

# Employee Retention Practices and the Performance of Small and Medium Enterprises (SMEs) in Nigeria

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*Abstract:* - In Small and Medium Enterprises (SME) performance discourse, several factors which can improve or hinder their growth and excellence have been identified. However, the focus has been on factors related to business owners' entrepreneurial competencies or challenges external to SMEs. Employee turnover is a major challenge experienced by SMEs, that has contributed to their abysmal performance. However, the role of employee retention practices in addressing employee turnover and its impact on SME performance has received little exposure in related literature. This research addressed this gap by examining the impact of employee retention practices on the performance of SMEs in Nigeria. Data was sourced through a questionnaire-based survey of 430 respondents and analyzed using Ordinary Least Squares (OLS) and chi-square statistic. The study's findings revealed that employee retention practices have a significant impact on the performance of SMEs in Nigeria. For these practices to positively impact SME performance, a coherent combination of practices should be implemented. Gaps were identified in training and career development practices within the SMEs surveyed. The importance of business sector-specific factors and employees' educational qualification to SME performance were also highlighted. The findings also reiterated the importance of non-financial measures in assessing SME performance. It is recommended that SMEs pay attention to employee retention practices to retain valuable employees and improve their overall performance.

*Key-Words:* - Employee retention; Nigeria; SME Performance; Management

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## 1 Introduction

Small and medium enterprises (SMEs) play a crucial role in global economic growth. These businesses represent the largest proportion of value-creating businesses globally, contributing significantly to employment, production of goods and services that are important prerequisites for sustained socio-economic development [1]. However, SMEs face several challenges which hinder their operations. The most common challenges include a lack of access to finance, high employee turnover, lack of access to the latest technologies, poor managerial and marketing capabilities [2].

There has been a lot of research investigating how SME owners can overcome their financing problems [3; 4; 5], as well as improve their entrepreneurial and management competencies [6; 7]. Comparatively, not much attention has been paid to how SMEs can retain their best employees and its impact on their long-term success [8]. The relative dearth of scholarship in this area is astonishing, considering that high employee turnover has been

identified as a factor causing the abysmal performance of SMEs [9]. Retaining valuable employees is important because employees are considered the most important resource for all organizations because of their role in aiding development and achieving competitive advantage [10; 11].

In Nigeria, SMEs often go into extinction within their first five years of existence [12]. On a macro level, although 90% of businesses operating in Nigeria are classified as SMEs [13], their contribution to the country's economic growth is minimal [14]. For instance, SMEs in Nigeria contribute 20% to Gross Domestic Product (GDP) and 7.27% to export, compared to China, with a similar number of SMEs that contribute 58% to GDP and 65% to [14]. These phenomena reflect the poor performance among Nigerian SMEs, which has been further exacerbated by the global coronavirus pandemic, which negatively affected several SMEs [15]. High employee turnover has been identified as one of the factors causing Nigerian SMEs to perform abysmally [9]. Although majority of small

business owners recognize this problem, they often don't pay attention to ways to resolve it [16].

Furthermore, in the literature examining SME performance in Nigeria, several factors which can improve or hinder the growth and excellence of Nigerian SMEs have been identified e.g., [17; 18]. However, a critical review of these studies indicates that they tend to focus on factors associated with entrepreneurial competencies of business owners or challenges external to the SME, such as lack of finance and lack of basic entrepreneurial infrastructure. Despite the critical role employees play in SMEs, little attention has been given to how factors related to them may impact SME performance; the strand of literature in this area appears emerging. This current study's objective is to examine the impact of employee retention practices on the performance of SMEs in Nigeria. Employee retention practice is an unexplored area in SME performance literature. The findings of this study will further highlight ways Nigerian SMEs can improve their performance. This study contributes to SME employee retention studies, as the strand of literature in this area is scanty. A significant number of studies have examined employee retention in large organizations; adopting information from these studies may not be appropriate due to idiosyncrasies in the structure of SMEs.

This study's specific objectives were to:

- I. Determine the impact of skill-enhancing practices on the financial perspective performance of SMEs in Nigeria.
- II. Identify the impact of skill-enhancing practices on the customer perspective performance of SMEs in Nigeria.
- III. Assess the impact of skill-enhancing practices on the internal process perspective performance of SMEs in Nigeria.
- IV. Evaluate the impact of skill-enhancing practices on the organizational capacity perspective performance of SMEs in Nigeria.
- V. Determine the impact of motivation-enhancing practices on the financial perspective performance of SMEs in Nigeria.
- VI. Identify the impact of motivation-enhancing practices on the customer perspective performance of SMEs in Nigeria.
- VII. Assess the impact of motivation-enhancing practices on the internal process perspective performance of SMEs in Nigeria.

- VIII. Evaluate the impact of motivation-enhancing practices on the organizational capacity perspective performance of SMEs in Nigeria.

The subsequent sections of this paper are structured as follows: First, a literature review section where relevant literature is reviewed, and research gaps are highlighted. This is followed by a methodology section, which discusses the method employed in this study. Subsequently, a section where the results are presented and discussed follows. After which the last section provides the study's conclusions.

## 2 Literature Review

### 2.1 Employee Retention

Employee retention is defined as how managers manage to keep employees within their current working roles or within the organization, measured over time [19; 20]. The term is often defined as efforts to incentivise employees rather than a comparison explaining retention rates [21]. The rationale is based on the supposition that maintaining low levels of employee turnover indicates the effectiveness of the practices implemented targeted at retaining employees.

Employee retention practices are targeted at keeping talented employees because they are in high demand. Having talented employees is beneficial to any organization because employees are involved in daily processes; they contribute skills, capacity and knowledge that aids the achievement of organizational goals [22]. The ability to retain talented employees preserves knowledge within the organization and saves the cost that would have been incurred in the process of hiring and training new employees [21]. In addition, due to experience, long-term staff are naturally more productive than new hires, regardless of the competency and potential the new hire brings to the role [23; 24].

To retain employees, their needs must be met; these needs are diverse and differ for each employee [25]. Consequently, employee retention is influenced by several factors. A manager must efficiently combine several practices to create an environment where employees with different needs decide to continue working for the organization [21].

Some employee retention practices have been examined within SME context, and they include; adequate compensation [26], flexible working hours [27], servant leadership style [14] and recruitment

procedures [28]. Unlike other studies that focused on specific practices, [29] used a holistic approach to examine practices effective in achieving employee retention in SMEs. In the study, employee retention practices were classified into three groups based on their goal in achieving employee retention: skill-enhancing, motivation-enhancing, and opportunity-enhancing practices. From their perspective, skill-enhancing practices aim to improve the abilities of employees. Motivation-enhancing practices aim to increase the willingness of employees to apply their skills and knowledge in the workplace and align individual and organizational interests and goals. Finally, opportunity-enhancing practices aim to facilitate employee empowerment and create opportunities that allow employees to participate in the decision-making process. All three perspectives influence job satisfaction and organizational commitment and, consequently the decision of employees to remain in an organization [29].

Based on the foregoing, this current study adopted a holistic approach in evaluating employee retention practices, similar to what is described in [29] because it constitutes diverse practices that influence employee retention amongst SMEs. However, opportunity-enhancing practices were excluded from this study's analysis because these practices are not directly related to the financial outcomes of businesses. Both skill-enhancing and motivation-enhancing practices have a direct relationship with business financial outcomes [30], this study further examined this relationship within SME context. In addition, the relationship between both dimensions and other non-financial perspectives of SME performance was examined.

## 2.2 SMEs

Although various definitions of SMEs are available in literature because Nigeria is the context of study, the definition by Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was adopted. SMEDAN is the agency instituted to provide development support for SMEs in Nigeria. Based on SMEDAN's definition, small enterprises are businesses that have between 10 and 49 employees with assets worth between N5 million and less than N50 million, and medium enterprises are those with between 50 and 199 employees with an asset value of between N50 million and less than N500 million [31].

## 2.3 SME Performance

Organizational performance measures the extent to which an organization can achieve its goals [32]. To assess the performance of a business, financial and non-financial indicators are used. Financial indicators are based on information about a company's finances. Using financial indicators to access business performance is limited in scope, because the parameters used for assessment are only linked to the company's results [33]. Also, financial indicators are inefficient in accessing business performance because businesses have various stakeholders, and financial indicators only focus on profitability for shareholders [33]. Due to the limitation of financial performance indicators, non-financial performance indicators were introduced, these indicators access other areas related to businesses such as; customers' preferences, organizational capacity, influence of technological developments, competitors' actions etc. [34].

Some SME performance studies have used only financial indicators [35; 36; 37; 38], while others used non-financial indicators [39; 40] and some a combination of both measures [41; 42]. No consensus exists on what indicator to use when assessing the performance of SMEs. Frequently, financial indicators are used to access the performance of SMEs, because the performance assessment in SMEs is often based on the satisfaction of the owners/managers [32]. However, using a combination of both financial and non-financial indicators has been described as more appropriate because the inclusion of non-financial indicators helps address the limitations of financial indicators and provides valuable insights [32].

This study because of its efficacy, used the Balanced Scorecard (BSC) to evaluate SME performance. The framework contains both financial and non-financial performance measures. Based on the BSC, SMEs need to examine four perspectives when measuring their performance. Financial perspective, the first of these perspectives examines data such as sales, cash flows, expenditures, and income, it reflects how the organization is viewed by its shareholders [43]. The second perspective, customer perspective is evaluated based on feedbacks from customers about their satisfaction on metrics such as; quality, price, on-time delivery etc. [43]. The third perspective, internal process perspective is evaluated by inquiring into the processes involved in the production process. Internal metrics are concerned about what actions need to be taken within the SME to increase customer satisfaction, apart from achieving

customer satisfaction, a business should introduce metrics for its critical technologies and core competencies [43]. The final perspective, organizational capacity perspective evaluates how well information is captured and how effectively employees use and convert information to achieve competitive advantage over their competitors. This perspective is analyzed by investigating training and knowledge resources [43].

The relationship between several factors and SME performance has been examined in literature; these factors may be internal or external. Internal factors relating to owners/managers, which have been discussed in SME performance literature include dynamic capabilities of owners such as; opportunity recognition [44], entrepreneurial and learning orientation [42; 45]. Other factors also discussed are owners' entrepreneurial training [37; 46], financial management skills [47] social capital [40] and experience [48]. On the other hand, internal factors related to employees include employee turnover [49] and Human Resources Management (HRM) [50]. Although employee retention practices are a component of HRM practices, HRM practices are broad and target different goals. There is a need for studies specifically focused on practices targeting employee retention, due to their importance in resolving the prevalent problem of employee turnover experienced by SMEs.

External factors that have been examined in SME performance discourse include, technological innovation [51], floating exchange rate [52] and support institutions [53].

## 2.4 Literature Gaps

Examination of the literature revealed that in the assessment of internal factors that can influence SME performance, the attention has majorly been on factors associated with SME owners/managers. This indicates a perception among scholars that these owners/managers' entrepreneurial competencies are the most important factors in determining the success of an SME. Despite the critical role employees play in SMEs not much attention has been given to how factors related to them may impact SME performance; the strand of literature in this area appears emerging. This current study's evaluation of the impact employee retention practices has on SME performance addresses this research gap.

Secondly, when assessing SME performance, there was a skew towards financial performance, with fewer studies utilizing non-financial measures and combining both financial and non-financial

measures of performance. In today's business climate, SME performance is not measured based on profitability alone; it includes non-financial metrics such as customer satisfaction, corporate social responsibility performance, environmental impact etc. [54]. The use of the BSC framework in this study contributes to SME performance research that utilizes both financial and non-financial measures. It also shows the efficacy of the BSC framework in the assessment of relationships between performance and other variables.

Finally, in terms of global representation, focusing on the African context, especially Nigeria, there is poor representation of scholarly work in this area, and this study is opportune to address this gap. For instance, studies discussing employee retention practices in Nigeria often use a single practice in their analysis e.g., [14; 28]. This current study uses a combination of practices in its analysis because a specific practice is not used in isolation.

## 2.5 Theoretical Framework

The resource-based theory is the most suitable theory to anchor this study because it provides a link between an SME's ability to retain employees and its subsequent performance in the marketplace. Although theories such as Job embeddedness theory, Maslow's hierarchy of needs and Herzberg's two-factor theory have been employed in employee retention discourse, these theories are focused on how organizations can retain employees rather than the outcome of successfully retaining employees.

The resource-based theory assumes that resources are the key determinants of firms' performance, also these resources must be scarce and non-imitable. The theory acknowledges that most factors of production may be elastic. This implies that when the demand for a resource is high, the price and supply of the resource will increase. However, it argues that some resources are inelastic in supply because they can only be developed over a long period (i.e., path dependence), as it may not be clear how to develop these capabilities in the short to medium term, and some of these resources cannot be purchased [55]. Supply inelasticity means that firms that have these kinds of resources may be able to generate above-normal profits without the resultant effect of an increased supply of these resources in the short term and even long term [55]. Consequently, supply inelasticity becomes a source of competitive advantage.

Based on the resource-based view employees have been identified as an important resource for achieving competitive advantage [56]. It has also

been opined that the practices used to recruit, utilize, and retain employees are resources, because of their ability to motivate and influence loyalty amongst employees [57]. These practices are a potential source of competitive advantage, and improved business performance [57]. Both perspectives elucidate the importance of employees to the success of any firm.

### 3 Methodology

To achieve this study’s objective a survey of SMEs operating in Nigeria’s capital, Federal Capital Territory (FCT) was conducted from 6th September 2021 to 3rd November 2021. FCT was chosen because being the country’s capital; it is an attractive destination for all kinds of SMEs due to the presence of wealth potential clients, Nigerians and foreigners alike. Businesses operating here have sufficient resources and exposure; hence, there is a high probability that these businesses are implementing employee retention practices. Therefore, there are a good choice to use to investigate if employee retention practices impact SME performance.

Data obtained from Abuja Enterprise Agency showed that there are 73081 SMEs in the FCT as of 30th August 2021. Based on this, a sample size of 398 was calculated using the Taro Yamane formula (see [58]). In Nigeria SMEs are classified into sixteen economic sectors as follows; i) agriculture, ii) manufacturing, iii) construction, iv) education, v) real estate activities, vi) information and communication, vii) wholesale/retail trade, viii) transportation and storage, ix) accommodation and food services, x) administrative/support services, xi) mining and quarrying, xii) Professional, Scientific and Technical Works, xiii) Water supply, sewerage, waste management and remediation activities, xiv) Arts, entertainment and recreation, xv) Human health and social works, xvi) other services activities [59]. This study was a multi-industry study that included SMEs in these different sectors. Proportional stratified sampling was the sampling technique used, and each sector formed a stratum in this study. Participating SMEs in each sector were chosen randomly.

This study employed 5-point Linkert scale structured questionnaires, which were administered to SME owners/managers, to obtain data on the two dimensions of employee retention practices and four perspectives of SME performance conceptualized by this study. Measures used in the questionnaires were derived from relevant literatures, [29] and [43]

for employee retention practices and SME performance respectively. Information was obtained regarding the extent to which SMEs have integrated skill-enhancing practices and motivation-enhancing practices as part of their strategy to retain employees and how well their businesses are performing vis-à-vis in their financial, customer, internal process, as well as organizational capacity perspectives. It is important to note that though objective measures of financial performance obtained from financial statements would be more appropriate; this study like some earlier studies e.g., [60; 61] adopted subjective measures to examine financial performance. This is because when dealing with SMEs, there is typically an issue of poor financial record keeping, because they are not obligated to publish their financial information [62; 63]. The reliability of the measures used was accessed using cronbach alpha (see table 1).

Table 1. Cronbach Alpha Analysis.

Variables	Cronbach’s Alpha	Cronbach’s Alpha based on Standardized Items
Skill-enhancing Practices	0.788	0.804
Motivation-enhancing Practices	0.745	0.814
Financial Perspective	0.812	0.818
Customer Perspective	0.898	0.755
Internal Process Perspective	0.787	0.833
Organizational Capacity Perspective	0.902	0.862

Source: Author’s Computation (2021)

In the course of this study, eight different models were estimated to achieve this study’s specific objectives, and are presented as follows;

$$\begin{aligned}
 FP &= f(SEP, SMES, EQ) \\
 CP &= f(SEP, SMES, EQ) \\
 IPP &= f(SEP, SMES, EQ) \\
 OCP &= f(SEP, SMES, EQ) \\
 FP &= f(MEP, SMES, EQ) \\
 CP &= f(MEP, SMES, EQ) \\
 IPP &= f(MEP, SMES, EQ) \\
 OCP &= f(MEP, SMES, EQ)
 \end{aligned}$$

Where FP is the financial perspective performance, CP is the customer perspective performance, IPP is the internal process perspective performance, OCP is the organizational capacity perspective performance, SEP is skill-enhancing practices, and MEP is motivation-enhancing practices, while the control variables are SMES and EQ which stand for SME sector and educational qualification of employees respectively.

The choice of SME sector as a control variable is because this study involves SMEs in different sectors, and dynamics differ in each sector. The influence of any variable is likely to differ in the various sectors. For instance, comparatively, some sectors are highly prone to employee turnover, an adverse effect of low employee retention. [9] found that among SMEs employee turnover is high in the manufacturing sector compared to the service sector, this was because of factors peculiar to these sectors. Hence, the sector an SME is operating is likely to influence employee retention and subsequently the impact it has on performance. The second control variable educational qualification of employees will have effect on the knowledge and abilities of employees; hence it can affect business performance when employees are retained. Educational qualification was also used as a control variable in a similar study [64].

The vectors SEP and MEP contained some variables which enabled the measurement of their impacts on the respective dependent variables.

SEP = f (selective staffing {SS}, training {T}, career development {CD})

MEP = f (compensation{C}, performance appraisal {P})

The models are expressed in statistical form as follows:

$$FP_i = \beta_0 + \beta_1 SS_i + \beta_2 T_i + \beta_3 CD_i + \beta_4 SMES_i + \beta_5 EQ_i + u_{1i} \quad (1)$$

$$CP_i = \partial_0 + \partial_1 SS_i + \partial_2 T_i + \partial_3 CD_i + \partial_4 SMES_i + \partial_5 EQ_i + u_{2i} \quad (2)$$

$$IPP_i = \phi_0 + \phi_1 SS_i + \phi_2 T_i + \phi_3 CD_i + \phi_4 SMES_i + \phi_5 EQ_i + u_{3i} \quad (3)$$

$$OCP_i = \alpha_0 + \alpha_1 SS_i + \alpha_2 T_i + \alpha_3 CD_i + \alpha_4 SMES_i + \alpha_5 EQ_i + u_{4i} \quad (4)$$

$$FP_i = \theta_0 + \theta_1 C_i + \theta_2 P_i + \theta_3 SMES_i + \theta_4 EQ_i + v_{1i} \quad (5)$$

$$CP_i = \vartheta_0 + \vartheta_1 C_i + \vartheta_2 P_i + \vartheta_3 SMES_i + \vartheta_4 EQ_i + v_{2i} \quad (6)$$

$$IPP_i = \mu_0 + \mu_1 C_i + \mu_2 P_i + \mu_3 SMES_i + \mu_4 EQ_i + v_{3i} \quad (7)$$

$$OCP_i = \rho_0 + \rho_1 C_i + \rho_2 P_i + \rho_3 SMES_i + \rho_4 EQ_i + v_{4i} \quad (8)$$

The regression analysis was done using Eviews version 10, Ordinary Least Squares (OLS) was the method used to examine the relationships between the variables, and chi-square was used to test the null hypotheses. Based on this study's specific

objectives outlined in the introduction eight corresponding null hypotheses were formulated.

## 4 Results

### 4.1 Overview of Data

A total of 430 questionnaires were administered. However, in coding and assessing the questionnaires only 404 were valid and used for this analysis. Tables 2 and 3 presents the relevant demographic characteristics analysis for this study based on the valid responses. Table 2 shows that 55.4% (224 out of 404) of the respondents were male, and 44.6% (180 out of 404) were female. This indicates that the owners/managers of the SMEs surveyed were predominately males.

Table 2. Gender Distribution of Respondents.

	Male N=224	Female N=180	Overall Total N=404
<b>Gender</b>			
Male	224	0	224(55.4%)
Female	0	180	180(44.6%)

Source: Field Survey (2021)

Table 3 presents the highest educational qualification among employees within the SMEs surveyed. Evaluating this was important because it shows the level of educational skills present within the surveyed SMEs, which they are expected to retain. From the responses received, 7.4% (30) had postgraduate qualifications, 37.9% (153) had bachelor's degrees, 21.8% (88) had National Certificate Examination (NCE) qualifications, 8.2% (33) had Diplomas and 24.7% (100) respondents had other qualifications other than the ones specified in the checklist. The results show that the majority of the SMEs surveyed had bachelor's degree qualification as the highest educational qualification among their employees. This suggests that the SMEs surveyed employ a high number of graduates; hence, they are able to attract skilled and educated personnel. Retaining these educated individuals increases the probability of these SMEs having a positive performance.

Table 3. Educational Qualification of Employees.

Education Qualifications	Postgraduate	Bachelor's degree	NC E	Diploma	Others	Total
Postgraduate	30	0	0	0	0	7.4%
Bachelor's Degree	0	153	0	0	0	37.9%
NCE	0	0	88	0	0	21.8%
Diploma	0	0	0	33	0	8.2%
Others	0	0	0	0	100	24.7%
<b>Total</b>						<b>100%</b>

Source: Field Survey (2021)

### 4.2 Correlation Analysis

Table 4 shows the pairwise correlation coefficient between this study's variables. From the result we see that there is no issue of multicollinearity, as the independent variables are not highly correlated. A correlation coefficient between two independent variables which is greater than 0.8 or 0.9 indicates the presence of multicollinearity [65].

Table 4. Correlation Coefficient.

FP	1.00										
CP	0.72	1.00									
IP	0.55	0.17	1.00								
OC	0.47	0.55	0.42	1.00							
SS	0.66	0.44	0.32	0.48	1.00						
T	0.56	0.57	0.51	0.41	0.90	1.00					
CD	0.12	0.23	0.11	0.17	0.06	0.52	1.00				
EQ	0.24	0.18	0.04	0.02	0.08	0.13	0.06	1.00			
SM	0.11	0.14	0.06	0.02	0.03	0.06	0.03	0.08	1.00		
C	0.78	0.57	0.58	0.59	0.5	0.49	0.3	0.9	0.01	1.00	
P	0.56	0.74	0.08	0.41	0.4	0.54	0.8	0.2	0.10	0.57	1.00

Source: Author's computation (2022)

### 4.3 Regression Results

Table 5 shows the regression results of the impact of skill-enhancing practices (SEP) which include selective staffing, training, and career development respectively on the four different performance perspectives measures.

Table 5. Skill-enhancing Practices Model Regression Results.

Variable	Dependent Variable			
	FP	CP	IPP	OC
selective staffing	0.479** * (0.034)	0.145** * (0.043)	-0.081* (0.046)	0.406** * (0.047)
training	0.166** * (0.036)	0.427** * (0.056)	0.496** * (0.045)	0.002 (0.047)
career development	0.057 (0.056)	0.003 (0.093)	- 0.268** * (0.067)	0.230** * (0.059)
educational qualification	0.153** * (0.042)	0.148** * (0.054)	-0.010 (0.044)	- 0.088** (0.045)
SME Sector	0.037** * (0.012)	0.041** * (0.013)	0.002 (0.012)	0.007 (0.011)
Constant	- 0.784** * (0.208)	- 0.805** * (0.230)	0.016 (0.198)	0.205 (0.178)
$R^2$	0.50	0.36	0.29	0.28
$\sigma^2$	1.09	1.36	1.10	1.14
F - stat	80.63** *	45.01** *	32.24** *	31.30** *

Source: Author's computation, (2022)

\*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.1

It can be observed from the FP regression result that all the variables except career development significantly impact financial perspective performance (FP). It can be deduced that an increase in selective staffing increases financial perspective performance by about 0.479 units. Also, increased skill enhancement through training is shown to increase financial perspective performance by about 0.166 units. In terms of the control variables, we identified that improvement in the educational qualification of employees will bring about improvement in financial perspective performance by 0.153 units. Improvement in the SME sector will bring about 0.037 units increase in the financial perspective performance.

Like the FP regression result, there is no evidence that career development impacts consumer perspective performance (CP). Also, it can be deduced that increased skill-enhancement through selective staffing increases consumer perspective performance by about 0.145 units and increased skill enhancement through training increases

consumer perspective performance by about 0.427 units. Both control variables also influence customer perspective performance positively.

Unlike the first two regression results, career development negatively impacts internal process perspective performance. The result shows that an increase in career development brings about 0.268 units decrease in the internal process perspective performance. Similarly, selective staffing impacts internal process perspective performance negative by 0.081 units. Conversely, an increase in skill enhancement through training brings about 0.496 units increase in internal process perspective performance. The control variables educational qualification of employees and SME sector insignificantly impact the internal process perspective performance.

In respect of the impact on organizational capacity perspective performance, the result shows that an increase in skill enhancement through selective staffing increases organizational capacity perspective performance by 0.406 units. Also, enhancing career development is shown to increase organizational capacity perspective performance by 0.230 units. Skill enhancement through training had no significant impact on organizational capacity perspective performance. The control variable SME sector is found to be insignificant, while improvement in the educational qualification of employees decreases organizational capacity perspective performance by 0.088 units.

Table 6 contains the regression result showing the impact of motivation-enhancing practices (MEP); compensation and performance appraisal, on the four performance perspectives.

Table 6. Motivation-enhancing Practices Model Regression Results.

Variable	Dependent Variable			
	FP	CP	IPP	OCP
compensation	0.721*** (0.046)	0.237*** (0.052)	0.724** * (0.031)	0.508** * (0.059)
performance appraisal	0.174*** (0.038)	0.747*** (0.065)	- 0.354** * (0.047)	0.109** * (0.042)
educational qualificatio	0.117*** (0.038)	0.107** (0.046)	-0.064 (0.0.041 )	- 0.109** * (0.042)
SME sector	0.028*** (0.010)	0.027** (0.011)	0.022** (0.010)	-0.003 (0.010)
Constant	- 0.606***	- 0.567***	-0.005 (0.145)	0.348** (0.154)

	(0.160)	(0.185)		
$R^2$	0.65	0.59	0.44	0.36
$\sigma^2$	0.92	1.08	0.97	1.07
$F - stat$	182.88** *	144.42** *	76.69** *	57.15** *

Source: Author's computation, (2022)

\*\*\* p < 0.01; \*\* p < 0.05; \* p < 0.1

It is observed from the first regression result that all the variables significantly impact financial perspective performance (FP). It can be deduced that increased motivation enhancement through compensation increases financial perspective performance by about 0.721 units. Also, increased motivation-enhancement through performance appraisal is shown to increase financial perspective performance by about 0.174 units. Improvements in employees' educational qualification and SME sector will increase financial perspective performance by 0.117 units and 0.028 units respectively.

Similarly, in the second regression related to customer perspective performance, it can be deduced that an increase in motivation enhancement through compensation increases customer perspective performance by about 0.237 units. Also, an increase in motivation enhancement through performance appraisal increases customer perspective performance by about 0.747 units. Analysis of the control variables shows that an increase in educational qualification of employees brings about 0.107 units increase in the customer perspective performance. Also, improvement in an SME sector will bring about 0.027 units increase in the customer perspective performance.

Unlike the first two regression results, compensation impacts internal process perspective performance positively, while performance appraisal impacts it negatively. The result shows that an increase in compensation brings about 0.724 units increase in the internal process perspective performance. Conversely, an increase in motivation enhancement through performance appraisal brings about a 0.354 unit decrease in internal process perspective performance. The control variable educational qualification of employees had no significant impact. While improvement within an SME sector will result in a 0.022 units increase in the internal process perspective performance.

In the organizational capacity perspective performance (OCP) result, it is revealed that an increase in motivation enhancement through compensation increases organizational capacity perspective performance by 0.508 units. Also, an



increase in performance appraisal brings about 0.109 units increase in the organizational capacity perspective performance. SME sector had no significant impact, however, increase in the educational qualification of employees was found to decrease organizational capacity perspective performance by 0.109 units.

#### 4.4 Tests of Hypotheses

Table 7 shows the results for the hypotheses tests and the computed chi-square statistics. The first column shows the dependent variables against which the hypotheses are tested; the second column contains the null and the alternative hypotheses; the third column contains the chi-square test statistics with the asterisks showing the level of significance, the last column shows the remarks for each hypothesis. The decision rule is that if the computed chi-square statistic is significant (with at least an asterisk), we reject the null hypothesis and accept the alternative hypothesis, otherwise, we accept the null hypothesis.

Table 7. Hypotheses Test Results.

Dependent Variable	Hypotheses	$\chi^2$ stat.	Remark
FP	$H_0 : SEP = 0$ $H_1 : SEP \neq 0$	533.6***	Reject $H_0$ and Accept $H_1$
CP	$H_0 : SEP = 0$ $H_1 : SEP \neq 0$	167.2***	Reject $H_0$ and Accept $H_1$
IPP	$H_0 : SEP = 0$ $H_1 : SEP \neq 0$	182.2***	Reject $H_0$ and Accept $H_1$
OCP	$H_0 : SEP = 0$ $H_1 : SEP \neq 0$	134.8***	Reject $H_0$ and Accept $H_1$
FP	$H_0 : MEP = 0$ $H_1 : MEP \neq 0$	728.4***	Reject $H_0$ and Accept $H_1$
CP	$H_0 : MEP = 0$ $H_1 : MEP \neq 0$	448.2***	Reject $H_0$ and Accept $H_1$
IPP	$H_0 : MEP = 0$ $H_1 : MEP \neq 0$	607.8***	Reject $H_0$ and Accept $H_1$
OCP	$H_0 : MEP = 0$ $H_1 : MEP \neq 0$	232.5***	Reject $H_0$ and Accept $H_1$

Source: Author's computation, (2022)

#### 4.5 Discussion of Results

The results show that the impact the proxies of skill-enhancing practices and motivation-enhancing practices had on the various performance perspectives differ. In terms of skill-enhancing practices, the insignificant relationships were three, this is a minority when compared to nine significant

relationships, and hence we conclude that skill-enhancing practices have a significant impact on all four performance perspectives. On the other hand, the relationships between all the motivation-enhancing practices proxies and the four performance perspectives were significant. Based on this we conclude that motivation-enhancing practices have a significant impact on all four performance perspectives.

Majority of the proxies of skill-enhancing and motivation-enhancing practices impacted all SME performance perspectives positively. The significant positive relationship found between selective staffing and SME performance is similar to the findings of [66], which opined that carefully selecting good people to fit into job roles is important for the success of an SME. The significant positive performance found between training and SME performance concurs with the findings of [67]. The positive relationship found between compensation and SME performance is in line with the findings of [20] which identified compensation as one of the human resources management practices that has a significant positive relationship with SME performance. Finally, the positive relationship between performance appraisal and SME performance agrees with the result of [68].

Improper implementation of some of the skill-enhancing and motivation-enhancing practices may be why they had insignificant and negative relationships with the performance measures. In respect of skill-enhancing practices, training insignificantly impacted organizational capacity perspective performance, career development's impact was insignificant on both financial and customer perspectives performance, while it impacted negatively on internal process perspective performance. The motivation-enhancing practice proxy performance appraisal also had a negative relationship with internal process perspective performance. This suggests that training, career development and performance appraisal within the SMEs surveyed need improvement. Improving these practices will further strengthen the overall positive impact of skill-enhancing and motivation-enhancing practices on all performance measures.

Combining human resource management practices into a coherent bundle based on the needs of SMEs has been described as appropriate, and positively impacts business performance [69], this study reiterates this. As it combined various practices targeting employee retention. A specific practice is rarely used in isolation, and the effectiveness of any practice depends on other

practices in place. Although some of the skill-enhancing practices and motivation-enhancing practices had short-comings when examined individually, the results in table 7 where the hypotheses were tested grouping the variables of skill-enhancing practices and motivation-enhancing practices together, showed that their impact on all the four performance perspectives were significant and positive.

This study's findings reiterate that of [30], which identified a relationship between skill-enhancing and motivation-enhancing practices and financial outcomes. In addition, it elucidates that these practices have a relationship with non-financial outcomes. Except career development, all the variables of skill-enhancing and motivation-enhancing practices positively impacted financial perspective performance. Although the relationship between career development and financial perspective performance was insignificant, career development significantly impacted organizational capacity perspective performance positively. This shows that using financial measures alone to measure SME performance may not be appropriate because certain factors which can influence performance may have no direct relationship with financial measures, this concurs with [35; 50].

Regarding the control variables, SME sector significantly impacted some performance perspectives positively. This indicates that industry dynamics are important determinants of SME performance. On the contrary, the impact of employees' educational qualification on the performance perspectives was both negative and positive. While the positive impact reflects the advantages derived from the current level of education present within the SMEs, the negative impact suggests that these SMEs need to hire more individuals with higher level of educational qualifications. Since a bachelor's degree was the highest educational qualification in the majority of SMEs surveyed (see table 3), these SMEs should consider recruiting individuals with postgraduate degrees to improve their current performance.

## 5 Conclusion

This research shows that employee retention practices are important predictors of SME performance. In addition, it shows the efficacy of the BSC framework in the assessment of relationships between performance and other variables. Recently there has been clamours for SMEs to adopt HRM practices in their business

operations. HRM practices are diverse and often require resources to implement. Due to the limited resources of SMEs, it may be impossible for them to cover all areas. In addition, several areas may not be relevant to their needs. The choice of which HRM practices to implement should depend on the goal an organization aims to achieve and factors in its business environment. Given the problem of employee turnover prevalent among SMEs, this study provides a guide SMEs can adopt to incorporate HRM practices. To achieve a goal a single practice should not be implemented in isolation; rather, several practices targeting the goal should be implemented. Consequently, it is recommended that SME owners/managers incorporate employee retention practices to retain valuable employees and improve performance. Also, SMEs should explore non-financial measures in their performance assessments because certain factors that can influence performance may have no direct relationship with financial outcomes.

Based on the relevance of employee retention practices revealed by this study, policymakers and other SME stakeholders should consider enacting statutes and policies mandating SMEs to incorporate employee retention practices. This will help achieve sustained business excellence on a macro level.

This research is not without limitations; firstly, the study although focused on SMEs in Nigeria did not include all SMEs in Nigeria. The exclusion of some SMEs may affect the generalizability of this study's findings. However, the inclusion of SMEs in different industries helps strengthen the generalizability of its findings. It may be argued that the data on SME performance used in this study is biased because it was self-reported by the owners/managers of the SMEs surveyed. Self-reported data has been identified as appropriate for entrepreneurship-related research and similar studies have used self-reported data in their analysis e.g., [62; 70]. However, future research can explore using SME performance data obtained from sources other than the business owners/managers. To aid the improvement of training in SMEs, it is suggested that future research explore designing an appropriate strategic training model for SMEs, showing various components and dimensions, this will provide SMEs with a guide for training implementation. [71] did a similar study for Iran National Tax Administration.

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