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## **The Role of Incentives in Employee Retention in Ghana: A Case Study of SMEs within Ghana Industrial and Commercial Estate Limited**

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### **Abstract**

The main purpose of this study was to examine the role incentives in employee retention of Small to Medium Size Enterprises (SMEs). Research for the study included a literature study of both content and process theories of motivation in order to identify those factors that are important when evaluating incentives on employee retention. Survey design was employed for this study and stratified and convenience sampling techniques were used in selecting seventy-five respondents from SMEs within Ghana Industrial and Commercial Estate. Data was elicited from respondents using questionnaires and analyzed with descriptive statistics. The major findings indicate that, incentives have an impact on employee retention in SMEs. It was revealed that SMEs do not have incentive packages for their employees and the major cause of employee turnover is job insecurity. However, to prevent high employee turnover, the most effective strategies are to provide employees with bonus and job security. The study recommended that, employers should study the needs of their employees to enable them to know the most effective incentive programs that will help retain their key employees.

**Keywords:** Retention; turnover; incentives; enterprises.

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## **1. Introduction**

Retention of skilled employees has become strategic and critical to sustainable competition and effective service delivery among organizations in ever changing world of work. Globalization has enhanced mobility of skilled individuals, thereby, accelerating the rate of employee turnover in organizations. Employees are asset of any organization; however, one of the major challenges facing organizations today is how to retain their key employees. The more time an employee spends in an organization, the more experienced the employee gets and becomes more valuable to the organization, since when an employee joins an organization, he or she is unproductive, because it takes a couple of months for the employee to get himself aligned with the organization to be familiar with the systems and procedures of the work [1].

The goal of employers is usually to decrease employee turnover, thereby decreasing loss of talent and organizational knowledge. Studies have shown that costs related to directly replacing an employee can be high, but the total cost of turnover can be high as 90-200% of the employee's annual salary [2]. High turnover can affect productivity because the company's ability to retain the kind of workers wanted and needed has a direct impact on profitability and effectiveness of an organization. Small and medium –size enterprises (SMEs) are seen as engines of growth of many nations especially the developing countries, where they are seen as efficient and productive job creators, seeds of big businesses and the fuel of national economic engine. SMEs are also considered by developed industrial economies as the largest employer of workers. Yet, SMEs are faced with the issue of employee retention which has become a key challenge for business owners for smooth running of their business.

Retention of talent has become a major challenge for small and medium size enterprises (SMEs), whilst skilled employees are being attracted by more than one organization at a time with various incentives. For large firms, loss of a few among thousands is part of doing business and usually other employees take up the space until a replacement is found. However, small to medium size enterprise that have few employees, loss of key employees can have effect on business productivity and the result can be severe. When a business losses employees, it losses skills, experience and the nature of these losses affect productivity, product and service quality [3]. Moreover, there are businesses which do not produce physical products or services. Their production houses are brains of their employees. The products that these organizations produce are reports, documents and data generated by the employees and in such cases the importance of the employee to the organization is very vital. Examples of such organizations include the law firms and research institutions.

High turnover can also affect employment relationships, morale and workplace safety and knowledge people walk away with can take years to replace. Though, retaining all the employees may not be the desire of every business, retaining the high performers, that is, those who possess key skills and knowledge needed to run the organization and those who are difficult to be replaced is necessary. There may be several factors that make employees leave their job. It could be voluntary, where the employee chooses to leave, which could be for reasons that may include better career opportunities, increased compensation and broadening of current tasks and responsibilities and boredom with current task. Involuntary turnover occurs when employees are asked to leave for reasons including poor performance or inappropriate behaviour. It is important to note that, though

employee's exit from a job has different dimensions, the issue which is of relevance here is that certain factors of employee's exit can be controlled [4].

All organisations require motivated employees to function effectively and stay on the job. Motivated employees are dedicated and work enthusiastically. The outcome of these motivated workforces includes employee retention. Motivation plays significant role in boosting the morale of employees in organizations to stay on the job. The morale of employees in turn enhances the productivity and profitability of organizations. Employees who are motivated always look for better and newer ways of doing jobs and they are innovative and more productive. Motivation is essential to improve the moral of employees in an organisation [5] which SMEs are not exceptional. But motivation is very difficult without knowing the needs and wants of employees. The needs and wants differ from one employee to other and also differ in same employee during two periods of time. Further, like every human, the needs and wants of employees are also unlimited. Adoption of wrong motivating factors may affect adversely to the morale of employees and performances of organisations. Hence, it is very difficult for employers to select right motivating factors to motivate the employees. Moreover, studies show that if the person receives the reward immediately, the effect is greater and decreases as delay lengthens [5].

To motivate employees and ensure a higher retention in organisations today, there is the need for organisations to adopt an effective employee incentive programs to recompense productive performance, encourage positive behavior and stimulate interest in employees. By designing incentive programs/ packages, employers can improve retention rate and decrease the cost of association of high turnover. Researchers [6, 7] have shown that defined incentives are associated with longer tenure. The incentives that are used to motivate the employees can be both monetary and non-monetary. According to the author in [8] incentives can be a powerful force within an organization. When employees are recognized, they are less likely to quit and because an incentive is an object, item of value or desired action or event that spur an employee to do more of whatever was encouraged by the employer through the chosen incentive. Quality employees contribute knowledge, skills and abilities, all of which maximise a business's ability to grow, remain competitive and be responsive to changes in external environments. Without a skilled workforce, small businesses will struggle to achieve organisational goals and objectives. Most organisations offer incentives, but adoption of unattractive incentives may affect the moral of employees and performance of the business. Business owners are therefore admonished to be critical in the adoption of an incentive packages to motivate employees. Against the background, it could be argued that if SMEs redirect it strategies in designing incentive packages the problem of employee retention will be minimized.

### ***1.1. Problem statement***

In Ghana, it is estimated that SMEs provide eighty-five percent of manufacturing employment accounting for ninety percent of existing businesses in the country and contributed seventy percent of the country' GPD in 2016. Despite the immense contribution that SMEs make to the economy and irrespective of the awareness of the remarkable contribution of SMEs to the development of a nation's economy, they are faced with the challenge of employee retention, thereby losing their experienced employees to large firms who poached them with attractive incentive packages. According to the authors in [9], some of constraint of SMEs is the lack of

finances available for Training and development of employees, there exist very little or no room for promotion within the organization, SMEs seldom have a human resource department to the recruitment and selection, training and development, pay and rewards and performance management processes [9]. This supports [10] observation that many of the significant issues challenging small firm were human resource related concerns including "finding the right fit, competent staff and retaining employees". The author in [11], asserts that 70 percent of SME managers indicates that they lack skilled workforce and managing employee retention is a big challenge. The author in [12], also posit that high levels of turnover in SMEs are intensified as a result of the difficulties SMEs face in the recruitment and retention of talented and skilled employees. This is mainly attributed to the notion that large firms are often observed to provide employment options that are larger than those offered by SMEs [13]. The authors in [14] also found that one of the challenge that small business face is that they do not have the same ability to pay as large organisations do. Indeed, retention practices have posed enormous challenges to business owners. Against this background, it is very imperative ascertain varied strategies SMEs can adopt in the management and retention of employees especially considering that organisations are in the era where they compete for young and skilled employees who are mainly motivated by money as observed in a survey conducted by manpower of Malaysia [15]. In light of such evidence, there is the need to establish the extent to which business owners in Ghanaian organisations could use appropriate incentive programmes/ packages to retain employees.

The problem being studied is to examine the nature of incentives in SMEs. The study was design to find out how the use of incentives in SMEs can helps to retain employees.

### ***1.2. Purpose of the study***

The main objective of this study is to examine the role of incentives and employee retention in SMEs. The Specific objectives are to; identify the nature of incentives in SMEs; examine causes of employee turnover in SMEs; ascertain the degree of employee turnover in SMES; ascertain the incentive programs that are most effective to retain employees in SMEs; find out the relationship between incentives and employee retention in SMEs and determine the strategies that can be used to retain employees in SMEs.

### ***1.3. Literature review***

Employee motivation is a vital factor to improving employee retention and organizational performance. Employee motivation, boost employee's performance and encourage positive organizational attitudes and behaviors at work. The employer can encourage the employees by enhancing their skills and also by improving their morale. Many psychologists have studied the concept of motivation and propounded many theories. These theories of motivation help the employers to motivate the employees to boost their performances [16]. Motivation theories are categorized into content and process theories. Content theories emphasis 'what ' motivate employees and also stresses on individual needs and goals. Content theories includes, Maslow, Alderfer, Herzberg and McClelland motivation theories. On the other hand, process theories focuses on the 'process' of motivation and gives attention to 'how' motivation occurs. Examples of process theories includes Vroom, Porter, Lawler, Adams and Lock studies motivation theories [17].

In contemporary global business environment, managers cannot assume that motivational programs that work in one geographic area are going to work in other locations. Most of the motivation/satisfaction theories were developed in USA by American for Americans. Therefore, managers need to be careful in assuming that these theoretical models are workable across the cultures in the same manner [18]. For instance, both goal-setting and expectancy theories emphasis goal accomplishment as well as rational and individual thought. Maslow's need hierarchy argues that people start at the physiological level and move progressively up the hierarchy in order. This hierarchy if it has any application at all, it aligns with American culture. In countries like Mexico, where uncertainty avoidance characteristics are strong, security needs would be on the top of the need hierarchy. Countries that score high on nurturing characteristics like Denmark, Sweden, Norway, the Netherlands and Finland would have social need on top [19]. Equity theory has relatively strong following in the USA, where equity is meant to closely link to pay performance.

To maximise motivation among today's workforce, the authors in [19] suggest managers need to think in terms of flexibility. For instance studies tell us that men place more importance on having autonomy in their jobs than do women. In contrast, the opportunity to learn, convenient and flexible work hours and good interpersonal relationships are more important to women. Having opportunity to be independent and to be exposed to different experiences is important to Gen Y employees whereas older workers may be more interested in highly structured work opportunities [15]. To ensure the motivation and retention of employees in the organisation, managers and business owners must embrace the argument that a diverse array of incentives is needed to motivate and satisfy employees with diverse need.

Employee Retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. It is a process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project [20]. Retention of employees has become a primary concern in many organisations. One survey of supervisors and co-workers found that losing high performance made it difficult for organisations to reach their business goals. The authors in [21] again argue that, continuity of employees provides better employee image for attracting and retaining another individuals. On the other hand, Employee turnover refers to the number of persons leaving and the ones retain within the organisation [22]. According to the authors in [23], extremely low turnover rate can be dysfunctional and unhealthy particularly when turnover of new thinking and fresh ideas are needed. Also extremely turnover rate for extended periods can add tremendous cost and incumbent employees reach high salaries. Many reasons why employees quit cannot be controlled by the organisation. Even though some turnovers are controllable, many employers today recognize that reducing turnover is crucial because the cost of control of staff turnover is critical when there is a general skills shortage which can lead to diminishing organisational productivity, hence, the needs to direct considerable efforts on employee retention. However, not all turnovers are negative for an organisation because some work force losses are desirable especially of those unreliable individuals or those who are disruptive to co-workers. In some cases, turnover is injected into the system as management policy [23]. Some organisation will benefit if disruptive and low performers quit. The issue of turnover needs

focus on the frequency and who is leaving. Unfortunately for organizations, dysfunctional turnover occurs when key individuals leave, often at a crucial work time [21]. Results from the Chartered Institute of Personnel and Development [24], survey indicates that, labour turnover rates are highest in the private sector where the aggregate is 20 percent and lower in the public sector at around 12 percent [22].

SMEs are incapacitated by numerous factors against their growth particularly in developing countries like Ghana. Labour turnover is lower among large employers than among SMEs employers. Plausible explanations for this fact include the presence of efficiency wages at large firms, workers' ability to change jobs without quitting at large firms and greater deferred compensation at large firms [25]. Again, the authors in [26], emphasized that, turnover is found to have a significant and negative correlation with SMEs performance. This indicates that, the lower the employee turnover, the higher the performance of SMEs and vice versa. Many SMEs start small and remain so, struggling to survive on low turnover. It is often argued that the most serious difficulty facing SMEs is shortage of skills [27]. According to a NatWest Small Business Research Trust (SBRT) quarterly survey of small business, small businesses lose more staff to larger than they gain from bigger companies. Most small firms get new employees from other small firms and the pool of unemployed. Just 20 percent of their new recruits come from large firms whereas more than 40 percent of full-time workers recruited by small firms. A survey shows that people leave small firms to set up their own business than become employees [28]. Retention of employees in SMEs is a major concern for most employers.

Motivation is very essential to improve the morale of employees in the organization, but motivation is very difficult without knowing the needs and wants of employees. However, if employers are to solve what is becoming a major problem for them they need to find ways of reducing labour turnover. Typical motivation techniques such as incentives are often used complementarily to motivate employees. The solution lies in offering better reward structures to retain staff [28]. Many organizations utilize some type of incentive pay plan to motivate employees [29]. Incentive motivation refers to the activating and energizing effect that stimuli, by promising rewards, can have on us. Incentives guide activity in the direction of the goal [30]. According to authors in [31], incentives are important because team members expect appropriate rewards and recognition for work well done. At the end of the motivation cycle is the incentive. The authors in [25] also researched to understand the challenges SME managers in developing economies such as Ghana face in retaining their employees, using a quantitative research approach, data was collected from a sample of 300 SME managers and employees in fifteen small and medium firms in the manufacturing, financial, hospitality, IT, retail and service industries and the findings reveal that firms' HR practices significantly impact negatively on employee retention.

In contemporary organizations where there is a great competition for top talent to enable organizations survive in the competitive markets [15], there is the need for organizations to be able to retain their skilled and competent employees. In the present era, majority of the skilled employees are mostly the young generation who come up with varied needs and desires that organizations need to identify and satisfy if they have to be retained in the organization. For instance, authors in [32] established that the young generation have various characteristics and life perceptions such as strong career mind and ambitious, always looking for professional development, fast

track career growth and desires for quick money, they do not have high loyalty to their organization and are ready to move from one job to the other at any time and to anywhere that can fulfill their ambitions and needs [32]. In this view [33] mentioned the need to provide generous remunerations and attractive incentive packages as one of the ways organisations can retain these generation of employees. The scarcity of employees in SMEs have become more critical with regards to the desire of new generation workers to work for multinational companies and in foreign countries- where they are more likely to obtain higher offers and attractive welfare packages- rather than local SME [34]. Employees desire compensation system that they perceive as being fair and commensurate with their skills and expectations. Pay therefore is a major consideration in an organization because it provides employees with a tangible reward for their services as well as source of recognition and livelihood [35, 36].

## **2. Materials and methods**

The descriptive survey design was adopted in this study. Data collected was quantitative in nature and descriptive statistics was the main means of analysis used to analyse the data. The study used questionnaire as the main research instrument to collect data for the study. Closed-ended questions was used to measure perception of the respondents.

### ***2.1. Population, sample and sampling procedure***

The population of the study was all SMEs in Ghana. The target population was people who engage in small and medium scale enterprise and staff of SMEs in GICEL. These include SMEs in the manufacturing, hospitality, construction, IT and financial sectors. Convenience sampling was used to distribute the questionnaires to the respondents. The sample size was determined based on the formula used to estimate it. The equation is given below,

$$n = \frac{N}{1 + N\alpha^2},$$

Where n = sample size, N = total population (total number of SMEs) and  $\alpha$  = the confident level. N = 296, significant level 5% ( $\alpha$ ) = 0.05

$$n = \frac{296}{1 + 296(0.01)^2} = \mathbf{74.74}$$

Equivalent to 75, therefore, the sample size is 75

### ***2.2. Instrument***

Questionnaires were used to solicit the views of the respondents on the research topic. The instrument consisted of twenty-five (25) questions with 4-point Likert scale for responses. An average of five questions for each of the major research objectives/ questions were presented on the questionnaire in attempt to obtain responses to cover each of the objectives of the research work. The questions in the survey were of closed-ended and multiple choice type for the convenience of respondents and also to achieve higher reliability

### **2.3. Data Analysis**

Data from the field were edited and coded appropriately to make meaning out of them. Editing was done to correct errors, check non responses, accuracy and correct answers. Descriptive statistics was used for analysis. However, question five was analysis by using Pearson Correlation Coefficient to determine the relationship between incentives and employee retention in SMEs.

## **3. Results and Discussions**

### **3.1. Demographic profile of respondents**

It was observed that 57.3% (N=43) of respondents were males while 42.7 were females. With regards to respondents' age, about 44% were less than 30 years of age. Those in the age bracket of 30-40 and 41-50 accounted for 28 % and 21.3% respectively. Whereas the remaining 5% respondents were of ages above 50. This indicates that, majority of the workers in the SMEs are in their early (age below 30) to mid- adulthood (age 30-40). Considering the characteristics of the young generation reviewed in the literature, it could be argued that there is a high chance of turnover in SMEs in Ghana. This is due to the notion that, as these young ones grow there is a great probability that they will change their job. Moreover, turnover intention decreases with each additional year older of age, and older age corresponds with longer tenure of employment.

More respondents (N=36, 48%) were having tertiary education, 36% with secondary education and only 16% with basic education. From the outcome, majority (45.3%) of the respondents indicated that they have worked with their organization between 1-3 years. Respondents who have worked for less than 1 year were 22.7% of the total respondents, while 13.3% and 18.7% have worked with their organizations for 4-6 years and more than 6 years respectively. From the finding it shows that most employees in SMEs do not work for long. As the authors in [37] asserts; the more time an employee spends with an organisation and the older he gets, the lesser the likelihood that the employee will leave his job. The findings also can be explained by the findings of authors in [38] that employees who stayed with the same organisation for more than six years are more likely to stay with the same organisation.

### **3.2. Analysis of Research Questions**

#### **3.2.1. Research Question 1**

*What is the nature of incentives in SMEs?*

Research question one examines the nature of incentives that are available for employees working for SMEs in Ghana. the findings revealed that out of the seventy five respondents, majority of the respondents (59 respondents) were enjoying Bonus/ cash incentive with a highest mean of 3.03, (SD=0.79) this corroborate [39] that many small businesses used some form of monetary incentives to motivate their employees to use their initiative and to perform better. Maslow's theory recognised money as the factor of motivator as the starting point of other needs to be met. The finding is in line with what authors in [19], stated that, cash is highly valued by many employees because they have discretion how to spend it. However, the findings of this research do not agree with the research of [40], that few SMEs pay bonus incentives to their employees. The next highest score



is recognition/ award incentive with a mean of 2.61, (SD=0.88). This implies that bonus/ cash and recognition as incentive is available for employees in SMEs. From the analysis, respondents also disagree with incentive such as working hours, career development/ training and payment of leave days.

### **3.2.2. Research Question 2**

*What causes employee turnover in SMEs?*

The study conducted a descriptive analysis of the factors that causes employee turnover in SMEs. The mean score of "Job insecurity" is 3.1, (that is.  $3.1 > 3$ )  $SD=1.01$  which is the highest factor of the causes of employee turnover in SMEs. This means that turnover is significantly associated with job insecurity just as the author in [41] mentioned as the cause of employee turnover. Most employees will leave their work for another when they feel insecure.

The mean score of dissatisfaction of bonus payment is 2.79,  $SD=0.89$ ; this means that though employees are enjoying bonus payment, they are not happy with the amount they receive. This can be related to the theory of Equity, where an employee will experience inequality over compensated relative to a comparison person. The findings also support the major conclusion of Herzberg that money was not a motivator. However, this findings does not support what [28] reported as "pay" to be consistently and negatively related to turnover but correlate to the statement of authors in [42] that, pay and pay-related variables have a modest effect on turnover.

Lack of recognition award and lack of career training have mean scores of 2.6,  $SD=0.99$  and 2.63,  $SD=1.00$  respectively and when run to the nearest whole number is equals to 3. This indicates that, lack of employee recognition award and career training can cause employee turnover in SMEs. Respondents agree that, when these incentives are not available and when another organisation offers them, it may attract them. Authors in [22], mentioned limited potential for progression, lack of training opportunities and limited availability of flexible working as the pull factors that make employees leave an organisation and their statement is consistent with the research findings.

Authors in [43], also agree that turnover can occur when people quit their jobs and people are also prone to leave an organisation if its flexibility makes it difficult to manage family and other personal matters. This finding also corroborate with the research findings of authors in [44], which revealed that, promotion, career development/ in-service training impact significantly on labour turnover. Herzberg proposes that intrinsic factors such as a recognition is related to job satisfaction, therefore, it is not surprise that lack of recognition can cause employee retention.

This perceived shortcoming in promotion opportunities and lack of training and development were also identified in the CIPD recruitment and retention survey [45], respondents in the survey identify them as key reasons why staff leave an organisation. Just as Maslow stated, individual strives to seek a higher need when lower needs are fulfilled once a lower-level need is satisfied, it no longer serves as a source of motivation. Needs are motivators only when they are unsatisfied [46].

The means score for “No payment of leave days is 2.43 (that is.  $2.4 < 3$ ). This do not significantly associated with employee turnover, and this means when an employer does not pay for leave days, it will not cause employee turnover in an organisation. However, it does not support the research findings of authors in [44], that payment of leave impact significantly on turnover.

### **3.2.3. Research Question 3**

*What is the degree of turnover in SMEs?*

With regards to the degree of turnover in SMEs, the study revealed that 30.7% of the respondents which represents 23 of the respondents indicated that turnover of employees in the SMEs occurs very often, 24% representing 18 of the respondents indicated that employees leave the enterprises often, 25.#% representing 19 of the respondents mentioned that the degree of turnover occurs quite often, that is once in a while, whereas the reaming 20% representing 15 of the respondents mentioned that the turnover rate in their enterprises is quite low. It could be observed that majority of the respondents has experienced regular and consistent turnover in their enterprises. This implies that there is a higher turnover rate among SMEs in Ghana. This supports the literature that turnover rate is higher in SMEs as compared to larger organisations [25] and the notion that retention of talent is a major challenge for SMEs.

### **3.2.4. Research Question 4**

*What incentive programs are most effective to retain employees in SMEs?*

Further, respondents were tasked to rate which of the three types of incentives (namely, cash incentive, non-financial incentives and employee benefits) were most effective to retain them on a scale of four (4). 34 respondents rated cash incentives as the most effective giving it a rate of 4, 20 gave it a rate of 3, 13 respondents rated cash incentive on a rate of 2 whereas the remaining 8 respondents rated cash incentive as least effective given it a rate of 1. With regards to the non-financial incentives, 22 respondents rated it as the most effective, 43 respondents assigned it a rate of 3, 4 respondents assigned it a rate of 2 whereas the remaining 6 respondents rated it as least effective. In addition, considering respondents ratings on employee benefits, it was observed that 24 respondents rated it as the most effective, 25 respondents assigned it a rate of 3, 14 respondents assigned it a rate of 2 whereas the remaining 12 respondents rated it as least effective. Further, a means score of 3.1, 3.08 and 2.8 was observed for cash incentives (SD=1.03), non-financial incentives (SD=0.81) and employee benefits (SD=1.07) respectively. This indicates that incentives generally influence employee retention. However, cash incentive has the highest mean score, therefore, will be an effective program for employee retention. This is why Mathis and Jackson (2003), argued that monetary incentives are important because most employees leave the job for better pay. However, Herzberg supports the preposition that reward systems should provide both financial and non-financial rewards. This is true from the findings because the mean scores for the various incentives are closely related (3.1, 3.08 and 2.8).

### **3.2.5. Research Question 5**

*What strategies can be used to retain employee?*

Authors in [47], have established that “organisations that put in place practices like effective and equitable compensation structure, appropriate promotional scales, an enhance development and training opportunities will motivate their employees to stay. The study conducted a descriptive analysis of employees’ strategies to retain employees. It revealed the significance of incentives packages on employee retention. Among the five incentives, the mean score of “Cash/ bonus incentives is 3.09 and “Free Medical is 3.61 (that is, 3.09 and 3.16 > 3) which means that employees who are provided with these kinds of incentives will make employees stay on the job.

The mean score of “Employee of attendance Award” is 2.25 (that is, 2.25 < 3) which indicate that the employees will not be motivated to stay on the job with that incentive. This also shows that providing “Employee of attendance award” will not be the best strategy for employee retention.

Flexible working hour and Promotion have a mean score of 2.8 and 2.7 respectively. Though these (flexible working hour and Promotion) mean scores are less than three, the nearest whole number is three. This indicates that flexible working hour and promotions can also be used as strategies to retain employees in SMEs. Career development had a mean score of 3.0. As observed by authors in [19], organisations can adopt career development to retain highly talented people. The findings also support [48]. These authors assert that, organisations that provide promotion and career advancement opportunities to individual can make them stick to the organisation.

Further, Herzberg’s theory support career advancement, which he relates to intrinsic aspects of job satisfaction. Career progression is considers as element vital for job satisfaction that can make employees stay on the job. This theory considers money as a hygiene factor, the absence of which can make the employee dissatisfied but its presence cannot make the employee more satisfied in comparison to career progression.

This survey uncovers the same as employees were concern about career development which they believe there were not enough opportunities for career advancement although they do not have problem with their bonus payment.

With the availability of the incentives stated above, SMEs can go a long way to retain most of the employees just as Victor Vroom in his Expectancy Theory had stated, “Humans act to their conscious expectations that a particular behaviour will lead to specific desirable goals”.

An open ended question with regards to respondents’ opinion on which strategies could inform their decision to remain with their SMEs affirmed the present findings. It was observed that majority of the respondents stated cash incentives, free medical care, flexible work schedule, opportunity to further education, training and acquisition of new skills, career development and opportunity for creativity.

### ***3.2.6. Hypothesis Testing***

***Hypothesis-H<sub>1</sub>: there is a relationship between incentive and employee retention.***

**Table 1:** Pearson Correlation Coefficient

Cause of Turnover ( X )		Strategies ( Y )	
Dissatisfaction with bonus payment	2.79	Career Development	3.20
Inflexible working hour	2.68	Flexible working hour	2.83
Lack of work recognition	2.60	Promotion	2.72
No payment of leave days	2.42	Bonus incentives	3.09
Lack of career development	2.62	Employee attendance Award	2.25
Job insecurity	3.09	Free medical service	3.16

**Table 2:** Pearson Correlation Coefficient

$X - M_x$	$Y - M_y$	$(X - M_x)^2$	$(Y - M_y)^2$	$(X - M_x)(Y - M_y)$
0.090	0.325	0.008	0.106	0.029
-0.020	-0.045	0.000	0.002	0.001
-0.100	-0.155	0.010	0.024	0.015
-0.280	0.215	0.078	0.046	-0.060
-0.080	-0.625	0.006	0.391	0.050
0.390	0.285	0.152	0.081	0.111
Mx: 2.700	My: 2.875	Sum: 0.255	Sum: 0.650	Sum: 0.147

**Pearson Correlation Moment Coefficient Calculation**

$$r = \frac{\sum(X - M_x)(Y - M_y)}{\sqrt{(\sum(SS_x))(\sum(SS_y))}}$$

$$r = 0.147 / \sqrt{((0.255) (0.65))} = 0.3599$$

**r = 0.3599**

The table reveals a summary means and standard deviations for the causes (variables X) of turnover in SMEs and the strategies that can be used to improve employee retention in SMEs (variables Y) to test the hypothesis that there is a positive correlation between incentives and employees retention in SMEs. Using the Pearson product moment correlation coefficient formulae, an r values of 0.3599 was observed.

Empirical studies have identified incentives as one of the factors that influence employee retention [40]. Testing the hypothesis it was observed that a positive correlation exist between incentives and employee retention in SMEs (r= 0.3599). Therefore, the null hypothesis is rejected in favour of the working hypothesis. Although the relationship between the variables is weak, with an improvement in the incentive packages and implementing strategic human resource policies, SMEs can significantly boast the retention of its employees. This finding is in congruence with the studies of [49], which observed that incentive programs attract quality employees and organisations that are able offer properly structured incentive programs can attract and retain higher qualify workers than other organisations. Base on general principle of reinforcement incentive theory' employee will increase in her/ his effort to obtain a desired reward.

#### **4. Conclusions**

It is obvious from the study that incentives significantly influence employee retention in SMEs. Therefore, the use of monetary incentive and non-monetary incentives must be considered when planning incentive programs. The study have revealed that incentives such as bonus payment, job security and career training are highly valued by employees; and it must be included in incentive packages when employers are designing incentive packages. Management plays an important role in retaining key employees who are familiar with the working conditions of the business and perform better. In order for SMEs to do a better work in retaining their employees they should understand the factors that motivate employees to stay and to facilitate measures in keeping valuable employees on the job because of the huge cost associated with employee turnover. Psychologist Abraham Maslow stated "people have in common a set of universal needs occurring in order of importance".

#### **5. Recommendations**

The implications of the study shows are that, incentives influence employee retention in SMEs. Therefore, the study makes the following recommendations;

1. Employers should also study the nature of their employees to enable them to know the most effective incentive programs that will help retain their key employees.
2. It is recommended that SMEs should provide attractive and equitable incentive packages that does not only attract employees to the organisation but will also motive them to stay.
3. It is necessary for employers to tell employees exactly why their contribution made them eligible to

receive the incentive.

4. Policies that deal with staff promotion should be implemented in SMEs.
5. Career progression opportunities should be more accessible for employees SMEs.
6. It is necessary to impart timely training to employees at the beginning of assignment, at the time of every new assignment and in accordance with change in the technology.
7. Bonus payment/incentives should be reviewed periodically and any increases should reflect prevailing economic trends.
8. The key respondents during the data collection were mainly the employees of SMEs. This could filter some level of bias in the method and results, therefore, future survey researchers should attempt to incorporate secondary source data in order to provide further insight the role of incentives in employee retention in SMEs.
9. The study recommend that future research be directed towards investigating styles of leadership and the role it play in retaining employees in SMEs.

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