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Effects of Employee Turnover on Organisational Performance of Selected Small and Medium Enterprises (SME'S) in Kabwe

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Abstract

This study was set to examine the effects of employee turnover on the organisational performance of Small and Medium Enterprises (SMEs) in Kabwe. The study's main objective was to assess the effects of employee turnover on the organisational performance of SMEs in Kabwe. The research philosophy was pragmatic and convergent parallel mixed methods approach was adopted. The target population for this study was 1,200 registered formal business enterprises in Kabwe. The study employed non-probability sampling with purposive and convenience sampling methods. The study utilized Yamane (1967) formula for proportions to obtain a sample size of 300 respondents. The primary data was collected using questionnaires and interview guides. Data collected from the questionnaires was coded in Microsoft Excel and data from interviews was analysed using Thematic analysis. Quantitative findings indicated that most of the respondents believed that poor salary, poor leadership and management, lack of career advancement opportunities, no work-life balance are the causes of employee turnover. The results from the regression analysis with one model, had a positive

R square value of 0.4187 which showed that 41.8% of the variation in organisational performance is explained by employee turnover and this established that employee turnover has an effect on organizational performance of SMEs. The qualitative findings indicated that high employee turnover leads to reduced efficiency and reduced output. The convergence of quantitative and qualitative findings enhances the reliability and validity of this study. The theoretical contribution of this study shows that despite SMEs adopting some employee motivation and retention strategies such as recognition, bonus rewards, training, providing conducive work environment and providing employees with occasional incentives, most SMEs in Kabwe do not provide employees with opportunities for career advancement which has been one of the reasons for employee turnover. The study recommended that SMEs should develop strategies to retain employees, such as offering competitive salaries, incentives, and career growth opportunities by invest in continuous training, mentorship programs, and upskilling initiatives.

Keywords: Employee Turnover, Small and Medium Enterprise, Organisational Performance, Organization, Employee

1. Introduction

Over the years, research has shown that the existence of employee turnover can be an issue for organisations. With that, many scholars have taken keen interest in understanding the effects of employee turnover on organisational performance. Effiong *et al* (2017) [12] in their study indicated that a higher level of employee turnover has an impact on the performance of organisation in that it affects the return on equity and return on investment. Similarly, Gore *et al* (2018) [16] found that employee turnover led to a pass rate drop in students at a private college thereby affecting the organisations reputation. Price (1977) [37] found that new replacements may produce fewer goods or services compared to veteran employees that have left an organisation. Consequently, the remaining employees work may be disrupted if their work depends on the employee that has left the organisation Mobley 1982a; Schlesinger and Heskett 1991; Staw 1980; Hom and Griffeth 1995 [19]. Qian (2021) [38] found that employee turnover affects profitability of a company. Altogether, there seems to be an agreement among researchers that employee turnover can be detrimental to an organisations performance.

Employee turnover can lead to organisations having to face various exit expenses that can lead to loss of productivity. Hom *et al.* (2020) [18] indicated that HR staff and managers take time to conduct exit interviews for the employees leaving the organisation. They further have to ensure that accrued benefits are paid out as the employee leaves. They further ensure that

temporary coverage or overtime wages are paid to minimize work disruptions in the organization (Hom *et al.*, 2020) [18]. Hom and Griffeth (1995) [19] indicated that training costs consist of the company's expenditures to orient and train replacements and opportunity costs caused by inefficient production. (Harrie, 2002; Qian, 2021 [38]) also found that some of the costs associated with of employee turnover include advertising expenses, headhunting fees, resource management expenses, loss of time and efficiency during recruitment and training period, work imbalance due to vacancies, and employee training and development expenses for new employees that have joined the organisation. Altogether researchers seem to agree that employee turnover can have economic costs on the organisation that can impair productivity and efficiency.

Accordingly, studies have further shown that employee turnover can have an effect on customer relations. Several studies have presented evidence to the regard. For example, Babatunde and Laoye (2011) [6] found that employee turnover can have an implication on customer retention. Gore *et al* (2018) [16] also found that employee turnover affects quality attributes of services provided which in turn affects customer satisfaction. Further, Al-Suraihi *et al.*, (2021) [3] found that employee turnover negatively affects sales and profits and that this relationship is med efficiency as customer waiting time in the fast-food industry. Hom *et al.* (2020) [18] further indicated that employee turnover can be costly to an organisation as it leads to loss of customers or clients and disrupts teamwork and further leads decreased performance or quality. Loss of employees can lead to direct competition from the leavers as they may move with the clients they worked with closely (Hom *et al.*, 2020) [18]. All in all, there seems to be an agreement that employee turnover does have an effect on customer relations.

However, researchers are not entirely in agreement as to employee turnover solely having a negative effect on organisational performance. Studies have shown evidence that contradict this notion. For instance, Glebbeek and Bax (2004) [15] in their study argue that employee turnover can have an effect on performance however many other factors can have a greater effect on organisational performance. Hom *et al.* (2020) [18] indicated that the exit of underperforming employees may improve overall firm productivity while coming of replacements can introduce the organisation to new ideas and technology. (Price, 1989; Hom *et al.*, 2020 [18]) found that underperforming employees that remain in the organisation because they cannot find other employment engage in sabotage and absenteeism due to lack of interest in their work. Therefore, the loss of these low performers is more beneficial to the organisation as it enhances the organisations effectiveness. Employee turnover was found to create more opportunities for promotions and lessen the competitiveness for promotions for the employees that remain in the organization (Mobley 1982a; Staw 1980; Hom and Griffeth: 1995 [19]). The lack of agreement among researchers warrants the need for further studies to be conducted in this field.

The theoretical orientations of research in this field have been as diverse as the contributors on this issue. Some researchers have used Resource Based View theory (Effiong *et al.*, 2017) [12]. Others have used Quality of work environment (Gore *et al.*, 2018) [16]. Researchers have further used Abelson and Baysinger (1984) Optimal Turnover Model while others have used Herzberg's Two

Factor Theory. Further researchers have used March and Simon's (1958) [26] Theory of Organisational Equilibrium while other researchers have used Abraham Maslow's Hierarchy of Needs. Others have used Porter and Steers (1973) Met Expectations Model while others have used Mobley (1977) [29]. Turnover Process Model. This presents exciting theoretical possibilities for this current study.

In the recent past, the discussion on SMEs has grown in Zambia. In 2021, the Ministry of Small Medium Enterprise was created. The Ministry was created to oversee the development and growth of small and medium sized enterprises in Zambia. According to Ministry of Small and Medium Enterprise Development (2023) [28] despite these efforts of the ministry, most SMEs have not been able to produce internationally acceptable products and services, and have had minimal participation in regional and global value chains. A key problem of employee turnover is the loss of skilled employees that carry out the day to day operations of an organisation, this can have a negative effect on an organizations productivity (Hom *et al* (2020) [18].

To date, there has been no research done in Kabwe to explore how employee turnover can affect the performance of an organisation. There is still knowledge lacking on employee turnover in SMEs in Kabwe and how it affects the performance of the organisation. It is still not known what happens within the organisation when such changes happen. This study looks into addressing the gap in knowledge regarding effects on employee turnover on organisational performance of SMEs in Kabwe.

1.1 Statement of the Problem

Small and medium-sized enterprises (SMEs) are widely recognized as a critical engine of economic development, accounting for approximately 90 percent of all businesses globally and contributing to roughly 50 percent of total employment (World Bank, 2019) [43]. In developing economies such as Zambia, SMEs play an especially vital role in poverty alleviation, industrialization, and export growth (Abdissa *et al.*, 2022) [1]. Despite this strategic importance, the sustainability and growth of SMEs are persistently threatened by human capital challenges, of which employee turnover is among the most consequential. Employee turnover, the rate at which employees voluntarily or involuntarily exit an organisation has been empirically associated with significant disruptions to key dimensions of organisational performance, including net profit margin, revenue growth, cash flow, and customer acquisition costs (Hom *et al.*, 2020; Qian, 2021) [18, 38].

The existing body of literature presents a contested and inconclusive picture of how employee turnover affects SME performance. On one hand, scholars such as Qian (2021) [38] and Gore *et al.* (2018) [16] demonstrate that turnover reduces the quality of goods and services delivered, diminishes customer satisfaction, and erodes revenue, thereby depressing net profit margins and impairing cash flow. On the other hand, Hom *et al.* (2020) [18] argue that the departure of chronically underperforming employees can enhance overall firm productivity and introduce fresh technological knowledge, suggesting a potentially positive effect on revenue growth under specific conditions. Critically, however, the vast majority of studies generating these findings have been conducted in large corporate settings in developed economies, leaving a pronounced

empirical gap with respect to SMEs operating in low-income, resource-constrained environments such as Zambia. The specific performance metrics most sensitive to turnover in such contexts namely net profit margin, revenue growth, cash flow stability, and customer acquisition costs remain unmeasured and theoretically underspecified within the Zambian SME literature.

More specifically, no empirical study has been conducted in Kabwe, Zambia, to examine how employee turnover affects the financial and operational performance of SMEs operating in the district. This absence of locally grounded, quantitative evidence means that SME managers in Kabwe currently lack the empirical basis to determine whether their employee turnover rates are impairing or enhancing performance outcomes, and are therefore unable to make informed, evidence-based decisions regarding retention strategy, workforce planning, or the management of underperformance. The inability to distinguish between harmful and functional turnover and its specific effects on measurable performance indicators constitutes a critical knowledge gap that limits both managerial practice and academic understanding of SME performance dynamics in Zambia's Central Province.

This study therefore sought to assess the effects of employee turnover on the performance of SMEs in Kabwe, operationalized through four specific dependent variables: net profit margin, revenue growth, cash flow, and customer acquisition costs. By generating empirically grounded, context-specific evidence from the Kabwe SME sector, this study aimed to produce actionable insights that enable managers to implement targeted retention strategies, develop more rigorous employee vetting processes, and distinguish between turnover that is functionally beneficial and turnover that constitutes an organisational liability. In so doing, the study contributes to closing a measurable and consequential gap in the literature on human capital management and SME performance in sub-Saharan Africa.

2. Methodology

2.1 Research Design and Philosophical Orientation

Research design shows the detailed plan of how the research work was conducted. The research philosophy was pragmatic and convergent parallel mixed methods approach was adopted. This was because the study intended to gather qualitative and quantitative data that describes and explains the nature and characteristics of the effects of employee turnover on organization performance. As a case study, the main objective of the study was to explore the effects of employee turnover on the organisational performance of SMEs in Kabwe. To attain this objective, the selected research designs above were found to be useful as they narrowed the area of study and provided adequate and relevant information to the research problem.

2.2 Selection of the Study Area

This research study was conducted in Kabwe, to assess the effect of employee turnover on SME's performance in Kabwe. The rationale for choosing these SME's as a case study is that the SME's sector has been effective in handling turnover but nowadays SME's face challenges of employee turnover as well.

2.3 Population and Sampling

The study population for this study was 1,200 registered formal businesses (Kabwe Municipal Council, 2023). The population comprised of employees and supervisors working in SMEs in Kabwe operating in the hospitality industry, retail industry, manufacturing industry and food and beverage industries.

2.3.1 Sampling

The study employed non-probability sampling technique. The study employed Yamane (1967) formula for proportions to derive the sample size.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = population of 1200

e = is the margin of error 0.05%

2.4 Data Collection Methods

The research instruments used in this research to collect data were questionnaires and in depth interviews. Structured questionnaires with closed ended questions were used to collect primary data. Questionnaires were chosen because they use standardized questions implying that all respondents will answer same questions. In depth interviews were chosen to allow for the collection of in depth qualitative data. The reason for including in depth interviews was that it allowed for participants to give their opinion. The aforementioned reasons made the questionnaires and in depth interviews to be the appropriate tools for collecting quantitative and qualitative data.

2.5 Data Analysis

Data was analyzed both quantitatively and qualitatively. Quantitative data was analyzed using Microsoft Excel and qualitative data was analyzed using Thematic Analysis. Quantitative data employed pie charts, histograms and columns to present data. Qualitative data is presented in themes that were derived from responses from participants according to similarities. The study employed regression analysis to test relationships. Regression analysis was used to quantify the degree of change in predictor variables that is employee turnover percentage and organisational performance. Regression analysis was used to test hypotheses by estimating the statistical significance of observed connections.

The linear regression model adopted by the study is illustrated as follows:

The formula for simple linear regression is $Y = mX + b$, where Y is the response dependent variable, X is the predictor (independent) variable, m is the estimated slope, and b is the estimated intercept.

Therefore:

Y = Organizational performance

X = Employee turnover

Simple linear regression analysis was used in measurement of the effect of the independent variable on the dependent variable. Regression analysis was also employed in the study to assess strength of the relationship between the

dependent variable and the independent variable. To enhance the validity and reliability of data, triangulation was applied. This involved integrating both quantitative and qualitative data to provide a comprehensive understanding of employee turnover and its effects on organizational performance in SMEs in Kabwe.

2.6 Ethical Considerations

Ethical clearance was obtained from The University of Zambia Directorate of Research and Graduate Studies Humanities and Social Sciences Research Ethics Committee. The researcher abided by ethics such as confidentiality, accurate reporting of findings without biasness, anonymity and volunteerism. In this view, the researcher will ensure that anonymity of participants will be guaranteed in both data collection and processing. In addition, rights of participants will be respected, voluntary participants with consent, confidentiality and data will only be used for academic research and so participants will be protected in all areas under what so ever circumstances.

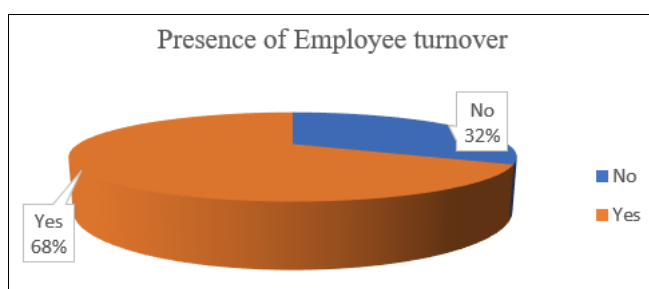
3. Results

3.1 Prevalence and causes of employee turnover

This section presents findings on the prevalence and underlying causes of employee turnover in SMEs in Kabwe. The analysis draws on both descriptive statistics and thematic interpretation to identify key patterns shaping turnover within the sampled organisations.

Presence of Employee Turnover

Fig 1 examines whether SMEs in Kabwe experience employee turnover. The results show that 68% of respondents confirmed the presence of turnover while 32% denied the presence of employee turnover. This finding establishes that employee turnover is not incidental but a widespread phenomenon within SMEs. Analytically, this provides the foundation of the study affirming that turnover is a structural issue affecting the majority of organisations. This directly supports the need to investigate its causes and effects. The significance of this finding lies in its implication for organisational stability and workforce continuity.



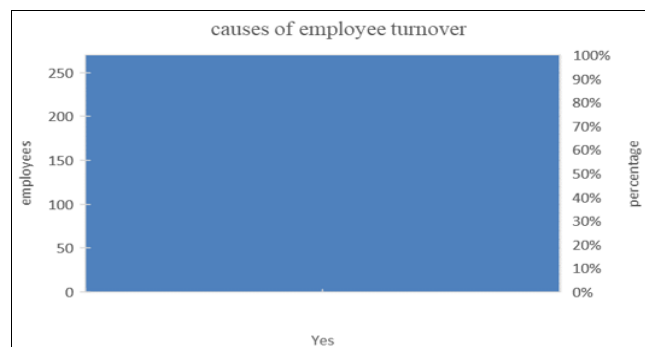
Source: Field data (2026)

Fig 1: Presence of employee turnover

Causes of employee turnover

Fig 2 identifies the causes of employee turnover. All respondents pointed to poor salary, poor leadership, lack of career growth, excessive workload, poor work-life balance,

and organisational culture. The unanimity of responses indicates that these are systemic and deeply rooted issues rather than isolated concerns. Analytically, these causes align with Maslow’s and Herzberg’s theories, where unmet needs and poor hygiene factors lead to dissatisfaction and eventual exit. This finding demonstrates that turnover in SMEs is driven by economic factors (salary), Organisational factors (leadership, culture) and Psychological factors (work-life balance, growth opportunities). The multidimensional nature of these causes implies that no single retention intervention will be sufficient; rather, SMEs in Kabwe must adopt comprehensive, multi-layered strategies that address the full spectrum of factors driving employees to leave their organisations.



Source: Field data (2026)

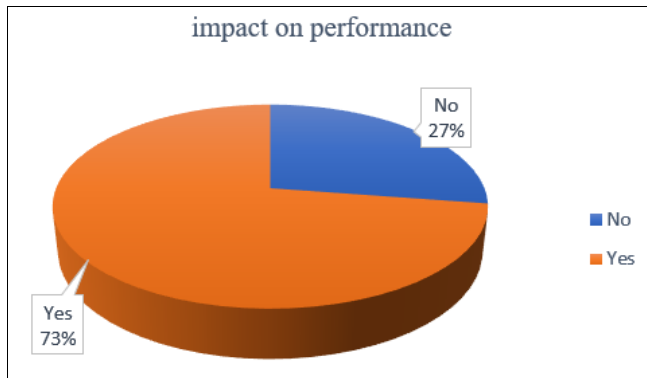
Fig 2: Causes of employee turnover

3.2 Effects of Employee Turnover on Organizational Performance

The results presented in this section focus on the effects of employee turnover in Small and Medium Enterprises (SMEs) in Kabwe District. This section provides an analysis of the findings obtained from the respondents regarding how employee turnover affects business operations, productivity, service delivery, employee morale, and organizational performance.

Impact on Employee Performance

Fig 3 presents respondents’ views on whether employee turnover affects their individual performance. The results indicate that 73% of respondents believe turnover affects their performance while 27% indicated that it does not. The findings affirm that nearly three-quarters of respondents acknowledged a direct link between employee turnover and their own performance is particularly significant. This indicates that the consequences of turnover are not merely organisational in the abstract but are personally and immediately experienced by the employees who remain in their roles. When colleagues depart, the resulting redistribution of responsibilities, erosion of team cohesion, and disruption of established workflows directly impair the capacity of continuing employees to perform their duties effectively.



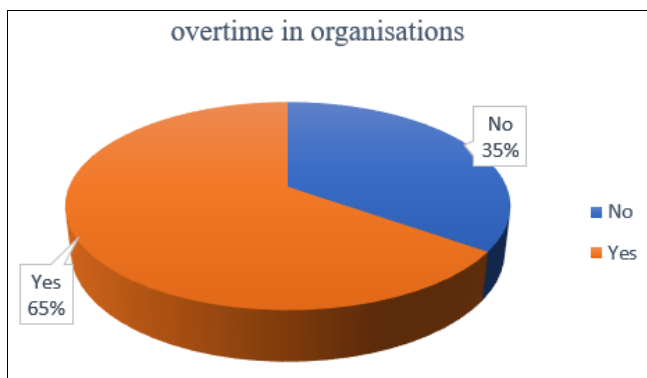
Source: Field data (2026)

Fig 3: Impact on performance

Workload and Overtime

Fig 4 presents respondents’ responses on whether employee turnover leads them to absorb additional work and undertake overtime to compensate for unfilled vacancies. The results indicate that 65% of respondents reported that when employee turnover occurs they take on more work and work overtime, while 35% indicated that they do not take on additional responsibilities or work beyond regular hours when turnover occurs. These findings confirm that most respondents assume a heavier workload in response to employee departures within their organisations.

The prevalence of this workload redistribution pattern has significant implications for employee wellbeing and organisational efficiency. When 65% of employees report regularly absorbing the duties of departed colleagues, the cumulative effect is a systematic increase in individual workloads that is neither formally sanctioned nor adequately compensated in most cases. This dynamic creates a dual burden, as those who remain must not only manage their own responsibilities but simultaneously fill the gaps left by turnover, diminishing the time and energy available for quality performance.



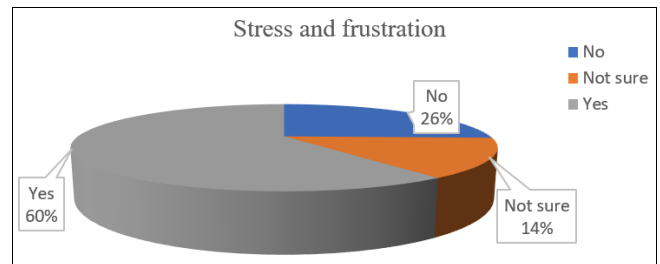
Source: Field data (2026)

Fig 4: Overtime in organisations

Stress and Frustration

Fig 5 presents respondents’ experiences of stress and frustration when they are required to take on additional workload and work overtime as a consequence of employee turnover. The results indicate that 60% of respondents reported experiencing stress and frustration under these conditions, 26% indicated that they do not feel stressed or frustrated when absorbing extra work and overtime, while 14% expressed uncertainty in their assessment.

The finding that 60% of respondents’ experience stress and frustration when absorbing overtime work reveals the psychological toll that employee turnover exerts on the remaining workforce. This emotional dimension of turnover’s consequences is often underestimated in analyses that focus solely on productivity metrics. However, sustained stress and frustration among employees are well-established precursors to burnout, disengagement, and ultimately further turnover intention, suggesting that the emotional burden created by each wave of departures may itself constitute a driver of subsequent exits within the same organisation.



Source: Field data (2026)

Fig 5: Stress and Frustration

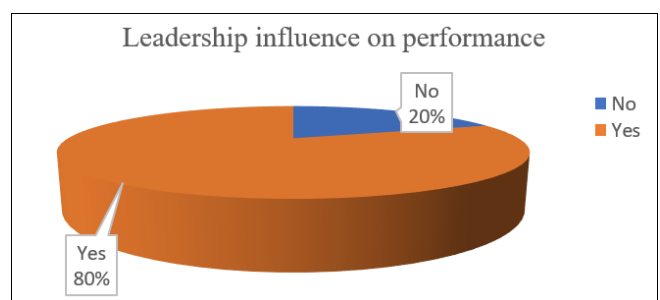
3.3 Role of management in influencing employee turnover

The results presented in this section focus on the role of management in influencing employee turnover in Small and Medium Enterprises (SMEs) in Kabwe District. This section provides an analysis of the findings obtained from the respondents regarding how management affects employee productivity, service delivery, employee morale, and organisational performance.

Leadership influence on performance

Results presented Fig 6 presents respondents’ views on whether the leadership style practiced within their organisations affects their performance as employees. The results indicate that 80% of respondents stated that leadership style affects their performance as employees, while 20% reported that leadership style does not affect their performance. These findings confirm that the overwhelming majority of respondents perceive a direct and consequential link between the leadership approach of their managers and their own capacity to perform effectively.

This finding suggests that investment in leadership development within Kabwe’s SME sector has the potential to simultaneously improve performance outcomes and reduce employee turnover, making it one of the highest-leverage interventions available to SME managers.

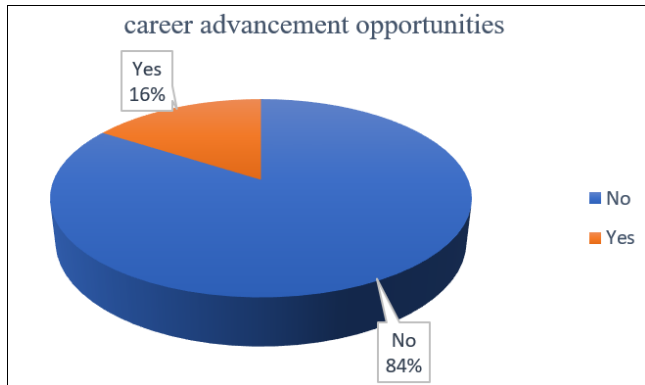


Source: Field data (2026)

Fig 6: Leadership influence on performance

Career Advancement Opportunities

Fig 7 shows that 84% of respondents stated that there are no policies in place to allow for career advancement and in contrast, 16% of respondents stated that there are policies in place to allow for career advancement. The findings demonstrate that most respondents believe that there are no policies in place to allow for career advancement in their organisation.



Source: Field data (2026)

Fig 7: Career advancement opportunities

Work-life balance and working conditions

When respondents were asked about the flexibility of their work schedule, one of the respondents stated:

“We realised that employees were becoming exhausted because the workload was too much for the number of staff available. So we started rotating duties and allowing employees some flexibility when business is not very busy. Since then, employees seem less stressed and more cooperative.”

While a few organisations had introduced relatively flexible working arrangements aimed at supporting employee well-being, some of the managers described working conditions as heavily constrained by operational realities and staffing limitations. Respondents repeatedly emphasized that SMEs often operate with insufficient staff, forcing existing employees to work longer hours and manage multiple responsibilities simultaneously.

One of the respondents said “The business operates almost every day, and because we do not have enough employees, workers end up doing multiple tasks. Eventually they become tired and frustrated, especially during busy periods.” Another stated, “Employees complain that the workload is too much and don’t have enough time for personal life, but as a small business we do not always have the capacity to employ additional staff.”

The findings of this study established some of the causes of employee turnover in SMEs in Kabwe, the respondents highlighted that their organisations work within a tight schedule being small businesses hence some of the employees have difficulties with the working conditions.

Impact of Employee Turnover on Productivity

Respondents were asked about the impact of employee turnover on productivity, in response most managers reported that turnover creates immediate operational pressure because remaining employees are required to absorb additional responsibilities while replacements are

being recruited and trained. participants repeatedly described productivity declines during transition periods.

“When an experienced employee leaves unexpectedly, productivity immediately drops because the remaining staff must cover additional duties while trying to train the new employee at the same time.”

Respondents from relatively structured SMEs described implementing strategies aimed at reducing productivity disruption during staff transitions.

“We cross-train employees so that when one worker leaves, another person can temporarily handle the duties while we recruit.” Manager 16 further stated “We try to document procedures because relying too much on one employee becomes risky when turnover happens.”

However, the majority of the respondents described turnover as creating recurring operational instability due to limited organisational capacity and staffing flexibility.

“Because we already operate with few employees, losing even one worker creates serious pressure on the business.”

Employee Motivation and Retention

In order to gain understanding on employee motivation and retention strategies utilized in SMES, respondents were asked if they had adopted any motivation and retention strategies.

“We realised that employees were becoming discouraged because they felt their efforts were not recognised. So we introduced monthly performance recognition where employees who perform well are acknowledged during staff meetings and sometimes given small allowances. Since we started doing that, employees have become more cooperative and absenteeism has reduced.”

However, some respondents described motivation strategies as inconsistent, limited, and largely constrained by financial pressures. respondents repeatedly emphasized that SMEs operate with narrow profit margins, making it difficult to sustain meaningful incentive systems.

“We do not really have formal motivation programs because the business is still growing. Employees are expected to understand that small businesses cannot provide everything. Most workers leave once they find something better.”

4. Discussion

This section presents a discussion of the study findings drawn from employees and managers of SMES presented in chapter four. While chapter four established what the data showed, this chapter further presents the discussion of the study findings in relation to the study’s objectives, existing literature and the theoretical frameworks. The discussion chapter serves a critical interpretive function in this study.

4.1 Employee turnover in SMEs in Kabwe

This study established that employee turnover is a prevalent and recurring phenomenon within SMEs in Kabwe. Respondents unanimously confirmed that their organisations regularly experienced employee turnover, and the majority characterised its frequency as 'often,' signaling that turnover is not an isolated occurrence but a systematic challenge confronting SME operations in the region.

The study identified six principal causes of employee turnover among SME employees in Kabwe: poor remuneration, poor leadership and management practices, lack of career advancement opportunities, absence of work-life balance, excessive workload, and an unfavorable

organisational culture. Additionally, data gathered from SME managers introduced two further contributing factors, that is long working hours and limited rest periods as direct antecedents of job dissatisfaction and, subsequently, turnover. These findings are consistent with extant literature and confirm the multidimensional nature of employee turnover in the SME context. The findings demonstrate that poor remuneration is a primary driver of turnover is consistent with the conclusions of Anzani (2018), whose study attributed turnover intention significantly to low motivation and inadequate financial rewards.

In the Zambian context, this is particularly consequential in that SMEs typically operate on constrained budgets, limiting their capacity to offer competitive salaries relative to larger organisations or the public sector, thereby creating a structural disadvantage in talent retention. The findings similarly align with Gayla (2021) [13] study in the United States public sector, which identified the absence of work-life balance and poor job characteristics as central precipitants of turnover. While Gayla (2021) [13] context differs from Kabwe's SME environment, the convergence of findings across geographic and sectoral boundaries lends cross-cultural validity to the present study's conclusions.

Theoretically, the findings are well-grounded in Herzberg's Two-Factor Theory (Herzberg, Mausner & Snyderman, 1959). The six identified causes map directly onto Herzberg's hygiene factors those extrinsic workplace conditions whose deficiency generates active dissatisfaction without whose resolution no amount of intrinsic motivation can sustain employee commitment. Specifically, poor salary, inadequate leadership, heavy workload, and the absence of work-life balance constitute hygiene failures that erode employees' baseline tolerance for remaining in their organisations. Importantly, Herzberg's theory also draws attention to the absence of motivators particularly career advancement as a distinct source of disengagement. The finding that most respondents reported dissatisfaction with career growth prospects is therefore not merely a hygiene deficit but also a motivator-level failure, compounding turnover risk.

Maslow's Hierarchy of Needs (1943) provides additional theoretical depth. The absence of adequate remuneration represents an unmet physiological and safety need foundational in Maslow's hierarchy which, if unresolved, renders higher-order appeals to loyalty or organisational belonging ineffective. Employees who cannot secure their basic financial welfare through their employment are unlikely to develop the esteem and self-actualisation attachment to their organisations that would otherwise build retention.

4.2 The effects of employee turnover in SMEs in Kabwe

The study established that the departure of employees routinely resulted in workload redistribution among remaining staff, generating conditions of overwork, stress, and fatigue that further eroded employee wellbeing and created a secondary cycle of turnover risk. SME managers confirmed that employee shortages impaired operational efficiency and introduced interpersonal and organisational strain that weakened team cohesion and morale. The study establishes that turnover has both operational and psychological consequences. Operationally, turnover disrupts workflow, reduces productivity, and increases the cost of recruitment and training. Psychologically, it creates

stress, burnout, and reduced morale among remaining employees. These findings are directly supported by Tsadik (2013) [41], whose study identified degraded performance, failure to meet routine operational targets, and escalating workloads on continuing employees as the primary negative consequences of turnover.

From a theoretical standpoint, Herzberg's Two-Factor Theory explains the performance decline associated with turnover through the lens of hygiene factor disruption. When employee departures create disorganized workflows, intensified supervisory demands, and deteriorating working conditions for remaining staff, the hygiene environment deteriorates for those who remain triggering new rounds of dissatisfaction. March and Simon's Theory of Organisational Equilibrium (1958) [26] is equally applicable: high turnover signals a systemic breakdown in the inducement contribution balance, and its performance consequences reflect the organisational dysfunction that follows when this equilibrium is not restored. The 41.8% explanatory power of the regression model corroborates the theoretical claim that turnover driven equilibrium disruption is a major though not exclusive driver of performance degradation.

4.3 The role of management in influencing employee turnover

The study established that management plays a pivotal role in both generating and mitigating employee turnover within SMEs in Kabwe. The study affirmed that the leadership style practiced by their managers affected their performance, and a considerable proportion characterized this effect as negative, suggesting that prevailing management approaches in the studied SMEs were not conducive to employee motivation or retention. Notably, the findings revealed that most employees were not compensated for overtime work noting a specific and concrete manifestation of management's failure to sustain the inducement-contribution balance which directly fuels dissatisfaction and turnover.

Managers acknowledged that management practices significantly determine employee motivation, performance, and retention outcomes. Managers recognized the central role of communication and employee engagement as retention levers, indicating an awareness if not always a systematic application of participative management principles. This self-awareness is an important finding in that it suggests that the retention problem in Kabwe's SMEs is not primarily one of managerial ignorance but rather of implementation gaps, resource constraints, and the absence of formalized HR systems that would translate managerial intent into consistent practice.

These findings resonate strongly with Robbins and Judge (2017) [39], who emphasize that effective management requires a deep understanding of organisational behavior, including the psychological and motivational dynamics that govern how employees respond to authority, feedback, recognition, and participation. Managers who adopt authoritarian or transactional leadership styles without attending to the motivational and relational needs of their employees are likely to produce the dissatisfaction and disengagement that the study's respondents described. This is particularly relevant in the SME context, where flat organisational structures mean that the immediate supervisor often constitutes the employee's primary and sometimes only point of institutional contact.

March and Simon's Theory of Organisational Equilibrium (1958) [26] provides the most direct theoretical explanation for these findings. The theory's core proposition that employees' continued participation in an organization depends on the adequacy of the inducements offered relative to the contributions demanded places managerial decision-making at the centre of the retention equation. Managers who set workloads without commensurate compensation, withhold recognition, suppress career advancement, or foster toxic cultural norms are directly responsible for depleting the inducement side of the equilibrium equation. The study discovered most employees were not compensated for overtime is a precise empirical illustration of this equilibrium failure.

4.4 To establish the measures that can curb employee turnover in SMEs in Kabwe

The study revealed that the majority of SME employees in Kabwe reported the absence of formal career advancement policies within their organizations indicating a structural gap that directly undermines long-term retention. At the same time, a number of SMEs had begun implementing informal retention and motivation strategies, including employee recognition programmes, bonus reward schemes, skills training, the provision of conducive working environments, and periodic incentive offerings. SME managers also reported adopting improved leadership practices as a retention intervention. While these efforts signal growing managerial awareness of the retention challenge, their largely informal and unsystematic nature limits their effectiveness and consistency.

The study further revealed that informal recognition and rewards are among the most commonly adopted retention measures aligns with the theoretical predictions of Herzberg's Two-Factor Theory (Herzberg *et al.*, 1959), which identifies recognition, achievement, and responsibility as the motivator factors most likely to generate lasting job satisfaction and retention. However, the study also reveals that hygiene-level deficiencies particularly inadequate remuneration and the absence of career pathways remain largely unaddressed. Herzberg's theory would predict that recognition programmes, however well-designed, will have limited long-term retention efficacy unless accompanied by resolution of foundational hygiene failures. The study's findings therefore suggest that most SMEs in Kabwe are addressing the motivator layer of retention without having stabilized the hygiene foundation an approach that is likely to produce short-term engagement gains but fail to sustain retention over time.

Chen and Wu's (2017) [10] research underscores the importance of professional development and long-term investment in employee growth as determinants of commitment and reduced turnover. Their findings are reflected in the present study's results, where the absence of career growth policies was identified as one of the most widely reported drivers of turnover.

Banda's (2021) [8] study further supports the conclusion that structured, systematic retention strategies as opposed to ad hoc incentive gestures are more effective in reducing voluntary turnover over time. These convergent findings collectively indicate that SMEs in Kabwe need to transition from reactive, informal retention measures towards formalized, comprehensive employee retention frameworks. March and Simon's Organisational Equilibrium Theory

(1958) [26] provides the conceptual architecture for understanding what effective retention measures must achieve: they must restore and maintain the perceived balance between what employees contribute and what the organisation provides in return. The study's findings confirm that this balance is currently skewed in Kabwe's SMEs, with employees contributing significantly often absorbing additional workload while receiving inadequate compensation, limited career investment, and inconsistent recognition. Restoring equilibrium requires that organisations systematically redesign their inducement structures to reflect the full range of employee needs and contributions, moving beyond token incentives toward sustainable, institutionalized reward and development frameworks.

The findings of this study are strengthened through triangulation. Quantitative findings demonstrated that employee turnover significantly accounts for the reduction in organisational performance. This is consistent with qualitative findings where respondents highlighted that employee turnover leads staff shortages, operational challenges and employee demotivation. The convergence of these findings provide a more comprehensive understanding of employee turnover and its effects on organizational performance in SMEs in Kabwe.

5. Conclusion and Recommendations

The study's main objective was to assess the effects of employee turnover on SMEs performance in Kabwe. The findings of this study demonstrated that SMEs in Kabwe experience employee turnover and some of the causes of employee turnover include poor salary, poor leadership and management, lack of career advancement, no work-life balance, huge workload and organizational culture. The findings have further revealed that when employee turnover occurs, the employees end up taking on more work to cover the vacancies which can lead to employees experiencing work overloads and in turn cause burn out. The study has revealed that stress and frustration that comes from employee burnout can lead to job dissatisfaction among employees.

The results of the study also showed how the lack employee compensation for working overtime can have a negative effect on organisational performance of SMEs in Kabwe. The findings show leadership style affects the performance of employees and that most leaders are not inclusive when it comes to decision making on matters that affect employees directly and indirectly. The findings revealed that SMEs in Kabwe face challenges with employee shortages when employee turnover occurs. The findings also revealed that SMEs face challenges in productivity due to time lost when training new employees in the organisation.

The findings of this study revealed that despite adopting some employee motivation and retention strategies such as recognition, bonus rewards, training, providing conducive work environment and providing employees with occasional incentives most SMEs in Kabwe do not provide employees with opportunities for career advancement which has been of the reasons for employee turnover. The study found a statistically significant relationship between employee turnover and organisational performance among SMEs in Kabwe, as evidenced by a regression R^2 value of 0.418, indicating that employee turnover accounted for approximately 41.8% of the variance in organisational

performance outcomes.

5.1 Recommendations

Based on the results of the study, the following are the recommendations for management, policy makers and stakeholders:

1. Management should undertake formal salary benchmarking exercises at least annually, comparing their remuneration packages against sector averages and the cost of living in Kabwe. Where immediate salary increases are not financially viable, non-monetary compensation mechanisms such as flexible working arrangements, transport allowances, performance-based bonuses, and medical benefits should be introduced to offset remuneration gaps.
2. To interrupt the compounding turnover spiral identified in the study whereby the departure of one employee escalates the workload and stress of remaining staff SMEs should establish contingency workforce plans that designate temporary workload distribution protocols during vacancy periods. These plans should include clearly defined timelines for recruitment and include provisions for temporary workload allowances to compensate remaining employees during transition periods.
3. Managers should be trained in transformational and participative leadership approaches, which have been consistently associated with higher employee engagement, lower turnover intention, and superior team performance.
4. SMEs should establish transparent overtime policies that specify compensation rates consistent with the Employment Code Act No. 3 of 2019 and communicate these policies clearly to all employees.
5. SMEs in Kabwe should develop and formalize written career development and succession plans for all permanent employees. These plans should outline achievable promotion pathways, skills development milestones, and mentorship arrangements.

5.2 Recommendations for Policymakers

1. The Ministry of Small Medium Enterprise Ministry of Commerce, Trade and Industry, together with the Zambia Development Agency, should develop a formal SME Human Capital Strategy for Zambia that addresses the structural retention disadvantages faced by small enterprises. This strategy should include incentives for SMEs that invest in formalized HR systems, employee training, and competitive compensation practices such as tax relief on verified training expenditures or preferential access to ZDA development finance for SMEs that meet defined employment standards.

5.3 Recommendation for Future Studies

This study was only limited to SMEs in Kabwe future studies should consider longitudinal methods to help examine how turnover affects SME performance over time in all provinces in Zambia. This approach would help capture long-term effect of employee turnover on SME performance.

This study only utilized a sample of 300 respondents from 1,200 formally registered businesses in Kabwe. Future studies should consider informal businesses to help capture a larger response that would give a wider understanding of

employee turnover in SMEs.

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