The Impact of Job Retention on Continuous Growth of Engineering and Informational Technology SMEs in South Korea

Chongryol Park\(^1\), Ronald McQuaid\(^1\), Jiwoon Lee\(^2\), Seungjin Kim\(^2\) and Insuk Lee\(^2\),*

\(^1\) Management Work and Organization Division, Stirling Management School, University of Stirling, Scotland FK9 4LA, UK; chongryol.park1@stir.ac.uk (C.P.); Ronald.McQuaid@stir.ac.uk (R.M.)
\(^2\) Department of Business Administration, Sogang University, Seoul 04107, Korea; jwnlee@sogang.ac.kr (J.L.); shalomksj@hanmail.net (S.K.)
* Correspondence: insuklee@sogang.ac.kr

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Abstract: This study aims to explore what factors are critically associated with job retention in Engineering and Information Technology small- and medium-sized enterprises (SMEs) in South Korea, and how employers think about staff retention policy in relation to business growth. This contrasts with previous studies that mainly focus on employee motivation, job retention, and turnover. Qualitative semi-structured interviews were conducted face-to-face with founder Chief Executive Officers (CEOs). The results suggest that an important factor influencing job retention policies of these SMEs was to motivate employees to make greater voluntary effort, including through developing a collaborative organizational culture, rather than solely offering them additional financial rewards or using other Human Resource Management (HRM) practices to improve individual performances. Interviewees believed that job retention and business growth were closely related, and they discussed various ways of eliciting emotional commitment from employees. Unlike research on larger firms, these suggestions did not involve immediate financial rewards. How employers thought that the roles played by employees strongly influenced their firm’s productivity and competitiveness. This study suggests SME employers adjust their retention policy specifically to improve their firm’s survival and long-term growth.

Keywords: retention policy; emotional commitment; job retention and business growth

1. Introduction

Why do employees stay with, or leave, a company and what can an SME do about it? Attracting and retaining talent is a significant employment issue in many organizations. The factors influencing employee turnover and job retention for business growth have been considerably researched e.g., [1–3]. Frequent staff turnover can cause problems such as low performance and organizational instability, and it wastes financial resources. It has been established that job satisfaction, organizational commitment, and turnover intention affect the job retention rate [4,5]. Many ways to improve job satisfaction, and thus influence job retention and employee turnover, have been identified. Psychological factors, performance inducements, and financial rewards have all been used to avoid or reduce frequent employee turnover [6–10].

Using exploratory interviews with SME CEOs, this study aims to investigate the impact of job retention on company growth, from the perspective of SME employers. This differs from much of the research that has focused on employee perspectives towards turnover and inducements for job retention [11–13]. In a study on how rewards, performance, satisfaction, commitment, and motivation impact job retention, Hausknecht, Rodda, and Howard [14] reported that employee views were more
easily accessible than those of employers; employees constituted the main members of the company, and researchers could meet with them more easily than with employers. Although the physical working conditions in smaller companies tend to be inferior to those in larger firms, many people prefer to work in SMEs because there are fewer communication problems, less of a hierarchy, and a more flexible culture [15,16]. In contrast many others prefer working in larger firms due to higher salaries, while others prefer a different set of economic conditions.

Linked to, but distinct from, job retention and employee turnover, employee motivation can also significantly contribute to their organization for several reasons such as rewards, welfare, wages, career improvement, and voluntary motivation. Therefore, CEOs could suppose that their employees will contribute to their business when they attempt to motivate their commitment in various ways. Given the motivation related to job retention, Watkiss [17] stated: “Motivation is the way to drive the person into doing something”. That is, motivation is a way to get employees to contribute to their organizations, as well as not to leave the company. Thus, CEOs may perceive motivation as one of the essential factors in retaining high-performing employees and improving business performance.

To explore views of SME CEOs, this study poses two research questions: To what extent do employers perceive the effects of job retention policies on influencing employee attitudes? And how does job retention influence business growth? This study is not limited to specific factors impacting job retention. Its aim is to determine which factors are most significant in retaining critical employees and thus promoting business growth. Interviews with SME CEOs in the Engineering and Information Technology (IT) industry were conducted to explore employers’ opinions on retention plans related to business growth.

Studying job retention and business growth could help CEOs to better understand SME strategic retention policies. According to survey studies [6,18], SME CEOs in South Korea have used financial rewards as the main methods for inducing job retention and avoiding employee turnover. Moreover, SMEs have a much shorter history than larger firms, and often a relative lack of management policies. Hence, it is helpful to study how CEOs view retention plans in order to identify the essential factors for improving job retention and maintaining business growth. The experiences of entrepreneurs should be considered in their entirety, as their ideas about managing employees and business aims evolve over the course of their tenure, and are influenced by social and business networks whereby information about business is shared [19]. After overcoming initial difficulties, companies’ processes and policies become increasingly formalized and complex in terms of their business practices, network, and the relationships between employers and employees.

The current study focuses on both electronic manufacturing and IT services in order to reflect the aspect of the significant representative industry in South Korea, a representative manufacturing nation in the late stages of industrialization [20]. The issue of job retention strongly affects such human resource-oriented firms where highly skilled labor is particularly important. The next section reviews a broad body of relevant literature. This is followed by a description of the methodology, based on semi-structured interviews with five founder CEOs. The data analysis is then presented and discussed in Section 4. Finally, the results of the study and suggestions for future research are presented in the concluding section.

2. Background Literature

The relationship between employee turnover and job retention is complementary and affects business growth. CEOs often seek to identify the best method of retaining employees, both new employees and experienced staff members, because turnover weakens productivity and performance [21]. Many studies on employee turnover and job retention have focused on the reasons why employees leave and ways to retain them. Hom and Griffeth [22] define “employee turnover” as the voluntary termination of a member from an organization. Loquercio, Hammersley, and Emmens [23] claim that staff turnover is the share of staff members who leave during a given time period. According to Chaminade [24], job retention is the voluntary actions by an organization to
create an environment that engages employees for the long term. Ultimately, the purpose of retention is to identify ways to prevent high-performance workers from leaving the organization, thus preventing loss of productivity and competitiveness [3]. The relationship between employee turnover and job retention may be mediated by various other factors including the alignment of employee needs and company policy.

High rates of employee turnover reduce the resources required for the continuous growth of a business, and CEOs are concerned about replacing lost workers, since the time spent on this could more profitably be invested in the business, and the employee who leaves may take tacit knowledge with them [25]. According to several studies, such as Boles, Ross, and Johnson [26] and MacHatton, Van Dyke, and Steiner [27], turnover rates relate to job satisfaction, motivation, and job performance. Job satisfaction and organizational commitment influence employees’ willingness to stay [14]. Financial reward is a major retention policy, but employers should consider alternatives [28,29]. In addition to earning financial rewards, employees wish to improve their career and skills in order to prepare for their future. The Norwegian government provides guides to employers in order to help them improve job retention among people with mental health issues by enhancing their ability to manage such employees [30]. This study provides evidence that employers recognize that different types of employees require different management styles.

Employee performance is linked to job retention as different abilities vary in their contribution to business. Employers seek to improve employee performance and induce strong performers to stay. Determining the relationship between high-performance employees and employee turnover is an important part of identifying a management solution for improving job retention. A significantly negative relationship between high-performance employees and turnover rates has been found, in which those who are rewarded more for their performance are less likely to want to leave [31]. Additionally, high-tech companies appear to be retaining high performers who are more qualified and expensive. Especially in high-tech companies, R&D expenditures enhance level of employment [32]. Pellegrino, Piva, and Vivarelli [32] similarly emphasize that those policy makers in charge of employment need to consider the importance of R&D incentives for the high-tech industries.

Many studies have investigated the relationship between performance and turnover, while a few have tested moderated relationships [33,34]. Allen and Griffith [35] proposed an integrative model of the performance–turnover relationship, finding decreased turnover intentions owing to job satisfaction caused by reward contingencies for job performance. Employees might chase better conditions through higher performance, and employers might develop alternatives for retaining such employees. The performance–turnover and performance–retention relationships can be understood as complementary. Ways of improving employee performance are discussed below.

Human resource management (HRM) is linked to employee performance and hence affects job retention. The HRM system plays an important role in improving firm performance through diverse supportive programs for employees [36]. To examine the relationship between HRM and job retention, the impacts of other factors such as training programs on job satisfaction and job performance need to be ascertained [37]. Unlike larger firms, SMEs tend to lack HRM programs, and thus SME employees have less opportunity to improve their skills through them. Supportive HR programs increase the likelihood that employees will stay in their jobs, despite the significant gap between smaller and larger companies [11]. Smaller companies are generally more affected by economic recessions than are larger firms, and thus need to develop HRM practices as a protective measure [11]. Smaller firms are less likely to offer their employees HR programs because they lack guidance on how such programs improve employee performance [36]. Furthermore, after the economic world crisis after 2008, investing in innovation has been considered a corporate strategy to maintain a competitive advantage and create employment [38]. In addition to the efforts to improve HRM programs, R&D expenditure can enhance the ability of firms to invest in human resources, along with promoting sustained growth. Following the results of [38], this suggests that smaller companies that are vulnerable to the economic crisis
might grab an opportunity to retain experienced workers with tacit knowledge through investments in innovation.

High-commitment HRM practices increase employees’ willingness to exert additional effort and satisfy customers by facilitating a high level of involvement between employees and employers [39,40]. In such firms, with many different types of programs, individual employees can improve their abilities through HR programs—this is useful, as it is not all employees but the most skillful ones that employers wish to retain. Most employees welcome an opportunity to develop their performance through HR programs [41], and therefore are more likely to want to stay at companies that offer a range of HRM support programs.

HRM practices improve firm performance by fostering a strong organizational climate [36,42]. In research on financial companies in Ireland, HRM practices were found to influence affective commitment, which has a significantly negative relationship with the propensity to leave a job [43]. This suggests that HR programs should not be restricted to improving work skills, but should also be designed to influence people’s feelings in order to induce job retention. Retention policies could be used to identify and retain committed workers in order to maximize firm profits [44]. Initially uncommitted workers could become committed through experience and training; HRM programs thus significantly influence retention. Joo [45] found that organizational commitment mediated employee turnover intention and that 43% of organizational commitment could be explained by the organizational learning culture and leader–member exchanges. Although HRM programs can include knowledge-based training courses, both the firm’s organizational climate and the relationships between managers and employees are highlighted in this study.

Modern industry has become increasingly complicated. The focus of much global industry is on engineering and IT. Knowledgeable workers are thus key resources. HRM programs can develop different types of knowledgeable workers [46]. Since such programs improve job satisfaction and induce the long-term retention of high-performance employees, the discussion of job satisfaction should be linked to the impacts of HRM and job retention.

Job retention is linked to job satisfaction e.g., [47]. Monetary rewards have long been the most popular method of improving job satisfaction across a wide variety of industries. Performance pay, a representative reward, can actually decrease job satisfaction, however, because employees experience the extra effort as stressful, relate it to disutility, and associate it with being monitored by their employers [48]. By contrast, performance pay increases job satisfaction in larger companies, even if monitoring is detrimental to the relationships between managers and employees. Performance pay in small firms is less essential for job retention because the jobs are already transparent [49]. In examining the relationship between job satisfaction and job retention, considering how performance pay is applied in different contexts and according to different standards is useful.

Job satisfaction is subjective. Research has revealed attempted alternatives for solving retention issues, such as focusing on job satisfaction and improving it via rewards, training programs, or firm welfare systems. In many cases, however, none of these is the best solution, due to psychological issues such as attitudes, behaviors, and family relationships. Individual disposition also affects job satisfaction; different people have different attitudes and emotional responses to the same situations and objectives [50].

The workforce helps to secure a firm’s competitive advantage and growth partly by facilitating marketing, financing, sales, and investments. From this perspective, job retention can be a powerful competitive advantage. Studies have revealed that job satisfaction is a significant factor in job retention. In one study, job satisfaction, as reflected in 12 factors, accounted for job retention in 51% of respondents [14]. From the perspective of employees, job satisfaction is the most important criterion for staying at a workplace.

Larger firms have more measures at their disposal for inducing employee retention, such as high wages and sought-after jobs. Motivation is an important way to limit employee turnover in SMEs, justifying further study of this issue. Motivated, committed employees with strong job involvement
benefit organizations by increasing production and decreasing turnover [51]. Motivation is linked to job involvement, which is itself a tool for improving productivity and inducing job retention. In a case study in South African government departments, Mgedezi, Toga, and Mjoli [52] reported a significant relationship between intrinsic motivation, job involvement, and employee retention. Employee motivation improves productivity and motivates renewed efforts to develop abilities. It is, therefore, an important aspect of employee retention.

Motivation is a psychological process involving the arousal, direction, and persistence of voluntary actions [53]. Highly motivated employees are willing to expend high levels of energy to meet organizational goals [54]. Such motivation is strongly related to the intention to stay at a workplace. According to Barnard [55], motivating participants to continue to make significant contributions is one of the most important managerial activities. Playing a significant role in and being committed to a firm can make employees more motivated to stay. In their early stages and in the absence of formal HRM practices, motivation is also a major resource to support the growth of small firms. The employee motivation to contribute to the workplace can be stimulated through social exchange. Gould-Williams [56] argues that positive exchanges lead to enhanced worker attitudes and behaviors, while negative exchanges decrease motivation and increase both stress and the tendency to leave. Employee motivation thus mediates the willingness to work hard as well as the tendency to leave a workplace [57].

Both job satisfaction and the perception of how management influences career development help to predict motivation, while loyalty, burnout, and turnover intent, predict retention [58]. Motivation and retention are highly correlated. Employee motivation differs across firms of different sizes and has diverse antecedents. Employees in small firms have more autonomy than their counterparts in larger companies; small firms offer autonomous or intrinsic motivation, countering their typically weaker financial rewards [59].

Currently, most industries have become increasingly complex knowledge-based environments. Knowledge-intensive organizations such as technology-based companies are characterized by fast changes in products, severe competition, and the need for high-performance employees. The quality of employment relationships significantly affects employee attitudes [60]. This relationship, influenced by the managers’ employment policy, could affect the motivation of committed people. Technology-based industries, such as those in IT, engineering, and artificial intelligence often have to reflect the needs of “knowledge workers”. Such employees are highly mobile and are not highly influenced by job satisfaction or organizational commitment but, rather, demonstrate a high degree of individualism and seek personal development [13].

The main industries in South Korea are heavy engineering, electronics manufacturers, IT companies, and ship and car manufacturers. The average employee turnover rate of SMEs within one year of hiring is over 30.6% and SME employees leave to chase social reputation, higher salary, more prestigious careers, and diverse training programs [61]. In particular, companies in the manufacturing and IT service industries show relatively higher expenditure than other industries in relation to maintaining human resources as indicated in Table 1 [62].

Table 1. Monthly enterprise labor cost in 2018 ((KSIC 2008 (Korean Standard Industrial Classification), Code C (Manufacturer), Code J (Image, Telecommunication, and IT service), Direct cost (Wages), Indirect cost (Recruit, legal fee, and welfare)); (KRW:1000 won).

<table>
<thead>
<tr>
<th>KSIC Classification</th>
<th>Direct Cost</th>
<th>Indirect Cost</th>
</tr>
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<tbody>
<tr>
<td>C</td>
<td>5922</td>
<td>1274.40</td>
</tr>
<tr>
<td>J</td>
<td>5687</td>
<td>1106.50</td>
</tr>
<tr>
<td>The average of the entire industry</td>
<td>5196</td>
<td>1048.90</td>
</tr>
</tbody>
</table>

Source: Adapted by the authors from the report on the Enterprise Labor Cost Survey 2018, South Korea.
Furthermore, in the sector of Information Technology (IT) goods (related to electronics, telecommunications, and IT services), Korea is positioned as a world leader, with extensive broadband infrastructure, and the IT industry accounts for over 10% of value added to the national economy in 2015, which is twice the OECD average [63]. That is, SMEs in the IT sector are part of the mainstream of Korean SMEs, and underpin manufacturing and parts of IT services.

The literature above provides evidence for a close relationship between job satisfaction and job performance. Many companies face job issues, such as job retention, employee turnover, management of high-performance people and HRM practices. The relationships between job satisfaction, HRM practices, employee turnover, job commitment, motivation and job retention are all important. Motivation is fundamental to retaining employees, and many job issues are essentially derived from motivation. This factor is psychological in nature, and it is necessary to consider a wide range of other relevant factors, such as family, communication, career and individual perspectives on business. Figure 1 shows a broad outline of the relations between relevant factors influencing employees’ behavior.

The aim of many previous studies has been to identify alternatives and suggestions based on the huge amount of data related to employee views. Job retention studies tend to focus on the perspective of employees and on factors related to job retention or employee turnover. In a different approach, this study examines the relationship between job retention and company growth from the perspective of employers, specifically founder CEOs. The current research also reflects industrial sectors where South Korea has strong competitiveness; in the engineering manufacturing and IT service.

3. Research Methodology

This study examines SME CEOs’ experiences in order to explore their views on factors influencing job retention and the impact of job retention on continuous business growth. A constructivist research philosophy was applied to consider a diverse and wide range views in the discussion and analysis of relevant business relationships.

4. Research Philosophy

A case study approach was chosen to answer the study’s research questions because, as the subjective views of SME CEOs about the impact of job retention on company growth were sought, a window into their thinking was required. “Constructivism” is an umbrella term for a wide range of views and methods [64]. According to Chell [65], constructivism reveals the methods that individuals use to interpret society, representing how language guides the cognition of reality by framing, filtering, and creating, while changing the subjective into the interpretable. This approach encourages collaboration between researcher and participants, allowing participants to tell their stories [66]. Through those stories, participants can represent their thoughts about reality, helping researchers to better understand their behaviors [67].
5. Data Sources

The criteria for sampling the companies was that they had been in operation for at least ten years, in order to see the impact of long-term high-performing employees for the growth of companies. The samples are involved in industries of electronic manufacturing and IT service as identified through the KSIC code. Eight firms were contacted by email via the authors’ networks, and five company CEOs and owners (all of them were also founders of their companies) agreed to participate in this study. Both industries have become major components of the national industrial sector. Engineering is a basic infrastructure industry and informational technology is a high-growth, cutting-edge technology industry in which South Korea is one of the world leaders. SMEs are crucial to the industrial sector. Data derived from technology-based firms that are also SMEs are thus essential for the research topic. These five companies under study were all founded in the capital, Seoul. Company A is a security software company focusing on business-to-business (B-to-B) services and employing more than 80 people. Company B is a precision engineering company based on the B-to-B model founded in the 1990s. It employs 146 people and has several offices in South Korea. Company C develops landscape lighting systems and exports them to customers, mainly abroad. Over 90 people work there, two of whom have been working there since it was founded. Company D is a compressor manufacturing company with 22 employees. This company focuses on export sales and B-to-B marketing. Company E develops document security programs for public institutes and larger companies; it employs approximately 200 people, 20 of whom have worked there for over 10 years.

6. Data Collection and Analysis

Semi-structured interviews were conducted with the SME CEOs to explore their opinions on job retention and business growth. Interactive interviews would be expected to yield a broad understanding of diverse cases, as it is a more natural, less structured data collection tool [68].

Semi-structured interviews involve data collection and analysis. The interview guide for this study included several main questions posed to each interviewee, as well as prompts that could be explored depending on the individual interview process. The nature of the research was explained prior to each interview. The research aim and plans were shared with the participants. Interview data were stored on a computer and were password-protected. Each interview was transcribed prior to data analysis. Merriam [69] argues that the case study analysis is best conducted simultaneously with data collection, emphasizing the “interactive nature of data collection, analysis, and reporting” (p. 153). The interview data were transcribed into Korean, and the analysis was conducted on these transcripts via reading, rereading, eliciting codes and themes, and categorizing. Formal approval was given by the first author’s university ethics committee.

7. Authenticity

To achieve authenticity in the context of constructivism, the concepts of “fairness” and “authenticity”, as suggested by Lincoln and Guba [70], were applied. Fairness requires that distinctive constructions be reflected in the study. Participants were SME CEOs, all with similar concerns related to job retention and employee turnover and thus with relevant, informed views on the SME job market.

Authenticity criteria can be categorized according to four concepts: ontological authenticity, educative authenticity, catalytic authenticity, and tactical authenticity [71]. To achieve ontological authenticity, it is necessary to focus on improved, matured, expanded, and elaborated participant constructions. This study’s data are comprised of the individual perspectives of SME CEOs, which constitute diverse views of different types of companies. The data could thus reflect the specific histories of individual companies. Ensuring educative authenticity involves understanding the research subject from the perspective of others [71]. In this study, most of the CEOs had similar concerns about a lack of suitable employees. It is hoped that this study will help to resolve this problem by analyzing the opinions of the interviewees. Catalytic authenticity can be assessed by examining whether the
inquiry process stimulates action on the part of stakeholders [72]. This study could motivate company owners and entrepreneurs to enhance their firms’ growth, which would meet the criteria for catalytic authenticity. Tactical authenticity is assessed by examining whether power was redistributed among stakeholders [72]. Although the views of employers were sought here, the data might also indirectly elucidate employee thinking. The opinions expressed on job issues might clarify the perspectives of both employers and employees. They could also indicate how business stakeholders develop management attitudes. Patton [73] emphasized the importance of praxis (the integration of theory and practice) and of dialogue among various perspectives, as constructivist paradigms encompass a wide variety of views. In this study, the views of SME CEOs could serve as resources with which to develop theory and address both job retention and business growth in diverse industries.

8. Findings

The literature review suggests that the factors influencing job retention are closely related. Job satisfaction influences job performance, job retention, and motivation. In this section, factors related to employee retention are discussed in terms of the roles played by long-term employees, the influence of employee turnover, CEOs’ methods of retaining people, and effective job retention policy for the growth of the business. These complicated relationships are illustrated in the conceptual framework shown in Figure 2.

The data in this study reflect CEOs’ opinions over a long period of business history (over 10 years), both in the engineering and IT industries. This research using five company cases might thus be considered a holistic single-case study [74]. In this section, key quotations from the interview data are used to reflect important propositions emerging from the data. The main interview questions focused on specific subjects as follows: the contribution of high-performing employees to growth; the effect of employee turnover on growth; and how employee turnover can be changed through company policies.

The first group of responses explored the question: “To what extent do employers perceive that applying various job retention policies has influenced employee attitudes?” The responses reveal that the CEOs believed that the loyalty, involvement, and commitment of employees depend to a large extent upon the management policy of the CEOs and managers. They used various measures to retain long-term employees because they consider them significant to business growth. They also aimed to minimize the influence of employee turnover and find ways to retain senior, experienced staff members.

8.1. Role of Long-Term Employees

It is apparent that long-term employees contribute significantly to the growth of a business [4,26,73]. Participants were asked how many people had worked for them since they set up their company and what their roles were. Many CEOs called their company “our company”; Koreans habitually use “our” in reference to their family, company, and society.
Many SMEs set up their business with a few friends or colleagues, who tend to run their business together. They sometimes share ownership and sometimes conflict due to advocating for different business models. Working together continuously, they could become close partners and play crucial roles in the growth of the business. Although some people lack relevant ability or can cause difficulties, others might become indispensable to the organizational culture. The CEO of Company A said the following about his friend, a founding member. Although the friend did not own company shares, the CEO thought of him as his partner:

“My colleague set up my company with me twelve years ago and we have been working together so far. Furthermore, he plays a significant role in marketing for [the] sale of goods and managing people.” (Company A)

Long-term employees play an important role and can contribute to the organizational culture as senior members. These are important jobs, as people tend to follow the organizational culture and feel an individual obligation to their company. An example from Company B illustrates this phenomenon:

“Our company has 25 years of history, and one of the three beginners is still working with me, and 26 people out of the whole staff have been working for over ten years together. Their roles are very important because they are leaders of each part. Those are very valuable roles to the growth of the business.” (Company B)

It is crucial that many long-term workers work together because most growing companies require senior or experienced staff as group leaders. Company C reflects this well:

“I set up my business to enhance my career and two of four workers have been coming together so far since I set up my business. Ten main workers, who have been working over ten years so far, are changing their roles periodically in order to share with each other all the information in the company.” (Company C)

The reason the owners founded their own business is also an important factor in how they manage employees. The owner of Company D founded the company and developed a retention policy in order to manage long-term workers based on their roles.

“I started my business 12 years ago because I worried about the stability of my own job. Six people on the staff have been working with me so far and they play an important role as leaders in each division. Their positions are not decided depending on [their] working period [with the company] but on their ability. They feel satisfaction with this standard.” (Company D)

Generally, owners want to work with initial employees because they build an understanding with one another about the aims of the business. Co-founders might leave the company for several reasons, including studying or working, rendering long-term workers more important than before:

“I founded my company with my university friends, but they went away at the beginning of business, and there are ten people who have been working for over ten years. They are satisfied with their job conditions and contribute to the growth of the business in each position, even if their positions are not higher than a few short-period workers. Long-term workers of over ten years contribute as team leaders mainly.” (Company E)

A few employees in these companies had been working there continuously for over 10 years and played important roles. Their positions depended upon their ability and performance, not their period of employment. CEOs thus considered individual ability important in deciding their employees’ position. Most long-term workers were team-leaders or group managers because they performed well. It is plausible that low performers have difficulty staying at a job for the long term. High performance long-term workers have contributed significantly to the growth of the businesses and communicate effectively with one another about issues relevant to company business.
8.2. Influence of Employee Turnover

Whether employees leave or stay depends partly upon the CEO’s support and acknowledgement of their contribution to the company [29,43,75]. The CEO of Company A supported employees by providing paid time off to study, “I am supporting the employees’ individual development by permitting them to use their private time in order to study at educational institutes during the day time with salary.” He considers this support critical for retaining important people because this is an effective way to show that the company cares for their employees. According to Lai, Saridakis, Blackburn and Johnstone [11], employees in small firms feel the need for educational support in order to develop their performance and encourage them to stay. People might leave a company that lacks appropriate individual development programs but stay when supported by diverse HRM practices.

The interviews with the CEOs of Companies B and D confirmed that returning employees contribute to business growth. People leave their workplaces and then return for several reasons, conditional on the permission of the CEO, the opinion of managers, and the business circumstances. Two CEOs permitted the reemployment of people who left, and felt this was positive for their organizations because the returnees influenced the intentions of new employees:

“I got a promise from the returned people that they will stay with the company continuously, and they contributed by working hard. At the same time, they advised others from their experience that there are no benefits outside and that this company is the best choice for them.” (Company B)

“One of my colleagues returned to my company after leaving for several years, and he has been working as a manager with me ever since. He knows everything about the company and contributes to the growth of the business.” (Company D)

In terms of the effect of employee turnover, the CEO of Company C reported that some people who leave exaggerate their abilities and leave again because they were not well-suited to their new jobs. The CEO says that some employees believe that their performance is higher than it really is. This is another reason employees leave, but it is not the best choice for the future for either the company or the individual:

“When a senior employee left, colleagues would feel embarrassment, and I also felt upset because I tried many ways to retain them. But, after all, their choice was wrong, and then they leave again because they do not know about their real performance and they tend to estimate their ability to be higher than the real level.” (Company C)

The next group of responses explored the question: “How does job retention influence business growth?” CEOs seek an effective job retention policy in order to grow the business because they recognized the importance of human resources, but also considered having a collaborative organizational culture as crucial to stimulating business performance.

8.3. How CEOs Approach Retaining Employees

Financial rewards are useful for attracting people, but they do not represent the only solution [51,59,76]. The interviewed CEOs reported a preoccupation with how to attract high-performance employees to their company. They described several measures for avoiding continuously having to change their retention policy. The respondent from Company E said that the best measure is rewarding employees before they have finished their work. This means that there are no conditions attached, only encouragement designed to motivate them to work hard voluntarily. This policy could have negative results, such as lazy employees demanding too much and not delivering according to their ability. It could also instill unconditional loyalty and improve productivity. The CEO of Company E said, “I think that employees want to hear praise for their work regardless of the importance of their jobs.” This company has a system whereby rewards and praise are granted on an
ongoing basis. This method is highly effective in retaining people: The firm’s employee turnover rate is under 10%.

This supports continuous business growth because financial rewards could accrue through business profits via expanding sales volumes. Most of the sample companies had a similar business growth pattern over the last decade. Company A applies Key Performance Indicators (KPIs) to verify people’s abilities and offer them their positions. This process was first used after the size of the company had increased. The CEO used this management method to retain and employ high-performance people, but also stressed that it allowed decisions to be made fairly:

“Tj used KPI’s to verify individual performance and to reward people for their jobs. From this process, people saw fairness in the decisions on rewards for them. I think this is a very important thing to attract and retain people.” (Company A)

Some high-performance people tend to leave when a company is not growing fast enough. The CEO of Company E thus made an effort to grow the company and share the benefits with employees in order to retain them:

“High-performance people tend to leave when the company does not show a vision of growth, but low-performance employees leave when they do not receive many rewards compared to others.” (Company E)

The CEOs try to contact employees whenever they have spare time and are aware of how important communication is to fostering good relationships with firm members. An owner of Company D said that communicating with employees to inform them about the aim of the business is more important for aligning views about business targets than financial rewards are. Although Company D has a reward system for employees under which benefits are shared annually, he believes that acquiring emotional commitment from employees is more important:

“I use a reward system annually depending on the growth of business, but I think that a more effective method than financial rewards to attract them is communicating with each other in order to inform them of the target and purpose of business.” (Company D)

Business growth could support financial rewards and allow opportunities to communicate to clarify business targets. It is possible to attract and retain people through both financial rewards and communication. By contrast, Company C has a backup employee for each job; this flexible job system gives people the chance to gain different job experiences while also enabling continuous management with less risk of employee turnover. Most businesses share the same purpose: business growth. From this point of view, this backup employee system could suit many growing companies. Expanding net jobs and retaining employees could be related to business growth:

“I am driving the system of backup employees in order to avoid job vacancies. Employee turnover happens. In addition, then, I can manage my business stably and employ more people.” (Company C)

People might feel that the condition of job retention is the basic condition for growing the business, and that growing the business should take priority over job retention. In terms of the CEO management perception, this ordering could change depending on the business circumstances.

8.4. Effective Job Retention Policy

The proposition in the literature that CEOs prefer to offer psychological inducements with various physical rewards to retain people should be addressed [13,59]. Management could be maintained by communicating with workers, and the company’s growth could be driven by effectively using human resource policies for their staff. Although small businesses have difficulty supporting diverse HRM practices [36], some companies with supportive HRM programs (e.g., Companies B and E) have
used HRM practices as a retention measure because the employees wanted to continuously improve their skills. The CEO of Company B also awards annual proficiency shares depending on the business contribution of each employee in order to encourage people to contribute to the company. Company E has various welfare systems, including annual staff trips, periodic communication with CEOs, and frequent small rewards for high performers:

“Our company has difficulty using HR practices, but we are subsidizing tuition fees to study at private institutes in order to improve individual abilities.” (Company B)

“We are giving periodic rewards to employees twice a year and offering a trip abroad for all employees every year.” (Company E)

Both companies have distinct methods of retaining people, although they are small and are in poor financial condition compared to larger companies that can support more significant welfare and support systems. However, they said that it is important to share their business purpose, values, and solid relationships with their staff. The owner of Company B stated that trustworthiness among staff is crucial for retaining people and growing the business. The CEO of Company E stressed that frequently praising the job performance of employees was essential for enhancing job satisfaction and improving productivity. Good relationships among members thus improve job retention and business growth simultaneously.

Sharing intrinsic information transparently among the members of the company is a basic tenet, and was identified by several CEOs. The owner of Company C reported that financial rewards are the best method by which CEOs can acknowledge employees’ work and communicate with them in order to share a vision of the business and secure their commitment. This means that offering financial rewards is not a perfect solution for managing employees and that it is necessary to apply other psychological measures to attract members. The important element is sharing company information and assuring employees that the CEOs are their colleagues and that the company is growing because of their contributions. According to the CEO of Company A, “teamwork is the best solution for retaining people and growing the company continuously.” To ensure successful teamwork, he suggested diverse methods, such as periodic face-to-face meetings with CEOs and supporting community activities. This allows the company to understand employee complaints and enables the CEO to suggest solutions tailored to each case, while supporting employees with annual financial rewards.

A positive organizational culture is required for establishing good relationships and commitment among employees; this appeared to be the most important factor in continuous business growth. Company D emphasized the importance of communication among members because understanding people is the starting point of doing business. According to the CEO of Company D, sharing the aim of the business and its benefits simultaneously was important for continuous growth. He strongly stressed that, unlike in larger firms, the power of a small company is based on the concept of “one team”.

9. Discussion

This study explored the views of CEOs on retaining staff—especially high-performance people, since the overall retention policy of each company is to improve productivity and growth by retaining the best employees. SMEs are especially concerned with the job retention issue, as their workforces are small with employees crucial to SMEs playing many important roles, and their individual productivity levels are more transparent than those of employees in larger firms. Increasing the duration of job retention improves productivity more than implementing workforce scheduling or creating business processes for ongoing quality monitoring [77].

9.1. Duration of Job Retention

The impact of job retention duration on businesses manifests itself in several ways, such as reduced errors, reduced stress in managing people and increased productivity [77]. The CEOs in this study
all reported that stable employment can improve productivity, reflecting on their extensive business experience. Long-term employees can play significant roles in the company because they know what they must do for the business due to their diverse experiences gained over a long time. The experiences of senior members are based on tacit knowledge and could lead to the establishment of affect-based trust with new members via communication with them [78]. Sharing tacit knowledge with members is made possible through long periods of remaining in the job. The CEOs of Companies A and B reported that long-term employees had been working as team leaders in each division of the company and also that they could create supportive organizational cultures, fostering high productivity and continuous business growth. The relationship between retaining high-performance people and employee turnover is negative, and the duration of job retention contributes to improved working conditions [31].

Most CEOs believe that long-term employees know about the business’s goals much better than new employees. However, their positions were not the same in terms of the period of job retention because their performances did not have a linear relationship with job retention duration: the CEOs said that the duration of job retention did not always match performance. According to Lee and Maurer [46], it is necessary to adopt a different set of HRM practices for different types of workers. Indeed, CEOs offered different levels of training to lower performers and higher performers. The CEOs of Companies A and E described their diverse educational programs for improving productivity as ones that could be customized.

Long-term employees help shape organizational cultures and foster employee motivation because they are acquainted with the firm’s business priorities, processes and circumstances. Their contributions can thus induce a motivation to stay and loyalty to the organization. Financial rewards are also effective, but the most significant factor in sustaining a competitive advantage is the organizational culture [79]. Members of Company C can talk with each other in corporate community groups related to their jobs. The chairpersons of these communities are team leaders who have worked at the company for over 10 years. Using measures from community activities to frequent discussions, the CEO of Company C focused on creating a healthy culture and improving employee commitment, involvement, and loyalty. This is not a financial contribution, but it leads employees to coordinate as a group or a team on behalf of the growth and development of the company.

Although some researchers have stated that a certain level of staff turnover should be encouraged in order to maintain “young” thinking and creative ideas by employing new employees [23], this is not suited to high-growth firms such as the SMEs interviewed because they continuously create new net jobs and hence an influx of new staff and ideas anyway, unlike firms that maintain a steady state. Long-term employees influence different organizations differently depending upon the business conditions, such as the business volume and style (e.g., whether the business’ focus is on Business-to-Business or Business-to-Customer). Moreover, the sample companies could be classified as cutting-edge technology firms, and the competitiveness of such firms is determined to a large extent by how many experienced, skilled employees they have. All the sample companies are B-to-B firms; hence, their marketing process is simpler than that of B-to-C firms. They thus represent a specific case, where it is possible to confirm the characteristics of B-to-B companies in terms of the roles of long-term employees. Ultimately, the importance of job retention duration is influenced by the industry circumstances and business division.

9.2. Company Growth

Business growth is closely related to employee performance, which is influenced by the retention of high-performance people. The CEO of Company B said, “people are willing to stay at my company due to the growth of the business and the welfare system.” This can be explained as an adjacent relationship between intention to stay and business growth. It is possible to award fringe benefits to employees based on the growth of the company because the financial conditions needed to provide the rewards arise from the benefits the employees offer the firm.
Therefore, the CEOs listed the priorities as: sales figures, employee job satisfaction, job retention, and development of employee performance. Although the priorities were determined according to the conditions and business environment of each company, most interviewees said that sharing benefits with members was important for employee motivation. This means that robust companies can start with the contribution of employees, increasing the probability of continuous growth. To improve employee performance, it is necessary to balance employee efforts and job performance with their pay [80]. From this perspective, the CEOs used measures such as KPI’s, managerial standards, and periodic monitoring to assess people’s abilities and reward good performance.

The CEOs in this study generally argued that they tried to understand their employees’ concerns and made an effort to communicate with them frequently. Many researchers [58,59,81] have concluded that employees are motivated to contribute significantly to their organizations when they feel responsibility toward and derive meaningful experiences from their jobs. Company E has a management system for organizing employee roles that involves communicating with the CEOs: if someone wants to change their position or leave because they are unsatisfied with their job, the CEO discusses this with them and adjusts their position. The CEOs said that finding the job best suited to each employee is the best way to retain people and improve growth because people make an effort to repay the kindness of the CEOs.

Such a method always requires adaptation, as the job characteristics of each company differ depending upon its business focus, such as marketing, research, or retail. Effective retention policies to support the continuous growth of a company can be discussed in terms of these characteristics. In terms of job retention duration, different patterns are characteristic of different divisions or functions. The duration influences both productivity and competitiveness, and motivates employees to stay, depending on the job characteristics:

“I am considering methods for managing people differently depending on if they are in the marketing division or research division because they have different prospects. I think that suggesting a vision for them is quite important to encouraging their commitment.”

(Company E)

Sharing business purposes and suggesting visions could motivate high performers to contribute to the company. Finding appropriate positions for employees could be a significant factor in business growth as CEOs maximize employees’ performance. In contrast to the opinions of the interviewees, other research suggests that employees are influenced by HRM practices and performance pay [11,48]. The current exploratory research on five companies found that sharing business purposes is a very effective factor in business growth. Frequent communication with members promotes motivation, thereby improving job retention. Job retention of high performers appears more closely related to company growth. Although employees could stay for other reasons such as economic benefits, willingness to get pursue a dream, or simply to maintain their job, those reasons imply rather individual motivations. Furthermore, the condition of the external economy could operate as a factor impeding growth even though the company has a history of stable job retention. Nevertheless, the retention of high-performing people could help the company to survive at present, as well as to grow in the future.

The South Korean government operates many policies aimed at enhancing SME competitiveness in the market. Of those policies, job retention within SMEs is a critical issue linked to maintaining the overall employment rate, as well as reducing unemployment (assuming that it does not endanger long-term company survival or growth). Therefore, supporting companies should be a concern for both individual company policy and public policies. In the case of employers, it might be helpful for them to emphasize the sharing of wider business purposes with employees and to have the chance to talk with them and understand their individual views. In terms of public support, it would be useful for businesses if governments or public institutions supported indirect methods, such as tax rewards and educational programs, that encourage retaining people with their current employer. Although these suggestions are not simple, it is necessary to reassess methods continuously.
10. Conclusions

The aim of this study was to explore the relationship between job retention and business growth in order to shed light on potential policies to support the continuous growth of SMEs. Information technology and engineering SMEs, basic modern industries in South Korea, were used as case studies to investigate how employers’ retention policies sought to influence employee retention in their organizations. Much of the literature on employee retention has been conducted from the perspective of employees, focusing on their willingness to leave or stay. However, this study focused on the views of CEOs, who had also founded their company, because they are the decision-makers who can change retention policies.

In answer to research question 1, on how CEOs view retention policies and their influence on employee attitudes, they focused on the importance of long-term, high-performance employees, as they are crucial to the creation of a collaborative organizational culture and foster commitment. Some long-term employees had been working together since the foundation of the companies, while other high-performance people had often worked for over 10 years. Both groups contributed as team leaders who mediated between CEOs and employees. They helped make the organizations stable and gave the CEOs feedback—someone to discuss with when deciding on business directions. This supported the company to grow, which enabled the CEOs to share the benefits of firm outcomes with staff based on performance assessments. The CEOs used various retention policies, such as role flexibility (Company C), periodic fringe benefits (Company E), annual rewards based on assessments (Companies B and D), and welfare systems (all companies). As was found in previous studies on how HRM affects job retention [11,82] and monetary rewards [48,49], the CEOs believed that supporting diverse retention policies was important for a stable employment environment and for supporting employees.

The responses to research question 2, how business growth relates to job retention, elucidated examples on how job retention contributes to company growth. CEOs thought that motivation is positively associated with job retention of high-performing people, and hence, their long-term working significantly influenced the growth of the firms. For the CEOs, sharing information about business purposes with employees was an important factor in motivation, more so than financial rewards. Their opinions differed somewhat from those found in previous studies that identified financial rewards, such as high salaries and fringe benefits, as significant factors in retention. However, these CEOs could see the impact of incentives from their lengthy management experience. In contrast to the financial perspectives mentioned above, Ramllall [57] noted the importance of motivation to work hard for a company. This is consistent with what the interviewees claimed—that one ultimate purpose of inducing motivation is business growth and that the effects of motivation include stable job retention and greater employee contribution to the company. Therefore, the CEOs felt that long-term job retention, especially of high-performance staff, is closely related to business growth.

10.1. Limitations

Guest [83] presented evidence on the association between HRM practices and various measures of organizational performance, which is closely related to business growth, but the current paper did not measure business growth explicitly, but depended on subjective CEO views (although other data showed that all firms had grown in output and employment terms over the last 10 years). The interviews offered evidence of the association between job retention and business growth, but no objective measures were used, such as outcome volumes or number of employees. Moreover, the sample companies were restricted to engineering and IT firms, as those industries have a significant role in growth in the modern economy, especially in South Korea. Only five companies were included, and a larger study might elicit more nuanced and varied findings. The aim of this study was to examine specific cases of modern industries in South Korea, focusing on self-identified Business-to-Business-based firms, so Business-to-Consumer firms were excluded. Although the sample is small and specific, the findings provide some indicative evidence on the factors that impact employee retention and business growth.
The research was restricted to CEOs and it would be useful to compare the views of other employees. The main purpose of exploratory research is to lay the groundwork for future studies focusing on prediction and confirmation [84,85].

10.2. Reflections and Future Research

Many different cases, including those with more diverse job characteristics and measurements for verifying the evidence of the relationship between job retention and business growth, could be used in future research. The interviews indicated that additional issues, such as returning employees, both negatively and positively affected organizations. Some CEOs discussed their concerns about exchanging employee positions within the firm, based on the willingness of employees, although they said that circulating employees across multiple positions was useful for enhancing their understanding and coordinating as a team. Furthermore, although SMEs had stable employment, they could have difficulties in achieving growth by the firm due to the external business environment, which cannot be controlled by CEOs. These issues were not the focus of the study but do constitute important business concerns, related as they are to job stability. Using diverse business types and larger samples in future studies on the relationships between job retention and business growth would assist in developing more effective policies for fostering company growth.

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