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Good practice staff retention strategies of small businesses in Western Australia

A research paper for the Business Growth Centre

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Executive summary

This report shows that the good practice strategies to retain staff collectively used by a sample of small business employers in Western Australia exceed the range of good practice strategies recommended in the literature.

The report provides descriptions of those retention strategies and the checklist of over fifty practical strategies set out in section five will be of interest to all employers in small business in the State and beyond.

Good practice is taken to mean a technique, method, process, activity, incentive or reward that is believed to be more effective at delivering a particular outcome than any other technique, method or process (from Wikipedia).

1. Background to the Business Growth Centre and the researchers

The Business Growth Centre (BGC) began in 2008 as a Western Australia State Government initiative to assist the success of small businesses. The BGC aim's to offer affordable, accessible advice, training and mentoring to all small business owners and operators. The BGC understands that different businesses have different requirements, and the diverse team of consultants, advisors and trainers offer support and understanding to all the small businesses of Western Australia.

The BGC engaged John Mitchell & Associates to undertake this study of retention strategies. John Mitchell & Associates prepared the 2007 report for the Western Australia Government: *Overcoming "I'm too busy": An audit of small business training in Western Australia*. The two researchers for the 2010 study were Dr John Mitchell, lead researcher, and Graeme Dobbs, senior researcher.

2. Statement of research aim

The aim of this exploratory research is to investigate staff retention strategies employed by small business in Western Australia. The study directly addresses the following questions:

1. What do small business staff want from their employer?
2. What strategies are currently being employed by small business to retain staff?
3. What strategies are small business owner/operators considering in the future to retain staff?
4. If small business staff state 'employer funded training/staff development' as a strategy to retain staff, how do the staff want it access said training/professional development?
5. What other strategies are small business considering to fill skill shortages (e.g. business visa, skilled migration etc.)?

3. Description of research methodology

The researchers used a qualitative methodology which enabled them to take into account the small business, industry and community contexts of the small business owners, to identify their individual experiences and to capture the multiple meanings of those experiences (following Creswell 2003, p.18). Their data collection methods included an examination of the literature and relevant government documentation, interviews with a sample of fifteen small business employers from around the State, as listed in the Appendix, and the preparation of a case study, key findings and recommendations.

4. Key findings

The performance of a small business is largely dependent of the quality of the people in the business. Hence, staff retention strategies are therefore critical in small business. Not only do these strategies reduce the direct costs that accrue with the loss of valuable staff, retention strategies also avoid the associated loss in productivity, loss of corporate knowledge and inevitably some disruption to the workplace. Additionally, staff retention strategies avoid other negatives arising from the loss of staff such as the potential loss of customers, a possible transfer of knowledge to competitors and a potentially negative impact on an organisation's reputation.

Staff retention in small business takes on a particularly critical dimension in Western Australia where major resource and infrastructure projects are placing high demands on labour and skills – and exerting significant pressures on other industries.

4.1 Factors influencing retention (section one)

There is a remarkable level of consistency in the literature about the workplace related factors that influence individual retention decisions. Overall the factors are well summarised by Hall (2005) reporting on the results of a major international study involving eight hundred respondents from over 100 firms which documented the following hierarchy of factors:

- quality of relationship with supervisor or manager
- ability to balance work and home life
- amount of meaningful work
- level of cooperation with co-workers
- level of trust in the workplace
- quality of compensation package
- opportunities for growth and advancement
- clear understanding of the work objectives
- link between pay and individual contributions.

There is recognition in the literature that there will be a range of strategies needed to address these factors and that the strategies should form part of a managed approach to retention. This managed approach needs to recognise the individual circumstances of the organisation and its employees.

4.2 Good practice retention strategies identified in the literature (section two)

Good practice retention strategies identified in the literature provided a framework understanding the strategies used by the sample of WA employers interviewed for this study. These good practice strategies from the literature are summarised as follows:

1. Linking recruitment to peaks and troughs
2. Targeted recruitment practices
3. Aptitude testing
4. Recruitment practices
5. Induction programs
6. Initial support / mentoring
7. Job design – challenging and responsible work with clear expectations and achievable goals
8. Utilising the full range of the employee's talents and skills
9. Delegated responsibility
10. Empowering employees to contribute to key decisions
11. Leadership, supervision and management styles that foster a positive employee/employer relationships

12. Supportive performance management processes
13. A perception of fairness and equitable treatment across the organisation
14. Stress / workload management processes
15. Working environment
16. Pay and pay related factors
17. Recognition, rewards and appreciation
18. Employer funded 'on-the-job' training/staff development
19. Employer funded 'off-the-job' training/staff development
20. Career paths
21. Coaching / mentoring schemes
22. Encourage 'higher duties' (temporary promotion) and other development opportunities

4.3 Retention strategies of small business employers in WA (section three)

All twenty two of the above strategies and more are collectively modeled by the group of fifteen employers interviewed for this study. Summary comments on their strategies now follow.

4.3.1 Strategies to meet expectations of staff

Issues such as security of employment, good working conditions and workplace relations were mentioned frequently by the employers interviewed, as the major expectations of employees.

Employers felt that employees were looking for an employer who could provide a sense of direction in the business, a job that had variety and challenges, the training and support to build their skills and their career and some appreciation – not just monetary – and recognition of the contribution they were making to the business.

It was notable that salary and pay rates were not always the most important expectation of employees. More commonly employees wanted a combination of benefits.

4.3.2 Current retention strategies of small business employers

Small business employers were generally aware of the issues associated with retention of staff and even employers who indicated that they had no particular problem were implementing strategies to assist retention.

Almost all employers interviewed confirmed the outcomes of the literature review in that they considered the most effective strategy for retention was to get the recruitment process right and get the right person for the job.

Overall employers were using a range of strategies and these varied according to the nature of the business. Flexible working hours and systems that enable employees to manage their work/life balance were common.

Some employers were using different mechanisms for involving employees in the decision making processes and contributing ideas within the business – to build a better understanding of and commitment to the business.

Although training was often mentioned as an important strategy for retention, it was generally in-house and job-specific training.

Most employers were attempting to offer salaries at the middle or towards the higher end of the range for their industry but were conscious they could not compete on salary with big multinational companies – particularly with the resource companies.

4.3.3 Future retention strategies

A number of employers indicated that they were doing as much as they could to retain staff, within the limits of what was financially viable in their business.

Future retention strategies were usually linked to more flexible working conditions and incentives such as increased leave or paid holidays.

Some employers were using, or were considering using, reward systems that encouraged an increase in individual and team performance. These systems were designed to assist employees who were not performing quite as well as their peers and assist the development of their skills and experience.

4.3.4 Training and staff development strategies

The majority of respondents focused on in-house training issues. Those who indicated interest in off-the-job training were more than happy to meet the costs – and to provide time and support in the workplace if the training was delivered online.

Most staff and employers prefer face to face training, preferably in the local area, and ideally at work.

4.3.5 Other strategies to address skill shortages

A number of employers had considered and even initiated processes for recruiting staff from overseas using the 457 Visa arrangements. In all cases the administrative and financial requirements of the 457 process ended up being more significant than anticipated and in the end few of the employers actually recruited through this process.

Several employers had used interstate advertising and networking to attract employees.

4.3.6 A case study of good practice (section four)

A case study of a furniture manufacturer complements the collection of ideas from the fifteen interviewees for this study, as set out in section three. The case study provides insights into just one employer and the strategies he uses to retain staff.

The case study provides an integrated understanding of the current and future retention strategies of one employer, in a specific context. The case study also shows that the strategies of this one employer are aligned not only with the range of strategies used by his peers, as summarised in the section three, but also are aligned with many of the good practice strategies identified in the literature in section two.

The case study reinforces the point that good practice small business employers in Western Australia use a wide range of retention strategies that are customised to suit their industry context and their unique business and staff cohort.

4.3.7 A checklist of good practice retention strategies (section five)

Section five of the report provides an easy to read checklist of the strategies that small business employers in WA use to retain staff. For good practice employers as interviewed for this study, retention starts indirectly but critically with attracting and selecting the right person. Retention strategies are needed continually: for example, some employers like to have harmonious relationships with employees who leave the organisation as they may well end up returning.

5. RECOMMENDATIONS

It is recommended to the Business Growth Centre that:

1. **Awareness raising about current good practice strategies.** This report be disseminated widely and, ideally, work-shopped with small business employers and groups around Western Australia to encourage employers to become aware of the retention strategies they currently use, comparing their current strategies with the checklist of 52 strategies provided in section five of the report.
2. **Development of future strategies.** It is further recommended that, in those public workshops or discussions, small business employers compare the retention strategies set out in this report with their own expected future strategies, to encourage employers to review and refresh their approaches to retention.
3. **Multiple learning opportunities.** It is recommended that small business employers be encouraged to examine in more depth the advantages of informal, non-formal and formal learning, and off the job and on the job learning, and how these different types of learning can be undertaken and supported.
4. **Flexible training services.** It is recommended that the report be distributed to training providers, including those suppliers who deliver in-house training on their products, to encourage trainers to be more flexible about how and where they deliver training for small business.
5. **Promotion of modeling.** It is recommended that the report be tabled with policy makers so they can promote the good practice retention strategies of existing small businesses in Western Australia, to foster awareness and imitation of good practice.
6. **Information about retention options.** It is recommended that the report be tabled with policy makers so they can disseminate information about alternative strategies for overcoming skill shortages, recruiting and retaining staff.

1. Literature review on staff retention strategies employed by small business

Introduction to the issues

To commence this review of the literature on staff retention strategies in small business Goodman, in “Five Challenges Every Small Business Faces” (2006), lists the following challenges which highlight the centrality of the people in any small business:

1. Staffing – attracting and keeping the best talent
2. Leadership & Management Skills - most small business owners are great at some task but they tend to not have formal training in how to manage their enterprises, or what to do, strategically, to make them better and to get their people to perform better.
3. Sales - every business can use more sales and turnover – “there are few problems in business that can't be cured with a few more sales”
4. Training - without a capacity to train new employees quickly and efficiently, businesses can't grow
5. Change Management because of its size, a small enterprise should, theoretically, be able to respond quickly to change, but this is often not the case.

It is well recognised that the performance of a small business is largely dependent of the quality of the people in the business. In meeting the five specific challenges listed by Goodman, an enterprise will be dependent on its people. Hence attracting and retaining the right people is fundamental to the success of small business.

Staff retention strategies are therefore critical in small business. Not only do they reduce the direct costs that accrue with the loss of valuable staff, retention strategies also avoid the associated loss in productivity, loss of corporate knowledge and inevitably some disruption to the workplace. Additionally, staff retention strategies avoid other negatives arising from the loss of staff such as the potential loss of customers, a possible transfer of knowledge to competitors and a potentially negative impact on an organisation's reputation.

Staff retention in small business takes on a particularly critical dimension in Western Australia where major resource and infrastructure projects are placing high demands on labour and skills – and exerting significant pressures on other industries. The Western Australian Department of Training and Workforce Development paper “Attracting and Retaining a Skilled Workforce” (April 2010) articulates the roles and responsibilities of government and enterprises in addressing these pressures.

The goal of any attraction and retention strategy is to satisfy the needs and desires of the required workforce. In addressing the need for skilled labour within Western Australia within an attraction and retention context, two distinct stakeholders have different but complementary responsibilities. Firstly, from a national and state perspective, governments have a role in providing the environment which satisfies a worker's needs, in terms of regulation (such as industrial relations) and physical and social infrastructure. Secondly, enterprises have a role in providing the terms and conditions which provide workers with the financial and non-financial returns expected from the workplace such as job satisfaction and job security.

Introduction to the literature

There is an extensive body of literature addressing issues associated with retention of staff. The literature includes the results of some relatively formal research projects and more commonly, anecdotal observations from a wide range of human resource and management professionals.

Throughout the literature there is a remarkable level of consistency in the articulation of the key factors that contribute to the turnover of staff. As an example, a major survey of employees and HR professionals reported by Hall (*Practical Retention Strategies*, March 2005) identified six major factors influencing employees in their decisions about staying in a particular job: motivational fit, external rewards, co-operation and trust, company direction, home life and workplace discord. However, there is little reference to the relative importance of these factors, how they interact and influence each other, the way in which they are manifested in the workplace or the way in which they impact on the individual's psychological and decision making processes.

In their review of labour turnover and retention strategies (ACIIRT, *Literature Review on Labour Turnover and Retention Strategies*, 2010) the authors note that most studies seeking to test models that combine a number of variables are based on only a small number of variables and they "do not adequately capture the complex psychological processes involved in individual turnover decisions". In this context it is important to recognize that employer and employee perceptions of what are the most important factors can differ. For example Anderson (*Rethinking Employee Attraction and Retention Strategies*, April 2009) notes that 80% of working Australians see employee benefits as an important consideration when joining an organisation – yet only 55% of employers believed that employee benefits programs contribute to the attraction and retention of staff.

A common, and to a certain extent self-evident, observation in the literature is that retention strategies are not 'one-off' actions. Nor are they the responsibility of the 'HR Department' alone. Retention strategies need to be embedded in the company's approach to management as a whole. It is important to monitor the turnover of staff in a standardised way in order to avoid allowing problems to develop to a point where they are difficult to manage. And most critically, analysing the possible causes of a high turnover rate is a first step to undertake before spending money on retention strategies.

Analysis of the factors impacting on retention decisions

The introductory sections above reiterate the importance of people to small business, particularly in Western Australia, and the broad agreement in the literature around the key factors influencing staff retention. The discussion also noted that there is little reference to the relative importance of these factors and how they interact and influence each other.

The remaining sections of this literature provide an initial analysis of some of these well-known factors impacting on retention. The interviews and case studies reported upon in later sections of this report provide insights into how Western Australian small business employers view these factors and their relative importance.

Job expectations

Job satisfaction is determined by a variety of factors – the nature of the work, the relationships in the workplace and the employers approach to rewards and recognition. However, as a starting point it is critical that the employee and the employer have a clear understanding of the goals and objectives of a particular job and the required core skills. The Chartered Management Institute (*Managing Staff Retention and Turnover*, December 2008) recommends reviewing corporate recruitment literature and regularly looking at the quality of induction training to ensure they give an accurate picture of the organisation and the job.

The Chartered Institute of Personnel Development (*Employee Turnover and Retention*, July 2009) notes that even when new employees stay in an organisation for a year or more “it is often the case that their decision to leave is taken in the first few weeks of employment”. Poor recruitment and selection decisions, both on the part of the employee and the employer and poorly designed or non-existent induction programs are usually to blame in these circumstances.

Job satisfaction – meaningful work

Richard Hall (*Practical Retention Strategies*, March 2005) notes that job satisfaction is driven by a number of motivational factors directly related to the work being undertaken including the work itself, responsibility, achievement and recognition.

This view is supported by the results of a major online and telephone survey of employers (Mitchell, Dobbs and Ward 2008, *A Systematic Approach to Retaining Apprentices*, ACCI) which found that employers who effectively retain appropriate apprentices provide them with meaningful work throughout their apprenticeship.

Heathfield (“Keep Your Best: Retention Tips”, 2010) notes the importance of delegating responsibility as a contribution to meaningful work – entrusting staff with the responsibility for an activity – not just the work associated with performing the activity. Within this context however, Noble (“Five Myths About Motivating Staff” August 2008) notes that staff are not motivated by stress and adrenaline. Sustained stress over a long period is debilitating and can reduce productivity, motivation and job satisfaction.

As an alternative, Heathfield recommends that, whenever possible, involve employees in decisions that affect their jobs. Communicate goals, roles and responsibilities so employees know what is expected and feel connected to the organisation through their work.

Job satisfaction – positive workplace relationships

“Employees leave managers, not jobs” (Noble, August 2008) is a consistent theme in the literature and points to the importance of developing the leadership and management skills of managers. “Throughout most organisations, first line managers are responsible for creating the most push factors that can lead to resignation. Good managers always deliver high retention as a by-product of their work (Noble 2008).”

The Chartered Institute of Personnel Development (July 2009) notes that “A poor relationship with a line manager can be the push factor behind an individual’s decision to quit their job and leave the

organisation, but its significance can be masked as a result of the difficulties associated with exit interviews.” The Institute also notes that making line managers accountable for staff turnover in their teams has been shown to play a positive role in improving retention.

Particularly critical in this context are an organisation’s performance management processes and their actual implementation. These processes need to engage, motivate and encourage staff to increase commitment and improve productivity. Heathfield (2010) notes that good managers contribute to retention by being clear about expectations, giving feedback about performance and providing a framework within which the employees perceive they can succeed.

Good managers show respect for their staff at all times – they listen to them and use their ideas. “Establish regular opportunities for staff to make suggestions and offer feedback – discuss their input and act on it whenever appropriate” (University of South Australia, “Attraction and Retention of Talent” 2010)

These management strategies fit well with another key factor linked to positive workplace relationships, job security. Security and stability of employment are highly valued by most employees and employers should provide as much job security as possible.

Job satisfaction – recognition and reward

Heathfield (2010) cites the outcome of a survey of 451 HR professionals and 300 managerial employees which found that 53% of employees gave seeking better compensation and benefits as the main reason they would begin searching for a new job. On the other hand, research on the link between dissatisfaction with pay and turnover appears to be inconclusive. Some commentators (e.g. Noble, August 2008) note the importance of fair and reasonable remuneration in retaining staff. However, Noble also notes that ‘consistent feedback from exit interviews shows that staff do not leave jobs because of money (unless of course they are indeed underpaid and not valued).’

Various manifestations of recognition and reward can be as important as remuneration in building job satisfaction. Most commentators emphasise the importance of formally recognising and praising workplace achievement but note that effort, involvement, ethical behaviour and commitment also should be recognised. They recommend that the recognition be specific and detailed – and preferably not associated with any elements of constructive criticism which should be managed through different processes.

Associated with the issue of recognition and reward is the need to treat employees fairly:

A perception of unfairness, whatever the reality when seen from a management point of view, is a major cause of voluntary resignations. While the overall level of pay is unlikely to play a major role unless it is way below the market rate, perceived unfairness in the distribution of rewards is very likely to lead to resignations. (*Chartered Institute of Personnel Development* , July 2009).

In this context, Boe (*Retention is a Problem That Won’t Go Away*, February 2010) outlines the importance of designing reward and recognition systems that encourage average performers, and even underperformers, as well as the top achievers.

The work of Anderson (*Rethinking Employee Attraction and Retention Strategies*, April 2009) emphasises the importance not just of the benefits package itself, but also the way in which it is

communicated to employees. He notes that there is a clear correlation between employee awareness of benefits and favourable ratings of the benefits available and in one survey found that only one in four employers actively marketed their benefits program to all employees.

Career development

Businesses change, organisations change and the skills required for particular roles within a business change. There is a need for managers to keep up-to-speed with these changes and to identify what new skills are needed, what are the existing staff capabilities and where are the skills gaps. Staff can then be up-skilled, be confident their professional expertise is current and that they are progressing along their desired career path.

Although employees like to feel competent in their job they also need to grow and develop by being given additional challenges and responsibilities. Heathfield (2010) notes that “motivated employees want to contribute to work areas outside their specific job description”.

While on-going training is clearly an important component of a career development strategy, the linkages between training and turnover appear to be complex. The ACIRRT review (accessed 2010) notes the findings of several studies which suggest that while training appears to not have a major impact on turnover, training that is wholly sponsored by the individual is on balance likely to be a prelude to a job search. In a similar way another study reported in the review (Martin 2003) suggested ‘off-the-job’ training is associated with higher levels of turnover – “presumably because in general this type of training imparts more general skills”. However a number of studies have shown that employees particularly value employer sponsored off-the-job training. Mitchell (in “Overcoming I’m too busy”, April 2007) notes that small businesses often have difficulty accessing ‘in-house’ training so that sponsored ‘off the-job’ training is a good option for the small business.

Staff like to know that there are career opportunities within the company. Noble (August 2008) suggests that when vacancies occur it is important to consider internal staff. It can be a cost effective way of recruiting as well as a team morale booster. “A career-oriented, valued employee must experience growth opportunities within the organisation” (Heathfield 2010).

Work/life balance

The literature emphasises the importance of providing employees with the opportunity to achieve an appropriate work/life balance using mechanisms such as flexible working hours and opportunities for working from home.

In their publication “Achieving Work Life Balance”, Western Australia Health (2006) sets out ten essential management actions for creating work life balance:

- Positive “Work life Balance” thinking – treating staff as adults who are balancing their work commitments with their family/personal responsibilities.
- “Work Life Balance” policy – a clear policy statement which announces a commitment to providing a flexible responsive workplace
- Awareness of entitlements - increase awareness of employees’ entitlements to access flexible working arrangements
- “Work Life Balance” survey – conduct a survey to identify staff needs in balancing work and family/personal life responsibilities

- Implement flexible work practices – this will provide greater flexibility to all employees, including supervisors, managers and other senior staff, and will ensure flexible working hours schedules, rosters and leave arrangements to accommodate their family and personal responsibilities, without detriment or penalty.
- Willingness to pilot or trial initiatives
- Management accountability – managers to be responsible and accountable for implementing work life balance arrangements, reducing staff turnover rates and increasing retention rates in their work area.

Emotional attachment to the organisation

In their “Literature Review on Labour Turnover and Retention Strategies”, ACIRRT (accessed 2010) refers to a number of studies confirming the link between organisational commitment and retention decisions. They report studies which have suggested that organisational commitment has a more direct impact on the intention to leave than job satisfaction.

The Chartered Institute of Personnel Development (July 2009) notes that a consultative climate within an organisation has been shown to impact positively on retention. They recommend that wherever possible employees have a voice through consultative bodies and feedback systems. As a component of building emotional attachment to the organization it is important to nurture and celebrate company traditions – through activities such as charity drives, company dinners – and to recognise and celebrate the achievement of important goals and company successes.

External labour market conditions

The point is sometimes made that the impact of the general economic environment on staff turnover and point out that in a recession or times of high unemployment turnover rates may decline. These circumstances can disguise underlying problems and it is important to continually manage the underlying factors impacting on turnover even though at a particular time the rate itself may not be a problem.

Personal characteristics

Mitchell, Dobbs and Ward (2008) reported the overwhelming view of Australian employers that getting selection right was the most important factor in maximizing the retention of apprentices. Heathfield (2010) supports this view and adds the advice “Select the right people in the first place through behaviour based testing and competency screening”.

Anderson (April 2009) in “Rethinking Employee Attraction and Retention Strategies” describes the findings of a survey conducted by Mercer Human Resource Consulting in Australia. He notes that there are subtle but critical personal differences in how employees make decisions about remaining with an employer, for example: “Among younger people (aged 20 – 29), the level of pay, career prospects, training and development opportunities and lifestyle related benefits weighed heavily in the decision.” The level of pay dropped significantly as a consideration for those aged 30 to 39. “This group valued work they considered as ‘rewarding’ the most”. Older workers sought positive relationships with their manager, rewarding work, a good company culture and extra superannuation benefits.

Females ranked flexible working arrangements, good managerial relationships and training and development opportunities more highly than males. Males were particularly attracted to company culture.

Conclusion

As noted at the beginning of this survey there is a remarkable level of consistency in the literature about the workplace related factors that influence individual retention decisions. Overall the factors are well summarised by Hall (March 2005) reporting on the results of a major international study involving eight hundred respondents from over 100 firms which documented the following hierarchy of factors:

- quality of relationship with supervisor or manager
- ability to balance work and home life
- amount of meaningful work
- level of cooperation with co-workers
- level of trust in the workplace
- quality of compensation package
- opportunities for growth and advancement
- clear understanding of the work objectives
- link between pay and individual contributions.

There is recognition in the literature that there will be a range of strategies needed to address these factors and that the strategies should form part of a managed approach to retention. This approach needs to recognise the individual circumstances of the organisation and its employees.

2. Research methodology

This section sets out the research methodology and links it to the literature review.

BGC asked John Mitchell & Associates to undertake exploratory research to investigate staff retention strategies employed by small business in Western Australia. Specifically, the study should address the following questions:

- What does small business staff want from their employer?
- What strategies are currently being employed by small business to retain staff?
- What strategies are small business owner/operators considering in the future to retain staff?
- If small business staff state 'employer funded training/staff development' as a strategy to retain staff, how do the staff want it access said training/professional development?
- What other strategies are small business considering to fill skill shortages (e.g. business visa, skilled migration etc.)?

Description of research methodology

The researchers used a qualitative methodology which enabled them to take into account the small business, industry and community contexts of the small business owners, to identify their individual experiences and to note the multiple meanings of those experiences (following Creswell 2003, p.18).

Their data collection methods included an examination of the literature and relevant government documentation, interviews with a sample of fifteen small business employers from around the State, as listed in the Appendix, and the preparation of a case study, conclusions, key findings and recommendations.

Design of employer interviews

Interviews were conducted with a sample of fifteen employers selected by BGC as representative of a range of small businesses from metropolitan, regional and rural locations, in different industries, ranging from two-three staff to around fifteen staff.

The *aim* of the interviews was to identify attitudes and experiences of employers to retention. To assist in the collection of this qualitative data, all interviews were digitally recorded and lengthy ones were transcribed by Perth-based company audio.net.au.

The *format* of the interview fits the description of Patton's (1980, p.206 in Cohen and others 2000, p.271) standardized open-ended interviews: the exact wording and sequence of questions were determined in advance and all interviewees are asked the same basic questions in the same order. That is, they were all asked the five questions in the brief, set out above.

The *strengths* of this type of interview include the following: comparability is increased as the respondents answer the same questions; data are complete for each person on the topics addressed; and the standardised approach facilitates organisation and analysis of the data (Patton 1980, p.206).

Additionally, the interviewees followed up each question with further questions, depending on the interviewee's response to a question. The interviewees used the following list of sample factors and strategies for retention, drawn from the literature review set out in the previous section.

Table 1. Sample factors and employer strategies for retention

Factors affecting staff retention	Sample employer retention strategies
1. External labour market conditions (e.g. labour shortages or over-supply)	1. Linking recruitment to peaks and troughs
2. Personal characteristics of the employee (age, gender, tenure etc.)	2. Targeted recruitment practices 3. Aptitude testing
3. Job expectations of employees	4. Recruitment practices 5. Induction programs 6. Initial support / mentoring
4. Job satisfaction – employees seeking meaningful work	7. Job design – challenging and responsible work with clear expectations and achievable goals 8. Utilising the full range of the employee's talents and skills 9. Delegated responsibility 10. Empowering employees to contribute to key decisions
5. Job satisfaction for employees – positive workplace relationships	11. Leadership, supervision and management styles that foster a positive employee/employer relationships 12. Supportive performance management processes 13. A perception of fairness and equitable treatment across the organisation 14. Stress / workload management processes 15. Working environment
6. Job satisfaction – recognition and reward	16. Pay and pay related factors 17. Recognition, rewards and appreciation
7. Career development for the employee	18. Employer funded 'on-the-job' training/staff development 19. Employer funded 'off-the-job' training/staff development 20. Career paths

	<p>21. Coaching / mentoring schemes</p> <p>22. Encourage 'higher duties' (temporary promotion) and other development opportunities</p>
<p>8. Lifestyle factors: addressing work/life balance issues of the employee</p>	<p>23. Employee benefits</p>
<p>9. Organisational commitment: the employee's emotional attachment to the organisation</p>	<p>24. Communication / consultation / feedback</p> <p>25. Kudos from working in a respected and successful organisation</p> <p>26. Measuring employee engagement</p> <p>27. Influence of colleagues</p> <p>28. Social events and community activities</p>

This framework was sent to the interviewees beforehand to prompt their recollection about strategies they have used.

Design of case study

One case study was prepared in order to profile one employer's range of strategies. This was designed to balance the way the interviews are reported in section three of this report on a topic basis.

The case study subject was selected on the basis that he had used or was aware of a wide range of factors and strategies affecting staff retention.

To clarify and articulate the approach of the case study subject, techniques advocated by Yin (2003) were used, following this sequence of activities:

- designing (research questions)
- conducting (preparation for data collection; conducting of interview)
- analysis of data/evidence (using an explanation-building technique of theoretical framework, refinement, revision of proposition)
- development of written summary.

Final comment

The use of a literature review, interviews and case study enabled the preparation of the checklist of strategies in section 5 and the findings and recommendations in the Executive Summary.

3. Findings from the interviews

This section of the report sets out the responses of the employers interviewed to the five core questions:

1. What do small business staff want from their employer?
2. What strategies are currently being employed by small business to retain staff?
3. What strategies are small business owner/operators considering in the future to retain staff?
4. If small business staff state 'employer funded training/staff development' as a strategy to retain staff, how do the staff want it access said training/professional development?
5. What other strategies are small business considering to fill skill shortages (e.g. business visa, skilled migration etc.)?

Each of these questions is discussed in a sub-section following. The sub-sections commence with a short overview of the attitudes and approaches of the employers.

Set out in italics throughout this section are shorthand summaries of the tips, guidelines and strategies used by employers in order to retain staff. This collection of strategies demonstrates the depth of thinking, effort and professional practice applied to the challenge of retaining staff by this sample of small business employers in Western Australia. The collection of strategies is provided as a checklist in section five.

3.1 Strategies to meet expectations of staff

Summary findings

Issues such as security of employment, good working conditions and workplace relations were mentioned frequently as the major expectations of employees.

Employers felt that employees were looking for an employer who could provide a sense of direction in the business, a job that had variety and challenges, the training and support to build their skills and their career and some appreciation – not just monetary – and recognition of the contribution they were making to the business.

It was notable that salary and pay rates were not always the most important expectation of employees. More commonly employees wanted a combination of benefits.

Specific comments

Pay well and make them feel appreciated

A minority of employers focused on the employee's expectation around wages, as expressed by this employer:

I suppose primarily they're looking for a competitive wage rate. We're in the northern suburbs of Perth but we're competing against the Pilbara which is the north-west of WA which pays about double the amount of money.

A more typical combination of expectations was summarised by two other employers:

I would think security. Obviously income. Friendly atmosphere.

Obviously they'd like to be paid above award which we do pay; they like to be acknowledged and recognised for a good job.

Many employers believed employees want to feel appreciated, above all else:

They want a feeling of being welcome and they want to be encouraged. There is nothing worse than not being appreciated – they won't stay if they are treated badly.

When it's their birthday we make sure we buy them a birthday cake and wish them a happy birthday, and we give them little bonuses too. I'm assuming they'd want them but it's not written down anywhere that that's part of the deal. And they want tenure.

Be flexible

A common comment by the interviewees was that flexibility by employers was highly valued by employees:

The staff who work for us, because they don't work away on the mines, are looking to be at home more often than not so we give them RDOs [registered days off] and things like that to balance the fact that the Pilbara pays more. To put it in a nutshell they're looking for a work and leisure balance in their lifestyle rather than working away from home where they can make more money.

Don't try to compete with higher salaries elsewhere

Some of the employers believed they needed to counter the attraction of higher salaries offered by resource companies. Most felt they couldn't compete on salaries but they could offer alternative benefits:

It's not about what we do or don't do. One of the problems we have we are affected seriously by the mining – it one of our big significant impacts. We can't compete – why would you work here for \$45,000 if you can drive a truck in the mines for \$120,000?

Respect employees and provide security of employment

Employers interviewed were consistent in citing employees' desire for respect and security:

I believe they expect me to be a fair employer – to treat them well, treat them with respect.

They want stability, direction, feedback.

They want job security and job skills. I've got two apprentices and obviously they want a qualification but money's a big factor and in Margaret River sometimes a job is also a big factor: younger people seem to have problems getting work.

I think they want job security, some job stability and depending on which staff person we're talking about, some of them are OK with change, some of them don't like a heap of change from what I can tell. They just want the mutual respect that we have for each other.

Think outside the square

This employer deliberately thinks outside the square in offering more than good wages and conditions:

They obviously want competitive wages and good working conditions - but they can get that in so many areas so we have to think outside the square and offer even more to them. I offer extra holidays on top of the standard four weeks. We have to do those things because staff retention in small business is so hard.

Don't take advantage of good people

One employer made the point that "a lot of people come into this business with the idea that it is going to be a walk in the park but once they actually get into it – it is quite different to their expectations." He added that once they become aware of the work involved, they still have valid expectations and these need to be respected:

They have an expectation that there will be appreciation for what they actually do – particularly when they go outside the limitations of their employment contract. A lot of businesses take advantage of good people and they don't realise they have someone good until they actually leave. By that time they turn around and start offering more money but the decision has already been made and money wasn't the real issue anyway.

Offer specialist training

Because his business is specialised, this employer finds that staff have high expectations of the quality of the training to be provided: "Training would be the highest level expectation – in particular in-house training because of the quite specialised nature of our business."

Another said: "Training is also a big concern for them."

Help them develop their careers

Some employers noted that employees want help to build their knowledge of business and their careers:

They are looking for direction and build careers. They want professional development. They want variety in their work.

They like to be involved with the business strategy and to feel some ownership.

They would like to be building their network of clients.

3.2 Current retention strategies

Summary findings

Employers were generally aware of the issues associated with retention of staff and even employers who indicated that they had no particular problem were implementing strategies to assist retention.

Almost all employers interviewed confirmed the outcomes of the literature review in that they considered the most effective strategy for retention was to get the recruitment process right and get the right person for the job.

Overall employers were using a range of strategies and these varied according to the nature of the business. Flexible working hours and systems that enable employees to manage their work/life balance were common.

Some employers were using different mechanisms for involving employees in the decision making processes and contributing ideas within the business – to build a better understanding of and commitment to the business.

Although training was often mentioned as an important strategy for retention it was generally in-house and job-specific training.

Most employers were attempting to offer salaries at the middle or towards the higher end of the range for their industry but were conscious they could not compete on salary with big multinational companies – particularly with the resource companies.

Specific comments

Select the right person

Retention starts with recruiting the right person for the job, said many of the employers. For example:

Selecting the right person in the first place is number one. If they have the right personality and are going to fit into the business they are more likely to stay. I'm not really worried so much about their experience and what they have done – I can mould their skills so they are right for my business. Personality is number one for me.

Most employers look for the right personality:

The crucial thing for us is to retain good staff. Our staff recruitment is based on personality and how they come across as a person. Anyone we employ will undergo a trial - we train them up about how the systems run.

When we are looking for people I look for personality. Skills are something we can learn. We are all born with different personalities and suited to different jobs – so I need to get the people who are suited to the jobs that I have. A certain personality either makes it or breaks it.

I hire based on personality and attitude. I can't teach that – I can teach skills. I look at how they will integrate with the existing employees. I need to know that they will all get along.

Sometimes that means looking for team players:

I think of the personality types when I am recruiting staff – and of bringing someone into a team that is going to work well within the team.

Provide incentives and rewards

Most of the employers provide a range of incentives and rewards. For instance:

We do a lot of rewarding through a sort of points system – shopping vouchers, travel vouchers, dinners for the staff.

We feed them profusely – we provide dinner and a fancy supper.

We do pay them a fair bit of incentive to stay here.

We provide unlimited training for anything they want to do. Even interstate conferences – we pay 100% of everything.

Offer good conditions

Employers deliberately create and offer good working conditions, ranging from flexible hours to permanent positions to the best equipment:

A decent salary but probably more important is the flexible hours.

We offer permanent positions in an industry that almost entirely relies on casual employment.

My whole customer service strategy and my business philosophy revolves around looking after my staff. I am fairly confident I pay the highest rates in Australia and have the absolute best working conditions. I provide them with the best equipment and I bend over backwards for them all the time. My staff do not have any of the battles that happen in other similar businesses – superannuation, workers compensation and so on.

Providing benefits builds commitment:

The benefits we provide absolutely build commitment to the company. This is more noticeable in staff who have worked elsewhere.

Treat staff as the biggest asset and make them feel appreciated

Most of the employers interviewed stressed that their staff were the most important asset in the business and were treated accordingly:

Anything I think of I just do. I treat them as my biggest asset. My business can't operate without them. I do everything I can to make them happy.

We're quite lucky, we have we believe the best team we've had. We've been in business four and a half years and it took about three years to get this team and we don't really have much of a turnover of staff at all, to be honest. We're a bit like a family, really.

It is worthwhile letting staff know they are appreciated:

They must feel welcome, appreciated for their efforts, that they will be looked after and if there are any problems they will be dealt with straight away. We tell people what is going on so they know and don't feel like mushrooms. We try to make everyone feel important and look after them, be fair to them and give them encouragement and rewards whenever we can.

I organise different events throughout the year and I always make sure that we invite them and their partners to an event for free: we pay for them. I'm running a comedy show next month and they'll get free tickets. We also have an annual Christmas party. One year it'll be them and their partners and the next year we'll put it on for their whole family.

Small gestures are important:

We do that, little things like we have our monthly toolbox meetings and at those we provide lunch and get in pizza or something like that. We recently had a work 'do' where we took them all out to a concert and dinner. We do the rostered days off. We supply all their boots and overalls, and make sure they're all washed.

In areas of skill shortages, staff will leave if they are not appreciated:

We also don't put pressure on them to work hard because if you keep doing that then they just up and leave. You can't come and yell at them. If you had unlimited staff living in Perth it would be different. There is a lack of choice of staff.

Value their ideas

One way to show respect and appreciation is to ask staff for their ideas about improving the business:

We try and keep up a fair level of communication and consultation. Nothing too unique but being a small company I try and have smoko with the guys and things like that on a fairly regular basis.

It is wise to ask staff for their ideas and suggestions:

We also look at taking their ideas on. If they come to us with an idea which they think will work or want to give it a try we encourage that.

I don't make any major decisions without a group consultation – reviewing the options with the staff: How do you want to do this? Are these the options we have?

Maintain good communication

A consistent thread in the interviews was the value of maintaining good communication with staff. For example:

We have regular meetings with our technicians. My husband makes sure that he meets with them weekly. I look after the administration staff and we generally have conversations every couple of days about how things are going and how they're feeling about things. We make sure there's constant communication. We make sure that we've got an open door policy so if they have issues they can come in any time and discuss them whether it's personal and obviously impacting on their work or whether it's work related. We really just make sure that we're continually communicating with them.

Help them understand the business

There is value in helping staff develop an understanding of how the business operates, said some interviewees:

We try to offer the complete 360 degree cycles of our business so they gain experience and expertise in all the aspects of our business – they get to see the whole business.

We have a performance support system that builds in KPIs [key performance indicators] etc. – but we try to tie those in to their own business and personal goals. I don't just set them up but I involve them in the development of their support strategy.

Pay fairly, offer incentives if possible, and review these arrangements

Fair pay is fundamental, but most of the interviewees also offered incentives:

It does come down to dollars and cents at the end of the day. It is important to pay them fairly – the money they should be on.

We have a two pronged approach – we encourage the staff with incentives to perform and try to be fair about the way we do things ... Pay is commission based with targets and our commissions are more generous than other companies in the industry.

As far as pay is concerned we try to keep ourselves aligned to the middle of the market... We have both individual and team incentive bonuses on top of the basic commission arrangements.

Many of the interviewees periodically reviewed pay and incentive arrangements:

We make sure that every twelve months we review their pay as well and we have a discussion about that.

With my head mechanic, I've paid him more and more so he's getting paid three times more than he was eight years ago and the mining boom has caused that. And we've had to charge out more and more per hour to fix things because of the mining as well, because you can't pay a guy X amount and charge out Y if it's very close to each other. Mining definitely has had a big impact. The mining boom is obviously good for Western Australia, it's also got a significant impact on small towns.

Make the job interesting

Many employers attempt to make the jobs interesting and challenging:

Job security – and an interesting, challenging job – they don't want it to be the exact same thing every day all day. They do like a challenge. They want an employer who is not an idiot.

We provide more equipment for our staff than our competitors in the business.

It is interesting work and there are not a lot of jobs in the area – so to have a full-time position with some stability and a wage which I don't think they would get anywhere else [is something they value].

The retention problems I do have come from the fact that we are in a small town – there is only so much entertainment and excitement but I can't do a lot about that. We have to try and make the job as interesting as possible to compensate.

Make the workplace friendly and fun

Employees want to enjoy their workplace, said the employers:

It is a fun place to work – it's the sort of job if you don't enjoy it you can't do it.

If they want to come to work they will and they'll work well so we try and have a friendly atmosphere.

People do like the socialising and the fun at work. We have a lot of 'team' activities – competitions, prize events. They want to come to work not just for the work but also for the relationships that form at work. Sometimes it's just small things but even these are important.

Have fair expectations

Many of the employers said that they attempt to have fair, reasonable expectations of their staff:

Making sure they are not overworked and not doing unpaid overtime.

Making sure I'm not blaming them for things that go wrong which are not their fault.

Trying to make sure that when it comes to Friday afternoons and Monday mornings they don't hate their job.

I see my job as doing whatever I need to do to help my staff do the job I am paying them to do.

Be flexible – it's worth it

Employers find that if they are flexible, staff will be most appreciative:

I treat them how I would like to be treated. If they need time off for appointments and personal commitments – go for it. We work long hours in this business so I need to be very flexible.

We don't have a strict policy on flexible working hours but we do have people starting early and/or finishing late and we have the ability for staff to 'buy' additional leave.

Also I give the staff extra holidays – they can take the regulation four weeks at any time but I give them an additional two weeks at Christmas and other individual days.

Employers being family-friendly and sensitive to child care issues is important to staff:

It's a family atmosphere and we work around their hours to suit them.

We try to be family friendly and offer flexible work hours. Small things can make such a difference to morale. Just showing an interest in people and showing an interest in their needs. I have noticed with mothers who have children in daycare, the opportunity to leave work a bit early makes a huge difference and it makes a difference to me because if I need to call on them outside normal work hours they are happy to do it because I have done something for them. With the right personality this leads to great commitment to the organisation.

I'm very flexible as far as if they've got to take kids somewhere or things like that, daughters having babies and that sort of thing. Monetarily I give them a bonus if we get past a certain figure each week. Also I pay out unused sick leave at the end of the year. We try and have a laugh and that sort of thing so that they want to come to work. I try and be as fair as possible. If they want to come to work they will and they'll work well, so we try and have a friendly atmosphere.

Share the success with staff

Many of the employers interviewed paid bonuses. For example:

We can afford bonuses when we've had particularly good months: we can basically share that with them.

I try to keep the staff involved in what is going on in the business – so they feel part of it. When it is running well I want to share that success with the staff. When things the business is lucrative it is a team effort and I want to share that. What you give then comes back to you tenfold. The atmosphere and relationships between the staff are good.

Formalise strategies

Some of the employers have formal HR strategies:

I do my best to meet their expectations – stability, direction and feedback. I am beginning a process of formalising my HR strategies and that will include employee benefits and how that operates.

Expect turnovers – they might come back

This employer says he expects staff to stay no longer than five years and it is good if they get broader experiences:

In this industry there is quite a lot of turnover. I'm not going to get ten years – I'm doing well if someone stays for five years. I think they should move around so they get a broader experience of the industry otherwise they can get stale – I can't supply that myself – being quite a small operator.

If staff want to leave, this employer ensures they leave on good terms as they may come back:

We try to make sure that if they do leave they leave on good terms. We find that quite a few come back to us which makes recruitment a lot easier as we already know them.

Make the business attractive to schools, parents and potential staff

As one part of their approach to attraction and retention of staff, some employers market in an appropriate way to schools, parents and young people:

We're always pushing the school to give us work experience students. A lot of them don't seem to want to work in a shop like ours until they then come here, then they appreciate what they do. We actually took on selling motorcycles recently to attract other staff as well. People are now coming in here more asking about their kids having an apprenticeship. The problem we've got here is there are only limited jobs for kids here, so we do get a fair few parents coming and asking about apprenticeships.

Provide positive reinforcement

Most employers interviewed did not seek to punish or correct staff, preferring to offer positive reinforcement:

When staff are not performing to my expectations my strategy is to encourage them and help them reach their targets – so they do not get a sense of failure.

Help them develop more industry connections and knowledge

Some employers encouraged staff to extend themselves and develop additional networks and knowledge of the industry:

We support them in building a business and client network. We get them involved with industry networks, the chamber of commerce etc. and drive the development of their business relationships through that.

Some small businesses use a business model where each employee is a contractor almost in the sense of being a one-person business. One employer explained that all of his staff are employed on a pure commission structure “so we are all rewarded for the effort we put in – this fixes the issues of rewards and bonuses”. So their happiness is in their own hands:

We set it up so that it is pretty much their own business within the larger business. So within reason they have free reign in what they want to do – We give them all the back office support etc. so it’s quite different to the usual arrangement. The driven person will use that and work with that and – they create their own happiness. It is really a stepping stone to owning and running their own business.

However, the same employer makes an effort to recognize staff actions: “As a result of my own previous experience I make sure there is support and recognition for what the staff do.”

3.3 Future retention strategies

Summary findings

A number of employers indicated that they were doing as much as they could to retain staff, within the limits of what was financially viable in their business.

Future retention strategies were usually linked to more flexible working conditions and incentives such as increased leave or paid holidays.

Some employers were using, or were considering using, reward systems that encouraged an increase in individual and team performance. These systems were designed to assist employees who were not performing quite as well as their peers and assist the development of their skills and experience.

Specific comments

Keep doing what has worked to date

Some employers felt they were doing as much as possible at the moment. A sample comment was:

It seems to be working so far so I'll probably stick with that for the time being. I don't have a high turnover. One of my guys has been with me probably nearly three years, other one 18 months, other one, apprentice, has just about finished his time.

We can only work out how well we're doing by actually looking at the fact that we haven't really had a staff turnover. Unfortunately we had to make a person redundant with the GFC but then we restructured and everything seems to be working fine, everybody seems to get along well, so I'm hoping that we won't lose our staff. You have to look for new staff but I don't think there's anything different that we will do.

Do whatever is possible

A common comment from the employers interviewed was that they would do whatever was needed to retain staff. For example:

In general if I could think of anything extra I'd be doing it.

I think I'm doing what I can – within the limits of my business and the nature of the industry.

Well we did lose some staff to the mines but we're very lucky with the ones that we have got. We do make sure that we look after them pay wise and that's really the only way you can do it, really, particularly in WA where they all go up north.

Train your current staff

Many of the employers interviewed placed a high importance on training their current staff, as a key retention strategy:

I think our strategies are pretty much OK. I've got two apprentices and my main strategy is to try and train people up. I've given up trying to get people. I just think the only way to do it is by training. I train them well and that way you'll get them to stay here hopefully. My plan is every year to put

another apprentice on. I don't see them staying here forever either and I think that one will probably move on.

I probably work about 70 hours a week. I work six days a week at least 12 hours a day most days and there's only so much that I can do, so the idea of training these young kids is to try and take a bit of workload off me. But unfortunately being in small business, that's what you seem to do. You work in the business too much, that's what we do on a day-to-day basis, way too much. But you sometimes have no choice.

Regularly review pay and reward schemes

Reviewing pay on a regular basis is one strategy that assists with retention:

If anyone is going to leave for the money that the mines offer I can't do anything about that. If I pay my guys a reasonable amount for the level of skills and experience they have I don't have a problem. I regularly review performance including pay reviews – and that generally leads to a pay increase.

Many of the employers interviewed were considering new rewards. For example:

I am thinking that we will pay to send them on a holiday at the end of the year.

We would like to have something at the end of the year – maybe a ticket for two to Bali or something similar. But I don't know if it would really work.

We are looking at giving people more rewards – that is the next level for us. Maybe increasing pay rates or giving them a bonus or encourage them to do more 'on-the-job' supplier training which we pay for and give them time off work to do it. They know they will learn other skills which they can carry forward into their working life.

We could offer more than the standard leave maybe up to six weeks including the ability to buy back leave.

Find out what employees think and want

A number of the interviewees were careful about asking employees what they wanted for their future:

Find out what they want for their future careers and link that as closely as possible to the business.

We do actually have monthly meetings with all the staff and that's when we ask for them to come up with ideas on how we can improve our business and we also ask them for help putting together procedures and stuff and they have input. It is not just us telling them how to do their job, they're the best people to do that.

Be fair and state expectations clearly

There is value in formalising expectations of staff:

If you don't set boundaries they don't feel secure and safe. We are trying to formalise that process more so that they will know exactly where they stand – what's expected of them – and that is followed by training. I don't expect anyone to do something they haven't been trained to do.

Set performance targets

Some employers are examining the possibility of implementing clearer performance targets:

We are also starting a group target arrangement. What I have found is that some people are naturally good at their job and meet their targets easily. How do encourage those people to help others meet their targets? The idea is that they would say OK I have finished what I need to do – how can I help you get to your target? I can see that it helps morale as well as having benefits for the business...It helps with the internal training as well – that was part of the idea – to get the most out of the people who really do well and have a lot to offer other staff in the way of learning.

Offer a better work-life balance

Some employers are considering improvements to the work-life balance:

I would like to offer a bit more of what might be called ‘work/life balance’ – by having more of our systems online so staff can work more easily from home.

[We want to offer the] additional incentive of a ‘wellness’ type of allowance.

Some employers are considering offering better childcare support:

Our staff are predominantly women and one of the things which we would like to offer and is very attractive is childcare. It’s a matter of can the business afford it?

Subsidise some of their training

One option is to subsidise more training for staff:

I do encourage them to train more but it is off-the-job’ and at their own expense. So far sponsoring training has not been an option for me because of finances – but I am hoping to be able to do that in the future.

Seek an ongoing relationship if they decide to leave

Some employers accept that some staff will want to set up their own businesses so the employers seek to develop a relationship that could continue after the employee departed:

Often our staff will be thinking they would like to start up their own business – and we will be happy with that (as long as it isn’t in the same town). We will be able to show it is worth staying with us for the longer term support we will be able to give them when they do decide to go out on their own.

Select the right people

A recurring theme in the employer interviews about staff retention strategies is the centrality of selecting the right people in the first place:

More effort needs to be put in by me in choosing the correct staff for the company.

I particularly seek out staff who live nearby the workshops so they might not even need a second car to be able to come to work. I look for people who haven’t been working away on the mines, have a kid and a mortgage and aren’t looking to go anywhere else in a hurry. I figure if the costs of leaving us

mean they need to buy a second car or whatever to work away from here, financially it makes it harder for them to leave. They're areas I look at for staff retention.

3.4 Training and staff development strategies

Summary findings

The majority of respondents focused on in-house training issues. Those employers who indicated interest in off-the-job training were more than happy to meet the costs – and to provide time and support in the workplace if the training was delivered online.

Most staff and employers prefer face to face training, preferably in the local area and ideally at the workplace.

Specific comments

Value on the job learning

Some employers expect staff to start with basic skills and then to acquire specialist skills on the job:

You have your basic skills to start with but you learn the specific skills you need on the job.

All the training is on site, on-the-job training. They are learning some very good high-tech skills.

Value accredited and structured training

Most employers value accredited training particularly for compliance related courses such as first aid and forklift driving and for licences:

We've just sent some off on first aid courses and done a forklift courses, some job specific training to go and work around rail yards. We're looking at some internal training because we've got some new software but we're looking at some Microsoft Office training now.

If they do need training, for example one of our staff drives a forklift, we make sure that they get the accredited training. Some of our technicians are electricians as well so we make sure that they keep that up-to-date and if they have to renew and retest we pay for that.

Look to suppliers for specialist courses

Employers interviewed commonly noted that they look to suppliers to provide training courses related to their products:

We also speak with our suppliers and they come in and do some training and sometimes we send them to the suppliers to actually have the training.

Seek and subsidise specialist training

As part of their retention strategies, many employees interviewed paid for the training of their staff:

Most of the learning in this business is 'on-the-job' but I will be sending one of my staff to a web design course. I will definitely be paying for it.

We have put people through their instructor courses – we paid for all the costs and the \$3000 for the licensing assessment.

They are probably looking for other skills which are gained off-the-job such as industry certification. It is a case of what is required to get those qualifications and making the time in their work and private life to make it happen. I am absolutely keen on this and tell them if you do the work and study I'm happy to pay.

As an organisation we have a training budget and if someone said to us we really want to stay with this career and do a qualification we would be happy to sponsor external training or TAFE courses.

Pay for training where possible

Most employers interviewed were happy to pay for training courses for their staff, as part of the overall retention strategies:

There are quite a few industry conferences both locally and interstate. For the big Queensland conferences we pay for four of the staff to attend. There is a local version of this conference and all staff are invited to attend and we pay the fees. It is an open book – anyone who wants to go goes.

Sometimes our staff are interested in other qualifications like Excel, First Line Management, Cert IV Workplace Trainer and Assessor. They do these at the local TAFE. We are paying the fees for these.

We have in-house and external training. We do in-house training every week and have an open policy where if there is something external that is able to be put on the table – we align ourselves with the industry and regional council and we sponsor attendance at their training programs.

We have two staff on traineeships and are happy to offer support for Diplomas and Degrees. We would be looking to have them complete the qualifications online. Our current trainees are doing this – they do it in work time and I assist them whenever I can. This works well for them and helps with commitment to the study and their work.

Consider sharing the costs of training

An ongoing dilemma for small business owners is how much to contribute towards the costs of staff training, as training opportunities can be endless. The following owner expresses this dilemma:

We would like to provide more structured training. There is always a need for higher levels of learning. We do take people on without the minimum requirement for writing business. We assist by helping them go through the actual modules but they pay the student fees themselves.

Induct staff thoroughly

Careful induction at the start of the job will often lead to long-term benefits, said some employers:

Regardless of their initial experience we put them through a heavy training induction. They have a series of follow up programs – aimed at the long term. We are looking long term. We make that clear – we are not interested in someone who wants 3 months work.

We've just put a new salesperson on and we're doing a lot of internal training with him and then my husband's training him on the sales side of the products equipment.

Train to retain

Many employers see the provision of training as fundamental to retention of staff:

I would like to see us get to a position where we could offer sponsorship of accredited training as one of the incentives we offer. I have gone to other organisations to see what strategies they are using to help sales teams along and I am using models that I can see have been successful for others. They all employ 'out-of-house' trainers and training sessions. It is much cheaper for us to train up the staff who are not performing that sack them. At the moment it is a matter of money.

Consider e-learning

Some younger employees prefer online learning and this needs to be catered for:

We are thinking of putting our in-house training onto e-learning. For the Gen X they go – I like to all come together and have a chat but the Gen Y hate that – they work better online – we are looking at ways that make the whole thing work.

Offer face to face if not computer literate

However, if staff are not computer literate they will prefer face to face training:

They prefer face-to-face training because most of our people have come off the workshop floor and they're not very computer literate. They bring that knowledge and skills that we need for them to do part of their jobs but they are not computer literate.

Keep learning yourself

Employers can improve their approach to retention and to running their businesses by continuing to learn themselves:

I have just started a business mentor arrangement for myself – even in this initial stage I can see that it is helping knowing that I have someone else I can bounce ideas and strategies off. None of us know how to single handedly manage the world.

Expect to sometimes lose the investment in training

It is not possible to retain everybody, even after they are provided with employer-sponsored training:

We gave a form of apprenticeship to our new staff where we sponsored their training but we often didn't benefit from this as we lost the people.

Problem is if you train them up too much and they become too good there's a great chance of leaving as well because then they can do it themselves or don't want to do it or they get poached.

Try to find less costly training solutions, locally

Many of the employers were very conscious of the costs involved in sending apprentices away for training, especially to the city. Typical comments were:

To get [training] people from Perth down here is just about impossible.

There are big costs in apprentice training: curriculum, fees, you lose him out of the workforce for a day although they are changing the apprenticeship thing where the actual instructor comes here.

We try and do as much training as possible. Problem we've got with the training is most of our training is only based in Perth, so it's very costly to send them to the training for couple of reasons, the training is not always free, we've got accommodation costs, we've got travel allowance for meals and then they're physically away from the business. The problem we've got is one or two guys are away and then we obviously don't get the work done and it's costing us money because there's no labour being charged out.

I would rather have the training locally but unfortunately our major suppliers just offer these courses in Perth. They seem to want to do it in one location. Logistically it's a bit easier for them. These companies are based over east and getting them to come over from Melbourne to Perth is a big enough cost for them rather than coming down to a remote area like Margaret River or Busselton. I am putting the pressure on them more and more now, offering occasional courses in Busselton, only 50km from us, to try and make it logistically easier for us. Problem I've got is that if you send a guy to Perth he will want to leave in work time to go there, spend a whole day or two training then work time to come back and he's away for two or three days.

3.5 Other strategies to address skill shortages

Summary findings

A number of employers had considered and even initiated processes for recruiting staff from overseas using the 457 Visa arrangements. In all cases the administrative and financial requirements of the 457 process ended up being more significant than anticipated and in the end few of the employers actually recruited through this process.

Several employers had used interstate advertising and networking to attract employees.

Specific comments

Be prepared for fluctuations in supply of labour

Most of the employers interviewed had experienced fluctuations in the supply of labour and were alert to such flux:

Attracting suitable applicants for jobs in this area has never been a problem – although the last time it did seem there were fewer applicants with the basic skills and the right approach for my business.

We still lose a couple to the mines but it's not too bad because I try and filter them out before they start as best I can. It's a real issue in WA to the point a couple of years ago in the middle of the boom you could place job adverts for two weeks and not get an applicant. It's better than that now: I've got staff who have been here now for seven or eight years which is quite unusual in today's climate.

Use technology to attract and retain

Most of companies of the employers interviewed had websites that, while targeted at customers, would also have indirectly attracted potential employees.

One employer interviewed is using very contemporary technology for recruitment purposes:

We are on Facebook and Twitter and are beginning to use that for recruitment.

Understand the benefits, costs and complexities of 457 visas

Some employers have positive attitudes or positive experiences with 457 visas and similar strategies and remain positive:

We are looking at a 457 Visa strategy for a skilled employee from the UK. I might consider advertising internationally but it can work out to be very expensive.

We employed one guy on a 457 visa and I'll be doing that again, because it gives you a couple of years' of reasonable security. The first one was an engineer so it was probably a bit of a unique situation. Now I've met another mechanic overseas in China and he's trying to come across here. But I'm just debating that at the moment.

Some employers have investigated skilled migration as a strategy and found it either too expensive or too complex, for a number of reasons, or they are not inclined to go down that pathway at present:

I have migration agents as my clients and I have discussed the possibility of recruiting overseas through the 457 arrangements – but it is not financially viable for me as a small business.

I had a very stressful time when I started. To try to get some from overseas I got myself registered as a 457 business. I advertised overseas and got a lot of responses from which I lined someone up. But once I started the actual visa process it really wasn't flexible. It was going to take six months and I needed someone just about straight away. Also the need to guarantee 40 hours per work in an industry which really operates more on a contract basis just didn't work for the business. I had to can the 457 process. It's a pity that the system has to be so inflexible.

Some people have had good or poor experiences with skilled migration or heard positive or negative stories. These experiences and stories influence their thinking:

We did have a quick look that but we decided not to bring someone in. A friend at Geraldton has got no choice about the staff and went to Malaysia. His wife is also Malaysian. It has worked out for him because his wife is from over there so they've been over there and they know the ins and outs of who and what. Another colleague had someone organised from South Africa and it failed. It took about 18 months in progress and didn't work out.

I'd never even consider it. I've seen some of the problems. They brought some welders in when I was there and they ended up having to have their own social area and that sort of thing and I think we should develop our own skills internally in Australia. I get people coming in, at least I would get one or two kids who want an apprenticeship a week and maybe once a month I'll get a guy come in who is a mechanic and wants a job.

If not inclined to import skills, be willing to train on the job

Most employers interviewed would prefer to train existing staff or to recruit new staff locally and train them than seek staff from overseas:

We're a growing company so we're trying to train our staff and give them some possible career paths and things like that.

It took us a long time to find a good rep, a sales rep. And then we coaxed somebody in and said look we're going to train you up: we ended up finding someone that probably didn't have as much as experience as we would have liked but we're willing to invest the time and energy and he seems to be working out which is lucky.

We're only a very, very small company, but we have in the past employed people who perhaps have English as their second language in the sense that we have communication issues but we still took them on and worked through those. The technician would have to write a report and you'd have to try and decipher it but in time we did that.

We have taken on more apprentices this year – we've gone from one to three apprentices – and now we're looking at ways of upskilling our people through on the job training.

4. Case study: a small business employer's approach to staff retention

The following case study complements the collection of ideas from the fifteen interviewees for this study, as set out in the previous section. The case study provides insights into just one employer, his specific industry context, and the strategies he uses to retain staff.

The case study is of value because it provides an integrated understanding of how one employer addresses the expectations of staff. The case study also is of value because it shows that the strategies of this one employer are aligned not only with the range of strategies used by his peers, as summarised in the section three, but also are aligned with many of the good practice strategies identified in the literature in section two.

The case study reinforces the point that good practice small business employers in Western Australia use a wide range of retention strategies that are customised to suit their industry context and their unique business and staff cohort.

Interviewee: Hugh Collins, Managing Director, Hughmark Quality Furniture Pty Ltd, Wangara, WA

Introducing Hughmark Quality Furniture Pty Ltd, from www.hughmark.com.au

Hughmark Office Furniture is a leading manufacturer and supplier of high quality office furniture for retail office suppliers and furniture suppliers throughout Perth and regional Western Australia. It also offers home office solutions.

In operation since 1994, it has a wealth of experience in designing and crafting solutions for commercial or home office needs. It can craft any type of furniture, including:

- desks and storage solutions
- computer furniture
- reception counters and fit outs
- boardroom furniture
- home office range.

Hughmark was awarded Furniture Industry of Australia Awards for excellence in the manufacturing of commercial furniture in 1998 and 1999 as well as a high commendation in 2000. In 2003 Hughmark was awarded Business of the Year in the 5-20 Employees category at the inaugural City of Wanneroo Business Awards. It is committed to superior customer service and building relationships with clients and is one of the fastest growing commercial furniture suppliers in Perth.

Challenges

The last few years have been tough for Hugh Collins, Managing Director of Hughmark Quality Furniture in suburban Perth, especially from wage pressures and from the challenges of building a new factory:

I was leasing for about 12 years and the place was just an old tin shed and it became unsafe, so we moved to the new factory and it's really been a battle. The last three years have been quite painful.

He employs ten staff but needs a few more, so he is still on the factory floor himself:

I need a couple more staff. Because of the uncertainty over the last couple of years we're just getting through and when I've finished this interview I'll be going on to the factory floor. Here I am 16 years down the track and I'm still working on the factory floor.

While some small business in Western Australia have benefitted from mining resources, Hughmark is in the other group that have suffered from workers' expectations of increased wages.

It's just been horrendous, to be quite honest. The problem is they've dragged our wages up to such levels my profit just keeps on going down, I'm paying more for wages and I can't up my prices.

Everyone has this expectation I'll go to the mines and make all this money. So now I am paying furniture assemblers between 24 to \$30 an hour.

A few years ago prior to moving his business to the new accommodation, everything was going so well, said Hugh.

We were getting cramped where we were, so we decided we're going to build our factory so we can produce more in a safer environment if we're trying to service the mining industry.

It hasn't turned quite out as expected:

This has been the hardest in 16 years of manufacturing; the last two to three years would have to have been my hardest without doubt.

The overall economic conditions make it difficult for a manufacturer, says Hugh, who also struggles to compete with low-priced imported furniture:

I started this business with \$5,000 16 years ago and I'm trying to turn over a minimum \$1.5m a year and I employ nine-ten people but the furniture industry doesn't get protected: we're flooded by imported furniture.

Expectations of staff

Despite these problems, Hugh says he is blessed with the staff he retains:

I've got long-term staff here: my production manager's been here for nearly eight years. Most of them have been with me for between five and eight years.

I was going to say I've been lucky, I haven't, I've been blessed that I've got such good staff. They look out for the company, mainly because I treat them with respect and I expect them to treat the company the same way.

Hugh is clear about the expectations of his staff, listing a range of expectations such as good working conditions, opportunities for overtime and reasonable pay as well as being shown respect:

They can have the opportunity of getting overtime. They want to be paid reasonably well. They want good conditions.

Wages are important, which is understandable, as everyone has got to survive.

I've just built a new factory so I've tried to make things as pleasant as possible but I think that they want to have respect shown to them, I think that's a big thing. They want honesty.

As a demonstration of his respect for his staff, Hugh took on board their ideas for the new factory:

Building the factory's certainly helped morale. They had a bit input into it, about how we were going to lay it all out. I've let them have a lot of input because they're the ones who're working on the floor.

Current retention strategies

Hugh uses a number of strategies to retain his staff including setting up a unit trust to share profits.

I have some key personnel and I've actually set up a unit trust for them. I give them shares of profits directly out of the company and whether I make the money or not I've given them a guarantee.

I actually set up a unit trust for my whole company but the problem was with the way it's all gone, I've had no money to give, but these two key people, my production manager and my leading hand, regardless of whether I make money or lose money, I'm committed to give them profits because I cannot afford to lose them.

While he would like to give staff a fair percentage of the profits, the profits have not been there in recent years to distribute to staff:

I was happy to give a percentage like 3% of profit and I wanted to get it to 10% of profit and give back to these guys, but I'm just not making any money. I don't have family so I'm happy to give back to my workers, but unfortunately in the last few years I haven't had the money. I've been trying to save their jobs and a couple of staff have moved on and I'm still probably two down. But I've just worn the loss of staff and these people that are here now are my key people.

In addition to the unit trust, Hugh tries to make the workplace a happy, productive place. For example, he says: "We do birthday cakes and once a month we have a barbeque."

To assist new staff to feel part of the team and to help them learn, Hugh has used a buddy system: "When we had a new guy on board we put in place a buddy system so they work with somebody and get an understanding of our systems and our procedures."

With a recent new staff member he is using a mentoring approach:

I've just put a on a young Kiwi fellow as a machinist and we put him with a machinist who's just gone off now. But he'll be working with my leading hand and I'll give him a good bit of direction. They're always working pretty close to each other, so we say to him if he's got a question it doesn't matter how silly you might think it is, just ask the question, don't be afraid, be comfortable, be happy with what you're doing and if you do that then you'll be good for yourself as well as for the company.

Future retention strategies

In response to challenging economic times for local manufacturers, Hugh is considering using some other strategies to retain staff. Besides wanting to have the unit trust operating such that profits are distributed to staff, Hugh's overall approach is to invest in staff so they stay loyal:

I believe that we reap what we sew and I figure if I can give my people a little bit more then why would we go anywhere else? Why would we not put in for the company and do the right thing? Not always everything goes perfect to plan but they certainly all mean well.

In the face of adversity, the staff are the key to his business: “My staff are everything because if I don’t have them I can’t produce any furniture”.

Approaches to training and staff development

Staff training and development at Hughmark mostly involves a combination of structured training and informal learning on the job:

We’re doing forklift courses at the moment as in-house training. Most of us have our forklift tickets but they’re about to expire, so four or five of us are doing in-house training on forklift training. We’re also doing occupational health and safety training such as first aid.

Everything else we’ve got is computerised machinery and there is nowhere you can do any training on this equipment, so most of our training is in-house, there’s not much we can do externally.

Unfortunately training providers are not able to offer training on the machinery being used in industry:

They are training kids to be cabinetmakers but they’re not getting taught on the machinery that’s being used now within the industry. That’s the problem. So any training for us has to be in-house.

Other strategies to address skill shortages

One strategy Hugh does not intend to revisit is the 457 visa pathway, with which he had a disappointing experience:

I’ve gone through the whole 457 visa cycle but never again. I had a Philippino worker who couldn’t speak clear English but was the most loyal, hardworking guy you could ever come across. He failed the English language test by half a point and they sent him back. At that stage we were battling, screaming for people, we were short-staffed for three years.

However, Hugh is considering a number of other strategies to fill skill shortages including employing some trainees or apprentices:

As we get busier we’ll advertise again for cabinetmakers but maybe we’ll get some trainees. But we have to have people that want to work, not just want to turn up and get paid; not want it all for nothing and not have to put anything in.

I’m hoping that when we get busy again it’d be great to have one or two apprentices so that we can teach them thoroughly, because I’ve got some good people here. They could learn some good things from them.

This prospect of increasing his pool of good staff provides Hugh with some optimism about the future.

5. Summary of retention strategies

This chapter provides an easy-to-read checklist of the strategies that good practice small business employers in Western Australia use to retain staff, as set out in section three, based on the interviews, and reinforced by the case study in section four.

For good practice employers as interviewed for this study, retention starts indirectly but critically with attracting and selecting the right person. Retention strategies are needed continually: some employers also like to have harmonious relationships with employees who leave the organisation as they may end up returning.

Alignment with good practice identified in the literature

The list of strategies set out later in this section align with the strategies identified in the literature and set out in section two. These good practice strategies from the literature are as follows:

1. Linking recruitment to peaks and troughs
2. Targeted recruitment practices
3. Aptitude testing
4. Recruitment practices
5. Induction programs
6. Initial support / mentoring
7. Job design – challenging and responsible work with clear expectations and achievable goals
8. Utilising the full range of the employee's talents and skills
9. Delegated responsibility
10. Empowering employees to contribute to key decisions
11. Leadership, supervision and management styles that foster a positive employee/employer relationships
12. Supportive performance management processes
13. A perception of fairness and equitable treatment across the organisation
14. Stress / workload management processes
15. Working environment
16. Pay and pay related factors
17. Recognition, rewards and appreciation
18. Employer funded 'on-the-job' training/staff development
19. Employer funded 'off-the-job' training/staff development
20. Career paths
21. Coaching / mentoring schemes
22. Encourage 'higher duties' (temporary promotion) and other development opportunities.

All twenty two of the above strategies are practiced by the group of fifteen employers interviewed for this study.

The checklists below enrich and exceed the list from the literature.

5.1 Employer strategies to meet the expectations of staff

1. *Pay well and make them feel appreciated*
2. *Be flexible*
3. *Don't try to compete with higher salaries elsewhere*
4. *Respect employees and provide security of employment*
5. *Think outside the square*
6. *Don't take advantage of good people*
7. *Help them develop their careers*

5.2 Employers' current retention strategies

1. *Select the right person*
2. *Provide incentives and rewards*
3. *Offer good conditions*
4. *Treat staff as the biggest asset and make them feel appreciated*
5. *Value their ideas*
6. *Maintain good communication*
7. *Help them understand the business*
8. *Pay fairly, offer incentives if possible, and review these arrangements*
9. *Make the job interesting*
10. *Make the workplace friendly and fun*
11. *Have fair expectations*
12. *Be flexible – it's worth it*
13. *Share the success with staff*
14. *Formalise strategies*
15. *Make the business attractive to schools, parents and potential staff*
16. *Provide positive reinforcement*
17. *Help them develop more industry connections and knowledge*

5.3 Employers' future retention strategies

1. *Keep doing what has worked to date*
2. *Do whatever is possible*
3. *Train your current staff*
4. *Regularly review pay and reward schemes*
5. *Find out what employees think and want*
6. *Be fair and state expectations clearly*
7. *Set performance targets*
8. *Offer a better work-life balance*
9. *Subsidise some of their training*
10. *Seek an ongoing relationship if they decide to leave*
11. *Select the right people*

5.4 Employers' approaches to training and staff development

1. *Value on the job learning*
2. *Value accredited and structured training*

3. *Look to suppliers for specialist courses*
4. *Seek and subsidise specialist training*
5. *Pay for training where possible*
6. *Consider sharing the costs of training*
7. *Induct staff thoroughly*
8. *Train to retain*
9. *Consider e-learning*
10. *Offer face to face if not computer literate*
11. *Keep learning yourself*
12. *Expect to sometimes lose the investment in training*
13. *Try to find less costly training solutions, locally*

5.5 Other strategies used by employers to address skill shortages

1. *Be prepared for fluctuations in supply of labour*
2. *Use technology to attract and recruit*
3. *Understand the benefits, costs and complexities of 457 visas*
4. *If not inclined to import skills, be willing to train on the job*

Appendix: List of interviewees

The researchers John Mitchell and Graeme Dobbs wish to thank all the interviewees for generously giving their time for and ideas in the interviews.

Scott Van Heurck, Wood Recruitment, East Perth

Lari McDonald, Seadragonz Swim School, Forrestdale

Lee Sanders, Computer Consultants Professionals

Walter Ballast, Ballast Finance, East Victoria Park

Elisha Baartz, Character Creations, Cannington, O'Connor and Morley

Mark Pearse, Newport Hotel, Fremantle

Damon Knott, As One Advertising & Marketing, Joondalup

Kristen Watts, Sheila Magazine, Subiaco

Christine Sparrow, Skydive Jurien Bay, Jurien Bay

Cynthia Williamson, Commercial Cleaning Equipment, Malaga

Ewan McAllister, Trac West, Landsdale

Hugh Collins, Hughmark Quality Furniture Pty Ltd, Wangara

Terry Compton, Names-Plus Embroidery, Busselton

David Carboni, Margaret River Mowers & Chainsaws, Margaret River

Ian Taylor, Oil Change Express, Mirrabooka

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