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Socialist Republic of Vietnam



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Employee Turnover and Retention Strategies of Small and Medium Enterprise

Service Businesses in Hanoi

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CHAPTER I: INTRODUCTION

1.1. Background of the study

A general idea of the sustained presence of service is very important to understand the research environment. In addition to employee welfare such as pension fund, employees of SMEs are entitled to many other benefits including:

+) **Group Insurance:** This plan is to provide coverage for employees in the event of illness, injuries or pregnancy in case of female workers and spouse for male workers. Special, personal accident insurance covers injury-related health care expenses. .

+) **Personal Health Care (Regular medical check-ups):** The SMEs service businesses offer yearly health check-up for their employees. These medical checkups are normally carried out once or even twice a year in some companies.

+) **The lunch and Transportation subsidy:** The lunch is providing by their organization and it is also subsidized. Beside, some companies provide transportation facilities to all the employees from home to the office at the lowest price.

+) **Credit Card businesses:** Credit card businesses allow prompt payment and cost effectiveness that formal employee performance for purposes such as travel related expenses, hotel bills, airfare, etc.

+) **Recreation, Cafeteria, ATM and Concierge facilities:** Recreational facilities include billiard tables, chess tables and coffee bars. Especially, staffs in some hotels can enjoy equipped gyms with private trainers.

+) **Mobile Phone, Laptop:** On the basis of business need, companies provide their staffs with mobile phones and/or laptops. Staffs are responsible for the maintenance and protection of this property.

+) **Loans:** Many SMEs service businesses provide small loans for some different cases. For example, employees could be provided with financial aid in emergency medical situations or financial assistance at the time of their weddings. New members could be granted loans to assist them in resolving their original work at the company.

+) **Educational Benefits:** Many SMEs service businesses develop policies to improve personality and knowledge level of their employees., They reimburse tuition fees, and also fees for exam and books.

+) **Performance based incentives:** Many SMEs business services have planned, and implemented program-based support. The parameters for calculation are performance evaluation criteria such as: speed, accuracy and productivity of each process. From there, they give to some different bonus

+) **Flexi-time:** Some employees in the company but not all, may be able to choose the flexi-time. The main target is to provide employees with flexible time schedule. The manager give their staffs right to choose most effective working time for them instead of a fixed schedule. Therefore the productivity will be enhanced.

+) **The cultural exchange programs:** Companies often hold staff parties, in which they can join, share opinions and even display their talents. In addition, organizations also conduct various sport competitions such as foot ball, volleyball for their employees.

+) **Wedding Day Gift:** Every employee in the company always receives a gift in his wedding. The gift can be different based on their levels in the company. But it often fluctuates between 20-50 USD for a member.

+) *Employee Referral programs:* There are companies which give good policy for employees if they can recommend qualified people to work in the organization. The main target is to attract the good employee for their company and create higher retention rate

+) *Employee Stock Option Plan.* To generate loyalty of employees, the company has launched this policy; every staffs will be able to buy shares of company with discounted price. This will enable them to fully enjoy benefits of the company.

So why is turnover rate still high? What retention strategies should be applied in the SMEs service business in Hanoi?

1.2. Statement of the problem

An important issue facing by the SMEs service business is minimizing turnover rate. In the context of globalization, Small and medium scale enterprises (SMEs) are losing a large number of employees, especially excellent managers for large multinational companies. Particular data is as follow:

Figure 1.1 Employee Turnover

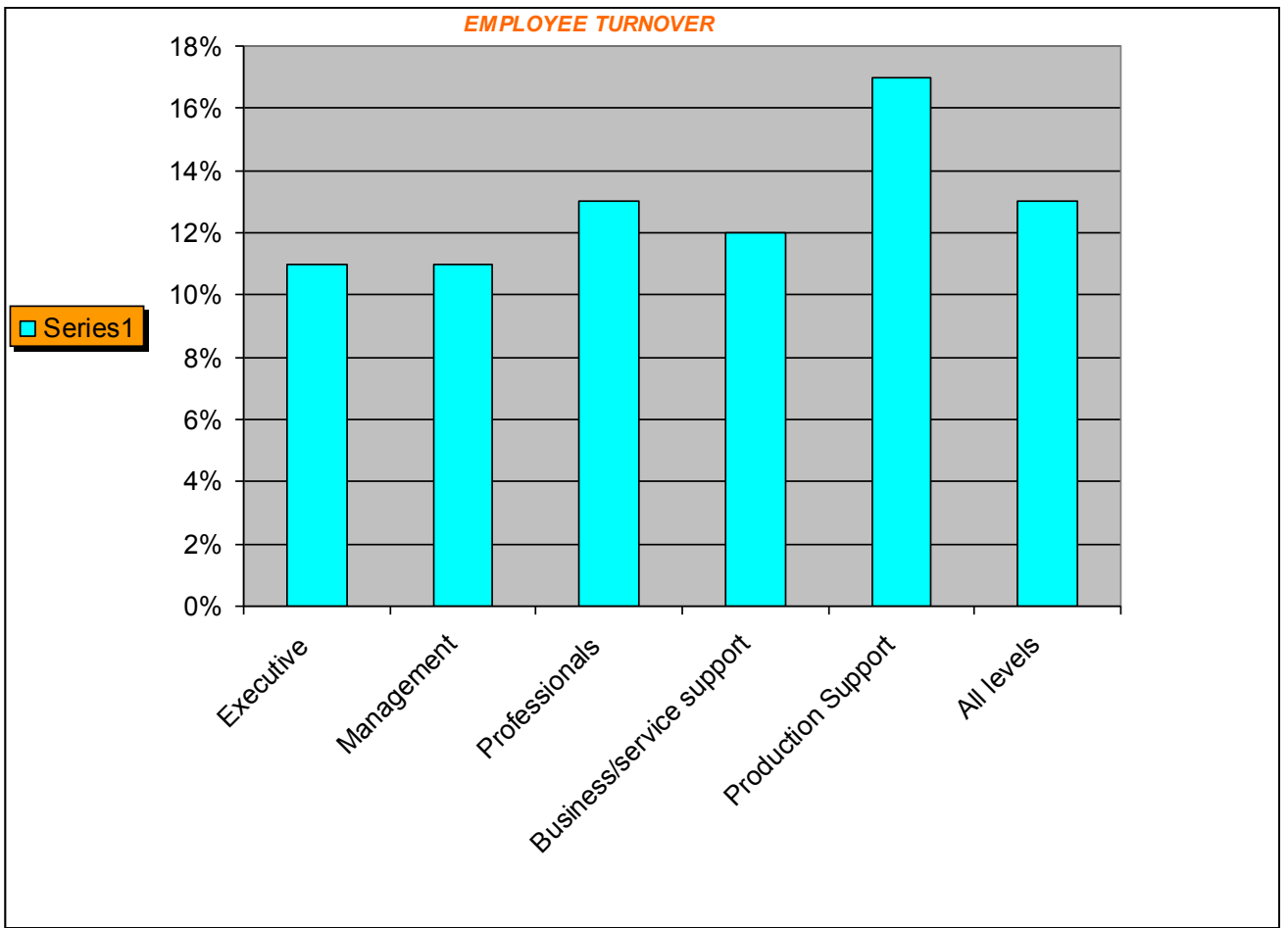
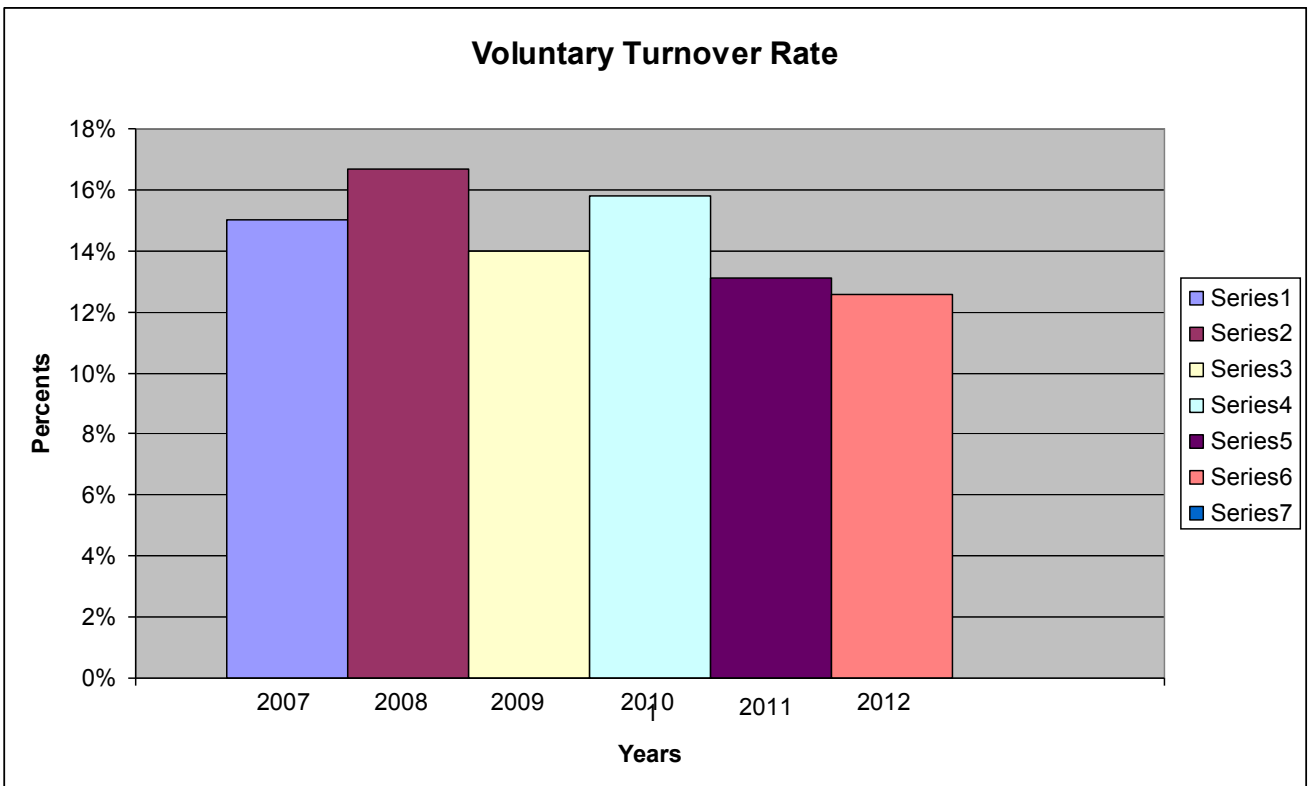


Figure 1.2 Voluntary Turnover Rate



Employee turnover is permanent withdrawal from an organization whether voluntary or involuntary. Straightforward ways to explain it are "how long employees tend to stay" or "the rate of traffic through the revolving door". "Turnover is measured for individual companies and for their service as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same service"(2012 Towers watsson. High turnover can be harmful to the company's productivity if skilled workers often leave the labor population and contains a high percentage of new employees. Therefore, the company has a deep interest in the turnover rate of their employees, because workers can replace a portion of the cost of business operations. When a company to replace a worker, it incurs costs directly and indirectly. All the tasks that must be performed during cost money, time or both. Additionally, there may be a loss of productivity during the period after the employee leaves the former and new staff have been fully trained. For some companies, employees can also replace it difficult to retain customers or clients that the employee worked. . Often managers view the company as a success or just a stepping stone to climb to the prestigious multinational companies. We are left as they are being raised in power.

How can design strategies to retain employees? Well as consideration to choose the best strategy to be applied in employees retention. This is a difficult question that many Small and Midium Enterprise Service Businesses in Hanoi are eager to find answers.

1.3. Significance of the study

Success in employee retention and attraction is very important for long term health and success of any organization. The ability to retain and keep your best employees ensures customer satisfaction, employees satisfied, retain institutional knowledge and learning and succession planning effectively.