

**EMPLOYEE RETENTION: CHALLENGES FACING SMALL
AND MEDIUM ENTERPRISES IN RETAINING EMPLOYEES AT
TUNDUMA TOWN, TANZANIA**

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AND MEDIUM ENTERPRISES IN RETAINING EMPLOYEES AT
TUNDUMA TOWN, TANZANIA**

By

Fidelina Francis Katunzi

**A Dissertation Submitted in the Partial Fulfilment of the Requirements for the
Master's Degree of Science in Human Resource Management of Mzumbe
University
2015**

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled, ***Employee Retention: Challenges Facing Small and Medium Enterprises in Retaining Employees at Tunduma Town, Tanzania*** in partial fulfillment of the requirements for award of the Master's Degree of Science in Human Resource Management of Mzumbe University.

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Signature_____

Major Supervisor

Date_____

Signature_____

Internal Examiner

Date_____

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External Examiner

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DECLARATION AND COPYRIGHT

I, FidelinaFrancisKatunzi, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university in a similar or any other degree award.

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I understand that I can not mention each and every one on this single page. But I register my sincere appreciation to everyone who supported me in one way or another to complete this work.

DEDICATION

To my parents, Mr. and Mrs. Katunzi, you are my inspiration. I love you.

ABSTRACT

The main objective of the study was to examine challenges facing small and medium enterprises in retaining employees at Tunduma town, specifically, to examine factors for employee retention in SMEs, to examine strategies used by SMEs to retaining employees and to investigate the challenges facing SMEs in retaining employees. A case study research design was applied, the study employed interview and questionnaire methods to collect data for the study. Quantitative data collected were analysed by using descriptive Statistics technique and Qualitative data were analyzed by using thematic technique. The sample size of the study was 109 respondents. The study found that employee retention in SMEs at Tunduma town has been negatively affected by small salary paid to employees, the absence of health insurance, bonus and retirement benefits. Also, the study found that SMEs employees face difficulty working environment. Moreover, employees in SMEs at Tunduma town are not provided with opportunities for career development. Delegation, challenging job, attractive working equipments and transparency have been used as strategies by SMEs at Tunduma town to retain employees. Furthermore, financial constraints, competition with large organisations, monetary dissatisfaction and employee mobility have been challenges facing SMEs in retaining employees at Tunduma town. The study recommends that SMEs should devote enough funds for improving the working environment and paying employees with competitive compensation. Further study is needed to be conducted to include other towns from other parts of Tanzania to have a wider understanding about the challenges facing SMEs in retaining employees.

ABBREVIATION

GDP	-	Gross Domestic Product
REPOA	-	Research on Poverty Alleviation
SMEs	-	Small and Medium Enterprises
TTC	-	Tunduma Town Council
URT	-	United Republic of Tanzania

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Problem

In Tanzania, the SME sector has been recognised as a significant sector in employment creation, income generation, poverty alleviation and as a base for industrial development (URT, 2003). Small and Medium Enterprises (SMEs) are the micro, small and medium enterprises engaging up to 4 people or employing a capital of up to 5 million TZS, between five and 49 employees or with a capital from 5 million TZS to 200 million TZS and between 50 and 99 employees or with a capital from 200 TZS to 800 million TZS respectively (URT, 2003). It is estimated that about 2.75 million of people own and manage about 3.16 million MSMEs and the sector is estimated to contribute 6.9 Trillion TZS or about 27% of Tanzania's GDP (URT, 2012). Tanzania like any other developing countries in the world, has taken a number of measures to promote business growth of SMEs so as the private sector will take the lead in creating incomes and employment opportunities, whereby the government remains with a regulatory role to level the playing field and create conducive environment for the private sector to take the lead in driving economic growth. For instance, a development of 2003 SME policy, improvement of infrastructure, creation of a conducive legal environment, provision of business training and credit services have been helpful strategies for growth of SMEs (URT, 2012).

Employee retention is a challenge of all organizations today, be public or private due to negative consequences organisations face (Shamsuzzoha and Shumon, 2007). Likewise, SMEs are not exempted from facing challenges in retaining employees, where the decline of financial capacity is, among other factors that affect negatively the employee retention. The rate of employee turnover in SMEs in Tanzania is increasing (Minja 2011).

Augustine (2011) comments that labour turnover in Tanzanian SMEs has become a solemn trouble in today's business setting. This situation threatens many SMEs owners and has been termed as one of the management and organizational challenges (Mrara, 2010). Abdali (2011) argued that, challenges of employee retention in SMEs is

significant because it has negative effects on the operation and largely shocks the performance of many SMEs. In a similar way, Hedwiga (2011) affirmed that challenge on employee retention face many SMEs and radically affects financial performance of SMEs. If the challenges facing employee retention in SMEs won't be addressed, there will be declining of employment opportunities in Tanzania, since at present 700,000 people get into the labour force every year. About 500,000 people are school leavers with few marketable skills. The public sector employs only about 40,000 of the new entrants into the labour market, leaving about 660,000 searching employment in SMEs (URT, 2012).

1.2 Statement of the Problem

An employee is the most important asset for any organisation. No organisation can survive without employees; special attention is required for employee retention so as to retain positive and motivated staff for the organization's success. Employee turnover increases expenses and also has a negative effect on organisational morale (Hedwiga, 2011). Despite the different efforts undertaken by the government to support the growth of the private sector, such as development of SME policy, improvement of infrastructure, creation of a conducive legal environment, provision of business training, credit services for SMEs, and the importance of SMEs in the growth of the national economy by contributing third of Tanzania's GDP, there is still a high rate of employee turnover in SMEs (URT, 2012). From this understanding the researcher has raised interest to examine challenges facing small and medium enterprises in retaining employees at Tunduma town, Tanzania.

1.3 Objective of the Study

1.4.1 General Objective

The general objective of this study was to examine challenges facing small and medium enterprises in retaining employees at Tunduma town, Tanzania

1.4.2 Specific Objectives

The specific objectives of the study are to:

- i. Examine factors for employee retention in SMEs
- ii. Examining strategies used by SMEs to retaining employees
- iii. Investigate the challenges facing SMEs in retaining employees

1.4 Research Questions

- i. What are the factors for employee retention in SMEs?
- ii. Which are strategies used by SMEs in retaining employees?
- iii. What are the key challenges facing SMEs in retaining employees?

1.5 Significance of the Study

The purpose of the study was to examine challenges facing small and medium enterprises in retaining employees at Tunduma town, Tanzania. The study findings will provide the appropriate strategies to SME owners to solve challenges facing SMEs in retaining employees.

1.6 Limitations of the Study

The study was limited by the unwillingness of some respondents to participate in the study. Several approaches were used to address this limitation; firstly the purpose of the study was clarified to the respondents with a view to remove suspicion of the intent of the study and encourage their participation, secondly anonymity of the respondents was promised that the findings would not be displayed with their names. This helped to dispel the fear of participating in the study.

1.7 Delimitation of the Study

This study focused on examining the challenges facing small and medium enterprises in retaining employees. The study was conducted at Tunduma town, Tanzania; since it was not easy for the research to be conducted in the whole country due to the time factor and the size of the geographical distribution of the population.

Tunduma town was chosen because is one of towns with big number of SMEs due to its location at the border between Tanzania and Zambia.

1.8 Organisation of the Dissertation

This dissertation is organised into five chapters. The first chapter presents an introduction, background of the problem, statement of the problem, research objectives, research questions, significance of the study, limitation of the study and delimitation of the study; The second chapter reviews theoretical literature, empirical literature and conceptual frame work; The third chapter discusses the methodology of the study; The fourth chapter presents the research findings and discussion; The fifth chapter provides summary, conclusion, recommendations and area for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review is important for the reason that helped the researcher to familiarise with theoretical and empirical literatures on employee retention and SMEs; it helped the researcher to sharpen the research objectives and research questions, methodology of the study including research design and approaches to data analysis. The review of literature was also essential in identifying the gaps in previous studies. The chapter is divided into two major parts: Theoretical literature review and empirical literature review.

2.2 Theoretical Literature Review

This section reviews the theoretical literature on employee retention and SMEs.

2.2.1 Concepts of Key Terms

i. Employees Retention

According to Chaminade (2006) employee retention is an effort by organisation to maintain a working environment which supports current staff in remaining with the organisation. Employees' retention can be represented by a simple statistic (for example, a retention rate of 80% usually indicates that an organization kept 80% of its employees in a given period). However, many consider employee retention as relating to the efforts by which employers attempt to retain employees in their work places.

ii. Employee Turnover

According to Price (1997) employee turnover is the ratio of the number of organisational members who have left during the period being considered divided by the average number of employees in that organisation during the period. Employee turnover is a double-edge issue. On one hand, excessive employees' turnover can have negative effects in the organisation such as drop in productivity of existing staff, loss in profitability, corporate knowledge, competencies, disruptive and self-

perpetuating. Also, getting replacement takes time and costly training (Santiago, 2001). On the other hand, the advantage of high turnover is the lower labour expenses associated with employees not sticking around long enough for pay raises and opportunity for the organization to get new ideas (Egan, 1995, Beer 1981).

iii. Small and Medium Enterprises (SMEs)

Small and Medium Enterprises are businesses whose personnel numbers fall below certain limits. In the context of Tanzania, Small Enterprises are mostly formalised businesses engaging between 5 and 49 employees or with capital investment from 5 millionTZS to200 millionTZS, and Medium enterprises employ between 50 and 99 people or use capital investment from 200 millionTZS to800 million TZS (URT, 2003).

Table 2.1: Categories of SME's in Tanzania

	Category Employment	Capital investment in machinery
1	Micro enterprises	1 – 4 Up to 5 million TZS
2	Small enterprises	5 – 49 Above 5 million to 200 million TZS
3	Medium enterprises	50 – 99 Above 200millionTZS 800 to million TZS

Source: (URT, 2003)

2.2.2 Theories

Different scholars have tried to discuss theories of motivation; this is due to the importance of motivation theories at work places. Therefore, it is important that the managers in SMEs have to apply the motivation theories for retaining employees in the organisation. This study was guided by Maslow's Hierarchy of Needs theory; also the study reviewed other four theories: Theory X and Y, Equity Theory, Two-Factor theory and Expectancy Theory.

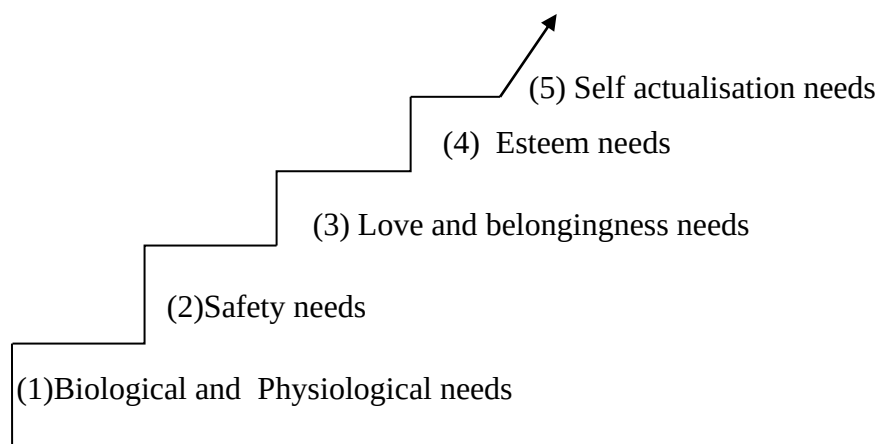
i.Maslow's Hierarchy of Needs Theory

Maslow's Hierarchy of Needs Theory was developed by Abraham Maslow in 1954. The theory assumes that there is a hierarchy of needs that people are moved to satisfy themselves. The theory proposed the following hierarchy of needs:

- a) Biological and Physiological needs (air, food, drink, shelter, warmth, sex, sleep).
- b) Safety needs (protection from elements, security, order, law, stability, freedom from fear).
- c) Love and belongingness needs (friendship, intimacy, affection and love, - from work group, family, friends, romantic relationships).
- d) Esteem needs (achievement, mastery, independence, status, dominance, prestige, self-respect, and respect from others).
- e) Self-Actualization needs (realising personal potential, self-fulfilment, seeking personal growth and peak experiences).

Maslow's hierarchy of need theory implies that once a particular level of need is satisfied, it ceases to be a motivating force. The individual then seeks a higher level of need satisfaction (Drummond, 2000)

Figure 2.1 Maslow Hierarchy of Needs Theory



Source: Cianci and Gambrel (2013:7)

ii.Theory X and Y

Theory X and Y proposed two distinct views of human beings: one basically negative (labeled X) and the other basically positive (labeled Y). After viewing the way in which managers dealt with employees, McGregor concluded that the managers' views of the nature of human beings are based on a certain grouping of assumptions and that managers tend to mold their behaviour toward employees.

Under the negative (X) view, four assumptions are held by managers:

- a) Employees inherently dislike work and, whenever possible, will attempt to avoid it.
- b) Since employees dislike work, they must be coerced, controlled, or threatened with punishment to achieve goals.
- c) Employees will avoid responsibilities and seek formal direction whenever possible.
- d) Most workers place security above all other factors associated with work and will display little ambition.

In contrast to these negative views about the nature of human beings, McGregor listed the four positive assumptions that he called Y:

- a) Employees can view work as being as natural as rest or play.
- b) People will exercise self-direction and self-control if they are committed to the objectives.
- c) The average person can learn to accept, even seek, responsibility:
- d) The ability to make innovative decisions is widely dispersed throughout the population and is not necessarily the sole province of those in management positions.

The theory Y and X imply that employees need participative decision making, responsible and challenging jobs, and good group relations as approaches that would maximize their job motivation. (Robbins and Judge, 2008).

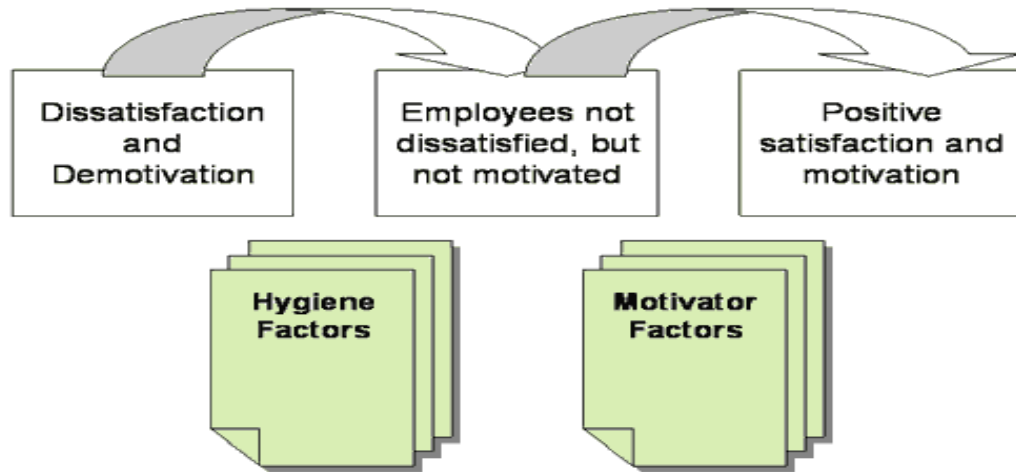
iii. Equity Theory

The theory asserts that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and outcomes of others (Adams, 1965). The belief is that people value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organisation. The structure of equity in the workplace is based on the ratio of inputs to outcomes. The inputs are the contributions made by the employee for the organisation.

iv. Two-Factor Theory

Two-factor theory suggested two factors to be considered for an individual to continue working in an organization, it includes the influence of Hygiene factors (environmental factors) and Motivational factors (the job itself). Hygiene factors include such factors like, Policies and administration, supervision, working conditions, interpersonal relations, personal life, money, status, security motivators include, achievement, recognition, challenging work, increased responsibility, opportunity for advancement opportunity for personal growth (Ghillyer, 2009). Employees continue to work in a given organization not only because of motivation factors but also hygiene factors. Motivational factors and hygiene factors when applied together encourage an employee to continue working for an organisation (George, 1973). The implication of this therefore is that management should not rely only on motivational factors to influence employee retention; rather, a combination of both hygiene and motivational factors should be considered as an effective retention strategy.

Figure 2.2: Frederick Hertzberg's two-factor theory



Source: Researcher (2014) based on literature review

v. Expectancy Theory

Expectancy Theory was developed by Victor Vroom in 1960s. The expectancy theory suggests that people are not only driven by needs but also make choices about what they will or will not do. Expectancy theory proposes that individuals make work related decision on the basis of their perceived abilities to perform tasks and receive rewards, Vroom established an equation with three variables to explain this decision process, the variables which are given probability values are as follows:

- a) Expectancy: the degree of confidence a person has in his or her ability to perform a task successfully
- b) Instrumentality: the degree of confidence a person has that if the task is performed successfully, he or she will be rewarded appropriately.
- c) Valence: the value of a person places on expected rewards.

Because the model is multiplicative, all three variables must have high positive values to imply motivated performance choices. If any of the variables approaches zero, the probability of motivated performance also approaches zero, when all three values are high, then motivation to performance is also high (Bandura, 2006).

2.2.3 Composition of SMEs

Micro enterprises, notably those operating in the informal sector, constitute the vast majority of businesses in most developing countries. They include what are often called own-account workers, the self-employed and small family operations. They are unlikely to benefit directly from changes to the formal policy environment and from efforts to expand credit through banks and other formal lenders (URT, 2003)

2.2.4 Characteristics of SMEs

Many SME companies are quite small and have only a very few employees. This limited staff is required to complete all necessary tasks including innovation, production, marketing, sales and accounting for the entire business; for example, the owner of the business may also be the manager who oversees all the areas of the company. This can be a disadvantage if employees do not have the required skill sets to perform multiple tasks well; however, this type of business structure promotes long-term stability rather than focusing on short-term results (Sexton and Barrets, 2003).

Most SMEs focus on a small number of products and services; this limited focus lets such companies establish strong relationships with their business partners, which in turn provides stability for the SME. An SME typically makes necessary changes to its services or products to suit clients' needs; the downside of this is that the SME relies very heavily on existing partnerships and may suffer financially if a relationship is terminated (Kaye and Jordan, 2008).

The SME is a simple business structure, which allows the company to be very flexible and make necessary changes quickly without such requirements as addressing board members or stockholders for approval. This flexibility, however, does not necessarily mean the company is observing local or national regulations that a board or legal team of a larger organization would review prior to putting such changes into place (Tundui, 2012).

The small size of the business can be an advantage when it comes to specialization and filling niche markets with products. However, size can be a disadvantage when it comes to obtaining financing for the business.

Many SMEs rely on personal assets of owners and management to finance the company. Limited funds also effect marketing and the ability to reach new markets with their products due to budget limitations (Sexton and Barrets,2003).

2.2.5 Significance of Small and Medium Sized Enterprises to the Country

One third of the GDP in Tanzania originates from the SME sector. The Informal Sector Survey of 1991 shows that, medium enterprises consisted of more than 1.7 million businesses whichattracting about 3 million persons that wereabout 20% of the Tanzanian labour force. Thus, it is obviously true that the SME sector plays a crucial role in the economy (URT (2012).

Also, SMEs provide more employment opportunities to most working age youth in the country, in Tanzania about 700,000 youths with working age are employed in SMEs activities. Most of these youth have few marketable skills; this limits them from being recruited by the government. Therefore, the only opportunity left for them is enrolling themselves into SMEs. This is due to the fact that, SMEs technologies are easier to acquire, transfers and adopt (URT, 2012).

At the same time SMEs serves as a training ground for emerging Entrepreneurs. Additionally, SMEs are more effective in the utilization of limited resources using simple and reasonable technology. And thedevelopment of SMEs facilitates distribution of economic activities within the economy and thus fosters equitable income distribution (URT, 2012).

2.2.5 Employees Turnover in SMEs

People who stay in the organizations are the ones who are being able to connect their objectives with that of the organisation. Employees should be able to see the growth opportunity, enjoy the work environment and be able to find their jobs challenging, meaningful and with purpose (Mills, 2007). Poor leadership is a main reason for people leaving the organizations because the managers want to take care of the employees need, however; their actions are not in conjunction with what employees want. The employees have to be asked what they want rather than guessing (Kaye and Jordan, 2008).

Also, companies that are inflexible or whose organizational culture is characterized by domination and autocracy are likely to have dissatisfied employees no matter how good the incentives to stay may be (Dalton and Todor, 1979). Other sources which can make people leave the company or lack of control over one's work, feeling bored or unchallenged by repetitive tasks, lack of job security, and lack of learning opportunities. In a survey carried out on recruitment, retention and turnover in organizations in the UK (CIPD, 2005), top three reasons behind the departure of employees in the organizations as have been voted by employees were: lack of promotion of employees, lack of development or career opportunities and change of career.

2.2.6 Employee Retention in SMEs

As it is being argued that employee turnover should be reduced in organizations whose organizational practices are perceived and managed as an investment in employees and in their professional development (Allen et al, 2003). It is very important to retain employees in the organizations. Taylor (2002) addresses the following importance of employee retention: It is maintaining job performance and productivity. As motivation encourages the employees to work harder and smarter in the organization led to produce more with high quality. So, enterprises have to keep current workers motivated and satisfied with their roles which will ensure productivity is not interrupted. It manages employee turnover, since the retention strategies are implemented in the enterprises, which in turn attract quality employees to stay longer in the organization.

Cost effective, the cost of replacing workers is high, the problem associated with finding and training new employees can be considerable, and the specific workplace acquired skills and knowledge people walk away with can take years to replace. So, the problem of turnover can be addressed by retention strategies in organizations.

Employee commitment, the investment in employee skills and knowledge leads to greater commitment, enhanced bond between employer and employee which relates to lower rates of employee turnover. The more committed employees have the less desires to terminate from the organization and they found to have a strong desire to attend work and more positive attitude about their employment.

Also creating a satisfactory work environment for employees, which led to better retention, example, stimulation of work environment that makes effective use of peoples skills and knowledge, provides the way for them to add ideas, and make them to see how their own contribution influence the company.

2.2.7 Significance of Small and Medium Enterprises

It is estimated that about a third of the GDP originates from the SME sector. According to the Informal Sector Survey of 1991, micro enterprises operating in the informal sector alone consisted of more than 1.7 million businesses engaging about 3 million persons that was, about 20% of the Tanzanian labour force. Though data on the SME sector are rather sketchy and unreliable, it was reflected already in the above data that SME sector plays a crucial role in the economy (Tundui, 2012).

Also, SMEs create employment opportunities, estimates show that there are about 700,000 new entrants into the labour force every year in Tanzania. About 500,000 of these are school leavers with few marketable skills. The public sector employs only about 40,000 of the new entrants into the labour market, leaving about 660,000 to join the unemployed or the underemployed reserve. Most of these persons end up in the SME sector, and especially in the informal sector. Given that situation and the fact that Tanzania is characterised by low rates of capital formation, SMEs are the best option to address this problem (Bains, 2011).

Moreover, SMEs tend to be more effective in the utilisation of local resources using simple and affordable technology. SMEs play a fundamental role in utilising and adding value to local resources. In addition, the development of SMEs facilitates distribution of economic activities within the economy and thus fosters equitable income distribution. Furthermore, SMEs technologies are easier to acquire, transfer and adopt. Also, SMEs is better positioned to satisfy limited demands brought about by small and localised markets due to their lower overheads and fixed costs. Moreover, SME owners tend to show greater resilience in the face of recessions by holding on to their businesses, as they are prepared to temporarily accept lower compensation (URT, 2003).

Furthermore, SMEs have great potential to complement large industry requirements. A strong and productive industrial structure can only be achieved where SMEs and large enterprises not only co-exist but also function in a symbiotic relationship. However, the linkages between SMEs and large enterprises are very weak in Tanzania. SME development Policy, therefore, creates the potential for enhancing linkages within the economy. In addition, SMEs serve as a training ground for entrepreneurship and managerial development and enable motivated individuals to find new avenues for investment and expanding their operations (Bains, 2011).

2.2.8 Business Growth Potential of SMEs

According to Bains (2011), Business growth potential refers to the state of the business having the potential to progress far. This potential progress can be measured by the increase in capital, increase in the number of employees, sales, business survival and expansion in terms of branches and product lines (Tundui, 2012). In order to realize business potential growth, there is a need for the government to create conducive environment for SMEs. For instance, simplifying loan conditions, provide access to finance, create markets for products, assist in the creation of business groups, ease the regulations controlling business, reform tax system, improving skills and training and provide business development services. Furthermore, in order to create conducive environment for women owned enterprises in Ethiopia, microfinance institutions should revisit its policy to ease the credit access and there should be a room to provide credit without group formation if the customer has an equivalent asset for collateral (Abebe, 2014).

2.2.9 Tanzania Development Vision 2025

Tanzania Development Vision 2025 seeks to transform from a low productivity agricultural economy to semi-industrialised one lead by modernised and highly productive agricultural activities which are buttressed by supportive industrial and service activities through actively mobilisation of people and other resources towards the achievement of shared goals. In the Poverty Reduction Strategy, the Government has decided to promote private sector participation including Small and Medium Enterprises.

The Sustainable Industrial Development Policy - SIDP (1996 - 2020) places specific emphasis on the promotion of small and medium industries through the following measures: supporting existing and new promotion institutions, simplification of taxation, licensing and registration of SMEs and improve access to financial services. In addition, SIDP encourages informal sector businesses to grow and be formalised. Furthermore, the policy identifies measures to enable indigenous entrepreneurs, women, youth and people with disabilities to take part in economic activities. The National Micro Finance Policy covers the provision of financial services to small and micro enterprises in rural areas as well as in the urban sectors that engage in all types of legal economic activities (URT, 2008).

2.2.10 National Employment Policy (2008)

The National Employment Policy recognises that the private sector, including SMEs is the major source of employment in Tanzania; SMEs create employment opportunities in Tanzania. It is estimated that there are about 700,000 new entrants into the labour force every year in Tanzania. About 500,000 of these are school leavers with few marketable skills. The public sector employs only about 40,000 of the new entrants into the labour market, leaving about 660,000 to join the unemployed or the underemployed reserve. Most of these persons end up in the SME sector, and especially in the informal sector. Given that situation and the fact that Tanzania is characterised by low rates of capital formation, SMEs are the best option to address this problem (Bains, 2011; URT, 2008).

2.2.11 Retention Factors for Employees

Employee retention is a key challenge in various organizations today. On the one hand, by being highly skilled, key employees tend to require more effort from organizations in answering their higher level needs in order to feel motivated to stay in the company. On the other hand, the company's failure in meeting their most important needs could result in losing them, as a competitive source, to competitors. Such challenging situation becomes even more critical given the shortage of knowledge workers and the increasing mobility of people in the labour market (Hiltrop, 1999).

a) Compensation

Compensation is one of the largest factors for the retention of employees. Compensation plays significant role in attracting and retaining good employees, especially those employees whose gives outstanding performance or unique skill which is indispensable to the organization because the company invest more amounts on their training and orientation. According to Lawler (1990) company adopt the strategy of low wages if the work is simple and requires little training and companies compete in highlylabour markets adopt the high wage strategy. Competitive compensation package builds strong commitment on the workers' side. An organisation that offers high compensation package compared to others have lower turnover rates. Moreover, high compensation package organizations also create a culture of excellence (Lawler 1990).

b) Internal Mobility

Internal mobility is the extent to which an organization utilizes a policy of staffing from within the organization. The practice of internal mobility policies reduces turnover rate in the organisation. Talent management systems can match current employees to open roles across the organization based on skills, aspirations and performance, thus enabling the employer to proactively offer new roles to appropriate employees (Ramlall, 2003).

c) Supervisor Support

The leadership style considersaffective factors in employee retention. The relationship between supervisor and worker play pivotal role in employee turnover intention. The organization “human face” is supervisors. Leaders are the human face of the firm. Eisenberger and associates (1990) suggestedthat employees view regarding organization is strongly concerned with their relationship with a supervisor. If supervisor support, open communication and have a good relationship with employees, the employees turnover intention is likely less and more engaged with the organization (Greenhaus, 1994). Leaders interact as a bond to perform application between expectations and stated goals. If the relationship between workers and supervisor is strong, the worker will never seek to any other new employment opportunity but stay in the organization and vice versa. Employees leave the leaders not jobs, so leader support is also essential in this regard (Ontario, 2004).

d) Working Environment

Employees strive to work and to stay in those organisations that provide good and positive working environment, where employee feels that they are valued and making difference. Proficient employees of such organizations are dragging together to push the organization forward. Working environment plays pivotal role in employee's decision whether to leave the job or stay and consider as a major factor in employee retention. Light has been identified is a casual factor of job performance, sometime noise disturb the working environments and create a hitch in office which is harmful to employees psychological and physical welfare, encouragement and at times productivity (Ramlall,2003).

e) Career Development

The purpose of career planning as part of an employee development program is not only to help employees feel like their employers are investing in them, but also help people manage the many aspects of their lives and deal with the fact that there is not a clear promotion track. Employers can no longer promise job security, but they can help people maintain the skills they need to remain viable in the job market, thus employees' retention (Moses, 1999).

f) Organisational Commitment

The committed employees remain with the organisation for longer periods of time than those which are less committed. Steers (1977) suggest that the more committed an employee is, the less of a desire they have to terminate from the organization. According to Arthur (1994) when organizations seek to foster a philosophy of commitment, then the likelihood of an employee searching for employment elsewhere is lowered.

g) Performance Recognition

Every employee has a need to be recognized, for doing a good job, the recognition makes individuals feel better about themselves and their organization, thus work with the organisation for a long period of time (Heathfield, 2008).

2.2.12 Strategies for Employee Retention in SMEs

It is becoming more essential to secure and manage competent employees as the most valuable resources of any organization because of the need for effective and efficient delivery of goods and services in private and public organizations. So, in order the organizations to realize their goals, appropriate strategies for employee recruitment and retention must be employed as follows:

a) Working Environment

This is considered one of the most important factors in employee retention (Zeytinoglu and Denton, 2005). The most important retention strategies have to do with creating and maintaining a workplace that attracts, retains and nourishes people. People strive to work and stay in the organization that provide good and positive work environment (Ramlall, 2003).

b) Recruitment

In today's liberalized and globalized economy, the nourishing of any organization depends on the integral growth of employees. Talent crunch can impact any organization's bottom line and growth. SMEs are struggling to fill talent gap, find skilled workers, especially at workmen level and middle level positions. Identifying right candidate for a right job with right skill, and aligning their business forgetting the quality, cost scale balance right, stands huge challenge to any SMEs. To attract the right candidates, the enterprises have to make sure that potential candidates are aware as soon as the vacancy is advertised, because it should save valuable time and money. The enterprises can attract the best applicants for the job and retain them for a long time for the future success of the organization by being innovative in recruitment, especially, young people, students and graduates who will remain in the job for a long time.

c) Career Development

It refers to the continuous process of developing and refining the career goals where the organization provides opportunities to enhance employees, personal abilities, skills, knowledge and their potential throughout their career lifespan. Organizational turnover rates will be reduced after implementation of the career development program in the organization (American Journal of Economics, 2013).

d) Motivation

The motivation of employees in any organization is one of the strategies in employee retention. Keeping employees satisfied in SMEs is very important issues and the managers have to ensure that their employees remain satisfied with the job. In SMEs the heart of the motivation process lies in ensuring and maintaining smooth and harmonious working and personal relationship among its employees. Effective co-operation, and harmony, less conflicts and stress in workplaces lead to higher motivation, and improves labour productivity and in turn ensures higher retention rate. Motivating employees in SMEs is to reduce the rates of absenteeism and staff turnover, which impact on the productivity given the number of employees in the SMEs and the high cost of recruiting and replacing existing employees (SME.com, 2012). So, the organizations should motivate the employees by communicating with them about the benefits offered by the SMEs. They should also highlight the various opportunities for personal growth, job growth of the organization that can motivate the employees to reach greater heights of productivity within the limited time. Thus, through motivation, the managers could improve the efficiency and the effectiveness with which the employees work (Gupta and Singhal, 1993).

e) Empowerment

Empowered employees feel they have ability to make decisions and put them into action. Empowered personnel are expected to act, at least in some small way, like owners of the company rather than just employees. Every employee feels that should have certain decision making powers with him to do a particular job. The managers must help their employees in acquiring the relevant skills; employees must be supported in their making decisions and not criticized when they try to do something extraordinary (Kishore et al, 2012).

f) Performance Management

It is mainly concerned with the individual's performance and development. It is used to ensure that the employee's activities and outcomes are congruent with the organization's goals (Cieri et al, 2008). By focusing on future performance planning and improvement rather than on retrospective performance appraisal (Armstrong, 2003).

Performance appraisals can be used as feedback to employees in order to influence and enhance subsequent performance, and the results provide the insight into the effectiveness of the managers, the development and training needs for the whole organization, and the setting and articulating of organizational goals for the employees (Chelladurai, 2006).

g) Workforce diversity

In the highly globalized era, the more interaction among people from diverse cultures, beliefs and backgrounds than ever before is required. People no longer live and work in an insular marketplace, they are now part of a worldwide economy with competition coming from various organizations. Cultural diversity training programs must be set for all employees and supervisors concerned, which will help them be aware of the different cultures and beliefs for a diverse workforce existing in the organizations (Bayne, 2011).

h) Sportsmanship

It is the willingness of employees to tolerate less than ideal circumstances without complaining. Among the SMEs employees can enable smooth operation without many complains with regards to unimportant matters and focus on what went well instead of what went wrong. This saves time for more productive purposes. The sportsmanship behaviour of employees set an example for others which will reduce complaints, increase satisfaction and enhance employee retention. Within SMEs complaining throughout the workforce diminishes the employee morale (Podsakof et al, 1990).

i) Training

It is the use of systematic and planned instruction activities to pass on knowledge and assist people in acquiring the skills necessary for them to perform the duties of their jobs to a satisfactory level (Armstrong 2009, 665). It serves the dual purpose of demonstrating to workers that the company is committed to their development and success as well as ensuring that the company experiences success in the future. Also plays a complementary role in accelerating learning, help the organization recognize other skills that their employees possess (Armstrong 2009).

j) In Housing Training

In- house training is a cost –effective approach of an organization that wants to train six (6) to fifteen (15) people. The training offers the benefits to the organization as it is offering the flexibility of choosing their own venue or location and timing and the course depending the requirements of the organization. Also, the trainers come into the organization so the workers don't have to travel. They inject new energy in the organization through direct coaching and facilitation. This training can be conducted locally and still benefit staffs. For example, in the United Kingdom, some of the SMEs like bars and restaurants uses this kind of training, where employees can learn about food hygiene, and leadership skills for supervisory roles (Arts Award, 2005).

k) Get together parties

Holding staff social get together parties by organizing every staff to attend like a quarterly evening out or a group lunch out of the workplace paid for by the company can build a strong team spirit amongst the staffs on both social levels and professional levels, this encourages loyalty towards the company which increases the chances of staff retention in the organization Griffeth et al (2000).

l) Job satisfaction

It is a feeling of employee, whether they like or dislike their existing position. Happier employees always hold positive behaviour towards their job. High job satisfaction will engage and retain the talented employees who can enhance organizational effectiveness and lower turnover rate. Employees who have low job satisfaction will result in negative outcomes such as low customers' satisfaction and high turnover rate which will harm the organizational productivity. When appropriate employee retention strategies have been adopted, employees are more likely to remain and contribute to their organization due to their high job satisfaction (American Journal of Economics, 2013).

m) Pay and benefits

Pay is a type of direct payment that employees receive in exchange for the equal value of their contribution. Payment can be salary or wages, bonuses and allowances.

And pay involved money, which acts as a tool for retaining employees and increase their job satisfaction in the organization. The production will increase when employees' satisfaction is high and they are willing to contribute much to the organization.

While benefits are indirect payment which employees receive indirectly from employers like medical leave, retirement plan, annual leave, life insurance, sick assistance and travel holiday. These are significantly to job satisfaction and lower turnover rate in the organization (American Journal of Economics, 2013). Bergman and Grahman (1994) find that well designed employee benefit packages are effective tools attracting, motivating and retaining the employees.

n) Work –Life Balance

In today's competitive world market, employees are looking for flexibility and a way to balance their home and work lives. Make it easier for them by implementing these strategies to create more flexible and positive work environment. Thus, the supervisors have to give their employees some measures of control over their work schedules, thereby making it easier for them to manage non-job related responsibilities and maintain work-life balance. SMEs can create policies that address flexibility work-life balance issues which will lead to easier employees to deal with pressures on the home front. By doing these, the employees will be more productive in the organization, when they are on the job and less likely to jump to another organization if one of the competitors offers them a little more money.

o) Conflict Management and creation of Friendly Team Atmosphere

Conflicts in workplaces must be avoided to maintain the peace of the place and avoid spreading negativity around. Promote activities which bring employees, closure, organize outdoor picnics, an informal get together for the employees to know each other better and strengthen their bond. The supervisors have to create better environments for their employees to make friends at the workplace whom they can really trust. Friendship among employees is one strong strategy which helps to retain employees. Individuals who have reliable friends at the workplace are reluctant to move on for the sake of friendship. No one likes to leave an organization where he gets a mental piece (Visuri, 2014). A number of studies have found that employees are more inclined to stay when they have a strong relationship with their work colleagues, as

they also work as a team are more likely to feel an increased commitment to the work unit's efforts and the organization as a whole and they tend to remain in organizations where they have established a strong teamwork relationship at the workplace (Clarke et al, 2001).

p) Effective Company Policies, Rules and Regulations

These should be made so as to benefit and make employees stay longer in the organization. For example, the managers should make the rules which will allow the employees to take the leave on their birthdays or come a little late once or twice in a month. It is important for the management to understand the employees to gain their trust and confidence (Visuri, 2014).

q) Employee Communication

Communication between the managers and employees is essential for a thriving workplace. The supervisors have to learn strategies for making them available to staffs, where they can express their feelings, ideas and problems. This will assure the employees that the supervisors care about them and not only about the integrity of the workplace. Staff communication needs to be a priority for managers even when the news is difficult. Also, the office rumours are part of every workplace, but managers have to discover the ways to control and counteract its negative effects through effective employee communication (Visuri, 2014).

In a survey carried out by UK (CIPD, 2005) on recruitment, retention and turnover in organizations, found that there are (8) eighty initiatives which can improve retention in the organizations which are improved employee communication or involvement, increased learning and development opportunities, improved induction process, increased pay, improved selection techniques, improved benefits, made changes to improve work- life balance and improved line management HR skills.

In today's competitive market, high performing employees are looking for more than compensation packages and benefits. They look more on interesting work, flexibilities, feeling valued, and having training and advancement opportunities which results to the factors influencing their decision to change jobs, and the key to preventing employee turnover is to have a positive work environment where there is good communication,

and where everyone shares in the excitement of being part of a successful organization (Cunningham, 2002).

2.2.13 Constraints Faced by SMEs in Tanzania

Generally, SMEs is confronted with problems, including heavy costs of compliance resulting from their size. Other constraints include insufficient working premises and limited access to finance. In addition, Business Development Services, namely services related to entrepreneurship, business training, marketing, technology development and information are underdeveloped and not readily available. On the other hand, SME operators lack information as well as appreciation for such services and can hardly afford to pay for the services. As a result, operators of the sector have rather low skills. Also, there is no umbrella association for SMEs. At the same time, the institutions and associations supporting SMEs are weak, fragmented and uncoordinated partly due to lack of clear guidance and policy for the development of the sector (URT, 2012).

Despite of various interventions aimed at improving the business environment in Tanzania, the legal and regulatory framework is bureaucratic, costly and centralised. These characteristics of the legal and regulatory environment affect all sizes of businesses adversely. However, SMEs is further constrained in this environment in comparison to larger businesses due to the disproportionately heavy costs of compliance arising from their size. As a result, most of informal enterprises have failed to formalise and micro enterprises have been unable to grow and graduate into Small and Medium Enterprises. The tax regime in Tanzania is also unfavourable for SMEs developers. Taxes are many, rather high and collected by various authorities including the Tanzania Revenue Authority and the Local Government Authorities. Furthermore, entrepreneurs are ignorant of tax matters and the cost of complying with tax regulations is considered high. Whereas taxation of businesses is a necessity for national economic development, the present tax regime imposes a major burden on SMEs (URT, 2008).

2.3 Empirical Literature Review

This section reviews various other studies related to employee retention. This review is important as Tayie (2005) notes that it provides information about what was done in the related study, how it was done and what results were generated.

The study by Agyeman and Ponniah (2014) on Employee Demographic Characteristics and Their Effects on Turnover and Retention in SME's in India the study revealed that employees are attracted to continue working in one enterprise due to the employee's contributions been recognized by the enterprise.

The study by John (2014) on Leadership styles in Small and Medium Enterprises in Kenya revealed that leadership styles had an effect on employee retention; this led to some employees to leave one organisation and join others.

The study by Nguyen (2012) on Improving the Recruitment and Retention Strategy, a case of Aiya restaurant, China revealed that a good working environment, good relationship with supervisors, promotion opportunities as well as participation in decision making contributed to employee retention at Aiya restaurant.

The study by George (2010) about Employee Retention in the informal sectors, Tanzania revealed that low salary that was paid to the employees has been affecting negatively retention of employees, due to the low salary majority of teachers left a teaching career to other careers.

The study by Christopher (2000) on Employee Motivation revealed that low job satisfaction of employees is mainly contributed by poor working condition.

The study by Dan (2008) on his study about employee job satisfaction in SMEs, India revealed that democratic leadership style has an influence on retaining employees if practiced properly.

The study by Bulla (2012) revealed that labour turnover is widespread in the sugar, and salary has been the major factor causing labour turnover in many of the organisations in Kenya. Other factors like recognition, job design, participation in decision making and leadership style contributed to labour turnover.

The study by Kiberiti and Tom (2014) on the Employee Job satisfaction in Small and Medium Enterprises in Tanzania revealed that SMEs use shift work as a strategy to retain employees.

The study by Rehman (2012) on Employee Turnover and Retention Strategies: An Empirical Study of Public Sector Organizations of Pakistan revealed that strategies of retention, which are based on developing human resources management systems and organizational behaviour aspects such as improving communication process and their HR policy and practicing, have a great contribution in avoiding high rate of turnover and its negative consequences. Also, competence based recruitment, better job design, good compensation practices, participatory leadership and supervision, career planning and development, alternative work schedule; good working conditions are appropriate strategies for retaining employees in the organizations.

The study by James (2011) on Employee Job Satisfaction in Tanzania revealed that employee recognition programs have significant impact on retaining employees in Small and Medium Enterprises.

2.4 Synthesis and Research Gap in the Literature Reviewed

Studies by other researchers that have been reviewed focused on employee Job satisfaction, Employee Turnover and Retention. The researcher identified the gap on examining the challenges facing small and medium enterprises in retaining employees, specifically on examining the factors for employee retention in SMEs, examining strategies used by SMEs to retaining employees and investigating the challenges facing SMEs in retaining employees.

2.5 Conceptual Frame Work

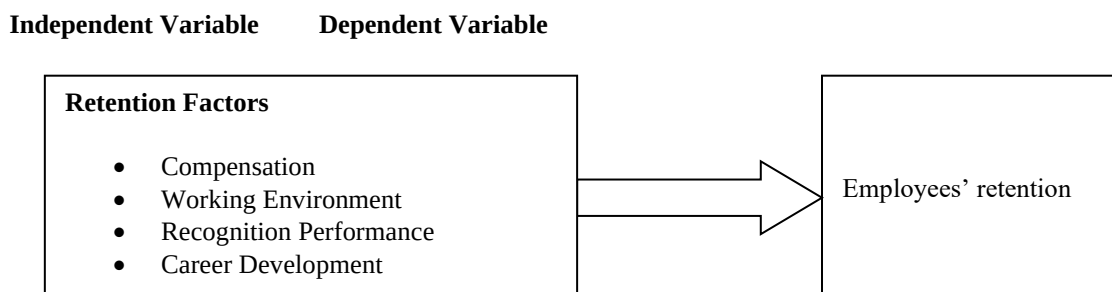
This section presents a conceptual framework from which the analysis of this study was made. The purpose of the study was to examine challenges facing small and medium enterprises in retaining employees at Tunduma town, Tanzania. The study developed a framework that indicating a relationship of variables based on the assumptions derived from the reviewed literature. The framework assumes that retention of employees depends on five factors: working environment, compensation, Supervisor Support, Performance Recognition and Career Development.

Employees strive to work and stay in the organisations that provide good and positive working environment, where the employee feels that they are valued and making a difference.

Proficient employees of such organizations are dragging together to push the organization forward, thus working with the organisation for a long period of time (Ramlall, 2003). Compensation plays significant role in attracting and retaining good employees, especially those employees with outstanding performance or unique skill which is indispensable to the organization. An organisation that offers high compensation package compared to others have lower turnover rates (Lawler 1990). The relationship between supervisor and worker play pivotal role in employee turnover intention. If supervisors support open communication and have a good relationship with employees, the employees' turnover intentions are likely to be less and more engaged with the organisation (Ontario, 2004).

Every employee has a need to be recognized, for doing a good job; the performance recognition makes individuals feel better about themselves and their organization, thus work with the organisation for a long period of time (Heathfield, 2008). Employees who are provided with opportunities to develop their career through training and coaching likely to be loyal to the organisation, thus majority of them do not have an intention to leave the organisation. Employers can no longer promise job security, but they can help people maintain the skills they need to remain viable in the job market, thus employees' retention (Moses, 1999).

Figure 2.3: Conceptual Frame Work



Source: Author (2014) based on literature reviewed

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

There was a need to make important methodological considerations to enable the study to realize its purpose. Methodological considerations included the following: research design, target population, sampling techniques, sample size, area of study, methods of data collection, Data analysis plan, and ethical consideration.

3.2 Research Design

A research design refers to the way the study is planned and conducted, the procedures and techniques employed to answer the research problem or research questions (McMillan and Schumacher, 1984). Raj (2005) adds that research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose. Thus, research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its operational implications for the final analysis of data.

There are different types of research design such as a case study, survey design and experimental design (Ndunguru, 2007). A case study design is a small, inclusive and intensive study involving in depth investigation of an individual, group, institution or phenomenon within its real life context using multiple source of evidence (Robson, 2000). This study employed case study design due to the quest of the researcher to have an in-depth examination of the challenges facing small and medium enterprises in retaining employees at Tunduma town, Tanzania. Also, the researcher wished to triangulate the study through fully uses the potential of multiple methods.

3.3 Area of Study

The study was conducted in Mbeya Region, Tanzania specifically at Tunduma town. The areas within Tunduma town which used to collect data were Majengo, Mwaka, Kaloleni and Sogea. Tunduma is located along the border of the two countries (Tanzania and Zambia). It is 113 kilometres South- West of Mbeya Region. Tunduma town was selected for the study for the reason that it is one of the towns in Tanzania experiencing the growth of SMEs; Restaurants, Bars, Guest houses, Garages, Bureau de Change, M-Pesa, Tigo-Pesa, Airtel Money, stationeries Clearing and Forwarding offices, Oil stations, wholesale and Retail shops which face high turnover rate of employees (TT C, 2014).

3.4 Target Population

Borgdan et al (1996) defined target population as all members of a real set of subjects/people/events to which a researcher wishes to generalise the results of the study. The targeted population of the study were SMEs supervisors, SMEs employees and Town trade officers which make a total of 4489 people.

Table 3.1: Targeted Population

Unit of Inquiry	Total number	Percentage
Town trade officers	03	0.1
SMEs supervisors	179	4.0
SMEs employees	4307	95.9
Total	4489	100

Source: Field data (2015)

3.5 Sampling Technique

According to Tharenou and Donohue, (2007) sampling involves selecting members/units such as individuals, pairs, groups, organizations from a population so that they are representative of that population. There are two types of sampling techniques: Probability sampling technique and Non probability sampling technique.

3.5.1 Probability Sampling Technique

Probability sampling technique is the type of sampling technique whereby every member of the population has a chance of being selected to form a sample (Kamuzola, 2008). Also, Tharenou and Donohue, (2007) defined Probability sampling technique as sampling technique in which the samples are gathered in a process that gives all the individuals in the population equal chances of being selected. Thus, Probability sampling technique is where each unit in the population has an equal chance of being selected into the study. There are different types of probability sampling technique such as Simple Random Sampling, Stratified Random Sampling and Systematic Random Sampling techniques. This study employed simple random sampling technique.

Simple Random Technique

Simple random sampling is the sampling technique in which there is an equal chance of including each element (Black, 1976). Adam and Kamuzora (2008) adds that simple random sampling is a probability sampling whereby all members in the population have an equal chance of being selected into the study. According to Krishnaswami (2003) simple random sampling technique is conducted by making a numbered list of all the units in the population from which a researcher wanted to draw a sample or can use an already existing one (sampling frame). Then the researcher decides on the size of the sample, the researcher has to select the required number of sampling units, using a 'lottery' method or a table of random numbers till the required sample is obtained.

The simple random sampling technique was employed in the study to select 20 SMEs and 100 SMEs employee; the SMEs that were selected are: Petrol Station, Tigo/Mpesa/Airtel money, Cafeteria, Pay toilet, Maximalipo, Fahari Huduma, NMB wakala, Garage, Bookshop, Clothing shop, Supermarket, Furniture store, Bus service, Daycare centre, Maize Mill, Guest house, Private security company, Cleaning company, Stationary and parking company; whereby 5 employees were selected from each of 20 SMEs. Therefore, every SME and SME's employee in 20 selected SMEs had equal chance to be selected into the study. Sampling frame (list of SMEs at Tunduma town) was obtained from the *Town Trade Office*. Also, a list of employees in each of 20 SMEs was obtained from the Supervisor's office of each 20 SMEs.

Slip of papers was prepared and then numbered to present every SME at Tunduma Town. To minimise the selection bias the numbered slips of paper were systematically shuffled in a box and then one of piece of paper was randomly picked at a time. The process was repeated until a required sample of 20 SMEs was obtained. Also, the same process was done in each of 20SMEs, thus sample of 100 SMEs employees was obtained;each of 20SMEs was represented by 5 employees.

3.5.2 Non-Probability Sampling Technique

According to Bhattacharjee (2012) non probability sampling is a sampling technique in which some units of the population have zero chance of selection. Also, Kamuzora (2008) defined non-probability sampling technique as a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected. Thus, the Non probability sampling technique is a sampling technique which selects individual into the study arbitrarily; there is no way to estimate the probability of any one element being included in the sample. Also, no assurance is given that each item has a chance of being included.

There are different types of Non-probability sampling technique, such as purposive sampling, accidental sampling and snowball sampling techniques. This study employed purposive sampling technique.

Purposive Sampling Technique

Purposive sampling techniques involve picking units most relevant or knowledgeable in the subject matter and study them (Omari, 2011). Also, Rwegoshora (2006) defined purposive sampling technique as the deliberate choice of an informant due to the qualities the informant possesses. According to Maiza (2006) purposive sampling technique is conducted by identifying the knowledgeable and reliable informants and most efficiently for the study area. A researcher can ask a help from the community. The researcher must have criteria for what would make a good informant, and what would make a bad informant. Based on these, a list of qualifications is composed. Then the researcher decides on the number of informants to be included in the study.

Purposive sampling was employed technique to draw the sample size of the targeted population. Purposive sampling technique was used to select 3 Town trade officers and 6 SMEs supervisors. Town trade officers were purposively selected into the study because of their knowledge on business and for the reason that are responsible for supervising the business at Tunduma town on behalf of the TTC. Also, SMEs supervisors were purposively selected because of being responsible for motivating and retaining employees in their respective organisations.

3.6 Sample size

The sample is the selected members/units such as individual groups, organizations which represent the student population (Tharenou and Donohue, 2007). According to Milanzi (2009) sample size is any subset of a population. It is a portion of the population that is studied to learn about something in the population. A sample is found where only a proportion of members of the whole population are measured. The portion chosen to represent the population will become the sample size that a researcher will use to obtain first-hand information. The sample size consisted of 109 respondents. The sample size of 109 respondents (03 town trade officers, 06 SMEs supervisors and 100 SME employees) was selected because the researcher was interested in carrying out in depth investigation of the study problem which could not easily be achieved with huge sample of respondents. Prince (2005) argues that a sample of 30 elements and above is sufficient for the study.

Table 3.2 sample size

Unit of Enquiry	Total number	Percentage
Town Trade Officers	03	2.8
SMEs Supervisors	06	5.5
SMEs Employees	100	91.7
Total	109	100

Source: Field data (2015)

3.7 Methods of Data Collection

This section describes methods that were used to collect data. The study employed the triangulation approach whereby interview and questionnaire methods were used for data collection. Triangulation of data collection methods ensured the validity of the study.

3.7.1 Questionnaire

According to Rwegoshora (2006) questionnaire is a tool which uses a set of questions for collecting data from the respondents. A series of written questions are prepared to be completed by the respondent. Also, Maiza (2006) defined questionnaire as research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents.

Questionnaire method was used to collect primary data from SMEs employees about Factors for employee retention in SMEs at Tunduma town. Questionnaire method was chosen because deemed to be an appropriate method of gathering large amount of information from a large number of respondents in a short period of time and in a relatively cost effective way. In this study, both closed and open ended questionnaires were employed to collect data from 100 SMEs employees.

3.7.2 Interview

Krishnaswami (2003) defines interview as a two way systematic conversation between an investigator and an informant, initiated for obtaining information relevant to specific study. Interview involves collecting data through verbal response. Also, Kothari (2004) defined interview method as the method of collecting data that involve the presentation of oral-verbal stimuli and reply in terms of oral-verbal responses. This method can be used through personal interviews and, if possible, through telephone interviews. The study employed interview method to collect qualitative data that was used to supplement the information collected through questionnaires. Interview method was used to collect primary data from Town trade officers and SMEs supervisors about factors for employee retention in SMEs, strategies used by SME's in retaining employees and the challenges facing SME's in retaining employees.

The interview guide was prepared to direct the two ways systematic conversation between the researcher and the respondent, the interview was initiated by researcher to obtain relevant information for the study. The interview method was chosen because it was thought to be a suitable method for getting in-depth information concerning the study.

3.8 Data Analysis plan

Data analysis refers to the computation of certain measures along with searching for patterns of relationship that exist among data group (Kothari, 2004). The data collection was analysed on the basis of the objectives of the study. The Quantitative data collected were analysed by using descriptive Statistics technique, employing computer software of Statistical Package for Social Science (SPSS) version 16 and presented in relevant tables and graphs, with frequencies and percentages, and Qualitative data were analysed by using thematic analysis technique.

3.9 Ethical Considerations

Ethical standards were observed in the planning and conducting of the study. The researcher secured research clearance from Mzumbe University, also researcher requested permission from Director of Tunduma Town Council and SMEs supervisors. The study was conducted with the consent of the respondents after they had been informed about the purpose of the study, and it was their choice to participate. The researcher observed the right to privacy of the respondents and the confidentiality of their information.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Demographic Characteristics of Respondents

The demographic characteristics of respondents examined were age, and educational level.

4.1.1 SME Employees' Distribution by Age

The age of respondents was categorised into four age groups: 18-29, 30-49, 50-59, 60 years and above. The findings in Table 4.1 show that the majority of respondents were those aged between 30 and 49 years which constituted 85.0 %. The findings imply that the majority of SMEs employees at Tundumatown might have already established and maintained their career . This is supported by Johns (1996) who argues that employees at the age of 32 to 55 have already established focus on achieving career goals and maintaining organisational progress, therefore will work with the organisation for a long period of time.

4.1.2 SME Employees' Distribution by Level of Education

The education level of respondents was categorized into three groups: Primary Education, Secondary Education, Diploma, Bachelor's degree and Masters' degree. The findings in Table 4.1 show that the majority of respondents (53%) had attained Primary Education, Secondary Education (40%), Diploma (05%) and Bachelor's degree (02%). The findings imply that the majority of SMEs employees with a Diploma and Bachelor's degree might have left jobs in Small and Medium Enterprises and joined their professionals which are anticipated to have a better working environment and remuneration.

Table 4.1: SMEs Employees' Distribution by Age and Educational Level

S/N	Demographic characteristic	Frequency	Percentage (%)
1.	Age	18-29 years	30
		30-49 years	58
		50-59 years	12
		Total	100
2.	Education Level	Primary Education	53
		Secondary Education	40
		Diploma	05
		Bachelor's degree	02
		Total	100

Source: Field Study (2015)

4.2 Factors for Employee Retention in SMEs

The first research objective of the study was to examine factors for employee retention in SMEs. The exploration of compensation, working environment and performance recognition factors was done to determine their effects on retaining employees in SMEs at Tunduma town.

i. Compensation

The interview with Town trade officers and SMEs supervisors revealed that SMEs employees are paid low salary, employers do not contribute to employee retirement benefits and employees do not have health insurance, thus employees have been working with low morale that affect negatively employee retention in SMEs at Tunduma town. One of SMEs supervisors had the following to say:

Our businesses are very small, we cannot afford to pay an employee salary amounting 200,000TZS. We normally pay them salary ranging 100,000 to 150,000TZS in every month.

Another SMEs supervisor had the following comment:

Our businesses have not been good to provide everything to employees, we cannot give to our employees' health insurance as government employees, and otherwise our business will collapse.

One of Town trade officers had the hereunder opinion:

We know the income generated by these small and medium enterprises, I am sure that they are not capable of satisfying the employees with good salary. Many enterprises employ regularly and most of the employees are cheap labour with standard seven educations, they cannot retain employees with form four educations, because they do not pay bonus, good salary and health insurance.

The study findings f in Table 4.2 revealed that 74.1% of SMEs employees are not satisfied with their salary, 63.0% agreed that are not paid bonuses, 87% agreed that their employees do not contribute to their retirement benefits and 99% agreed that do not have Health insurance.

Table 4.2: Findings for staff retention

Findings for staff retention	Responses	%
SMEs Employees are satisfied with their monthly salary	Yes	14.0
	No	74.1
	Not sure	11.9
	Total	100.0
SMEs Employees are paid bonuses	Yes	17.0
	No	63.0
	Not sure	20.0
	Total	100.0
SMEs Employers contribute retirement benefits for their Employees	Yes	05.0
	No	87.0
	Not sure	08.0
	Total	100.0
Employees have health insurance	Yes	01.0
	No	99.0
	Not sure	00.0
	Total	100

Source: Field data (2015)

The findings from the study show that employee retention in SMEs at Tunduma town has been negatively affected by low salary paid to employees, absence of Health insurance, Bonus and Retirement benefits. This implies that the majority of SMEs incurs health services on their own when they are sick; they are not certain about their life after retirement.

The findings imply that there is high turnover rate of employees in SMEs, since majority of the may be demoralised and fed up of working without motivation. The same observation was done by Wanjohi et al (2011) revealed that employees had a high level of job satisfaction resulted from their satisfaction with the pension scheme. Because they were sure that they will have enough benefits at the time of retirement. Also, the Lyimo (2014) observed that low salary has negative effect on employee retention. Also, the study by George (2010) revealed that low salary that was paid to the employees has been affecting negatively retention of employees. Moreover, the Ghana National Association of Teachers (2009) on its study about teacher turnover in Ghana revealed low wage for teachers contributed to the high rate of teacher turnover and unequal distribution of teachers in Ghana.

ii. Working environment

The interview with Town trade officers and SMEs supervisors revealed that SMEs employees at Tunduma town are working in difficult environments that affected negatively the employee retention. Concerning working environment, one of the SMEs supervisors remarked as follows:

Due to the few employees in our organization, some employees have long been working hours, which affects their ability to balance work and family demands, it is not only here, but also in other organisations, employees do not have choice of the shift... one of the organisations close to my premises, its employees work cruelty from their supervisors, thus have been leaving for other organisations, for example in my organisation, we have hired 3 employees from other organisation recently.

Another SMEs supervisor had the following comment:

In our organisation we noted that some duties and responsibilities are not equally divided in co-workers, this has been causing complaints from employees. I think might have affected some employees' job satisfaction. But we have consulted top management.

One of Town trade officers had the following remarks:

Employees in many small and medium enterprises atTunduma town are not satisfied with the attitude of supervisors, some supervisors are using harsh language and applied dictatorship style in leading employees, since what they say is final, employees do not participate in decision making. Also, some employees working in risk environment, for example, workers in the garages do not wear gloves and hard caps to protect themselves.

Table 4.3:Findings for working environments

Findings for working environment	Responses	%
SMEs Employers use polite language and participatory leadership	Yes	10.0
	No	70.0
	Not sure	30.0
	Total	100.0
SMEs Employees work long hours	Yes	86.0
	No	10.0
	Not sure	04.0
	Total	100.0
SMEs Employees work in safe environment	Yes	10.0
	No	77.0
	Not sure	13.0
	Total	100.0
SMEs Employers divided duties equally among employees in the same section	Yes	20.0
	No	79.0
	Not sure	01.0
	Total	100.0

Source: Field data (2015)

The findings from the study show that SMEs employees face difficulty working environment whereby they have long working hours, duties and responsibilities are not equally divided among co-workers in the same section, some supervisors are using harsh language and practice dictatorship style in leading employees, also employees work in the risk environment.

The findings imply that the difficult working environment might have affected negatively the employee retention in SMEs at Tunduma town, thus has led to a high turnover rate of employees.

Similar to the findings, Jinyevu's (2013) study shows that there is a relationship between job satisfactions and working environment, whereby employees have been terminated employment contract due to difficulty working environment. The study has been influencing teachers to transfer from one school to another or leave the teaching profession. The study by Lusingu (2013) revealed that difficulty working environment discourages employees from continuing working in given organisation. The study by Christopher (2000) on Employee Motivation revealed that low job satisfaction of employees is mainly contributed by poor working condition.

iii. Performance Recognition

The interview with Town trade officers and SMEs supervisors revealed that SMEs employees' excellent performance is not recognised by employees at Tunduma town.

One of the SMEs supervisors had the following to say:

Although we have fewer employees compared to our demand, the present eight employees have been doing a great job that deserves recognition. However, the management failed to recognise them every time when they demonstrate desired performance due to absence of fund devoted for employees' motivation.

One of Town trade officers had a similar comment as follows:

The small and medium enterprises do not recognise employees' excellent performance, because some of them fail even to pay salary to employees on time... they have limited budget, that many of SMEs cannot afford to recognise the desired performance of every employee when it happens; however I think that they can recognise employees' performance with non-monetary motivation when they cannot afford to give them money.

The findings from questionnaire data show that 90% of SMEs employees agreed that employers in SMEs at Tunduma town do not recognise their excellent performance, while 10.0% disagreed as shown in table 4.6.

Table 4.4: Employers recognition of excellent performance of employees

Response	Percentage
Yes	90.0
Not	10.0
Not sure	0.0
Total	100.0

Source: Field data (2015)

The findings from the study show that the excellent or desired performances that have been demonstrated by a majority of employees in SMEs in Tunduma town have been not recognised. The findings imply that Job satisfaction of most of the employees has been negatively affected by the failure of employers to recognise their desired performance. This is consistent with the study by Flynn (1998) who argued that recognition and reward programs keep high spirits among employees, boosts up their morale and create a linkage between performance and motivation of the employees, but the opposite lead to employee turnover. Also, La Motta (1995) revealed that the level of employees' job satisfaction decreases when employees' performances are not recognised.

iv. Career Development

The interview with the key informants (Town trade officers and SMEs supervisors) revealed that SMEs employees at Tunduma town are not provided with the opportunity for career development. One of Town trader officers had the following to say:

Career development opportunities are not provided to employees in SMEs at Tunduma town, when employees want to go for training his or her contract is terminated, only coaching has been provided to fewer employees, which does not have impact to employees, failure of employers to provide career development opportunities affected employees' job satisfaction whereby some of the employees had left the

job and joined the public services in different positions, such as a village executive officer.

One of the SMEs supervisors had the following to say:

To be frank, our organisation is not capable of providing career development opportunities to employees, this provided by government institutions which do not operate for profits.

The findings from the study show that 72.5% of SMEs employees agreed that employers in SMEs at Tunduma town do not provide them with career development opportunities, while 17.5%disagreed and 10% are not sure as shown in table 4.5.

Table 4. 5: Employers provide development opportunities to employees

Response	Percentage
Yes	72.5
Not	17.5
Not sure	10.0
Total	100.0

Source: Field data (2015)

The findings revealed that employees in SMEs at Tunduma town are not provided with opportunities for career development. This implies that the SMEs do not retain talent employees; there might be a loss of organisational knowledge, disruption of customer service, and loss of morale in remaining employees. Therefore, absence of career development opportunities makes valuable individuals to seek job opportunities in organizations.

The same observation was done by Herr andCramer (1996) revealed that career development p help employees feel like their employers are investing in them, but also help employees to feel that they are valuable and are part of the organisation, failure of the management to provide career development opportunities will lead to employees low job satisfaction.Competent employees with unique skills likely to leave a job for another organisation.

4.3 Strategies Used by SMEs to Retain Employees

The second research objective of the study was to examine strategies used by SMEs to retain employees. The interview with SMEs supervisors and town trade officers revealed that SMEs use the following strategies in retaining employees: challenging work, delegation, providing good working equipments and transparency. Also, SMEs expect to apply various strategies in order to make their employees stay longer in their organizations and to be competitive in the global market by practicing the following strategies: health insurance, competitive salary, bonus and training. One of SMEs supervisors had the following to say about the strategies of employee retention:

My organisation practicing delegation for raising job satisfaction of employees, but also the organisation has a plan to put in place bonus to those employees who show hard working, though it's very expensive because we have to expand our budget, but with stated with few employees hopefully will help to increase productivity.

One of town trade officers had the following comments:

When the organisations provide training opportunities to their employees, their skills and knowledge will increase and lead the organization to perform better indeed. I think this is a good strategy, because all competitive organisations have programs for developing their employees.

Also, another Town trade officer had the following remarks:

Some organisations providing attractive working equipments to satisfy their employees. I think that when there is the practice of participatory leadership style in SMEs at Tunduma town, I am sure that the strategies will work out, though the organisations need to employ committed and hard working employees. I also believe that if friendly relationship between management and employees is ensured will help to retain the employees.

The findings from the study show that 80%, 51.5 % and 54% of respondents agreed that challenging job, good working equipments and delegation respectively, are strategies used for employee retention in SMEs at Tunduma town as shown in Table 4.8. Also, 62.5% of SMEs employees agreed that job satisfaction will increase, 96% agreed competitive salary, 58% agreed career development and 77% agreed performance recognition will increase their job satisfaction if practiced in SMEs as shown in Table 4.6.

Table 4. 6: Findings for employee retention strategies

Strategies	(%)	
Challenging job	80.0	
Good working equipments	51.5	
Delegation	54.0	
Strategies	Responses	(%)
Health insurance will raise job satisfaction of employees in SMEs at Tunduma Town	Yes	62.5
	No	37.5
	Not sure	01.0
	Total	100.0
	Yes	96.0
Competitive salary will raise job satisfaction of employees in SMEs at Tunduma town	No	0.0
	Not sure	4.0
	Total	100.0
	Yes	58.0
Training will raise job satisfaction of employees in SMEs at Tunduma Town	No	40.0
	Not sure	02.0
	Total	100.0
	Yes	77.0
Bonuses will raise job satisfaction of employees in SMEs at Tunduma Town	No	05.0
	Not sure	18.0
	Total	100.0

Source: Field data (2015)

The findings from the study show that the following strategies: Challenging job, job rotation, good and attractive working equipments and transparency are used to retain employees in SMEs at Tunduma town. Also, SMEs expect to apply various strategies in order to make their employees stay longer in their organizations and to be competitive in the global market by practicing the following strategies: health insurance, competitive salary, bonus and training.

The findings imply that the present strategies and the expected strategies to be practiced by SMEs at Tunduma town will increase the job satisfaction of employees and reduce employee turnover rate in small and medium enterprises.

The same observation was done by Kapur (2010) who argue that training strategy is vital for retention of employees. Also, the study conducted by Ghazali et al (2012) revealed that all human resources practices such as recruitment and selection, training, compensation systems, performance appraisals, job security, employee empowerment and communication are good strategies to influence employees to work for a long time in the organisation. Moreover, the study by Andrea and Olympia (2003) revealed that teamwork, training and development are the strong strategies for employee retention in businesses. Furthermore, the study by Muhammad et al (2010) revealed that HRM practices like training, good working environments and rewards helps very much in retaining the employee in the organisation.

4.4 Challenges Facing SMEs in Retaining Employees

The third research objective of the study was to examine challenges facing SMEs in retaining employees used at Tunduma town. The interview with SMEs supervisors and Town trade officers revealed that SMEs at Tunduma face the following challenges in retaining employees: financial constraints, competition with large organisations, monetary dissatisfaction and employee mobility.

One of the SMEs supervisors had the following to say:

My organisation is not capable of sending employees to training simply because we do not have enough budgets for employees' training. Also, because of financial constraints, we are not able to provide employees with competitive salaries as large organisations do, some of SMEs fail to retain their employees because they need higher salaries than what we can afford.

One of Town trade officers had the following to say:

I think that the big challenges the SMEs facing is financial constraints, these small organisations do not have the capital to invest so as to have competitive advantages. This is why they fail to give high salaries to employees, to improve the working environment and compete with large organisations in the employment market.

The findings revealed that 88% of employees mentioned financial constraint is a challenge for employee retention in SMEs at Tunduma town, 54% mentioned competition with large organisations, 66% mentioned monetary dissatisfaction and 71% mentioned employees' mobility as shown in Table 4.7.

Table 4.7: Challenges for employee retention in SMEs

Challenges	Percentage
a) Financial constraints	88.0
c) Competition with large organisations	54.0
d) Monetary dissatisfaction	66.0
e) Employee mobility	71.0

Source: Field Data (2015)

The findings revealed that the following challenges facing SMEs in retaining employees: financial constraints, competition with large organisations, monetary dissatisfaction and employee mobility. The findings imply that SMEs might have few employees compare to large organisations such as Vodacom and Airtel, which are found at Tunduma town, and the reasons behind is financial constraint that make SMEs not able to retain their employees, due to competition from large organisations, many employees with skills who were working in SMEs could have been employed by larger organisations. This is consistent with the study by Mampra (2012) on Employee Retention in Small Businesses revealed that challenges facing small businesses in employee retention is the competition with larger organisations. Many small businesses collapse due to their failure to have competitive salary and working environment as large organisations. Also, the study by Andries et al (2009) revealed that SMEs does not have enough capital, where they fail to compete in labour markets with large organisations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the study, conclusion and recommendations based on the findings presented and discussed in chapter four.

5.2 Summary and conclusion

The main objective of the study was to examine challenges facing small and medium enterprises in retaining employees at Tunduma town, specifically, to examine factors for employee retention in SMEs, to examine strategies used by SMEs to retaining employees and to investigate the challenges facing SMEs in retaining employees. A case study research design was applied, the study employed interview and questionnaire methods to collect data for the study. Quantitative data collected were analysed by using descriptive statistic technique and Qualitative data were analyzed by using thematic technique. The sample size of the study was 109 respondents.

Based on findings for every research objective presented, analysed and discussed in this research report, the study concluded the following:

1. Employee retention in SMEs at Tunduma town has been negatively affected by Small salary paid to employees, absence of Health insurance, Bonus and Retirement benefits. Also, the study found that SMEs employees face difficulty working environment whereby they have long working hours, duties and responsibilities are not equally divided among co-workers in the same section, some supervisors are using harsh language, management practices dictatorship style in leading employees, employees work in risk environment and desired performances by employees are not recognised by employers. Moreover, employees in SMEs at Tunduma town are not provided with opportunities for career development.

2. Challenging job, delegation, job rotation, good and attractive working equipments and transparency have been used as strategies by SMEs at Tunduma town to retain employees.
3. Financial constraints, competition with large organisations, monetary dissatisfaction and employee mobility have been challenges facing SMEs in retaining employees at Tunduma town.

5.3 Recommendations

Based on the study findings, the following recommendations are put forward:

i. To Small and Medium Enterprises (SMEs)

SMEs should find enough funds for capital from financial institutions such as CRD bank and NBC so that they can be able to expand their business that later will generate big profit which can be used to improve the working environment and paying employees with competitive compensation.

SMEs should devote fund from small profit they make for motivating employees, where there is no alternative SMEs can use non-monetary fund to recognise employees who had demonstrated desired performance.

ii. To the government

The government should supervise all small and medium enterprises at Tunduma town to make sure that employees work in a safe environment, also employees are paid remunerations as the legal framework instructs.

iii. To individual employees

Employees should stand for their right by making sure that are working in a safe environment and paid their remuneration as employment contract and legal framework direct.

iv. Area for Further Research

The broader study is needed to be conducted to include other towns from other parts of Tanzania to have a wider understanding about the challenges facing SMEs in retaining employees.

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APPENDICES

APPENDIX I

Questionnaires to be administered to employees who works in SME's in Tunduma town.

INTRODUCTION

My name is FIDELINA KATUNZI, a master student of Mzumbe University, Morogoro. May I wish to notify that this questionnaire has the aim of gathering information, a case study of Tundumatown. This study is conducted as a partial fulfillment for the award of Masters Degree in Human Resource Management (Msc.HRM) as according to University Prospectus.

The Purpose of this study is to examine the employees' retention challenges facing Small and Medium Enterprises (SMEs) in Tunduma Town. Would you please assist my study by answering the following questions. It should be noted that all these information will be treated as confidential as only for academic purposes and not otherwise, thus you are so requested to feel free when filling this questionnaire.

Instructions:

- Please put √ where appropriate

A. Demographic characteristics of respondent

1. Gender

1. Male	2. Female

2. Age (In Years)

1. 18-29	2. 30 – 49	3. 50-59	4. 60 and above

3. Level of Education

1. Primary education	
2. Secondary education	
3. Diploma	
4. Bachelor's degree	
5. Master's degree	

B. Factors for Employee Retention in SMEs at Tunduma Town

4. SMEs Employees are Satisfied with their Monthly Salary?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

5. SMEs Employees are paid Bonuses?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

6. SMEs Employers contribute retirement benefits for their employees?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

7. SMEs Employees have health insurance?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

8. SMEs Employers use polite language and participatory leadership?

(a) Yes ()

(b) No ()

(c) Not sure ()

9. SMEs Employees work long hours?

(a) Yes ()

(b) No ()

(c) Not sure ()

10. SMEs Employees work in a safe environment?

(a) Yes ()

(b) No ()

(c) Not sure ()

11. SMEs Employers Divide Duties Equally Among Employees in the Same Section?

(a) Yes ()

(b) No ()

(c) Not sure ()

12. Employers in SMEs do not recognise excellent performance of their employees?

(a) Yes ()

(b) No ()

(c) Not sure ()

C. Strategies Used By SMEs to Retain Employees

13. What are employees retention strategies practiced in SMEs at Tunduma town?

.....
.....
.....

14. Health insurance will raise job satisfaction of employees in SMEs at Tunduma town?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

15. Competitive salary will raise job satisfaction of employees in SMEs at Tunduma town?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

16. Training will raise job satisfaction of employees in SMEs at Tunduma town?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

17. Bonus will raise job satisfaction of employees in SMEs at Tunduma?

- (a) Yes ()
- (b) No ()
- (c) Not sure ()

D. Challenges Facing SMEs in Retaining Employees

18. What are challenges facing SMEs in retain employees at Tunduma town?

.....

.....

.....

THANKS FOR YOUR CORPORATION

APPENDIX III

Interview Guide Questions to be administered to SMEs supervisors and Tunduma Town Trade officers.

INTRODUCTION:

1. Why do you think are factors affecting employee retention in SMEs at Tunduma town?
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.....
.....
2. What strategies used by SMEs employers to retain employees at Tunduma town?
.....
.....
.....
3. What are the challenges the SMES face in retaining employees?
.....
.....
.....
4. Do you think that enterprises may persist without employee retention strategies?
.....
.....
5. Is there any importance of employee job satisfaction in the enterprise?
.....
.....
6. Is there any employee turnover in the enterprises?
.....
.....

THANK YOU FOR YOUR COOPERATION