're held when needed more often than not, again stressing the informality of the administration practices in place in small firms. The informality is evident in unique facets of their management, which helps within the retention of the staff. As mentioned previous, using pay associated incentive schemes depend on the business enterprise's circumstances and conditions. Incentives are main 52 to an supplier as they help not handiest to attract workers but in addition to continue them. The outcome exhibit that practically half of of these surveyed didn't have a performance associated pay approach in position. If we compare the reward given by means of these companies we will see that over half of present paid depart and bonuses to their staff, and less than half of offer health problem days. There are also organisations that do not present any of the rewards steered. These results exhibit that the small size of these firms, none of them with over fifty staff, holds them again when it comes to beneficial their employees. They neither have the time or the financial assets to spare to offer these rewards and incentives. This does not always prevent these businesses relating to protecting their workers. As already mentioned, money rewards will not be a method of preserving staff, Bob Nelson, (July 1996) and that is mirrored in the natural length of stay of the employees in these small organizations. The size of stay is between one and 5 years.

3.8 Models on Employee Retention

There are two important models on employee retention, one of them is a) Zinger Model and the other is b) ERC's Retention Model.

3.8.1 Zinger Model: Employee retention is the art and science of engaging people in authentic and recognized connections to strategy, roles, performance, organization, community, relationship, customers, development, energy, and well-being as companies leverage, sustain, and transform their work connections into results.



According to the Zinger Model, employee retention is directed towards achieving results of the organization that

the department, team, or individual wants to achieve. To achieve results, companies need to craft a strategy to get there .A central key of employee retention is connection. In some cases connection is synonymous with engagement. Engagement is not a one time survey measure or a steady state. To engage is to fully experience and contribute to the dynamic elements of work. Employee retention must be authentic and retention of competent employee requires powerful recognitions. A role is a set of behaviors, rights and obligations at work companies must guard against too many roles or role overload while also fully being in the roles that contribute to results, relationships, and engagement. Thos model emphasizes that employee retention can contribute to effective performance management and performance demonstrates company's engagement while engagement and retention can help companies excel at performance. Good employee retention should foster star performers. The employee should also align with the organization so as to build up the esteem of the organization and there should not be a disconnect between employee and organization. Companies want employees to serve their customers and this is a very strong relationships between employee engagement and employee retention. Effective Employee retention helps to serve customers a lot. The model comments that employees should experience both personal and professional development through work ranging from courses and learning to develop their own strengths, value, visibility, and engagement. Powerful retention involves mastery of physical, mental, emotional, spiritual, and organizational energy. Work should contribute to employee well-being. Employees need to both engage in and experience healthy well being. An organization's results are dependent upon the health and productivity of individual employees.

STIMULATING WORK



3.8.2 ERC's Retention Model Employee Retention Connection's model concentrates on applied organizational experience indicating three primary drivers of employee retention. · Work can be made stimulating by giving variety of assignments, autonomy to make decisions, resources and support provided to do good work, opportunity to learn, feedback on result and understanding the significance of one's personal contributions. · Motivational Leadership also helps retain employees therefore leaders should champion change and must be open to new ideas. They should inspire a shared vision of organization direction, develop the capabilities of others and become a model for a behavior s that reflects organization values. · Companies should recognize and reward a job that is done well and should reinforce desired behaviours and create an emphasis and focus on recognition. They should celebrate successes in order to build self esteem and enhance camaraderie and team work.



3.8.3 Integrated System for Retaining Employees The Employee Retention Connection transforms the organization culture and enhances the competitive edge through the following five-phased approach: ERC begins by analyzing the organization's motivation and retention culture through surveys and focus groups that is the motivating and demotivating aspects of the culture. ERC concentrates on designing high-involvement job and work assignments and trains supervisors and managers in proven methods of motivational leadership.

effectively becomes a barrier in employee retention. Stress generated at work place is managed by employees by resorting to the options such as change of location, taking career breaks, resorting to yoga and indulging in other recreational activities, one of the last resorts to managing stress is quitting the job.

4. RECOMMENDATIONS

To begin with, it is major that small corporations offer intrinsic rewards to their workers, as they do not have the monetary assets to offer money and fiscal rewards. Staff ought to be given manipulate and accountability over their own work, but in addition they will have to be worried in the going for walks of the employer. To do that the employers should involve the employees in managerial decisions, and in plans that effect the business enterprise as a whole. By doing this these SMEs will achieve the quality of working lifestyles motion, growing employee motivation and devotion to the manufacturer. The next advice is that the SMEs must introduce induction programmes into their establishments. Even though they do not have the assets for off the job training, an in-condominium coaching programme for new staff must be implemented. The final suggestion is with regards to promotional possibilities. Because of their small measurement, these enterprises are confined. However with the construction of extraordinary positions which keep unique responsibilities, there are more prospects for employees to maneuver around inside the corporation, gaining expertise as they go along. Merchandising is a technique of beneficial employees for their work, and as monetary and money rewards will not be possible, SMEs will have to try to put into effect on extra promotional possibilities to give employees awareness for their work.

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