

UNIVERSITY TRINITY SAINT DAVID CARDIFF 2024

**Dissertation**  
**MA LEADERSHIP**  
**BMMB7003**

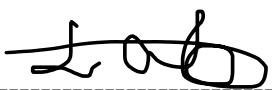
Alina Tatar (1814394)  
2024

## Abstract

High number of employees turnover is affecting SME businesses in Wales. Business leaders of small and medium-sized enterprises (SMEs) who fail to retain talented and skilled employees witness an increase in their organisations cost and employees performance. The research question of the dissertation is to highlight leadership style can affect employees retention the aim and objectives of this research include fostering open communication, providing opportunities for growth and recognizing employees contributions. A leadership style that prioritizes these factors tends to enhance employee satisfaction and loyalty, reduce turnover rates. This research topic is interesting for me because, understanding how leader styles impact employee retention is crucial for you because it directly relates to the effectiveness of my leadership approach in my business to a long-term stability of my team, by researching this topic I uncover insights that will help me to refine my leadership style, improve employee satisfaction and ultimately reduce turnover. The key theories and methods used for this research relevant to understanding the relationship between leadership style and employee retention are: Transformational Leadership Theory, Transactional leadership, authoritarian leadership style, several frameworks, Maslow's, Lewin's theory. In this study I applied the descriptive quantitative research based on the opinion of SMEs Wales. The quantitative method was appropriated for this study as it provides descriptive attitudes, experience and opinions of the sample population. Self-completed research questionnaire was online distributed to 100 peoples in SMEs Wales in a divers working field and face to face interviews with SMEs Wales 20 leaders and 30 employees. The sources of questionnaire were from Employee Opinion survey (February, 2016), based on the Leadership Theory, Lewin et.al., (1939) and Northouse (2010). The reason why I adopted the quantitative and qualitative research design in this study to investigate the impact of leadership style on employee retention in SMEs Wales was to have a better understanding of employees feedback based on 360 feedback framework. The most interesting of the implications were the findings, where the majority of the employees stated that the reason why employees leave workplace is due to leadership style that is affecting their mental health. Leadership style plays a crucial role in shaping the mental health and wellbeing of employees, as of last update in January 2022 mental health in the workplace was gaining increased attention, with organisations implementing various initiatives to support their employees well-being, however, specific trends in employee mental health for 2024 would require more current data beyond my last research. To conclude, leadership style plays a crucial role in employees retention, recommendations had been made such as adopting supportive, transparent and motivating employees, leaders can contribute to a positive working culture, that promotes mental health and fosters resilience among employees.

## Declaration and Statement

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed (candidate) -----

24/05/2024

Date -----

### STATEMENT 1

This work is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

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### STATEMENT 2

I hereby give consent for my work, if accepted, to be available for photocopying and for inter-library loan, and for the title and summary to be made available to outside organisations.

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Date -----

## Acknowledgements

I want to acknowledge Marie Pitson MBA/MA Leadership Programme Manager and supervisor Daniela Hellyer for her feedback and support during the master study process. Provided much guidance and reality checks. She was always there whenever I needed her advice and support. I am also thankful to my BA Business and Management lecturers, James Moore, and lectures from level 4 Skills in the Workplace, Laura James, Christian Felices, also to my parents for all their support and love that helped me in this journey.

## Table of Figure

|                                                                            |    |
|----------------------------------------------------------------------------|----|
| Figure 1. Lewin's Three Participatory Leadership Style.....                | 17 |
| Figure 2. Research Framework Transformational Leadership.....              | 18 |
| Figure 3. LinkedIn survey results as to why employees choose to leave..... | 22 |
| Figure 4. What workers expected and received from management.....          | 24 |
| Figure 5. The Onion Research by Saunders .....                             | 29 |
| Quantitative questionnaires                                                |    |
| Section 1. Demographic.....                                                | 30 |
| Section 2 -Management Leadership Style .....                               | 32 |
| Section 3. Training and Professional Development .....                     | 37 |
| Section 4 Constructive Feedback.....                                       | 38 |
| Section 5. Workplace culture .....                                         | 39 |
| Section 6. Talent Retention .....                                          | 40 |
| Qualitative Interviews                                                     |    |
| Table 1. Leadership Role.....                                              | 39 |
| Table 2. Positive and Friendly Working Environment.....                    | 41 |
| Table 3. Monetary and Non-monetary Benefits.....                           | 42 |
| Table 4. Talent Management .....                                           | 47 |
| Table 5. Investment in People Development.....                             | 48 |
| Table 6. Strategies to prevent employee's turnover .....                   | 51 |

## Contents

|                                                                   |    |
|-------------------------------------------------------------------|----|
| Abstract.....                                                     | 1  |
| Declaration and Statement .....                                   | 2  |
| Acknowledgements.....                                             | 3  |
| Table of Figure.....                                              | 4  |
| CHAPTER ONE.....                                                  | 8  |
| INTRODUCTION.....                                                 | 8  |
| 1.1 Introduction of the Topic .....                               | 8  |
| 1.2 Background of the Study .....                                 | 9  |
| 1.3 Problem Statement.....                                        | 9  |
| 1.4 Research Question .....                                       | 10 |
| 1.5 Aims and Objectives .....                                     | 10 |
| 1.6 Significance of the Study .....                               | 11 |
| 1.7 Rationale.....                                                | 11 |
| 1.8 Scope .....                                                   | 12 |
| 1.9 Limitations of the Study .....                                | 13 |
| CHAPTER TWO.....                                                  | 14 |
| LITERATURE REVIEW.....                                            | 14 |
| 2.1 Introduction .....                                            | 14 |
| 2.2 Definition of Leadership Style and Employee Retention .....   | 15 |
| 2.3 Definition of Leadership .....                                | 15 |
| 2.2.2 Definition of Employee Retention.....                       | 16 |
| 2.3 Concept of Leadership Theories and Retention Strategies ..... | 16 |
| 2.3.1 Trait Theory on Leadership.....                             | 16 |
| 2.3.2. Behaviour Theory of Leadership.....                        | 16 |
| 2.3.3 Lewin`s Three Participatory Leadership Style.....           | 16 |
| 2.3.3.1 Autocratic Leadership Style .....                         | 17 |
| 2.4.3 People Orientated Leadership Theory .....                   | 18 |
| 2.4.4 Transactional and Transformational Leadership Theory.....   | 18 |
| 2.4.5 Path-Goal Theory .....                                      | 18 |
| 2.4.5.1 The Grow Model .....                                      | 19 |
| 2.4.6 Bloom`s Taxonomy Theory.....                                | 19 |
| 2.4.7 Kotter`s Theory .....                                       | 20 |
| 2.4.8 Bass Theory.....                                            | 20 |

|                                                                   |    |
|-------------------------------------------------------------------|----|
| 2.5 Strategies of Employee Retention .....                        | 20 |
| 2.5.1 Training and Development.....                               | 20 |
| 2.5.2 Mentoring and Coaching.....                                 | 20 |
| 2.5.3 Professional Development Opportunities.....                 | 21 |
| 2.5.4 Rewording and Recognition.....                              | 21 |
| 2.5.5 Workplace Culture and Commitment .....                      | 21 |
| 2.5.6 Diversity in the SMEs.....                                  | 21 |
| 2.6 Factors for Retention .....                                   | 22 |
| 2.7 Motivators .....                                              | 23 |
| 2.8 Small and Medium Size Organisations Commitment.....           | 24 |
| 2.9 Change and Talent Management .....                            | 24 |
| 2.10 Effective Communication .....                                | 25 |
| 2.10. Nexus Between Leadership Style and Employee Retention ..... | 25 |
| 2.12. Potential Literature Gaps .....                             | 25 |
| CHAPTER THREE.....                                                | 27 |
| 3. METHODOLOGY.....                                               | 27 |
| 3.1 Introduction .....                                            | 27 |
| 3.1.1 Research Question .....                                     | 28 |
| 3.1.2 Research Aims and Objectives.....                           | 28 |
| 3.2 Research Design .....                                         | 28 |
| 3.2.1 Definition.....                                             | 28 |
| 3.2.1.1 Exploratory Research .....                                | 28 |
| 3.2.1.2 Descriptive Research.....                                 | 29 |
| 3.2.1.3 Casual Research .....                                     | 29 |
| 3.2.2 Onion Saunders Framework.....                               | 29 |
| 3.2.3 Lewis and Thornhill Framework.....                          | 30 |
| 3.3 Primary Research .....                                        | 30 |
| 3.4 Secondary Research .....                                      | 30 |
| 3.4.1 Qualitative Research Methods.....                           | 30 |
| 3.4.2 Quantitative Research Methods.....                          | 30 |
| 3.4 Research Limitations .....                                    | 31 |
| 3.6 Validity .....                                                | 31 |
| 3.7 Data Collection.....                                          | 31 |
| 3.8 Time.....                                                     | 32 |
| 3.9 Conceptual Framework.....                                     | 32 |

|                                                                 |    |
|-----------------------------------------------------------------|----|
| 4.0 Data Analysis .....                                         | 32 |
| 4.1 Introduction .....                                          | 32 |
| 4.2 Analysis of Findings .....                                  | 33 |
| <b>4.1. Quantitative Findings</b> .....                         | 33 |
| 4.2 Qualitative Research –Interviews .....                      | 45 |
| 6.0Conclusions .....                                            | 51 |
| 7.0 Recommendation.....                                         | 53 |
| 8.0 References .....                                            | 54 |
| Appendix.....                                                   | 62 |
| Appendix A. Introduction Letter.....                            | 62 |
| Appendix B Employés Survey questionnaire .....                  | 62 |
| Appendix C. link to survey questions. ....                      | 63 |
| Appendix D. Statements of employees long-questions survey ..... | 64 |
| Appendix E. Interview Protocol .....                            | 66 |
| Appendix F. Supplementary interview questions .....             | 67 |

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Introduction of the Topic

This introduction explores the contemporary dynamics shaping leadership within Welsh SMEs, highlighting how leadership styles impact employee retention in a region characterized by its rich cultural heritage and the forward momentum of its business landscape, as it evolves into the nuances of leadership within SMEs in Wales, a nuanced understanding of the intricate interplay between leadership styles and employee commitment to the organisation (Javidan, 2020). In the past colonial period, having formal employment was considered desirable and sufficient candidates could be found to fill them in the past, workers were loyal to their employers and stayed often on the job until they retired, while today's organisations are indeed different, the challenge of retention is growing and some leaders struggle to create an environment which encourages their employees to remain loyal to the company. In the vibrant business landscape of SMEs, the link between leadership style and employee retention stands as a pivot factor in organisational success. Employee retention is the most critical issue facing SME companies, when companies lose employees, they lose skills and experience known as “*Corporate memory*” The nature of these losses is a critical management issue, affecting productivity, profitability and product quality, high turnover can negatively impact employment relationships, morale and workplace safety (Morrow, 2017).

The dynamic nature of small and medium-sized enterprises demands leadership strategies with unique challenges and opportunities, as the organisations form the backbone of the local economy, the ability to foster a positive work environment directly influences the retention of valuable talent in SME enterprises. In essence, the leadership approach sets the organisation's culture, influencing how employees perceive their roles, relationships with their leaders and the value of their contribution to the organisation, crucial role in determining whether employees choose to stay or seek opportunities elsewhere within the competitive job market in Wales. Leadership style significantly influences employee retention in SMEs in Wales by shaping the work culture, employee satisfaction and performance, a supportive and engaging leadership style tends to foster a positive workplace, enhancing job satisfaction and employee commitment. Employees are more likely to have a sense of purpose within the organisation. Leadership style that lacks effective communication, recognition or fails to address employee concerns may contribute to dissatisfaction and higher turnover rates. Leaders who provide clear guidance, mentorship and opportunities for professional development can positively influence retention by fostering a sense of loyalty and investment in employee long term retention (McShane & Glinow, 2019).

## 1.2 Background of the Study

Effective leadership in small and medium-sized enterprises (SMEs) in Wales goes beyond traditional hierarchical structures. It involves embracing leadership styles that prioritise employee well-being, growth, and adaptability. The connection between leadership and employee retention is particularly important as employees seek workplaces where they feel valued and integral to the organisational environment. Today, SMEs face a high demand for qualified workers, while the supply is limited. This makes good leadership style crucial for their success. However, the problem is that many SMEs struggle to implement effective leadership strategies, retention policies or strategies are not focused on workforce turnover. It is also believed the result of management inability to retain employees include separation benefits to the employee, lost productivity, recruitment costs, training cost and diminished services as a new employees get up to speed. Employee retention is referred to as the ability of an organization to retain employees or prevent employee turnover, the strategy by leaders to retain talents and ensure sustainability, the role of leadership in influencing employee retention in Small and Medium Sized Organisations is very critical to their success. SMEs organisations are businesses that maintain revenues, assets below 250 employees, over 99% of firms in Wales are categorised as small and medium-sized enterprises that employ up to 250 employees and an annual turnover of less than £50 million (Economic Intelligence Wales, 2023).

## 1.3 Problem Statement

Based on the BEIS Business Population report of 2023, there were 2,155 active SMEs in Wales, which represented 0.8% of the population. Small enterprises with 0-9 employees accounted for 94.7% of all enterprises in Wales and 34,800 in the UK. In the past, formal employment was considered desirable and sufficient. Workers would often spend their entire careers in one job, and employees were loyal to their organisation until retirement. However, today's workforce faces the challenge of retention due to shifts in demographic and psychological contract trends. SMEs need leaders with emotional intelligence skills and innovative ideas in all levels of their organisation to meet the demands of the business environment, as stated by Conger in 2019.

Retaining critical leadership is essential due to the direct and indirect costs of employee turnover. The concept of leadership has been around for centuries, beginning with Plato's belief that leadership styles are the abilities of an individual to influence, motivate and enable others to contribute toward the effectiveness and success of the organisations to retain the workforce. The difference between a good leader and a great leader is the ability to adapt to change (Collins, 2001). Organisations are currently concerned with a lack of leadership talent. Given the increased globalisation, leaders need a better understanding of cultural influences, and command leadership styles are no longer effective in employee retention. Smith (2011) suggests that there may be several factors involved in why the workforce leaves their job; high turnover can negatively affect employment relationships,

morale and employee satisfaction. The cost of replacing workers can be high; the specific workplace-acquired skills and knowledge people walk away with can take years to replace. Research has indicated that factors such as challenging work, recognition of employees, organisational culture, and leadership style increase employee turnover (Tlaiss, 2018). Research has been conducted on workforce retention (Levine, 2019), and a survey suggested that 81 global companies found that 86% of human resource executives identified leadership style as their most significant challenge, with 50% stating leadership shortfalls. Competition to implement effective retention and talent management strategies enabling the SME business to improve leadership skills, retain workforce and maintain competitive advantage. Several researchers found that leadership style and job satisfaction influence employees' decisions to remain or leave their current SME organisations (Brewer, 2021).

#### 1.4 Research Question

The question that will be analysed in this dissertation is to look into what role leadership style plays in shaping and impacting employee retention within small and medium-sized enterprises in Wales. It will consider the leader's style is perceived to be most beneficial for employee retention. The leadership style in organisations tends to be diverse, where the chain of command follows a top-down approach and emphasises bureaucracy. However, certain leadership styles can have a negative effect on workplace turnover. Therefore, it is crucial to analyse the measures taken by leaders and how their leadership styles impact the workforce. By doing so, we can assess the overall effectiveness of leadership in employee's retention and the opportunities and limitations of leaders in SME organisations.

#### 1.5 Aims and Objectives

This study aims to explore the impact of leadership style on staff retention in small and medium-sized enterprises (SMEs) and to establish the correlation between leadership style and employee retention strategies. The study targets the leaders and employees in small and medium organisations. The quality of an employee's relationship with his manager elongates the employee's stay in an organisation (Michael, 2022). The Incompetence of leaders results in poor performance, high stress, low job satisfaction and employee turnover. The research question investigates the influence of various leadership styles on employee turnover in small and medium-sized enterprises (SMEs). The study assesses the effectiveness of transformational, transactional, and laissez-faire leadership styles. To achieve this objective, the following research goals will be pursued:

2. To identify the impact of leadership style, practice and organisation culture that lead to voluntary turnover and low performance in SMEs.
3. Analyse the relationship between employee's retention and the function of effective leadership style.
4. To synthesise the finding from the primary and secondary research and to make specific recommendations to address the challenges that leaders are facing.
5. To evaluate the necessity of adoption of new leadership style as a strategic response to the retention of human capital.

### 1.6 Significance of the Study

Employees retention is most critical issue facing leaders in the SMEs companies as a result of shortage of skilled labour, economic growth and employee turnover. According to Griffeth (2021) turnover cost can run as high as 200 percent of the existing employee salary depending on his or her skill level, newsletter of the International Association of Professionals in Employment Security (2023) reported that, a valuable employee leaves, it costs the employer up to third of the employee annual salary. Many argue that the loss of skilled employees can lead to a decline in efficiency, increased replacement and training costs, and a reduction in employee morale. The majority believe that job dissatisfaction is caused by a misalignment between leaders' perceptions. This issue needs to be analysed in the context of actual data on workforce turnover (Ann M., 2019).

The general problem is identifying the factors that have led to increased voluntary employee turnover in small and medium-sized organisations in Wales. It is also necessary to analyse the impact of leadership style and organisational culture on voluntary turnover and to examine the connection between the leader's style and employees. Additionally, it is essential to consider adopting a new leadership style as a strategic response to retaining human capital (Armstrong, 2023). Welsh Government (Statistical Bulletin, June 2023) released data on active SME organisations in Wales; small and medium-sized enterprises in Wales accounted for 62.9% of employment and 42.5% of turnover. The relevance of this study is to establish that leader style has a significant role in employee retention; there is a need to provide career counselling, training, and career development in SME organisations in Wales; furthermore, the study generates interest from a comprehensive perspective of employee retention and is of particular interest to leaders. The findings of this study will help provide a foundational basis for work in developing competitive advantages. They will help SME companies implement flexible working arrangements and manager training to reduce turnover.

### 1.7 Rationale

Employee attitude and job performance are all factors which play an essential role in employee retention. Leadership has changed over the last few years, given the increased globalisation of industrial organisations, and the need for a better understanding of cultural influences on leadership and organisational practices has never been greater (House, 2021). Leaders who fail to align their styles with the needs of employees may face retention challenges. Smith (2019) suggested several factors may be involved in why employees leave their jobs. It could be voluntary, with better career opportunities or increased compensation; involuntary turnover occurs when employees are asked to leave for reasons including poor performance or inappropriate behaviour. Identifying gaps in leadership styles that can impact employee retention is critical for the SME's organisational improvement.

The reason for this problem is that employees are dissatisfied with their leadership style, which in turn affects organisations and employee turnover. The loss of skilled employees may result in a decline in efficiency, increased replacement and training costs and reduction of employee morale; the majority argue job dissatisfaction due to misalignment between leaders' perceptions; this is a vital issue that needs to be analysed in the context of actual data workforce turnover. The study drew its target sample data from web-based statistics on employee turnover in small and medium organisations. The statistics included employee retention, training, personal and professional development, leadership style, and related policies (Armstrong, 2023). Hogue (2022) argue that retaining employees is a major problem in today's SMEs sector and the cost of workforce development is high, therefore, research showed that organisations and leaders need to look for ways to improve leadership style and minimise turnover in small and medium companies, common gaps are: lack of communication, insufficient recognition of employee contributions, limited opportunities for professional development failure to foster a positive culture. The potential gap may be globalization, which provide the need of analysing the leadership style as primary issue for employee's turnover in SMEs organisations Addressing these gaps is vital for creating a safe work environment where workers feel valued, supportive and motivated to stay and increase organisation productivity.

Globalisation is transforming the market and creating new opportunities, but it also presents challenges for organisations in retaining employees (Latimer, 2019). As a result, many organisations are adopting diversity management practices to improve retention. Employee retention is a critical concern for leaders and organisations, as employees are the backbone of any organisation. Failure to retain them can lead to high turnover costs for companies (Purcell, 2013). The literature gap for this research topic will be implemented by using *the Fishbone Framework*, a diagram tool created by Kaoru Ishikawa. The method is designed to identify problems caused by leadership style in employee turnover, to match employees' needs to adapt to change and the limitations that leaders face in SME organisations. Also, the *McKinsey 7Ss Framework* will help with gap analysis to simplify the process for the causes of employee increased turnover and leadership style and make relevant recommendations for SME leaders to retain employees.

### 1.8 Scope

Understanding the impact of leadership style on employee retention is crucial for SMEs in Wales. It encompasses various aspects within the organisational structure, allowing SMEs to implement targeted strategies, improve leadership practices, and create a workplace that attracts and retains talent. Key factors that play a crucial role in whether employees choose to stay or leave include:

- Organisational Culture leaders shape the overall culture of the organisation, a positive and inclusive culture contribute to a supportive environment and in terms a low number of turnover.
- Employee Morale the way leaders communicate, motivate directly influence employees moral linked to job satisfaction and longer employee retention.
- Talent Attraction and Recruitment positive reputation can attract top talent to the company while negative reputation may hinder recruitment efforts.
- Productivity and Performance effective leadership can inspire higher levels of productivity and performance. A motivated and supported employee are more prone to contribute to the organisation success and reduce employee turnover.
- Succession Planning leaders style that focus on mentorship and professional development led to effective succession planning. Employees are more likely to stay and grow if they see a clear path for career progression.
- Workplace Flexibility and Well-Being leadership decisions regarding workplace, policies, flexibility and well-being impact employees overall satisfaction.

The relationship between leaders style and employee retention in SMEs is a complex and dynamic are of study, however, certain gaps, such as the need for longitudinal studies of cultural variations suggest opportunities for further exploration.

### 1.9 Limitations of the Study

Limitations of this research are as follows:

- While there are several types of leadership styles, this study focuses on three main styles: autocratic, democratic, and laissez-faire.
- The researcher, being a non-native speaker, encountered language difficulties during the research process.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

In today's dynamic business landscape, SMEs face unique challenges in retaining employees. Modern leadership style that prioritises flexibility, employee's well-being and continuous development are increasingly important for maintaining a motivate and loyal workforce in the current environment (Fox, 2019). Effective leadership is a critical factor in retaining employees. In small and medium-sized enterprises, a leadership style that is effective can have a significant impact on employee retention. Creating a supportive environment, communicating clearly, and providing opportunities for professional growth can all contribute to employee satisfaction and retention in SMEs, according to Ware (2020). Leaders who are aware of the current situation in the workplace have the opportunity to detect early warning signs associated with employees leaving. However, sometimes these signs may go unnoticed due to a lack of communication or failure to address employee concerns. This can contribute to higher turnover rates. On the other hand, leaders who provide clear guidance, mentorship, and opportunities for professional development can positively influence retention. Bersin (2019) suggests that with the gradual improvement in the economy, SMEs may face employee retention challenges leading to serious problems. However, it is important to note that the outcomes of employee turnover are not always negative. In some cases, they may even lead to positive results (Morris, 2000).

A leadership style that positively influences employee retention is transformational leadership; in my opinion, this style emphasises, inspires and motivates employees, fostering a sense of purpose and encouraging creativity; leaders tend to build strong relationships, provide support and involve employees in decision-making, contributing to a positive work environment. This leadership style aligns with theoretical frameworks like Bass's Transformational Leadership Theory, which underscores the leader's ability to elevate followers' motivation and combat employees' high voluntary turnover. In contrast, an autocratic or controlling leadership style may negatively affect employee retention by stifling autonomy and discouraging engagement. In summary of the Literature chapter, adopting a transformational leadership approach, supported by theoretical frameworks, enhances employee retention through motivation, engagement and a positive organisational culture. In this context of leadership style affecting employee retention in small and medium enterprises, it is crucial for organisations to have leaders adapt their style to the specific needs and dynamics of their team to reduce employee turnover.

## 2.2 Definition of Leadership Style and Employee Retention

According to the CIPD (2014), employee turnover refers to the proportion of employees who leave an organisation over a set period, which is expressed as a percentage of total workforce numbers. Employee retention relates to the extent to which an employer retains its employees. Employee retention is the most critical issue facing leaders in the SME industry as a result of the shortage of skilled labour and employee turnover. Griffeth (2011) reported that turnover costs could run as high as 200 per cent of the existing employee's salary, depending on skills and position. Over the past 10-15 years, the business literature dealing with employee participation, workplace wellness, work-life balance and other factors indicates a strong interest in how working life influences people's decisions to stay with or leave the company (Hom & Griffeth, 2019).

Akuoko (2021) suggested that leaders are bound to employee retention, which is a challenge for SMEs as skilful employees are valuable resources for companies and crucial in leadership style. In order to stop employee turnover, leaders implement various strategies such as rewards, recognition, professional development, training and mentoring, flexibility, and promotion. Michael (2018) argues that employee retention is tightly linked to leaders' style and is crucial as SME companies' leaders are facing a huge shortage of skilled manpower. It is imperative for leaders to retain employment in order to benefit from the investment already made in them, such as training and development programs and to retain employees for as long as possible. According to Buxell (2022), turnover is a significant issue for SMEs. Employees contribute skills and knowledge, leading to a competitive advantage.

## 2.3 Definition of Leadership

Different authors defined leadership in different ways. Yukl (2010) defined leadership as the process of influencing others to understand and agree about what needs to be done and how to accomplish shared objectives. Northouse (2010) argued that leadership is a process by which an individual influences a group of individuals to achieve a common goal. Business Essential book (2009) highlights that a leader's style can affect the motivation, efficiency and effectiveness of the leader's followers. Armstrong (2019) pointed out that leadership is the process of getting people to do their best to achieve a desired result; it involves developing and communicating effectively to motivate people and gain their loyalty. Moreover, effective leadership requires good communication; skilful leaders make sure they use the right mode of communication, and it has to be a two-way channel.

Rowe and Guerrero (2019) stated that leadership is about influence, the ability to influence your followers and your peers in the workplace, and the ability to inspire confidence and support among the people who are needed to achieve organisational goals. Effective leaders communicate clearly, develop others, encourage full participation and teamwork, build relationships, encourage innovation and creative thinking, foster high performance, and align strategy and employee development (Daft, 2019).

### 2.2.2 Definition of Employee Retention

Leadership has evolved over the centuries, and practical concepts have changed to retain employees (McShane, 2005). Fombrun (2017) define employee retention as the measures to encourage staff to remain in the organisation for the maximum period. Hom (2022) highlights that retention is more important than hiring. If a person is not satisfied with the job or the organisation's leadership style, he may switch to another, more suitable job. In today's environment, organisations must retain their employees, whether personal or professional (Shanley, 2020). In different companies, the type of management can vary from one to another, influencing employee decision to leave or stay in the job. Bevan (2018) surveyed workers who had left their jobs, what they expected from management, and how it was handled. Buckingham (2020) believed the idea that employees leave their jobs not due to the company but those that they work under, and this supports the findings of the Bevan survey; this means that managers can influence employee retention, and leaders' style has a better chance of reducing turnover and raising retention (Evans, 2019).

### 2.3 Concept of Leadership Theories and Retention Strategies

There are various theories that attempt to explain the process of leadership, including Douglas McGregor's Theory X-Y, Fiedler's Contingency Theory, Trait Theories of Leadership, Behavioural theory of leadership, Lewin's Three Participatory Leadership Style, Transformational and Transactional Leadership theories, Path-Goal Model, and Charismatic Leadership Theory.

#### 2.3.1 Trait Theory on Leadership

The modification of the Great Man Theory is the Trait Theory, which argues that leadership qualities or traits can be acquired; he suggested that specific attributes, personality characteristics, and traits make a good leader. Daft (2013) stated that traits are the distinguishing qualities of a person, such as intelligence, honesty, self-confidence, and appearance. Feldman (1986) also suggested that the trait theory of leadership focuses on the individual development of the leaders. Also, physical traits such as drive, energy, adaptability to change, social traits, tact, courtesy, and administrative ability make a good leader (Burns, 1978).

#### 2.3.2. Behaviour Theory of Leadership

Leadership is one of the most important areas in small- and medium-sized organisations. Northouse (2017) defined behaviour leadership as a process whereby an individual influences a group of individuals to achieve a common goal. Ethe (2022) defined behaviour leadership as the ability of a person to influence the actions of other people for the purpose of achieving goals and minimising employee turnover; organisations use different leadership styles which depend on their nature and how companies improve the loss of employees.

#### 2.3.3 Lewin's Three Participatory Leadership Style

Lewin Change Theory (1958), also highlight the proposes that individuals and groups of employees are influenced by restraining forces or obstacles that counter driving

forces aimed at keeping the status or positive forces for change that pus in the direction that causes change to happen in SMEs.

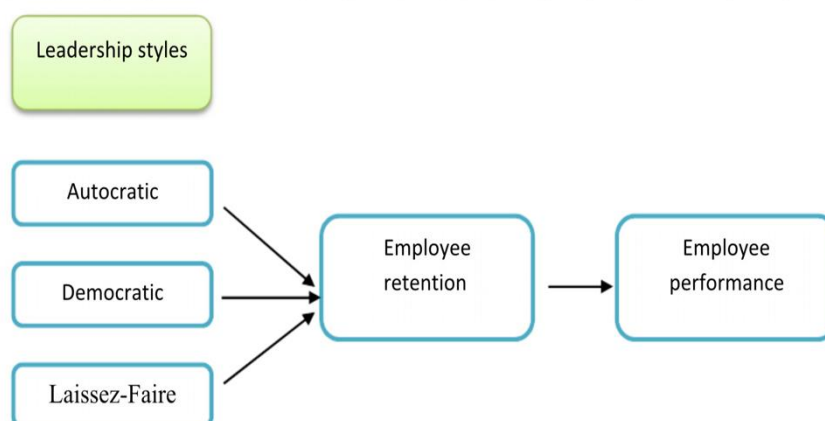


Figure 1. Lewin's Three Participatory Leadership Style

Sources: Cherry K. (2006) Leadership Style

#### 2.3.3.1 Autocratic Leadership Style

In this autocratic leadership style. The leaders possess all the power in decision-making and does not consult with his employees or followers. This type of leadership style result in staff turnover and high level of absenteeism (Stemberg, 2010).

#### 2.3.3.2 Democratic Leadership

This style makes the final decision in any process and invites his team members to contribute. Democratic Leadership style leads to job satisfaction among the employees and the team members; they are motivated to do hard work, it is most appropriate in teamwork, and the emphasis is given more to quality than productivity and decreases the number of voluntary turnover (Harter, 2019).

#### 2.3.3.3 Laissez-Faire Leadership

In this type of leadership, the leader leaves the staff to get on with their work accordingly, with regular checks on his employees. The control over the employees is insufficient (Efinger, 2016).

#### 2.3.3.4 Bureaucratic Leadership

The bureaucratic style is when leaders work through rules to make sure their staff follow all the procedures in an exact manner; this style may be beneficial in firms that involve a variety of safety risks, where there are a high number of risks and concerns. This type of style, a high level of control, de-motivates the staff and also results in problems with change and a high factor of employee turnover (McRoberts, 2018).

#### 2.4.2 Charismatic Leadership Theory

Charismatic leaders are also considered transformational leaders who always prefer to believe more in themselves than their team, can drive others forward, and have an

energetic and enthusiastic nature. A charismatic leadership style makes his followers feel comfortable and follow.

#### 2.4.3 People Orientated Leadership Theory

People-orientated leadership, described by Thomas (2010), suggested that this type of leadership is focused on organising, assisting and developing people in teams, resulting in creative collaboration and good teamwork; however, it sometimes can lead to failure in achievement due to poor participation by team member (Kreisman, 2012).

#### 2.4.4 Transactional and Transformational Leadership Theory

Harter and Hayes (2002) explain that in transactional leadership, employees have to completely obey the leader's orders and rules. Transactional leadership does not help much in job satisfaction for the team members until and unless proper reward for their work is provided to them. In this leadership style, short-term tasks are mainly focused, and it is a common style in many organisations.

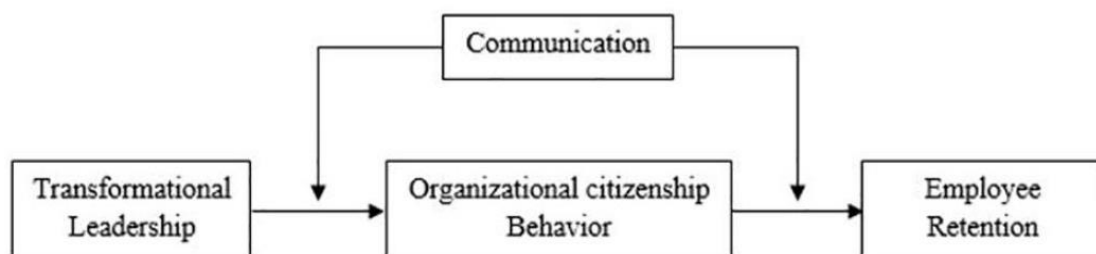


Figure 2. Research Framework Transformational Leadership

Sources: Cherry K. (2006) Leadership Style

According to the authors Connell and Ryan (1989), in this style, the leaders who help motivate their team with a clear vision of the future give a good time for proper communication, and they are apparent and assign responsibilities among their team members are true leaders. Transactional and transformational leaders are essential to ensure that routine work is done reliably and to minimise employee turnover (Connell, 1989).

#### 2.4.5 Path-Goal Theory

According to Contador (2020), it helps to suggest the level of motivation when the employees think they can get their work done and perform with quality and outcomes. The other Theory, Goal setting, indicates that specific objectives help accomplish success and high motivation; the theory evaluates that to achieve better outcomes in an organisation, the leaders need to understand and motivate employees to perform better and reduce turnover (Sternberg, 2019).

#### 2.4.5.1 The Grow Model

According to Whitmore (2009), the GROW model helps solve problems and achieve goals because it is a solution-focused model. The four stages, in theory, require the coach to captivate the coach's interest; it is an ideal model for setting goals, solving problems, and preserving personal achievement and efficiency (Leedham, 2016). However, researchers argue that the individuals' goals must be SMART to fit the overall objective. It is essential to set goals that are clear and specific for a timeframe period; on the other hand, Starr (2016) argues that the idea of setting goals is strongly related to the Goal-Setting Theory, which advocates the setting of clear and challenging goals as this leads to clear directions, motivation and employee retention. Key aspects of mentoring and coaching for the development and success of employees within SMEs Wales:

- Skills Enhancement coaching programs contribute to skills development, helping employees to acquire the knowledge and expertise required for SMEs Wales.
- Knowledge Transfer in SMEs Wales is limited resources for mentoring and coaching facilities to information transfer of tacit knowledge from experienced individuals to newer employers.
- Employee Retention the programs of mentoring and coaching demonstrate a commitment to employee growth, increased retention rates within SMEs.
- Adaptability and Innovation SMEs Wales often operate in dynamic environments by encouraging continuous learning and exchange of information aid employee adaptability and innovation within SMEs.
- Tailored Development in the context of SMEs Wales, specific challenges and opportunities within the local business landscape, contribute to the overall competitiveness of the firms.

To sum up, the GROW model is grounded on the belief that individuals have the most appropriate solutions to their problems. At the same time, the coach, on the other hand, will succeed with some techniques, practices and instincts, implementing effective mentoring and coaching schemes in SMEs Wales can have high benefits, from skills development to increased employee retention, these initiatives align with the unique characteristics of SMEs and contribute to the organisation resilience and success in the landscape of Wales businesses (Grant, 2019).

#### 2.4.6 Bloom`s Taxonomy Theory

Bloom`s Taxonomy of Learning allows employees to develop skills such as listening with empathy, participation in group work, and questioning concepts to internalise them; most theories agree that it is vital for leaders to support employees in reflecting on their development to embed any new knowledge, skills and behaviours. Employers are generally reluctant to invest in training and professional development, which have a long-term benefit in improving organisational innovation and business performance. Beynon (2018) suggested that SMEs should carefully select training alternatives because of budgetary limitations to get the maximum benefit for any training program with a higher impact on employee retention.

#### 2.4.7 Kotter`s Theory

Kotter`s Theory is a framework of an approach to transitioning people, processes and resources to achieve better outcomes, the theory helps SMEs to focus on the future and make the right decisions to get the desired goals.

#### 2.4.8 Bass Theory

Bass's Theory (1985) supports the idea that leaders must effectively convey the vision and mission they have for the organisation to explore the research of how leadership style affects employee retention in SMEs Wales, the four traits of Bass's (1985) theory, including individualised influence, inspirational motivation, individualised consideration, develop specific leadership skills in leaders. Transformational leaders help to develop organisational behaviour in their followers, further leading to employee retention.

### 2.5 Strategies of Employee Retention

Strategic employee retention, tailored to the unique challenges of SMEs, a focus on longitudinal research, and understanding the cross-culture influences are essential for advancing how leadership style impacts employee retention. As SMEs play a vital role in the economic landscape, addressing these gaps can contribute to academic knowledge, practical application, fostering development, and effective leadership practice to enhance employee satisfaction, performance, engagement and retention (Conrad, 2014).

#### 2.5.1 Training and Development

A business that provides education and professional development training can be more competitive and productive and can also win the loyalty of its workforce. Training and development are so enthusiastically embraced as key factors to good retention due to the fact that training programs are becoming essential to the survival of most contemporary companies. Retention reflects a desire to keep people's values and skills as much as keep and manage the skills that SMEs need to meet their goals; training and development are fundamental to the operation of a business and are suggested by Fitzgerald (2022) as primarily a retention tool. Nevertheless, countless studies tend to confirm the fact that a good part of the satisfaction or dissatisfaction of workers is associated with issues related to their professional development (Duxbury, 2021). Research is continually advancing on how employees develop professionally and what it means for an effective workplace. As a result, traditional models are being challenged, and emerging theories are being explored in employee retention. Basnyat (2019) argued that training costs seem higher in the short term but, in the long term, may reduce unnecessary costs resulting from a voluntary employee turnover rate.

#### 2.5.2 Mentoring and Coaching

Mentoring and coaching are already familiar to most firms as retention tool and valuable in transferring intangible and tacit knowledge (Frank, 2018). Mentoring and Coaching are effective tools for workers to share lessons learned as the mentee will often have the chance to benefit from the mentors trail experiences.

### 2.5.3 Professional Development Opportunities

According to Baharin (2017), good talent management improves retention and should continue to train and develop high performers; positive outcomes of effective talent add more value to management strategies' sustainability. Maher (2019) described that succession planning creates an atmosphere where employees have more job security and can perceive their career plans, which ultimately mitigates turnover intentions. Moreover, no career development shows poor talent management strategy, resulting in an increased voluntary employee turnover.

### 2.5.4 Rewording and Recognition

Daft (2013) stated that, there are two types of reward- intrinsic and extrinsic, it include feelings of personal satisfaction, a sense of achievement status and pride in the workplace, extrinsic rewards are given by leaders include promotion, pay increase and bonuses, moreover, if organisations fail to reward employees, companies will lose their most valued employee in they fail to offer the intangible intrinsic rewards that money cannot buy (Business Essential, 2009).

### 2.5.5 Workplace Culture and Commitment

A 'culture of commitment' is not only the sum of Human Resource policies or initiatives but rather the overall organisational culture, the company's values, leaders' style, and how employees perceive their own role within the company and the value that the company attaches to their individual contribution (Hunter, 2020). Authors in the *Human Resource Field* speak increasingly of the need to ensure retention by nurturing an employee's desire to remain a member of SME organisations for motives beyond compensation or obligation (March & Simon, 2017). Nevertheless, the literature strongly suggests that employees stay with their employer if the culture of commitment is strong and closely linked to the leader style; it is clear that people are more likely to stay if the perceived workplace culture is a good fit with the employees' own interests, orientation and attitudes (Milman, 2014). Zhao (2017) suggests that while compensation, personal and professional development and other incentives are important in attracting people and keeping them happy, employee decision to stay with the company depends vitally on how leaders treat employees, what is expected of them and how leadership style relate to employees in the workplace.

### 2.5.6 Diversity in the SMEs

Diversity in the context of SMEs Wales encompasses a range of dimensions, including but not limited to gender, ethnicity, age, socioeconomic status and cognitive diversity. The benefits of diversity in SMEs Wales should not only focus on recruiting a diverse workforce but also foster an inclusive culture that values differences, involving implementing policies, training, and promoting equal opportunities for professional growth within SMEs.

According to Bainbridge (2016), at the micro level, the goal of diversity is to moderate and observe the relationship between diversity and the organisation's performance; while there are only a few models of managing diversity, the Model by Thomas and Ely (1996) is the most widely used. Thomas and Ely's Model focuses on the relationship that diversity has with the leader's style. The model proposes different perspectives for managing diversity: discrimination- fairness, access and legitimacy, integration and learning. The theory found that workers in SMEs function

best under the integration learning perspective, focusing on generating positive inter-group relations, feeling of being valued and respected by the leaders and team workers and feeling positive about their racial identity in the SMEs (Thomas & Ely, 1996). Dietz (2019) argues that in SMEs Wales, the individual employee is based on understanding and managing stereotypes, prejudices and discrimination in the workplace. They also highlight that in SMEs Wales are other antecedents of discrimination, which include social psychological processes such as:

- Development of social identities and social categorisations
- Group conflict.
- Negative stereotypes and prejudices
- Justification factor
- Discrimination

Peterson (2020) found that prejudice still affects SMEs in Wales. The relationship and interactions between demographical employees and the local Wales employees' prejudices are less complicated than they were just a few years ago. Peterson argues that in order to control discriminatory behaviour and team conflict, the main goal of managing diversity at small and medium-level enterprises should be to eliminate prejudices. Factors such as employee pay, productivity, and inequality also fuel discrimination. Instead, leaders should focus more on training, open communication, and working on emotional intelligence, as these are factors that highly affect the employee's voluntary turnover. Litvin (2020) concluded that fostering an inclusive culture that values diversity and ensures equal opportunities for all employees contributes to a sense of belonging.

## 2.6 Factors for Retention

Reasons for employee turnover fall into four sections: pull factors, push, unavoidable, and organisational factors. Pull type happens due to the employee being enticed by an alternative job, down to job satisfaction, new opportunities and a better salary. Push type of turnover happens because of how the employee views their employer. Unavoidable turnover occurs because of reasons beyond the control of the company, such as retirement, illness, and maternity leave, as well as factors that aren't work-related. Involuntary leave happens due to direct company involvement. The organisation asks employees to leave or decides not to renew their contracts (Morris, 2020).

Fig. 3 - LinkedIn survey results as to why employees choose to leave

| What would convince employees to change employers? | What actually made them change?           |
|----------------------------------------------------|-------------------------------------------|
| 1. Better compensation or benefits                 | 1. Greater opportunities for advancement  |
| 2. Better work/life balance                        | 2. Better leadership from senior managers |
| 3. Greater opportunities for advancement           | 3. Better compensation or benefits        |

Source: Grunewald (2014)

Figure 3. LinkedIn survey results as to why employees choose to leave

The rationale behind the significant impact of leadership style on employee retention in SMEs lies in the psychological and motivational aspects of work environment, the key rationales are:

- Job Satisfaction leadership style that influence employee well-being, recognizes achievements and promote a safe working environment, contribute to high job satisfaction and likely to stay longer for the company.
- Employee Engagement effective leadership fosters employee engagement by involving them in decision-making, providing opportunities for skill development create a sense of belonging and generally more committed to the company.
- Communication and Transparency open communication from leaders build trust and reduces uncertainty among employees. Clear company direction it creates a sense of stability that can positively impact retention.
- Professional Development leaders that invest in employees growth and development programs demonstrate commitment to the long-term success of its workplace and more likely to stay when they see opportunities for career advancement within the SMEs.
- Recognition and Rewards leaders that acknowledge and rewards employees reinforces a positive work culture, recognition reduce the likelihood of employees seeking alternative employment.
- Work-Life Balance policies that support contribute to employee well-being can significantly impact retention, as employees value a balance between their professional and personal lives.

## 2.7 Motivators

Motivators include a stimulating work environment that makes effective use of people skills and knowledge, allowing them a degree of autonomy on the job, providing them to contribute to ideas and allowing them to see how their own contribution influence the company's well-being. Leaders are responsible for employees' development and consequent advancement in the job; effective communication, including open channels, two-way communication, and employee participation in decisions that affect them, leaders' style should allow employees to express their concerns and understand what is happening in the company. Leader's respect and support employees, and good compensation and adequate recognition on the part of the leaders that employees need to strike a good balance between their lives at work and outside of work are the motivators for retaining employees. SME companies that are inflexible or have a leadership style that creates a culture of domination and autocracy are likely to have dissatisfied employees (Dalton, 2021). There are, however, other aspects of the work environment apart from leadership style, that act as strong de-motivators that cause an increase in employee turnover:

- Lack of control
- Feeling bored or unchallenged
- Lack of job security
- Lack of professional development
- Concerns about the future of the firm

Muchinsky (2022) argues that attentiveness, responsiveness and openness of communications on the part of leaders are elements of the SME business elements of the organisation vision that sustain high retention, even under difficult circumstances, reducing turnover associated with dissatisfaction or exclusion, SMEs Wales can tailor retention strategies to their unique organisational culture, assessing

employee satisfaction, feedback, conducting confidential interviews are essential for effective retention efforts within SMEs Wales.

## 2.8 Small and Medium Size Organisations Commitment

McCooley (2019) stated that retention strategies are categorised into different levels; some factors help attract and retain talented employees in various SME firms. The Leaders should provide the employees with the freedom to operate at work and provide them with the necessary training and opportunities for learning. To retain employees, it is essential to take various measures. As per the employee's interest, he should find his job challenging and stay with the organisation long (Collins, 2015). In the employee retention of talent, leadership style is considered very important; as a result, they perform better and stop increasing employee turnover (Wylie, 2016). Therefore, the retention strategy is to provide the employees with compensatory and monetary compensation. Organisations offer conveniences in the workplace to help retain employees. In contrast to leadership style, 'strategy retention' refers to a more formalised and planned system of practices linked with an overall vision (Jackofsky, 2019).

## 2.9 Change and Talent Management

Change is a common thread that runs through all businesses regarding the size. Technologies advance and current events is now part of the normal, SMEs has the ability to incorporate necessary changes into how business manage retention. Change models provide a specific guidelines for SMEs to implement processes and policies to avoid massive numbers of turnover.

| What the employees expected from management                                                                                                                                                                | What the employees had actually received from management                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Constructive feedback</li> <li>• Respect and loyalty</li> <li>• Fair performance assessment</li> <li>• Challenging tasks</li> <li>• Management support</li> </ul> | <ul style="list-style-type: none"> <li>• Managers were unapproachable</li> <li>• Managers took no notice of the employees</li> <li>• Irregular assessments and favouritism shown towards certain employees</li> <li>• No consultation opportunities</li> </ul> |

Source: Bevan (1991)

Figure 4. What workers expected and received from management?

Talent management is a structured process showing an organisations commitment to hire, retain and develop talented people. SMEs perceive talent management as one of the significant pillars of their retention strategy, an effective talent management strategy generates higher value for customers by innovation, increasing profitability and sustainability (Hanafi, 2018).

## 2.10 Effective Communication

Small and medium-sized enterprises face high levels of uncertainty and complexity regarding employee retention. Leadership plays a vital role in retaining employees and enhancing organisational citizenship behaviour (Park, 2019). Communication is critical to motivating employees, measuring success, delivering performance and retaining employees. Effective communication between leaders and employees significantly increases employees' output and efficiency (Hills, 2018). Therefore, through effective communication, employees feel valued, heard and valued; according to Gatehouse (2018), communicators have finally started putting a greater focus on the development of leadership and management communication. In summary of employee motivation, the rationale is grounded in the understanding that employees are more prone to stay in SMEs where they feel valued, engaged, and supported in their development and where leadership style plays a pivotal role in creating a safe work culture.

## 2.10. Nexus Between Leadership Style and Employee Retention

Managing employee retention in SMEs requires effective leadership. Lewin (1939) stated that the same group of people would behave differently depending on leader style, and understanding leadership style and employee retention will help the effectiveness of firms; several research in the past have highlighted the effect of leadership styles and approaches on employee retention. Prior research on *the Nexus between leadership styles and employee retention in SMEs* has identified the following leadership styles: democratic, laissez-faire, and bureaucratic. The research stated that effective leadership is crucial for firm goals and stopping turnover. Moreover, employee retention can be achieved through the adoption of an appropriate leadership style that will align business strategies with employees' motivation and professional development. Nwokocha (2015) assessed the research and argued that the autocratic leadership style implies a high level of employee turnover and low performance. Prior research also stated that the democratic leadership style helps firms to achieve higher commitment from employees, making them feel as if they are part of the organisation, their performance improves, and they stay longer within the organisation. The prior research also described that laissez-faire would have a negative impact on SMEs' behaviour, job satisfaction, job involvement and business environment. This style has a positive effect on employee retention; leaders measure the effectiveness of leadership style on their employee behaviour, and leaders have the ability to influence followers, resulting in positive outcomes, employee trust, retention and performance.

## 2.12. Potential Literature Gaps

Identifying and closing these gaps requires a strategic approach to leadership development, employee engagement and organisational culture. Exploring the existing literature on the relationship between leadership style and employee retention in SMEs in Wales reveals certain gaps that present opportunities for further research and understanding; identifying and addressing them is crucial for optimising organisational performance.

- Industry-Specific Gaps limited research focusing on specific industries within SMEs may leave gaps in understanding how leadership styles impact retention in diverse sectors.

- Cultural Variations There are gaps in the literature regarding the influence of cultural factors on the relationship between leadership style and employee retention, especially within the context of SMEs in Wales.
- Longitudinal Studies A gap exists in longitudinal studies that track the impact of leadership style on employee retention over an extended period of time, providing insights into the sustainability of certain practices.
- Quantitative vs. Qualitative literature leans more towards qualitative studies, leaving a gap in in-depth qualitative research that delves into the experiences and perceptions of employees regarding leadership and retention.
- Employee Perspectives literature may not fully capture the experiences and perspectives of employees regarding specific leadership style and their impact on retention.

Addressing these potential gaps in the literature could provide a more comprehensive understanding of the dissertation question on how leadership style can affect employee retention in SME enterprises in Wales, offering valuable insights for both academic research and practical applications in organisational management.

## CHAPTER THREE

### 3. METHODOLOGY

#### 3.1 Introduction

Research is the process of finding solutions to a problem through study and analysis of the situational factors. A mixed-method approach will be explored to explore the relationship between leadership styles and employee retention comprehensively. Quantitative data will be gathered using online questionnaires distributed among employees within SMEs in Wales, utilising leadership assessment tools; qualitative data will be collected using in-depth interviews with both employees and leaders of SMEs in Wales. The mixed-method data collection approach will offer a nuanced understanding of the research study of leadership style and employee retention. The qualitative research provides context to the quantitative findings. The combination of these methods aims to provide a holistic view of how leadership style impacts employee retention within the SME landscape in Wales.

Data will be collected via face-to-face interviews with a number of 20 Managers and 30 Employees in Small and Medium-sized Enterprises in Wales; the questions include leadership style, communication style, rewording monetary and non-monetary, investment in employee development, implications of positive social changes, culture and respect. After conducting interviews, member checking will be employed by asking each participant to review their interview answers for accuracy and themes to the central research question of how a Leader's style can influence employee retention. Managers' participants' names will be changed to a code (P1, P2, P3...P30) to mask their identities and maintain confidentiality, while organisation managers will allocate the following codes: ( O1, O2, O3..O20). While responding to the interview questions, the participants will be noted for terms like leadership role, team building, people development, employee benefits, work-life balance, career growth, rewards and recognition, and talent management. Five sections will be analysed from here: leadership role in fostering a sense of open and transparent communication, positive and friendly working culture, provision of rewards, talent management through a structured process of hiring, developing and retaining high potential employees and investment in employee's professional development.

### 3.1.1 Research Question

A leader's style has an impact on employee retention in SMEs in Wales; empowering leadership fosters a positive work environment, enhances job satisfaction and reduces employee turnover. Employee turnover is a critical concern for SMEs in Wales. One of the pivotal factors influencing the retention of employees is the leadership style adopted by firm leaders. This research delves into the correlation between leadership styles and employee turnover in SMEs in Wales. The research of this study discusses the two main phases of the methodology: quantitative online questionnaires and qualitative interviews; the purpose is to investigate the relationship between leadership styles and employee retention in SMEs in Wales. This chapter presents the research methodology employed in this research, including the research design, the target population, the instrument, data collection procedures and data analysis will also be described.

### 3.1.2 Research Aims and Objectives

The main aim of the research is to examine leadership style affecting employee retention in SMEs in Wales. The objective of this study is to identify how leadership styles impact employee retention in small and medium-sized enterprises in Wales, based on Lewin's three participatory leadership styles. This research purpose seeks to contribute to the academic understanding of the topic and to offer practical implications for SME leaders in Wales, aiming to enhance their leadership style to reduce employee turnover. Broad research would require a descriptive questionnaire approach for data collection to test hypothesis research. For the purpose of the study, this approach was considered a suitable method for drawing useful conclusions from the study; other designs, such as interviews, were also employed in this research.

## 3.2 Research Design

### 3.2.1 Definition

Millan & Schumacher (2010) stated that the research design describes the procedures for conducting the study, including when, to whom, and under what conditions data were obtained. Another researcher, Kerlinger (2010), argues that design is a plan, a strategy of investigation conceived to obtain answers to the research question similar to Polit (2001), the research design is the overall testing of the research hypothesis from conceptualising a problem to the literature review, research questions, methods and conclusion.

#### 3.2.1.1 Exploratory Research

Exploratory Research is defined as the investigation approach to obtain insights into a subject where little is known. It aims to explore hypotheses rather than test existing theories. Exploratory Research sets the foundation for more targeted investigations, identifying key variables, refining questions and guiding the development of subsequent methods. In the context of leadership style and employee retention in SMEs Wales, exploratory Research involves interviews to gain an in-depth understanding of the dynamics of SMEs. This sector includes open-closed questions to explore different leadership styles in SMEs and employees' perceptions of those styles in correlation with employee turnover.

### 3.2.1.2 Descriptive Research

Luen (2018) defines the descriptive research method as the systematic and summarised characteristics of the population, a phenomenon or a specific aspect of interest; a descriptive research method involves collecting data to provide a detailed account of these variables. Additionally, qualitative methods like interviews are used to offer a more in-depth understanding of specific scenarios related to leadership style. Researchers gather quantitative data on the prevalence of different leadership styles within SMEs and employee turnover rates; this method helps to paint a comprehensive picture of the current state of affairs, laying the groundwork for analysis and interventions aimed at improving leadership practices and reducing turnover.

### 3.2.1.3 Casual Research

Casual research aims to establish cause-and-effect relationships between variables. Casual research can investigate whether a change in leadership style causes a direct change in employee retention. This type of research often involves experiments of longitudinal studies where changes in one variable (leadership style) are deliberately manipulated by the other one (employee turnover). Casual research aims to identify the impact of specific changes in leadership practices, providing valuable insights for firms' decision-making.

### 3.2.2 Onion Saunders Framework

Onion Saunders Framework referees to a pacific concept or framework in the field of research, leadership, the aim of this theory is to help researcher to methodically design their research project by peeling back the layers, starting from their philosophical stance and working outwards to the practicalities of data collection (Saunders, 2007).

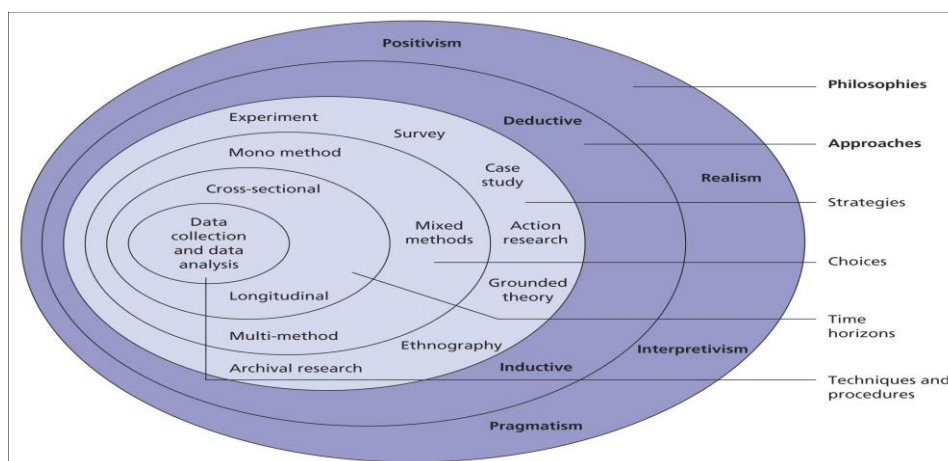


Figure 5. The Onion Research by Saunders

Sourced by Zain Alamgeer (2021)

### 3.2.3 Lewis and Thornhill Framework

The research Onion Model was presented by Saunders, Lewis and Thornhill. It been highlighted that the research framework is an illustration model to describe stages through which a researcher must progress to formulate an effective methodology.

### 3.3 Primary Research

Primary Research involves the direct collection of new data to address research questions such as surveys, interviews, and focus groups in the context of studying leadership styles and employee retention in SMEs in Wales by conducting interviews and online questionnaires with employees and leaders within SMEs Wales. Data collected firsthand allows for a tailored and targeted exploration of the subject. Primary Research offers the current data, enhancing the relevance and reliability of findings.

### 3.4 Secondary Research

Secondary research is defined as the analysis and synthesis of existing data and information that has been previously collected by someone else; this is in opposite contrast with primary research, where data is collected firsthand. This approach allows researchers to leverage existing knowledge statistics without directly collecting new data. Another differential factor from primary research is that secondary research is time-efficient and cost-effective; the limitations lie in the potential lack of specificity or relevance to the unique context of SMEs Wales, emphasising the need to combine secondary with primary research for a more comprehensive understanding. Analysing the research on leadership style and employee retention, secondary research involved reviewing academic articles, reports, theories, books and journal publications related to leadership practices and workforce dynamics.

#### 3.4.1 Qualitative Research Methods

Qualitative research methods are employed by 50 participants from SMEs Wales, 20 Managers and 30 Employees in face-to-face interviews to identify and understand the underlying motivations and behaviours of individuals. Qualitative research methods explore a rich and nuanced understanding of the social and contextual factors influencing leadership and turnover, complementing the quantitative aspects of research such as:

- In-depth interviews
- Focus groups.
- Observational research
- Case studies
- Content analysis

#### 3.4.2 Quantitative Research Methods

It is argued that the quantitative research method involves 100 participants answering 30 online questions, a research questionnaire, and an online survey will be sent to collect and analyse numerical data to draw information. Quantitative methods offer numerical evidence, generalisation and statistical inference, such as:

- Surveys and Questionnaires
- Experiments
- Statistical analysis
- Longitudinal studies

- Big data analytics

Mixing quantitative and qualitative approaches often provides a more comprehensive understanding of the complex relationships between leadership style and employee retention in SMEs in Wales.

### 3.4 Research Limitations

Research on leadership styles and employee retention in SMEs in Wales may face a number of limitations including:

1. Generalisation- findings from a specific SME may not be universally applicable.
2. Sampling Bias- the sample is representative of the SME population in Wales, the findings may not reflect the broad scenario.
3. Contextual Factors- the dynamic nature of SME and external factors may impact the turnover independently of leadership styles, making it challenging to establish causation.
4. Resource constraints- limitations in time, budget, may restrict participants to be honest about leader's style.
5. Changing dynamics-firms dynamics may evolve over time, potentially impacting the relevance of research findings.
6. External validity- data may not be easily transferable to different SMEs environment.

### 3.6 Validity

Validity in research refers to the accuracy and soundness of the study's conclusion and recommendations; for the purpose of this research, a number of validities need to be considered. Content validity ensures that the research instrument, interviews and online questionnaire cover the relevant aspects of leadership and employee retention, confirming that the research question demonstrates a true reflection of leadership styles and employee retention. Internal and external validity ensure that the study design and methods effectively establish a cause-and-effect relationship. External validity is known as generalisability, evaluating the extent to which the study findings can be generalised beyond the specific SMEs. Face validity allows the research instrument to appear on the surface, gaining acceptance from participants and stakeholders. Researchers actively address and mitigate threats to validity throughout the research process, accessing rigorous methods and statistical analysis to enhance the credibility and reliability of the data.

### 3.7 Data Collection

This research is collected through primary data by sending online questionnaires to SMEs Wales employees and in-depth interviews with SME leaders. The study applied a mix of quantitative and qualitative research methods, and secondary research was obtained from different sources, ranging from journals, books, theories, and library searches. Questionnaires were forming the major source of primary data. The data required for this research were collected through actual visits to the SMEs in Wales, face-to-face interviews with SME managers and supervisors, administration of questionnaires to the 100 respondents, and fifty interviews with SME supervisors and managers. Secondary data were collected from the internet,

textbooks, libraries, previous research work and journal articles. The main data collection instrument employed in this study was 35 statements and questions in the survey. The questionnaires included statements and open-closed questions. The statements were clearly simplified and structured in a manner to avoid any ambiguity. The questionnaires comprise six parts; the first is about demographic variables, and the second part to six parts were statements to measure employee retention, autocratic leadership style, democratic leadership style and laissez-faire leadership style, which are rating from Yes or No answers.

### 3.8 Time

Respondents were allowed three weeks' time to complete the questionnaire and return it online. The questionnaires contain a series of structured questions related to the research question. Two independent variables and one intervening variable with different factors were measured using a five-point Likert Scale. Respondent demographic information such as Employee name, gender, age, location and marital status were also captured using single-item questions.

### 3.9 Conceptual Framework

Based on the literature above, the conceptual framework indicates the independent variables were the leadership styles, employee retention was the intervening variable, and employee retention was the dependent variable. The framework will determine the impact of leadership styles on employee retention in SMEs in Wales. One of the critical roles of leaders is to create a work environment that will reduce turnover and influence employees' decisions to commit and remain with the organisation even when other job opportunities exist outside the organisation (Michael, 2018). Also, Claydon (2017) argues that employees leave managers, not companies, as leadership style is crucially vital in staff retention. Lea. Gwavuya (2019) stated that incompetent leadership results in poor employee performance, high stress and increased turnover. Chew (2014) observed that leadership behaviour positively influences a firm's commitment and turnover intention. Muindi (2020) highlighted that leadership style and inadequate communication were the issues that caused dissatisfaction among employees. Therefore, the literature indicates that leadership style is crucial in staff retention

## 4.0 Data Analysis

### 4.1 Introduction

Leadership styles play a crucial role in influencing employee turnover. Analysing leadership styles and their impact on employee retention is vital in understanding organisational dynamics. The data-driven approach helps identify patterns and correlations between leadership practices and staff retention, and the coding methods offer valuable insights for fostering a positive work environment. The research objectives were to explore employee perceptions of the leadership style and employee turnover in Small and Medium Enterprises. This leads to the conclusion and the final discussion, findings, further recommendations and conclusions of this research. Leadership style can affect employee retention in Small and Medium Enterprises in Wales. This question aims to investigate and seek to understand how specific approaches may either enhance or hinder the potential of employees staying within a company.

## 4.2 Analysis of Findings

Tables, charts, and descriptive explanations have been employed to illustrate data collected from the field and make the research findings more meaningful. Coding Methods in this research refer to categorising and analysing qualitative data obtained from sources such as interviews and surveys, using Statistical Package for the Social Sciences (SPSS) to perform descriptive statistics and critical analysis examining data findings to evaluate strengths, weaknesses, limitations and implications. This method helps the researcher make sense of qualitative data, providing a structured approach to interpreting the information gathered—100 participants in a Quantitative survey and 50 participants in qualitative interviews. The target responses were selected to provide answers to the structured questionnaire and interviews. The employees were expected to give reasons for their choice of answers.

### 4.1. Quantitative Findings Section 1 -Demographics

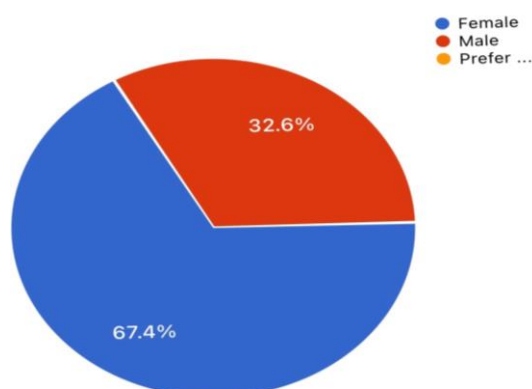


Fig.1 Gender

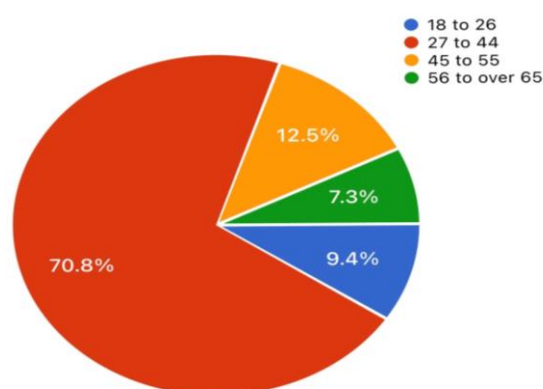


Fig.2 Age Range

The purpose of this section was solely to find out the gender, nationality and age of the participants. The results of the first section indicate that of 100 participants, 67.4% were female, and 32.6 % were male. Regarding nationality, several people came from different countries: 40% British, 10% Irish, 2.2 % Lithuanian, 2.8% Norwegian, 1.4% Portuguese, 2.6 % Polish, 2 % Philippine, 30% Romanian, and 10% Moldova. The majority of participants were 70.8% in the age range of 27-44 years old, followed by 12.5% age 45-55, the next two 18-26 with a percentage of 9.4% and 7.3% age range 56 and over.

## Section 2 -Management Leadership Style

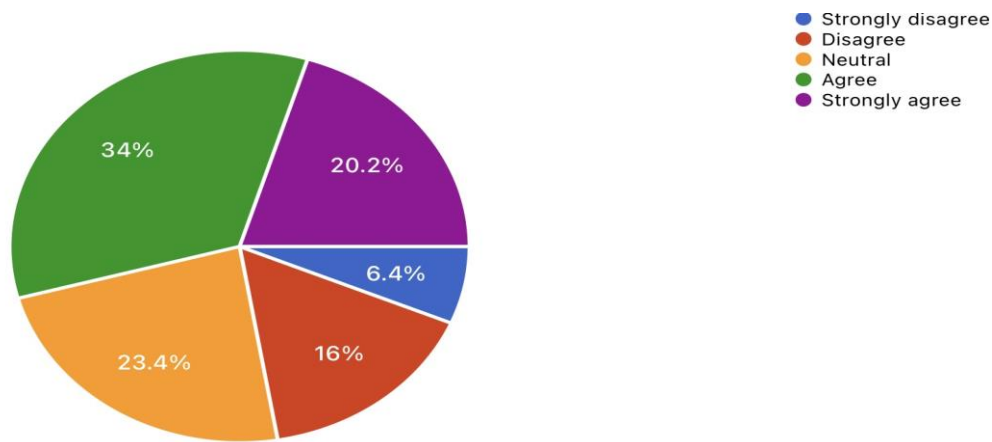


Fig.3 Employees at my organisation feel comfortable expressing their opinions.

The employees answered 33.3% No and the majority of employees agreed that their manager listen to employee's creativity and innovation ideas by 66.7%. Employees answer 73.1% Yes to the question I feel that my manager provide the necessary tools and training to perform my duties and 26.9% answered No. According to Grow Model, Whitmore (2009) suggested that the Theory is based on solution focused model, required the leaders should provide training, coaching and mentoring help employees to perform to their full potential. Another question employees been asked to determine Transformational Leadership style was about creativity. Transactional and Transformational Leadership Style focuses on inspiring, motivating, and supporting professional development to achieve their full potential. Leaders encourage innovation and creativity, foster a positive culture and create a share vision (Harter, 2012).

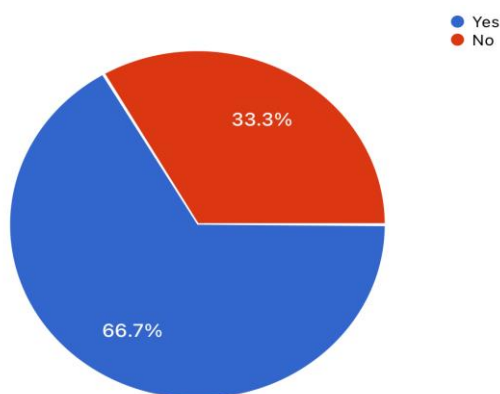


Fig.1 I feel that my creativity ideas are listen and valued by my manager

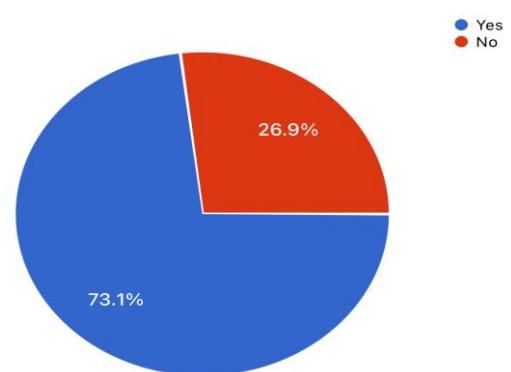


Fig.2 I feel that my manager provides the necessary tools and training to perform my duties.

The most common answer was agreed with 33% the majority of the respondents, with a close number of 22.7% neutral, a number of 18.6% of participants disagreed followed by 19.6% strongly disagreed, the theory that is behind this question is related to Kotter`s Theory (1985) the research argued that leaders should motivate, inspire their employees also to explore the research of how to create a safe and open culture where employees feels safe and comfortable to express their opinions as this can be a trigger for employees to leave organisations if they don't feel there are listen (Bass Theory, 1985).\_Leadership Theory argued that leadership style has the ability to influence employees' actions and to minimise employee's turnover. Based on Lewin Theory (2006), autocratic leadership style possesses all the power in decision making and do not take in consideration any insight from employees, therefore this leadership style has high rates of employee turnover. In the research employees from SMEs Wales had been asked questions related to autocratic style.

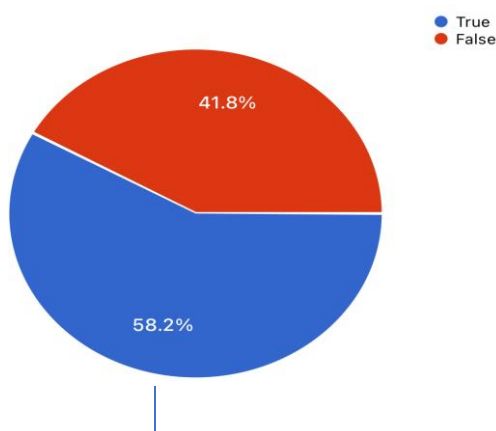


Fig.1 Your manager focuses on the task objective with no creativity from employees

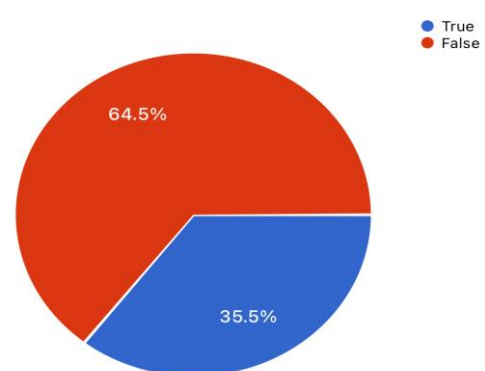


Fig 2.My manager controls all the decisions and do not listen to employee's insights.

Stemberg (2020), argue that autocratic leadership style possesses all the power in decision-making and does not consult with employees this type of leadership result in staff turnover. Hersey-Blanchard Situational Leadership Model, Will Kenton (2024), argue in his research that this model adjusts techniques to those they lead and their abilities. Under the model, successful leadership is both task-relevant and relationship-relevant, he highlighted that this leadership is used to provide explicit directions and supervision work closely to ensure the team has clarity on their goals and how they are expected to achieve them.

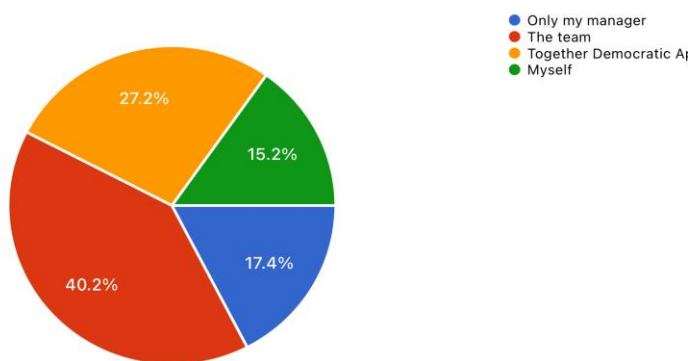


Fig.1 When there is a problem who finds the solution

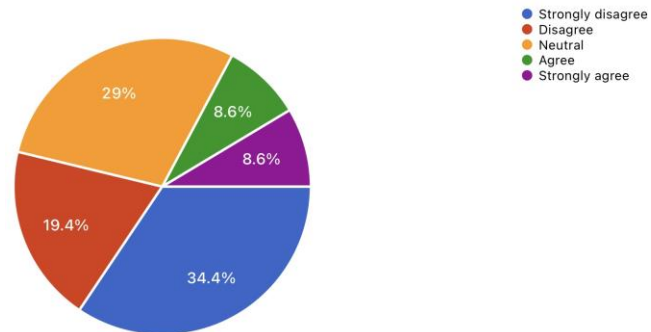


Fig.2 Your manager has everyone's best interest in mind.

This question asked SMEs employees to highlight if employees work as a team, the majority of employees 40.2% answer that if there is a problem the team find the solution. Based on the literature, Tuckman Team Model, Bruce (1965), argue that the most famous theory of team development, as the team develops maturity and ability, the leaders offer teams the opportunity to come up with solution if any problems arise. Based on the survey, the second group 27.2% answered that the decision is taken together employees with managers, also called as “shared leadership or “participative leadership”, the group argued that democratic approach is used in the organisation that they work for, the Big Five Theory argue that democratic leader encourage open conversation and helps their employees set goals, evaluate their own performance and motivates them to grow.

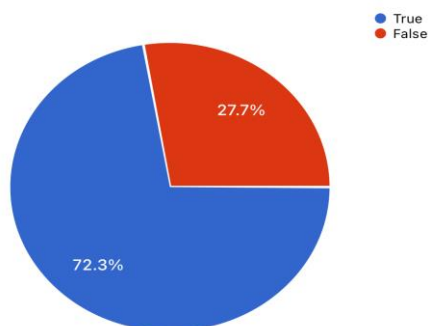


Fig.1 My manager punished or threatened employees in order to reach their targets

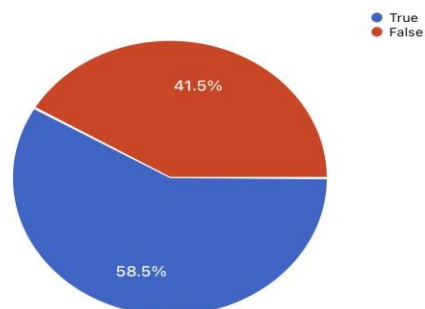


Fig.2 Employees have the right to determine their own organisational objectives.

Leadership styles that involve punishment or threats towards employees can be categorised as authoritarian or coercive. In such approaches, leaders often use fear, intimidation or punishment as motivators, which can lead to negative work environment, low morale and increased number of employees turnover. Researchers argued that Path-Goal Theory highlight that leaders who adopt a strict interpretation of this style resulting in punishment fail to meet employee's retention goal, his approach typically lacks trust and mutual respect between leaders and employees,

hindering long-term success and fostering a culture of fear rather than collaboration and innovation. Theories highlight approaches where punishment or threats may be employed although they are often considered outdated or ineffective in contemporary leadership practice.

### Section 3. Training and Professional Development

The purpose of this questions is to find out if the employees in SME Wales felt training and development programs available in the company.

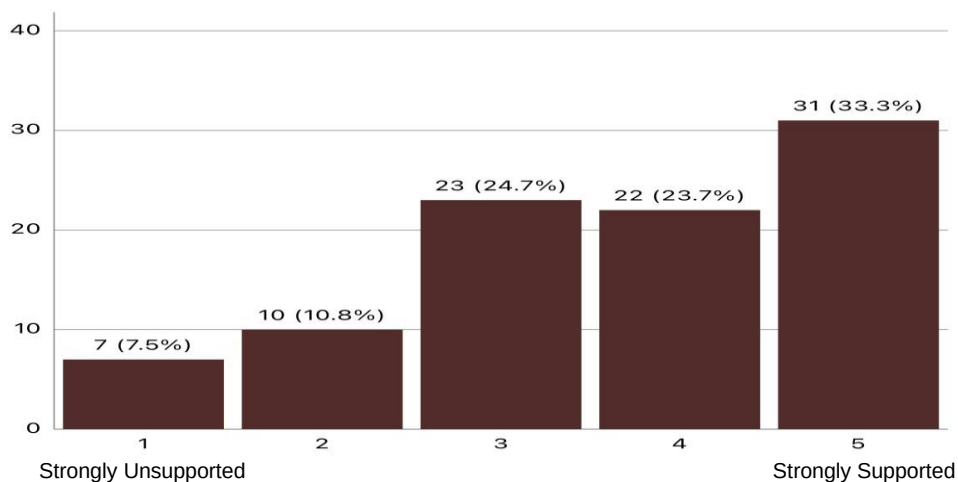


Fig.1 Managers support Training and Professional Development

The most common answer was that the majority (31) 33.3% of the respondents strongly agreed that training and development programs were available within the organisation, followed by (23) 24.7% of respondents click neutral answer, the second most common answer, choosing that they are not aware of any training, (22) 23.7% of respondent choosing that they agree that professional growth and training were available and close to equal strongly disagree and disagree (7) 7.5% and (10) 10.8% disagree that training and professional development were not available within SME Wales

### Section 4. Communication

This section of the questionnaire was used to help answer the research question. A number of Questions was introduced in this section to highlight the level of communication between managers and employees. Effective survey questions are

crucial for gaining insights into how leadership communication can impact employee retention.

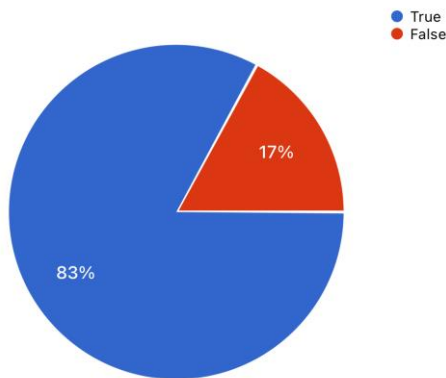


Fig.1 My manager communicate clear and effective

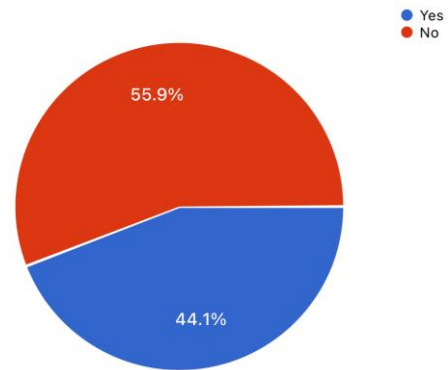
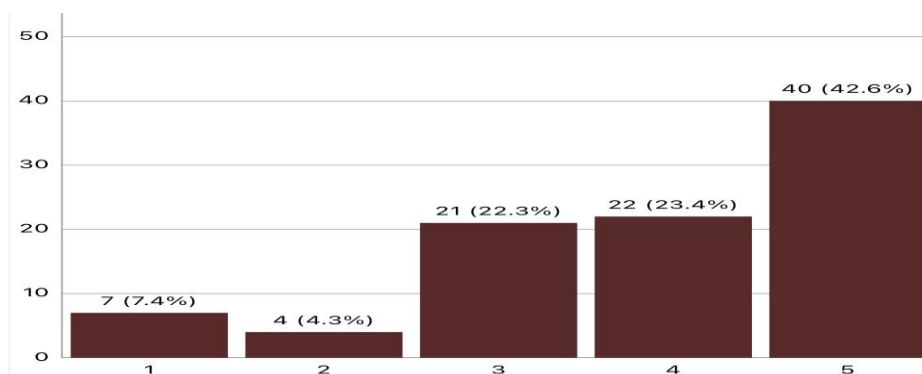


Fig.2 In most situations my manager gives no guidance to team members.

The questions can help gauge employees' perceptions of their leader's communication style and the impact on employee's turnover, the purpose of these questions related to communication was to find out if employees in SMEs felt that their leaders communicate clear and effective, offer support and guidance. In the survey employees stated that 83% of managers communicate clear and effective with their teams, based on this transformational leadership theory emphasises that leader's ability to inspire and motivate followers through effective communication. The purpose of effective communication is essential in setting clear expectations, providing feedback, ensuring accountability and reduce employee's turnover. The most common answer was that 83% of respondents agree that their employer communicate clear and effective with them and 17% disagree that their employer communicate well with them, additional to this, participants were asked if their manager gives them little to no guidance to team members and their responses were tight close 55.9% agreed to 44.1% disagreed.

## Section 4 Constructive Feedback



The purpose of these questions is to find out SMEs employees if their manager provided them with feedback. The most common answer was strongly effective with a percentage of 42.6% (40) less than half, followed by 23.4% (22) agreed, the third most common answers were that 22.3% (21) close number with employees agreed is a neutral answer from 21 employees out of 100 to the question related to feedback and 4.3% (4) disagree that their manager provide effective feedback and a higher number 7.4% (7) strongly disagree that their manager provide them with effective feedback.

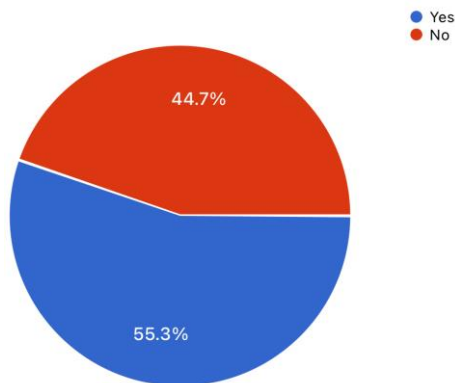


Fig. 1 My Manager provide Clear and Effective Feedback.

Feedback in leadership theories is crucial for personal and organisation growth. 360 Degree Feedback Model involve collecting feedback from multiple sources, it provides a comprehensive view of an individual performance, strengths and areas of improvement, facilitating personal and professional growth.

## Section 5. Workplace culture

The purpose of this questions was to find out if employees in SMEs felt that stress affect their decision to stay within the organisation and if this is linked to managers leadership style and if their leaders do anything to prevent burnout.

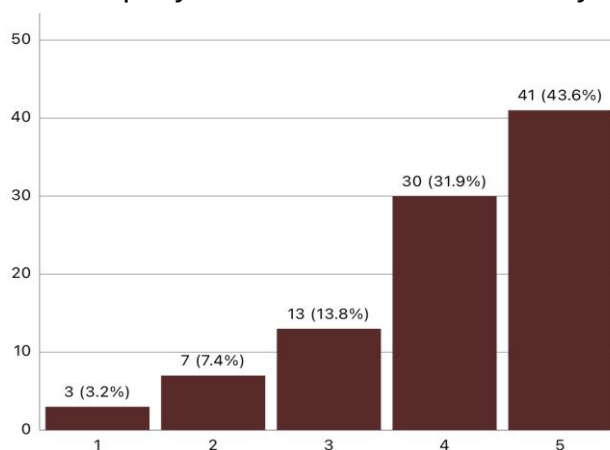


Fig.1 How secured do you feel in your current position?

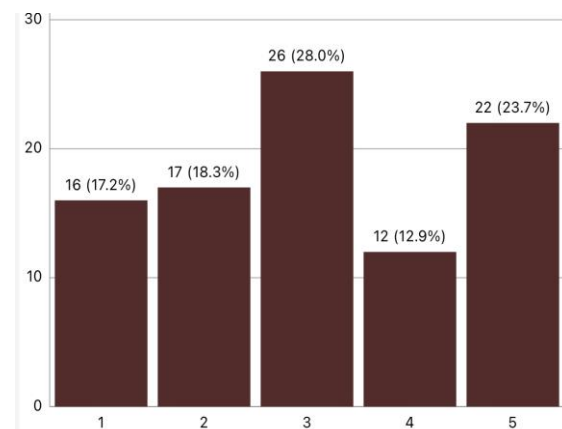


Fig.2 To what extent do you agree with the statement "The work environment is often rigid, strict, unfair with unrealistic targets".

Strongly Unsecured

Strongly Secured

Strongly Disagree

Strongly Agree

The purpose of this question was to get clarity about the authoritarian leadership style and a toxic environment, a toxic leadership style. A strong number 23.7% strongly agree that they work in a toxic environment and 28 % the majority of employees hold to give an answer and they stated neutral respond to the question, this percentage show that when dealing with a toxic environment, it is crucial to address the underlaying issues causing toxicity to stop employee's turnover.

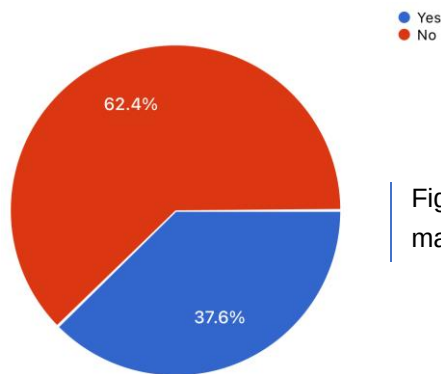


Fig. 2 I feel stressed and under pressured when my manager is around.

The number of employees that felt stressed around managers is 37.8% compared to 62.4%, this is seen in the transformational leadership style, where leaders inspire and motivate their team to overcome obstacles and achieves goals, even in high-pressure situations, they foster a sense of unity, purpose and commitment among team members, driving collective efforts toward success, on the other hand 37.8% it is still a high number of employees that work under pressure within SMEs Wales, this style is evident in authoritarian leadership, who assert total control over team members and often use fear and pressure to achieve the organisation goals.

## Section 6. Talent Retention

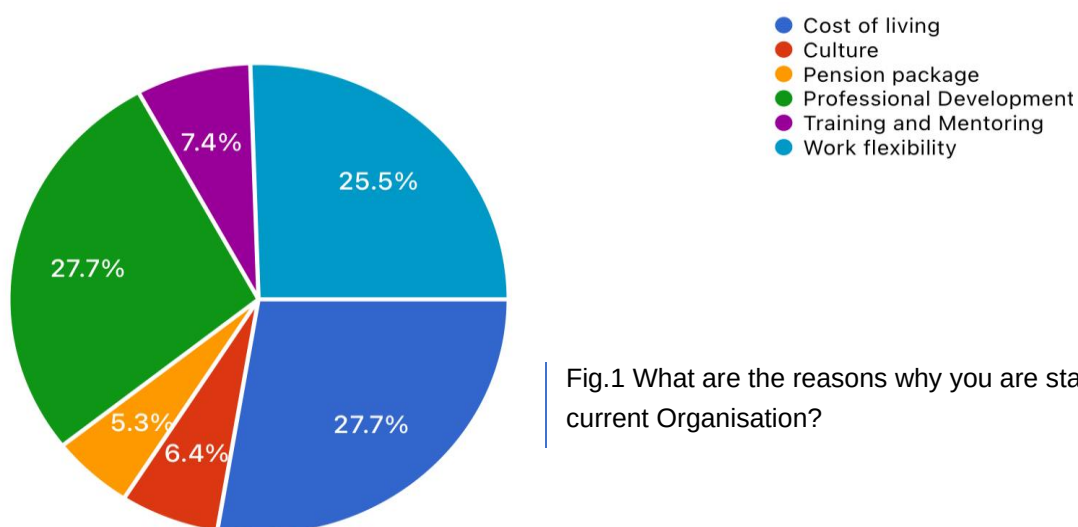


Fig.1 What are the reasons why you are staying in the current Organisation?

The survey highlighted several key reasons why employees choose to stay within SME Wales 27.7% argued that Professional Development is important for employees to stay within the organisation, employees value organisations that offer opportunities for professional growth, advancement and skills development. Providing training and mentoring, career advancement opportunities can significantly contribute to employee retention, exactly same percentage 27.7% the highest two percentages of this question answered that the reason why they are staying in the organisation is because of the cost of living, a significant factor influencing employee decision to stay in their current job. The cost of living in contemporary work environment remains a crucial factor influencing employee retention. As living expenses continue to rise in many regions, employees in Wales often seek employment opportunities that offer compensation and sufficient pay to support their financial well-being, this attitude often led to long working hours, multiple jobs, leading to burnout and decreased job satisfaction, all these factors can have a significant impact on employees' mental health. Employees mental health is an increasingly recognised concern in the workplace with significant implication for productivity, engagement and low number of employees turnover. The cost of living continues to be crucial consideration for employees when evaluating their job and overall well-being. Employers that recognise and address the financial concerns of their workforce are better positioned to retain top talent in today's competitive job market.

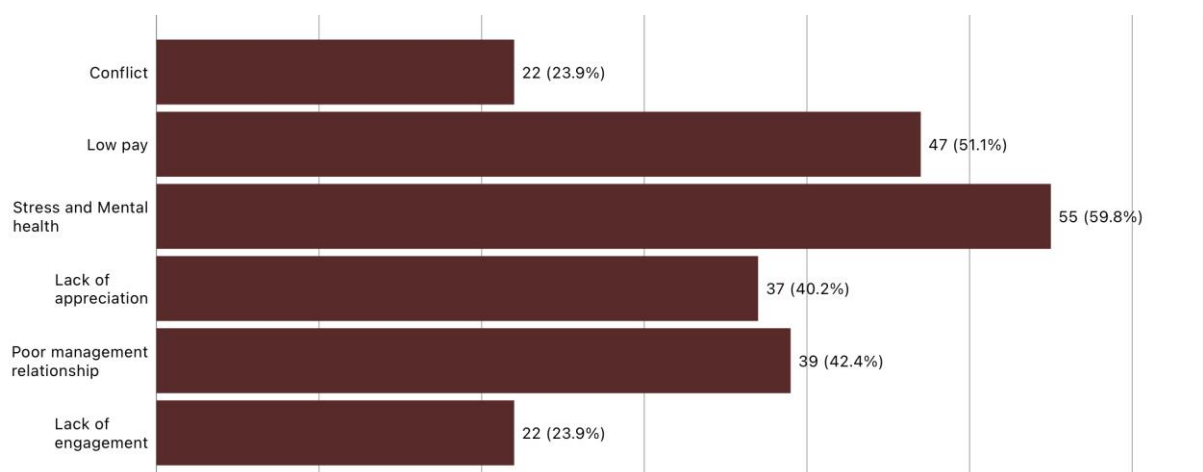


Fig.1 What's the reason (s) why employees are not staying in your organisation?

Participants were asked to highlight why they were not staying in their workplace. The top reason that 59.8% of employees stated that Stress and Mental health lead them to leave the workplace. It is not common for employees to leave the workplace due to stress and mental health issues exacerbated by their manager's leadership style. These employees highlighted in the questions above that their managers have poor communication skills, lack support and training, unfair treatment, and fail to recognise and address issues. All these concerns lead to an authoritarian leadership style, where leaders often adopt strict control and rigid hierarchy, resulting in a lack of communication, feedback and employee involvement. This autonomy and participation can lead to feelings of disempowerment, stress and a high factor in

employees' mental health, leading to a high employee turnover. Excessive pressure on employees to meet strict target performance and deadlines without considering individual capacities or well-being can lead to high levels of stress, anxiety and feelings of inadequacy among employees, contributing to mental health issues such as burnout, another question that employees answered that led to mental health was about lack of autonomy, leaders tend to control decision-making, leaving employees with little or non-responsibilities, this has an impact on employees mental well-being. Based on these reasons and the questions above about the Authority leadership style, the connection between the authoritarian leadership style, mental health and employee retention is complex. Researchers have agreed this style often creates a stressful work environment, characterised by excessive pressure, fear of consequences, punishment, lack of autonomy, communication barriers, and no rewards or professional development opportunities. These factors contribute to high levels of stress, anxiety, burnout and other mental health issues among employees. Constant criticism, rigid environment, high expectations and lack of support from leaders can exacerbate feelings of inadequacy and an impact of employee's retention.

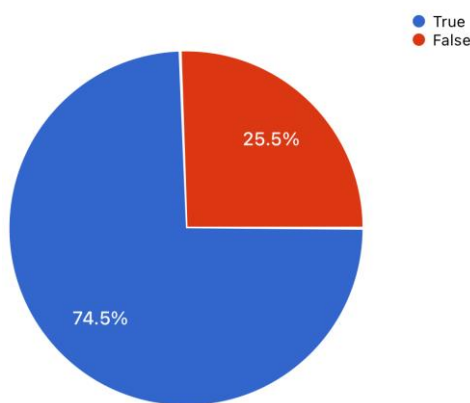


Fig.1 I see a future within this company.  
Therefore, I intend to remain in the firm

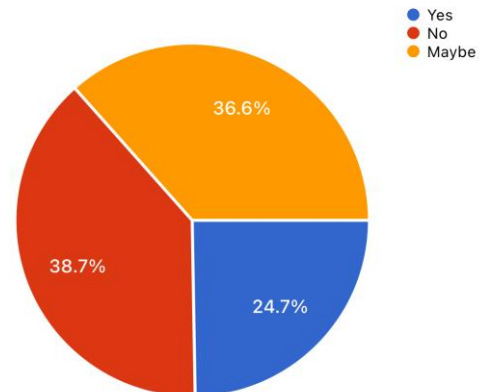


Fig.2 My long- term goal is to change the company  
that I currently work for

The stress on employee turnover and the oppressive nature of authoritarian leadership can drive employees to seek opportunities elsewhere. High-stress levels and burnout with work conditions often prompt employees to leave jobs in search of a healthier and more supportive work environment. Employees were asked about the long-term goal of changing the company that they currently work for, and 25.5% of employees stated yes. High turnover rates resulting from authoritarian leadership can create a sense of instability and insecurity and may also lead to increased workload and pressure on those who remain. As stated in the above question, the cost of leaving is a reason why employees stay in the workplace despite the factors that lead them to mental health issues. On the other hand, organisations with a transformational leadership style are implemented, and employees feel secure, motivated and empowered to stay within the workplace. Therefore, 74.5% stated yes to whether they see a future within this organisation, and 32.5% do not see a future within the organisation they currently work for.

To the question if given the opportunity to make changes to prevent employees from leaving, 25.5% employees impacted by the authoritarian leadership style the employees that answered that their goals is to leave the current workplace stated the following changes:

- 9.1% More Autonomy greater autonomy in their workplace, allowing them to make decisions and take ownership, express their ideas and creativity, empower employees to exercise their judgement and innovation can increase motivation and employee retention.
- 6.3% Open Communication Employees stated in the questionnaire that they wish for more open and transparent communication channels with their leaders, to seek feedback, share ideas and express concerns without fear of reprisal.
- 3.6% Supportive Leadership Employees described leaders that are supportive and have high levels of emotional intelligence. They want leaders who listen actively, provide guidance and mentorship also looking after employee's mental health.
- 3.4% Recognition and Appreciation Employees seek recognition and appreciation this can be monetary or non-monetary rewards, for their contributions and achievements. Some of them stated the desire options for remote work, flexibility and generous leave policies.
- 3.1% Healthy Work Environment Employees prioritise healthy work culture that promotes well-being and reduces stress. They stated that for their job, they seek initiatives and resources that support physical, mental and emotional health, such as wellness programs, counselling services and stress management workshops.

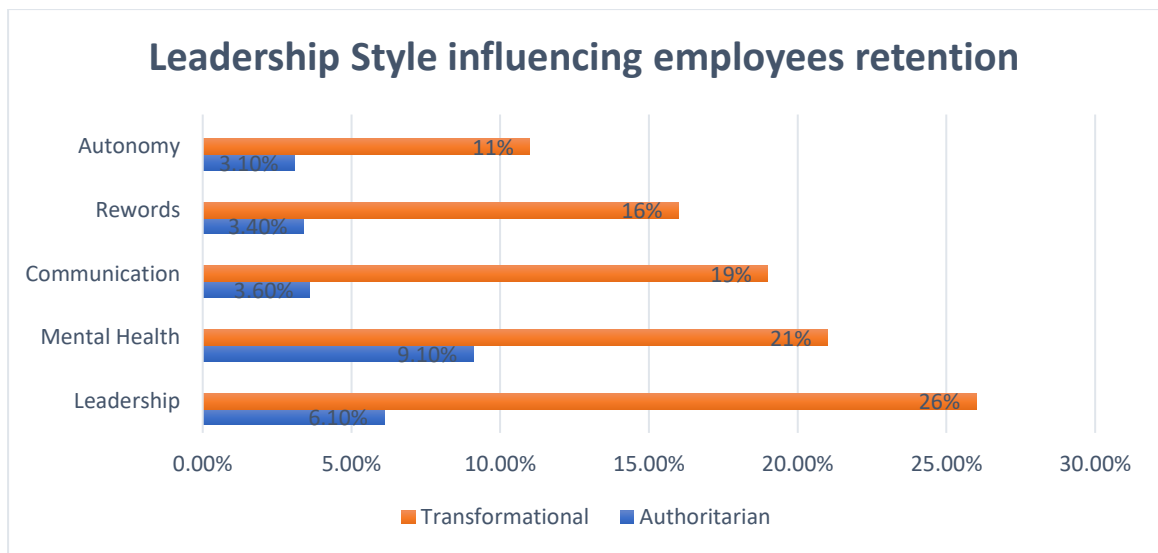


**Fig.1 Is there anything that your manager does to prevent employee's turnover and provide a sense of stability in long-term employment.**

Of employees who stated that they work in an organisation where they feel motivated, and their answer was yes to the question that they see themselves working long-term within the current workplace, 74.5% of employees. I asked them the

following question: "What does your manager do to prevent employee turnover and provide a sense of stability in long-term employment?" in order to highlight the retention tools for a transformational leadership style that is implemented, employees stated that managers play a crucial role in preventing employee turnover and fostering a sense of stability within SME, here are some strategies that employees find it beneficial to resolve turnover:

- Open Communication Foster an environment of Trust by promoting open communication, active listening and transparency. Employees stated that they feel encouraged to share their thoughts and concerns without judgment; having that confidentiality between them and the manager offers a sense of security.
- Emotional Intelligence Analysing Emotional Intelligence among leaders as a retention strategy involves several steps, and SPSS helps in this analysis. Employees argue that leaders can gain insights into employees by building relationships with teams, which will help with retention.
- Respect and Trust Developing a retention strategy focused on respect and Trust involves transparent communication and confidentiality. A comprehensive retention strategy that employees argued that leaders should prioritise respect and Trust to contribute to employee satisfaction and engagement, ultimately leading to reduced turnover and more resilience.
- Coaching and Mentoring Several employees stated that coaching and mentoring within the workplace help them to build stronger relationships with their managers by providing coaching and mentoring help them and the organisation to align with their interests and aspirations, making them more effective in the workplace, learning new skills and successful in their current role and having better chances to advance in for higher roles within the same company, preventing the hunt for better companies.
- Support and Appreciation: Acknowledge and appreciate employees who will not leave the organisation. One employee highlighted in the questionnaire appreciated the employees' hard work and accomplishments and showed genuine appreciation for his work, and dedication is what every employee wants.
- Diversity and Equality Employees also stated that diversity and equality are essential tools that promote employee retention. By embracing diversity and promoting equality in the workplace, managers should unlock the full potential of their workplace, drive innovation and creativity, and create a more inclusive and equitable workplace for all.
- Rewards and Feedback: Providing competitive salaries and benefits packages to attract top talent will not ensure that the organisation retains employees. One employee stated he believes that rewards should come with constructive Feedback, where employees can better themselves, feel motivated to want to do better and learn from mistakes, and not feel afraid to share with their managers, and it should be kept confidential.
- Ensure Strong Leadership and Management The highest percentage, 74%, stated that they are still with the current organisation and planning to stay for the long term due to their manager. They argued that their managers offer them all the support that they need, as well as any training and professional development that they require. Also, the manager has all their best interests in mind. A sense of stability is due to the manager supporting them, inspiring

and motivating the team, providing clear and effective communication and transparency, and being accessible and approachable whenever there is a problem.

Overall, employees impacted by an authoritarian leadership style may desire a workplace that fosters autonomy, open communication, support, recognition, and work-life balance; providing opportunities for meaningful changes in these areas can help improve employee satisfaction, engagement and, most importantly, employee retention.

## 4.2 Qualitative Research –Interviews

High voluntary turnover negatively affects business profitability business leaders of small and medium sized enterprises fail to retain talented and skilled employees due to leadership style (Yin, 2019). The purpose of qualitative interviewing was to explore leadership styles used in SME Wales use to retain employees. Participants were twenty Managers and thirty employees from SMEs, the participants in this study were from diverse service organisations: catering, tourism, technical service support, engineering.

### Section 1. Leadership Role

Participants believed that a lack of transparent communication at the organisational levels of the business impacts employee turnover. To ensure constant communication, O1 and O2 implemented an open-door policy where work members are confident to ask questions or address problems via different communication channels. According to Putra and Cho (2019), effective communication and friendly leaders successfully manage teams. Kim (2020) described that leaders who believe in empowering positively influence their teams.

| Subthemes                          | Frequency | Percentage |
|------------------------------------|-----------|------------|
| Employees' feedback mechanism      | 21        | 42%        |
| Open-door policy                   | 16        | 32%        |
| Transparent and open communication | 13        | 26%        |
| Total                              | 50        | 100%       |

Table 1. Leadership Role

### Section 2. Positive and Friendly Working Environment

P1 and P5 stated that communication creates a strong bond of trust with managers. O3 related that his organisation conducts a survey every three months for employee feedback regarding satisfaction. Bande (2020) stated that trust between employees and managers is critical in managing employee retention. All participants confirmed that leadership style is vital to motivating the workforce; salary increases are not essential in preventing employee turnover. However, the organisation's culture and leadership approach is crucial to employee retention. Covella (2017) argue that

leaders are responsible for establishing positive strategies to reinforce employee behaviour and reduce retention risks. Based on the responses from section one, Herzberg's Two Factor Theory, it is highlighted that employee working conditions can cause satisfaction or dissatisfaction within the workplace. Participants from the Managers category confirmed that an environment involving open and transparent communication helps reduce the risk of employee turnover. According to qualitative research, the working environment is one of the main factors in terms of managing employee turnover.

| Subthemes                                              | Frequency | Percentage |
|--------------------------------------------------------|-----------|------------|
| Team building activities                               | 20        | 32%        |
| Employee motivation, satisfaction, and engagement      | 14        | 22%        |
| Reduced conflict at workplace                          | 10        | 16%        |
| Work-life balance                                      | 6         | 10%        |
| Rest and recreation activities                         | 6         | 10%        |
| Flexible working hours                                 | 4         | 6%         |
| Involving employees in corporate social responsibility | 3         | 5%         |
| Total                                                  | 63        | 100%       |

Table 2. Positive and Friendly Working Environment

Six out of eight managers mentioned in the interview that work-life balance and flexible working hours are strategies to keep their employees motivated and engaged in SMEs, and Chilvers (2019) argued that work-life balance is an effective strategy to maintain employee's long-term commitment and is a more practical benefit than salary and other monetary benefits. P1 and P2 also highlighted apart from flexible working hours, recreation and sports events organised by the company, teamwork and cooperation are core values of the organisation to improve organisational culture. O3 and O8 stated that teamwork is essential for successfully completing the projects, and P4 revealed that managers discourage organisational bureaucratic leadership styles. Herzberg's Two-Factor Theory also agrees on a positive and friendly working environment. In contrast, Maslow's Theory states that employees spend 70% of their daily time at work, which triggers their need for a positive working environment to motivate and satisfy employees.

### Section 3. Monetary and Non-monetary Benefits

According to the participants in the interview, a well-structured culture, can positively impact employees' turnover intentions.

| Subthemes                            | Frequency | Percentage |
|--------------------------------------|-----------|------------|
| Monetary benefits                    | 14        | 30%        |
| Rewards and recognition policy       | 9         | 20%        |
| Performance based incentives         | 7         | 15%        |
| Competitiveness of employee benefits | 7         | 15%        |
| Compensation and benefits policy     | 6         | 13%        |
| Salary increment                     | 3         | 7%         |
| Total                                | 46        | 100%       |

**Table 3. Monetary and Non-monetary Benefits**

The role of rewards and employees' benefits align with the need for achievement stated by McClelland's three needs theory (1961). Individuals who are driven by achievement look for rewards and recognition in return for achieving challenging goals. All participants agreed that rewards play a significant role in retaining employees. O1 argue that they have a variable pay plan linked with the successful completion of the project. O5 IT company and retention are two main levers in compensation strategy design. P5 mentioned that they review salaries bi-annually compared to the annual basis of other SMEs. The role of employee salary and other benefits as part of Herzberg's factors theory (1974), which uses the term dissatisfies, which are those factors making people unhappy due to the way their employer treats them at the workplace, Closely linked to Maslow's hierarchy of needs theory suggested physiological needs as the most basic and vital needs of individuals (Rahimi, 2019).

### Section 4. Talent Management

All participants in the interview highlight their strategy of managing high potential employee using a structured talent management process.

| Subthemes           | Frequency | Percentage |
|---------------------|-----------|------------|
| Career growth       | 15        | 44%        |
| Succession planning | 10        | 29%        |
| New hires induction | 9         | 26%        |
| Total               | 34        | 100%       |

**Table 4. Talent Management**

One of the common strategies among all managers was career growth opportunities. Most managers conduct a quarterly employee survey asking about employees' interest in their career development. Talent management is significant in the literature review based on Bahrain (2020), which confirmed that good talent management improves employee retention, and effective talent management strategies positively impact employees' attitudes towards retention. Eighteen employees out of thirty described a 360-degree feedback mechanism for specific roles; having the right approach is vital for employees, and the importance of feedback is in line with Herzberg's Two-Factor Theory (1974), which highlights employees' growth and advancement among those factors that make employees satisfied. Herzberg (1959) stated that advancement, feedback, and training are essential for retaining employees. Maslow's Hierarchy of needs Theory also supports the desire for career development linked with self-actualisation needs. Maslow (1954) argues that motivation, the main characteristic of self-actualisation, is more inclined towards development and potential.

## Section 5. Investment in People Development

In this section is about investment in training talent with structured training and development initiatives. Table 5 includes the questions that were derived from the responses shared during interviews.

| Subthemes                                    | Frequency | Percentage |
|----------------------------------------------|-----------|------------|
| Technical and non-technical training         | 20        | 54%        |
| Training on new tools and technology         | 10        | 27%        |
| Evaluation of training outcome               | 5         | 14%        |
| Financial support for professional education | 2         | 7%         |
| Total                                        | 37        | 100%       |

**Table 5. Investment in People Development**

The responses highlight that employees with training opportunities have a long-term commitment to the organisation. One of the managers stated that his organisation allows employees to improve their formal education and can apply for financial support if required, despite being a small company. Participants of this research, employees and managers, confirmed that investing in people development has improved employee retention rates. The findings align with the peer-reviewed studies where answers from the survey mentioned the link between employee training and professional development to stop employee turnover. Zaharie (2018) confirmed that investment in employee development impacts turnover, a direct relationship between training, development opportunities and employees leaving intentions.

### **Limitations of Retention Strategies**

The participants were asked what challenges they faced to implement retention strategies in order to stop employee retention. Managers described the challenges they were facing while implementing retention strategies. One of the challenges mentioned in this interview was budgetary limitations while implementing retention strategies such as benefits and training policies. Five employees, P1, P2, and P6, answered that investment in professional development increases costs, although customers' expectations are the price of products and services. O22 highlighted another challenge: resistance from employees, mainly if the organisation introduces new HR policies like employee satisfaction surveys. Employees are reluctant to provide honest feedback and are not comfortable with their surveys. One more challenge that was highlighted by employees is related to location. Organisations have a workforce in remote areas that does not have constant communication with the manager. P9 stated that aligning with HR policies takes more time and effort.

## Summary

To sum up the data analysis chapter, the findings from qualitative research, 100 participants submitted their responses to contribute to the study's objective and 50 face-to-face interviews with managers and employees from SMEs Wales answered the question of how leadership style can affect employee retention. The literature argues that leaders could create a workplace of trust within the organisation; the transformational leadership style highlights this, and an effective mechanism to get employees' feedback could help leaders engage better with employees and ultimately reduce turnover in SME organisations.

Findings from the Quantitative Questionnaire highlighted that teamwork, work-life balance, and flexibility could help create a working culture that enhances employees' job satisfaction and long-term commitment to the organisation. Results from section one of the interview were similar to those from section one of the online questionnaire, where both groups' answers argued that a positive and friendly working culture is vital to minimise conflicts at work and create a sense of belonging among employees. However, the second section about professional practices, rewards, feedback, and monetary and non-monetary employee benefits play a significant role in employee retention. All the participants in qualitative research stated that competitive employee compensation and benefits are one of the most successful retention strategies used to retain employees; however, the participants in the online questionnaire concluded that the most successful retention tools are flexible working conditions, professional development and least effective is coaching and mentoring program.

Participants in the interviews indicated that communication, fair employee benefits, training and development opportunities, career growth, and a supportive working environment effectively decreased employee turnover. In the online questionnaire, the above tools were also indicated. However, one aspect was crucial: the majority of employees argued that mental health is the most important in the workplace and an essential factor for employees to leave the organisation. Most employees stated that the only reason they are staying is the cost of living, and if they get the chance to change anything, that will be their management leadership style. These reasons affect their mental health and, eventually, their decision to leave the organisation. Based on these factors, recommendations are made in this research to answer the research question: Leadership can affect employee turnover.

## 6.0 Conclusions

This research contributes to the existing literature. In particular, it indicates a void in management leadership style in SMEs, especially in employee retention. It fills a significant gap in previous studies, focusing on the leader's and employees' perceptions of managers' style to retain talent and prevent voluntary turnover. I brought to light the experiences and perceptions of employees on effective leadership and how their leadership style influences retention. The results of this research revealed that organisations successfully retain employees by changing their approaches to communication, employee benefits, working environment, training and development and, not least, investment in talent management. These tools are often seen in transformational leadership, where leaders support their employees and strive to treat their teams respectfully, openly, and honestly. This is often seen in employees' answers in the quantitative data research. In contrast, ineffective leadership, unapproachable, strict, ego-driven, threatening employees and affecting employees' confidence and mental health are recognised leadership styles, and a high number of employees stated that mental health is the reason for leaving the organisation research is needed to establish how to prevent authoritarian leadership style from affecting employees mental health at the workplace (Creswell, 2009) and allow the research to cross-validate the different attributes of the leadership phenomenon.

The research aims and objectives were to answer how leadership can affect employee retention in SMEs in Wales. Based on the mixed methodology used, questionnaire and face-to-face interviews, the research findings revealed that organisations should play an essential role in creating a workplace environment of trust and fairness to retain employees in SMEs Wales successfully. Organisations should offer regular feedback, opportunities for professional development, support with mental health, flexible working, competitive pay and rewards monetary and non-monetary, and open and transparent communication between employees and leaders. SME culture creates a strong sense of belonging and balanced levels of trust between employees, managers, and leadership roles, which are essential findings of this research. The research results can be helpful to organisations, specifically SMEs and other leaders trying to retain employees in their organisations. Quantitative results showed that the authoritarian leadership style is still used in some organisations, strongly affects employees' productivity and health, and leads to many employees leaving the organisation for reasons such as cost of living and employees unwilling to seek opportunities elsewhere. However, there is the majority of answers where transformational leadership style was highlighted, where employees felt listened to, supported, rewarded, and worked in a positive and safe work environment, where managers seek their opportunity to promote training, mentorship and competitive salaries, various strategies aimed at improving job satisfaction, engagement and overall employees retention (Foy, 2020).

Employees want to be recognised for a job well done, validating performance and motivating employees, creating a climate of open and transparent communication with competitive benefits. The research highlighted tools and strategies that can be used to retain employees and high-potential talent. The connection between leadership style and employee retention is critical to organisational effectiveness and sustainability. The analysis revealed that leadership style significantly influences employees' decision to stay or leave an organisation. Transformational leadership presented within SME Wales indicates that transformational leaders inspire and motivate, and they have seen autocratic leadership styles that centralise and exert strict control over employees. Participants that were in this organisation highlighted they felt disempowered, undervalued and constrained by the lack of autonomy and input; therefore, a high number of employees leaving the workplace and a high factor affecting employees' mental health (Wallen, 2024). Findings emerged that the managers build trust, and most of the leaders avoid the authoritarian leadership style as they believe it is detrimental to the overall employee mental health and, from there, leave the organisation, 2019). The data analysis concluded that turnover intentions were higher when there was the presence of an authoritarian style introduced hindrance stress, and it can be stated that retention is higher where there is a leader-induced hindrance stress. High numbers of employees said in the questionnaire that employee retention in SMEs is positively influenced by effective leadership, and it remains unclear to which degree the authoritarian leadership style affects employees' mental health but is strongly related to employees leaving the workplace, which would need to be addressed in future research. However, with the rich number of employees, 100 answers to quantitative research and 50 face-to-face interviews with leaders and staff, the rich data gained has been significant in answering the study question of whether leadership style influences employee retention in Small and Medium Enterprises in Wales.

In conclusion, the leadership style adopted within an organisation significantly influences employee retention. Leaders who prioritised trust and supported employees' development showed the willingness of employees to stay long-term with the current organisation. Employees under authority leaders are left feeling neglected, and the firms experience high turnover rates and struggle to maintain a cohesive and motivated workforce. Therefore, investing in leadership development programs and cultivating a leadership culture that values respect, trust, and employee mental health is crucial for enhancing retention and driving organisational success (Kelly, 2020). I conclude that leaders successfully retain employees by having a genuine and approachable style, as they are aware when an employee is unhappy, an open, practical leadership style is positively related to the retention of SME employees, which answers the final objective of this research.

## 7.0 Recommendation

The mixed research in this study and the results presented could be helpful to business leaders of SMEs to create transformational leadership and cohesive sets of guidelines to ensure successful employee retention in SMEs Wales.

Transformational skills are essential to create a culture where everyone gets an opportunity for growth supported by a transparency and motivation mechanism. The first recommendation is to have leaders who can engage and connect with their workforce. One of the primary skills of management is to motivate and inspire employees, support their professional development, and reduce employee turnover. Salary is not the only strategy tool to prevent employee retention; culture, leadership style, and employer mental health are also highlighted in the research as strategies for employee retention (Ashton, 2022).

The second recommendation is to invest in employee's professional development, training and mentoring (Fletcher, 2020). SME leaders should invest in people training and development despite financial implications, which may result in high retention, revenues and profitability. Leaders should initiate knowledge-based training and managerial training focusing on having multi-skilled staff long-term (Davies, 2021). The association of leadership style and their impact on employees could be examined on a larger scale; however, the research, due to the rich findings, such as managers thinking that retention is not their responsibility, could advise implementing retention strategies. The study could be repeated in other parts of the United Kingdom and target populations to understand the impact of various retention strategies in SMEs. Future researchers could interview employees in SMEs from England, Scotland and North Ireland to compare their perspectives on employee turnover based on leadership style and the effectiveness of retention (Saunders, 2024). Future recommendations would be for Wales companies to establish an HR department highlighting to managers that retention is within their remit. To set up mental health support for employees and managers to strive for a healthy environment and to promote effective leadership that recognises the importance of supporting culture and the importance of talent retention. Currently, this fundamental influence seems to be absent within SME Wales, which may be detrimental to any business's success.

To conclude the recommendation chapter, effective leadership helps retain employees within SME Wales. However, a significant admission surfaced that most managers did not recognise that leadership style can cause employee turnover. Another factor to consider is the mental support for employees. There was a pattern of absence in SME organisations; the support should act as a team with the leaders and HR department to ensure the organisation has a positive, healthy work culture built on high trust and confidentiality (Lucas, 2024).

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## Appendix

### Appendix A. Introduction Letter

My name is Alina Tatar, and I'm currently studying for a master's in leadership at the University of Trinity Saint David Cardiff. I'm researching leadership styles that affect employee turnover in small- and medium-sized enterprises. Your participation will contribute to advancements and improvements in employee retention and play a vital role in enhancing our understanding of this field.

Participants will rate their satisfaction and inclination to stay in their current jobs based on their perception of leadership. The questionnaire will take no longer than 10 minutes to complete. The scale ranges from 1 to 5, with 1 indicating strong disagreement and 5 indicating strong agreement, multiple choices and short answers. Additionally, participants are encouraged to provide brief descriptions detailing how the leadership style directly affects their decision to either remain with the company or consider leaving. This approach allows for a nuanced understanding of the impact of leadership on employee retention.

All responses will be anonymous, and no one will be identifiable in the research. Thank you for being a part of this valuable academic endeavour.

### Appendix B Employés Survey questionnaire

Gender

What is your Nationality?

What's your age range?

What are the reasons why you are staying in the organisation?

My manager approach to employee recognition is engaging, genuine, and personal.

My manager approach to employee recognition is engaging, genuine, and personal.  
How effective is your manager feedback?

Performance reviews at my organisation is rewarded.

Employees at my organisation feel comfortable expressing their honest opinions.

Is there anything that your manager do to provide you with a sense of stability and confidence in long-term employment?

How secure do you feel in your current position?

If given the opportunity, what changes would you make at your workplace?

When there's a problem, who finds the solution?

Your manager communicate clear and effective

Your manager has everyone's best interest in mind?

How much do you agree with the statement: " My manager allows me the freedom to do my job as I feel best"

Your manager focuses on the task objective, with little option for creativity?

How much do you agree with the statement: "My manager allows me the freedom to do my job as I feel best"

How you rate this statement: "My Manager always retain the final decision-making authority within my department or team"

My manager controls all the decisions and listens to no employee.

To what extend you agree with the statement "The work environment is often rigid, strict, unfair pay with unrealistic targets".

In most situations my manager gives little or no guidance to team members

I see a future within this company. Therefore, I intend to remain in the firm. If NO please state the reasons why not?

My manager punished or threatened employees in order to reach their targets.

Appendix C. link to survey questions.

[https://docs.google.com/forms/d/1v6oIYevRPZ36xf0L9fAJDQa5he\\_Z5TsK6jowQllmXwg/edit](https://docs.google.com/forms/d/1v6oIYevRPZ36xf0L9fAJDQa5he_Z5TsK6jowQllmXwg/edit).

Note. In order to protect employee's confidentiality name or any for of identity had been excluded from their statements, these are answers to the long questions that employees expressed their needs and requirements from their employee in order to prevent employee's turnover.

## Appendix D. Statements of employees long-questions survey

|                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------|
| Diversity and culture;Manager style empower and motivate employees;Promote mentorship programs                          |
| Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower    |
| Promote mentorship programs                                                                                             |
| Professional Development                                                                                                |
| Diversity and culture                                                                                                   |
| Professional Development                                                                                                |
| Offer flexibility working;Diversity and culture                                                                         |
| Offer flexibility working;Professional Development;Manager style empower and motivate employees                         |
| Offer flexibility working;Professional Development                                                                      |
| Offer flexibility working                                                                                               |
| Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower    |
| Diversity and culture                                                                                                   |
| Offer flexibility working;Rewards and Recognition                                                                       |
| Offer flexibility working                                                                                               |
| Offer flexibility working;Manager style empower and motivate employees;Promote mentorship programs                      |
| Diversity and culture;Professional Development;Pay competitive rates                                                    |
| Professional Development                                                                                                |
| Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower    |
| Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower    |
| Offer flexibility working;Professional Development                                                                      |
| Offer flexibility working;Rewards and Recognition                                                                       |
| Offer flexibility working;Diversity and culture                                                                         |
| Offer flexibility working;Diversity and culture;Professional Development                                                |
| Professional Development;Rewards and Recognition                                                                        |
| Offer flexibility working;Pay competitive rates;Rewards and Recognition                                                 |
| Professional Development                                                                                                |
| Diversity and culture                                                                                                   |
| Offer flexibility working;Diversity and culture                                                                         |
| Professional Development;Rewards and Recognition                                                                        |
| Rewards and Recognition                                                                                                 |
| Pay competitive rates                                                                                                   |
| Pay competitive rates                                                                                                   |
| Offer flexibility working;Pay competitive rates                                                                         |
| Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower    |
| Offer flexibility working                                                                                               |
| Pay competitive rates;Manager style empower and motivate employees                                                      |
| Pay competitive rates;Manager style empower and motivate employees                                                      |
| Offer flexibility working;Diversity and culture                                                                         |
| Offer flexibility working;Professional Development;Promote mentorship programs                                          |
| Pay competitive rates                                                                                                   |
| Offer flexibility working;Professional Development;Manager style empower and motivate employees;Rewards and Recognition |
| Pay competitive rates                                                                                                   |
| Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Rewards and Recognition  |
| Manager style empower and motivate employees                                                                            |
| Offer flexibility working                                                                                               |
| Offer flexibility working;Professional Development;Rewards and Recognition                                              |
| Pay competitive rates                                                                                                   |
| Professional Development                                                                                                |
| Pay competitive rates                                                                                                   |
| Rewards and Recognition                                                                                                 |
| Offer flexibility working;Professional Development                                                                      |

|   |                                                                                                                      |
|---|----------------------------------------------------------------------------------------------------------------------|
|   | Click one or more tools that your manager has done to benefit your department and prevent employees turnover         |
|   | Offer flexibility working;Promote mentorship programs                                                                |
|   | Diversity and culture;Pay competitive rates;Rewards and Recognition                                                  |
|   | Offer flexibility working                                                                                            |
|   | Offer flexibility working;Diversity and culture;Pay competitive rates;Manager style empower and motivate employees;R |
|   | Professional Development;Pay competitive rates;Rewards and Recognition                                               |
|   | Diversity and culture;Professional Development;Pay competitive rates;Manager style empower and motivate employees    |
|   | Offer flexibility working;Pay competitive rates;Promote mentorship programs                                          |
|   | Professional Development;Manager style empower and motivate employees                                                |
|   | Offer flexibility working;Pay competitive rates;Manager style empower and motivate employees                         |
|   | Offer flexibility working;Pay competitive rates;Rewards and Recognition;Promote mentorship programs                  |
|   | Offer flexibility working;Pay competitive rates;Rewards and Recognition                                              |
|   | Professional Development                                                                                             |
|   | Offer flexibility working                                                                                            |
|   | Manager style empower and motivate employees;Rewards and Recognition                                                 |
|   | Offer flexibility working;Diversity and culture;Professional Development;Rewards and Recognition                     |
|   | Offer flexibility working;Professional Development;Pay competitive rates;Manager style empower and motivate employe  |
|   | Pay competitive rates;Manager style empower and motivate employees;Rewards and Recognition                           |
|   | Rewards and Recognition                                                                                              |
|   | Diversity and culture;Professional Development;Manager style empower and motivate employees;Rewards and Recogni      |
|   | Offer flexibility working                                                                                            |
| a | Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower |
|   | Offer flexibility working;Professional Development;Manager style empower and motivate employees;Promote mentorsh     |
|   | Offer flexibility working                                                                                            |
|   | Diversity and culture;Manager style empower and motivate employees;Rewards and Recognition                           |
|   | Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower |
|   | Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower |
|   | Offer flexibility working;Rewards and Recognition                                                                    |
|   | Offer flexibility working                                                                                            |
|   | Promote mentorship programs                                                                                          |
|   | Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower |
|   | Offer flexibility working                                                                                            |
|   | Offer flexibility working;Professional Development;Pay competitive rates;Rewards and Recognition                     |
|   | Offer flexibility working;Diversity and culture;Rewards and Recognition                                              |
|   | Offer flexibility working;Diversity and culture;Rewards and Recognition                                              |
|   | Offer flexibility working                                                                                            |
|   | Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower |
|   | Offer flexibility working;Professional Development;Manager style empower and motivate employees;Promote mentorsh     |
|   |                                                                                                                      |
|   | Pay competitive rates;Manager style empower and motivate employees                                                   |
|   | Offer flexibility working;Diversity and culture                                                                      |
|   | Diversity and culture                                                                                                |
|   | Professional Development                                                                                             |
|   | Pay competitive rates                                                                                                |
|   | Offer flexibility working                                                                                            |
|   | Offer flexibility working                                                                                            |
|   | Offer flexibility working                                                                                            |
|   | Offer flexibility working;Manager style empower and motivate employees                                               |
|   | Diversity and culture;Manager style empower and motivate employees;Promote mentorship programs                       |
|   |                                                                                                                      |
|   | Offer flexibility working;Diversity and culture;Professional Development;Pay competitive rates;Manager style empower |
|   | Promote mentorship programs                                                                                          |
|   | Professional Development                                                                                             |

## Appendix E. Interview Protocol

| What I will do                                                                                                                                                                | What I will say                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>I will introduce the interview in an informal way over the phone / email.</p> <p>Confidentiality Note</p>                                                                  | <p>Present myself Alina Tatar, my role and the scope and some of this research. I had already contacted conversation over the video zoom platform, and I attached a copy of the questions sample through email.</p> <p>In order to protect identity of the participants, I had allocated letter O for managers and letter P for employees (letters had been chosen by myself without any link to participants identity).</p>                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <p>I will watch for non-verbal communication and will ask supplementary questions to get more information.</p> <p>Follow-up emails</p> <p>Share copy of the data analysis</p> | <p>What strategies do you use to retain your employees?<br/> How do you assess the strategies effectiveness?<br/> What key challenges and obstacles did you face during the implementation of retention strategies?<br/> How did you address these key challenges and obstacles?<br/> What other relevant information would you like to share with me regarding the strategies you set I retain employees?</p> <p>Part of this study is to ensure that I have captured accurate information during interview session and my interpretation of responses to be accurate.</p> <p>The next day I send over emails to thank you to all participants in this research.</p> <p>After the dissertation been reviewed and analysis by University Trinity Saint Davids, lectures, a copy of this research dissertation gonna be submitted to the participants request.</p> |

## Appendix F. Supplementary interview questions

What's the reason (s) why employees are not staying in the organisation?

To what extent does you support your employee's professional growth and development?

Employees have the right to determine their own organisational objectives?

How you rate this statement: "My Manager always retain the final decision-making authority within my department or team"?

How much do you agree with the statement: "I allow employees the freedom to do their job as they feel best"?

What tools you implement to benefit your department and prevent employee's turnover?

Do you allowed your employees open communication and encourage creativity and innovation in the workplace?

How do you prevent mental health in your organisation?