

# Enhancing Employee Retention in Small Businesses through an Innovative Methodology

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**Abstract:** The study aims to examine the labor market challenges and motivational factors for employee retention through the example of a small machinery company in Hungary. In recent years, Hungary's labor market has faced significant difficulties, particularly due to the COVID-19 pandemic, which resulted in temporary unemployment followed by labor shortages. The research aims to identify the motivational, welfare, and financial factors that contribute to employee retention. Due to the small sample size, we did not investigate the relationships concerning loyalty, commitment, and performance. The research methods included comprehensive data collection at a machinery company employing 24 people located near the Austrian-Hungarian border. During the data collection, we conducted a questionnaire survey that included questions related to benefits, performance, commitment, and loyalty. The collected data were processed by calculating weighted averages and differences. The results indicate that flexible working hours and easy accessibility to the workplace are of utmost importance to employees. There is also a significant demand for performance-based pay and diverse, flexible benefit packages. Employees require both formal and informal professional recognition, such as praise and awards. The research has practical significance for both organizational management and employee well-being. Understanding employee opinions and implementing measures based on these can have four primary effects: improvement in employee performance, reduction in turnover, increase in organizational commitment, and enhancement of the company's positive perception.

**Keywords:** employee retention; labor market challenges; motivational factors; organizational commitment; performance-based pay

**JEL Classification:** O15; E24; J44

## 1. Introduction

The study aims to examine labor market challenges and motivational factors for employee retention through the example of a small machinery company in Hungary. In recent years, Hungary's labor market has faced numerous challenges, particularly due to the impact of the COVID-19 pandemic, which temporarily caused unemployment, followed by a resurgence of labor shortages (Ignits 2021; Tóth et al., 2021). Amid labor market tensions, the job-creating capacity of investments is smaller, but their impact on wage growth is more significant (Buchheim et al., 2020). These issues mainly affect young people, who struggle with high unemployment rates, as well as the long-term unemployed, who find it difficult to reintegrate into the labor market. The low mobility of society and labor shortages further exacerbate labor market challenges. The relevance of this study lies in the fact that labor shortages are

not only a problem in Hungary but also in the V4 countries, where similar patterns can be observed in terms of hard-to-fill positions and preferred training programs. Poór and colleagues (2020) found that the pattern of labor shortages is the same across the V4 countries, with minimal differences in which positions are hard to fill and similarities in the preferred and less popular training programs. The research aims to examine the factors contributing to employee retention (motivational, welfare, and financial elements) in terms of the extent to which employees at a given company benefit from these factors, how important they consider each component, the level of satisfaction these factors generate, and which areas show the most significant deficiencies. After understanding the labor market situation and considering the possibilities of our calculation method, we formulated the following research questions.

- 1) What are the main motivational factors contributing to employee retention in a small machinery company?
- 2) How do these factors influence employees' performance, commitment, and loyalty?
- 3) Can satisfaction be calculated for each factor using a weighted method, and will the deficiencies in benefits become apparent?

The research methodology is based on comprehensive data collection conducted at a machinery company located near the Austrian-Hungarian border, which employs 24 people. During data collection, we used a questionnaire survey that included questions related to benefits, performance, commitment, and loyalty. The data were meticulously processed using a range of statistical analyses, including calculating weighted averages and examining correlations between factors. Two completed questionnaires proved unusable as the respondents partially refused to provide demographic data. The structure of the study is as follows.

- In the literature review, we discuss the questionnaire's elements and justify why they are considered factors that promote employee retention.
- In the methodology chapter, we present the method for calculating employee satisfaction.
- The results pertain to the received and expected factors, the difference between them, and the level of satisfaction. We present the calculated average values for performance, commitment, and loyalty. Due to the small number of respondents, we do not establish a regression relationship between the retention factors and the employee behavior outcomes.

Finally, we present arguments supporting the applicability of our method in human management. Considering the obtained numerical values, measures can be implemented to enhance performance, commitment, and loyalty.

## **2. Literature review**

In the case of the V4 countries, in a previous study, we collected elements that facilitate employee retention in a tense labor market. We slightly modified these factors and explain below why they should be included in quantitative research. Labor shortages are not a new phenomenon in our region. In 2014, ten years after joining the EU, Hungary had emerged from a financial crisis, economically strong and

experienced (Csugány and Kozák, 2018). However, society faced the following problems:

- the high unemployment rate among the youth,
- long-term unemployment,
- long-term unemployed individuals struggle to re-enter the labor market (Kawaguchi and Murao, 2014).

Citizens were attached to social relationships, reluctant to move, and had low mobility. Besides the emerging unemployment, the government also had to face the problem of labor shortages. An author of a Slovakian article suggested the creation of green jobs to address job creation and labor shortages (Klimko, 2015). In 2020, Poór and colleagues (2020) found that the pattern of labor shortages is the same across the V4 countries. The same positions are hard to fill with minimal differences and similar preferences and less popular training programs are observed (Onyusheva, 2022). If a company experiences labor shortages, even temporarily, the human resources department begins recruiting new employees using media tools and methods they consider effective. After recruitment, the selection activity follows. Various metrics measure active labor acquisition activities, including the effectiveness of recruitment, acceptance rates, and the number of unfilled positions (Carless, 2007). Even with recruitment methods that have come to the forefront today, such as psychometric selection procedures, it is possible to select employees who are professionally or morally unsuitable (Memon et al., 2018). Selection difficulties are not only encountered in physical jobs and more straightforward tasks. Among ENT residents, career abandonment is common. Badran and colleagues (2015) identified the most frequently cited triggering factors as follows: change in specialty (21.5%), interpersonal and communication skills with healthcare professionals (13.9%), clinical judgment (10.1%), poor performance (17%), and inefficient use of time (11.4%).

The examination of Chinese multinational companies led to the conclusion that a lack of alignment influences these companies' recruitment, selection, and retention processes. Managers and employees have differing opinions on the planned and actual HR practices and their perceived effectiveness (Nankervis, 2013). Considering the difficulties, it is not surprising that the outcome of the recruitment-selection process on an individual basis can be as follows:

- Suitable and ambitious employees for the position,
- Suitable but not ambitious employees for the position,
- Unsuitable but ambitious employees for the position,
- Unsuitable and not ambitious employees for the position.

Motivation plays a pivotal role in employee retention. The right motivational tool can help develop two key attributes: appropriate performance and loyalty to the employer. While the benefits and perks received from the company may contribute to appropriate performance, this is often an unconscious process. It is rare for an employee to explicitly state, "I received appropriate fringe benefits, so I am working diligently." In contrast, loyalty to the employer is a more conscious decision. Many factors influence employees to stay with the company and maintain a long-term working relationship, underscoring the importance of understanding and addressing employees' needs and preferences.

In our previous research a table of motivational factors for employee retention was created. At that time, we analyzed the labor markets of four countries. Our current study focuses on a small machinery company, so certain modifications were necessary. The new retention factors are summarized in **Figure 1**. We developed a  $5 \times 5$  criteria system, which can be grouped around specific keywords. These are as follows:

- Work-life balance
- Benefits
- Professional achievements
- Networking
- Physical and environmental needs

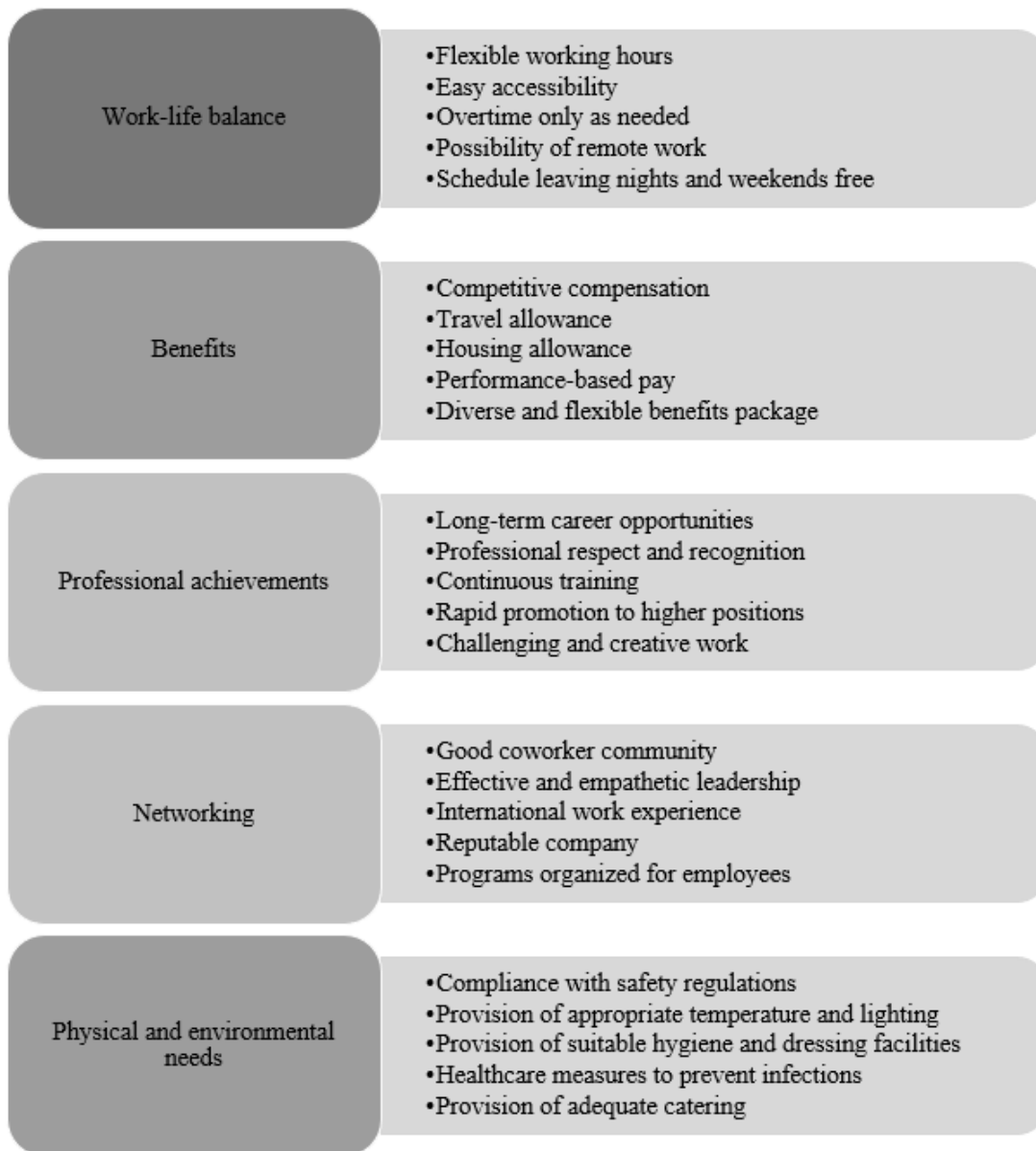
The factors within the groups are not equally important to employees; in fact, some elements may negatively correlate with performance or loyalty. The following sections provide explanations of the individual components of the retention factors.

There are two dimensions to work-life balance. On one hand, there is the conflict between work and family life, and on the other, the conflict between work and social roles. The first situation is related to age and family status. The intention of senior management and the attention of middle managers can help ensure that employees do not miss important events in their children's lives, are able to assist their aging parents and maintain healthy relationships with their partners. In terms of family life, the employee does not appear as an equal partner and requires positive discrimination. The situation is different with social roles; rationally thinking employees plan their consciously undertaken voluntary tasks based on possibilities and, if necessary, can assert their need for a changed work schedule (Sirgy et al., 2018). If the employee's needs are realistic and the employer acts with sufficient attention, it can lead to an improvement in quality of life (Bhende et al., 2020).

Good accessibility and shorter commutes are essential for employees' time management. While geographical conditions cannot be changed, employers can assist their employees in two ways. They can organize their own transport services or influence significant transportation companies to adjust their schedules. In the United States, a surprising correlation was discovered. An increase in the per-passenger operating costs of bus networks reduced employee turnover in the area (Faulk and Hicks, 2016).

It is important for employees to work overtime only when they have increased income needs and for their schedules to be predictable. Fewer conflicts occur in companies where communication is honest and two-sided. Managerial behavior should be authentic and proactive. This way, they can earn the trust of their employees and assign well-paying extra tasks to those who specifically request them (Soderberg and Romney, 2022).

The benefits of flexible working hours have been widely studied. A new and exciting perspective is the case of partners working flexible hours. Researchers believe that this factor can help align career and family needs. Utilizing flexible working hours has a positive impact on salary development. Unfortunately, this effect appears to be delayed for female employees, as they often have to prove their competence first (Langner, 2018).



**Figure 1.** Motivational factors for employee retention.

The coronavirus pandemic in the early 2020s brought the possibility of remote work to the forefront. Businesses transitioned relatively flexibly to working from home, and where feasible, they quickly developed appropriate performance evaluation methods. Employees grew fond of this method, and currently, they prefer a combination of working from home and in the office. Employers must consider that their employees might change jobs to achieve their preferred working arrangement (Jenei and Módosné, 2022).

The health-damaging effects of night shifts are apparent, as artificial light can cause behavioral, physiological, and hormonal disruptions (Lorraine et al., 2023). Despite this, special work schedules also have advantages. Collective spirit and cohesion increase during shared holidays, and good coworker relationships act as a retaining force.

In developed countries, the role of income in motivating employees is decreasing (Dudás, 2021). However, several factors must be taken into account. Many parents are

aware of the fact established by Olsen and colleagues (2023) that children's occupational ambitions positively correlate with family incomes. Even if they are content with modest living conditions themselves, high income and status become important from the perspective of their offspring.

Motivation solely by wages is typical, on the one hand, for qualified workers striving to acquire their own property and, on the other hand, for those without even vocational qualifications, who are prone to give up their loyalty and change jobs for minimal amounts (Mukoyama and Şahin, 2006; Peterson, 2019). This is especially characteristic during inflationary periods, as it can provide opportunities to prevent indebtedness. High wages are among the external motivational factors.

Both employees and employers favor benefit systems. The tax burden on fringe benefits is lower, which is characteristic not only of Hungary but of all countries worldwide (Turner, 2009). It is advantageous for employers because, due to lower taxes, they can provide more at a lower cost (Poór et al., 2013).

Labor mobility in Hungary is low. Citizens prefer to live in their own apartments rather than in rentals. This prevents them from securing better jobs in other parts of the country. Although complete flexibility cannot be achieved, housing and travel support can help in certain cases. According to the structural-bonus hypothesis, if production factors move from a low-productivity area to a high-productivity area, it promotes overall economic productivity growth (Dong et al., 2017). Fringe benefits are suitable for stimulating demand and keeping hospitality units alive during the recent pandemic (Túróczi, 2020).

Performance-based pay plays a crucial role in enhancing employee motivation and satisfaction. This system establishes a direct link between employees' performance and their rewards, thus encouraging them to achieve higher levels of work performance (Nyberg et al., 2016). Such a compensation model not only increases productivity but also helps align corporate goals with individual goals. Implementing performance-based pay is particularly important during periods when employee retention and motivation are critical. Employees appreciate when their efforts are appropriately rewarded, which, in the long run, increases their loyalty and commitment to the company (Chen et al., 2023). This reduces turnover and improves workplace morale, ultimately contributing to the overall success of the company.

Factors classified under professional successes include short- and long-term recognitions. Employees want to be aware of the level they can reach in the hierarchy (Gergely and Pierog, 2016). They do not wish to be stuck at a level where they no longer find challenges and crave continuous formal and informal appreciation; they want to develop their skills (Gelencsér et al., 2020). They prefer creative work over monotony. While some have greater ambition than others, it is clear that working without positive feedback is difficult.

Conscious employees have a specific idea about their long-term career path. In fortunate cases, such as in a multinational company, individual plans can be realized within the organization. Even today, a career spent with a single employer can still occur. However, the company's situation and individual characteristics can change over the years. Therefore, it is recommended that employees periodically rethink their career paths and consider changing jobs if they do not see suitable opportunities with their employer (Callanan et al., 2017; Hassan et al., 2022).

There is a need for both informal and formal appreciation from colleagues and leaders. Employees who receive regular praise are less likely to experience emotional exhaustion. Awards and certificates bring joy. There are three types of appreciation:

- Achievement-based social appreciation,
- Respect based on equality,
- Need-based care (Renger et al., 2020).

The lack of caring leadership can lead to depersonalization, and the absence of professional appreciation can lead to burnout (Renger et al., 2020). Recognitions are also necessary for SMEs. The Employee of the Week initiative and the associated small but tangible rewards can help retain employees who crave appreciation.

The need for continuous training is increasingly evident among today's employees. This training equips them with the necessary skills and knowledge to excel in their roles. If organizational resistance to training is observed, it means the trainer's approach, the subject matter, or the quality of the material is not suitable for the employee group in question. Employees in leadership positions particularly require regular training. Inadequate investment in leadership training, considering the interest, is linked to instances where information is not accessible or not uniformly and transparently distributed (Barrutia et al., 2014).

Promotion to a higher position is a critical milestone in a long-term career path. At this point, the employee no longer finds challenges in their current role. It is difficult to align corporate interests with individual ambitions. However, honest, two-way communication can bridge this gap, ensuring that individual ambitions are considered in the context of corporate interests. The Peter Principle, taught for over 50 years, refers to an organizational phenomenon where employees are promoted to positions for which they are not qualified (Karoliny and Poór, 2010). This is a topic of debate in organizational theory and management literature. Additionally, it must be noted that an employee's role significantly influences their perspective, which can vary depending on their placement within the organizational hierarchy (Kim, 2019).

No one disputes that scientific research and the creative activities of artists fall under creative work. Not everyone can engage in these activities, but creativity can be applied at almost every level. Using new tools and changing methods leads to more efficient work. In teamwork, homogeneous groups are more creative in their specific fields. However, the disadvantage of heterogeneous groups is mitigated by the fact that the entire company's operation is characterized by creativity and innovation (Tripathi and Ghosh, 2020).

As social beings, our lives are intertwined with various communities, from our childhood class to our family circle. Later in life, we find ourselves in the workplace, where relationships play a crucial role. The bond with colleagues is paramount, but aligning with leaders and their visions also carries significant long-term importance (Farkas et al., 2013). Constructive feedback can nurture personal relationships and positively impact employee job satisfaction (Szabó-Szentgróti et al., 2019). Maintaining connections with other companies and engaging with foreign clients prevents professional isolation. Indirectly, this category also includes employees speaking proudly about their workplace among friends or becoming closer through family programs.

A good work atmosphere and a suitable community are among the strongest retention factors. Ashraf (2019) found that at the studied company, retention becomes truly strong when the community of colleagues is accompanied by another motivational factor. Cooperation from superiors and a positive work atmosphere lead to job satisfaction. Similarly, career path fulfillment and the work atmosphere show a synergistic relationship, enhancing each other's effects.

For leaders, the most crucial quality is 'leadership,' closely followed by teamwork and self-management. In contrast, relationships and commitment, conflict and crisis management, negotiation skills, and resourcefulness are considered the least important for successfully completing tasks (Vlahov et al., 2019). Employees expect nothing more than for their leader to guide them, either with understanding or by appropriately setting goals when necessary. Good leadership stems from the leader's motivation and manifests in noble, virtuous behavior in practice. Virtue represents the connection between the individual and the common good (Newstead et al., 2021).

Intercultural relationships, long travels, foreign stays, and leisure activities with foreigners influence job motivation (Gül and Gökçe, 2020). The key is to proceed step by step (Spiess and Bruch, 2002).

Employees can be proud of their reputable employer, which operates as a modern company. A similar feeling can arise if the missions include preserving traditions. A company based on national characteristics can be just as appealing to its employees as one striving for international relations and multinational synergy (Pereira et al., 2021). Employees can feel comfortable in a family-like SME and a large organization with thousands of employees. Larger companies aim to be socially responsible and ethical according to their mission statements, support their community, respect and protect nature, the planet, and the environment, and demonstrate their commitment by offering sustainable business solutions to their clients (Bayrak, 2022).

Companies often organize balls, children's programs, sports days, and vacations. Their primary goals are to reduce labor risks, ensure succession, and increase commitment (Keavney, 2016). Thus, a fortunate situation arises where seemingly altruistic actions yield tangible long-term benefits (Bank, 2016).

Our questionnaire was not exclusively prepared for white-collar workers. It is important for all employees to return home healthy and maintain their physical condition after many years of activity. In the case of office work, this is mostly the individual's responsibility, but for physical activities, the employer's attitude also plays a role. A balanced work-life is essential for overall well-being.

Employers are legally required to comply with occupational safety regulations. Companies that do not adhere to these rules have low retention power. Inadequately conducted training sessions pose a risk of accidents. Moreover, accidents caused by mistakes can long-term diminish a company's ability to attract and retain workers (Colligan and Cohen, 2004). The management of workplace health and safety systems should not only be based on prescriptive principles and the detection of non-compliance but also on proactive principles, including examining how legal compliance affects daily performance (Salguero-Caparrós, 2020).

Workplaces where outdoor work is typically performed expose their employees to significant risks. Heatwaves, strong winds, snowstorms, and heavy rain are factors against which it is difficult to adequately protect with clothing (Xiang et al., 2014).



One breakthrough area of robotics could be addressing these issues. The climate in underground mines also does not promote health. In Poland, companies and research institutes are continuously involved in designing and manufacturing equipment to replace human labor (Bołoz and Biały, 2020).

Health is not merely the absence of disease but a state of complete physical, mental, and social well-being (WHO, 2023). The WHO definition of health refers to the presence of well-being and quality of life. Regarding performance and closely related job performance, it is essential to focus on the state of well-being and quality of life and the services provided by corporate social and hygiene facilities. Studies had already been conducted before the pandemic, highlighting the importance of hand hygiene and handwashing to prevent infections and workplace absences (Stedman-Smith et al., 2012). During the COVID-19 pandemic, employees had high expectations of management but did not excel in following the rules (Poór et al., 2021).

In recent years, health measures have become increasingly prominent thanks to the pandemic. It has become important for companies to retain lessons and best practices and integrate them into tacit knowledge. Today, if someone requires the use of protective equipment due to their health or caution, it should not be prohibited (Kawasumi et al., 2021). The regulation once protected the community, while prohibition would only serve corporate needs. An important concept in occupational health is personal hygiene, which includes the basics of a healthy lifestyle, from caring for the body and sensory organs to mental well-being. This holistic approach to health ensures that all aspects of well-being are considered in the workplace (Bíró, 2009).

In some workplaces, catering only means adequate breaks, while in others, it involves an industrial kitchen and dining area. New employees must be informed about the available options. Internal catering is becoming increasingly problematic due to the growing number of individuals with food intolerances and those who voluntarily choose free-from foods. It's crucial to provide multiple daily meal options at work, as this shows a responsible and caring attitude towards employees' health. This can be corrected by providing morning and lunch breaks at workplaces (Nagy and Sipos, 2010).

If a workplace consistently and appropriately provides employee retention factors, it is expected to increase employee performance and loyalty. In this publication, we have further developed the consequences and identified three main effects:

- Employees perform better out of gratitude.
- The likelihood of resignation and job change decreases.
- Commitment to the organization increases in terms of communication.

### **3. Methodology**

We have already mentioned several characteristics related to our quantitative research. Here, we supplement this with the necessary additional data. The machinery company we examined, located in a village near the Austrian-Hungarian border, employs 24 people. We conducted a comprehensive data collection at the company. The respondents answered questions related to benefits, performance, and loyalty; however, they were reluctant to answer certain questions in the demographic section. The provided demographic data can be seen in **Table 1**.

**Table 1.** Demographic data.

Gender [people]		Residential area [people]	
Male	18	Undisclosed	2
Female	0	Village	7
Other	4	Smaller town	5
Age [people]		Larger city	8
Undisclosed	2	Capital	0
18–29 years	2	Position [person]	
30–39 years	5	Undisclosed	3
40–49 years	9	Physical worker	15
50–59 years	0	Physical team leader	2
60 years or above	4	Office worker	2
Time spent at company [people]		Income [person]	
Undisclosed	9	Undisclosed	10
1–5 years	8	Much below average	1
6–10 years	2	Below average	2
11–15 years	2	Average	9
16–20 years	1	Above average	2
		Much above average	0

The respondents rated the retention factors and output elements on a scale of 0 to 10, but they also had the option to refuse to answer (without a numerical value). Thus, mathematically, the maximum average value is 10, the minimum is zero, and non-relevant elements were not considered. We asked them about the elements they received and their importance. The weighted average, i.e., satisfaction with each factor, was calculated using the following method.

$$\frac{\sum_{i=1}^{22} X_i \times y_i}{\sum_{i=1}^{22} y_i}$$

where  $x_i$  is the extent provided by the company and rated by the employee, and  $y_i$  is the importance of the given factor for the employee.

#### 4. Results

To evaluate all the factors, we compiled **Table 2**, in which we analyzed each factor’s characteristics, including how typical the benefit provided by the company is, how important the employee considers it from their own perspective, the difference between the expected and received benefits, and the level of satisfaction with the given benefit.

**Table 2.** Summary.

Benefits	How typical	How important	Differ-ence	Satisfac-tion
flexible working hours	7.19	6.77	−0.42	4.79
problem-free accessibility	7.43	7.32	−0.11	5.82

overtime only on demand	5.95	6.45	0.5	3.65
opportunity for remote work	3.06	2.57	-0.49	1.05
work schedule leaving weekends and nights free	6.15	6.75	0.6	4.77
competitive salary	4.95	6.15	1.2	3.17
travel allowance	5.68	6.56	0.87	3.88
housing allowance	2.31	3.4	1.09	0.97
performance-based pay	3.29	4.9	1.61	1.61
diverse, flexible benefit package	3	5.05	2.05	1.92
long-term career opportunity	4.58	5	0.42	2.83
professional recognition, appreciation	5.8	7.36	1.56	4.3
continuous training	3.72	4.81	1.09	1.89
rapid promotion, higher position	2.79	3.53	0.74	1.2
challenging, creative work	6.05	6.45	0.4	3.83
opportunity for gaining international work experience and networking	2.41	3.37	0.96	1.2
good coworker community	7.36	7.73	0.36	6.19
efficient and empathetic leadership	6.86	7.76	0.9	5.45
reputable company	6.22	6.84	0.62	3.44
programs organized for employees and their families	2.11	4.68	2.58	1.21
compliance with occupational safety regulations	6.55	7.45	0.91	5.16
ensuring appropriate temperature and lighting	5.1	6.36	1.27	3.65
providing proper hygiene and changing facilities	7	7	0	5.12
health measures to prevent infections	5.95	7.14	1.19	4
ensuring proper catering	3.65	6.05	2.4	2.78
work-life balance	60.83%	62.67%	1.85%	67.18%
compensation	41.79%	54.79%	12.99%	44.55%
recognition, career	49.75%	55.95%	6.20%	52.21%
relationships	54.56%	62.11%	7.55%	59.49%
physical conditions	56.93%	68.47%	11.54%	62.48%

Human resources professionals or the company leader have the opportunity to evaluate each number in every table individually. However, we only summarize the following. This can be seen in **Table 3**.

- The retention benefits are provided to employees to the fullest extent
- The most important retention benefits provided to employees
- The retention benefits most missed by employees
- The difference between needs and reality is that the most missed retention benefits

**Table 3.** Outstanding values.

<b>Most received by employees</b>	<b>Value</b>	<b>Causes the greatest satisfaction</b>	<b>Value</b>
problem-free accessibility	7.43	good coworker community	6.19
good coworker community	7.36	problem-free accessibility	5.82
flexible working hours	7.19	efficient and empathetic leadership	5.45

proper hygiene and changing facilities	7.00	compliance with occupational safety regulations	5.16
efficient and empathetic leadership	6.86	proper hygiene and changing facilities	5.12
Most desired by employees	7.76	Biggest shortcomings	2.58
efficient and empathetic leadership	7.73	programs organized for employees	2.40
good coworker community	7.45	ensuring proper catering	2.05
compliance with occupational safety regulations	7.36	diverse, flexible benefit package	1.61
professional recognition, appreciation	7.32	performance-based pay	1.56

The company management considers it important for employees to easily reach their workplace. It also places great emphasis on providing flexible working hours and proper dressing and hygiene facilities. The factors important to employees differ slightly from this. The most important factors are those not dependent on human decision, such as efficient and empathetic leadership and a good coworker community. Additionally, they highly value compliance with occupational safety regulations and professional recognition and appreciation. Overall, the factors causing the greatest satisfaction are a mix of received and expected elements. It is worth paying attention to the shortcomings and, if possible, addressing them. Metal industry workers greatly miss community-building events. The management should consider establishing more refined dining options as this is an urgent need. Employees feel the lack of performance-based pay and a diverse, flexible benefit package in terms of remuneration. Besides financial benefits, employees need formal and informal professional recognition, praise, and awards.

The 22 respondents were sufficient to evaluate the factors individually, but they were too few to establish a multi-factor regression leading to performance, commitment, and loyalty. In any case, we report that the values of the output factors at the given company are quite high:

- Higher performance provided by the employee out of gratitude—84%
- Decreased likelihood of resignation and job change—65.5%
- Communication loyalty—62.1%

## 5. Implications

The research has practical significance for both organizational management and employee well-being. The following findings are especially true if employees from larger companies also provide input. Understanding employees' opinions and implementing measures based on them can have four main effects.

- 1) **Improvement of Employee Performance:** Employees who perceive their employer's efforts to provide retention factors generally perform at a higher level. Organizations can leverage this relationship to increase productivity. For practical implementation, organizations should focus on comprehensive employee support programs that include both financial and non-financial incentives. For example, providing flexible working hours, opportunities for professional development, and a supportive work environment can motivate employees to perform better.
- 2) **Reduction of Turnover and Job Change:** The employer's consistent and adequate retention efforts significantly reduce the likelihood of employees

changing jobs. Organizations need to invest in understanding and meeting employees' needs and preferences to maintain a stable workforce. Regular feedback mechanisms, competitive compensation packages, and career development opportunities are essential. Additionally, fostering a sense of workplace security and belonging can reduce the risk of turnover.

- 3) **Increasing Organizational Commitment through Improved Communication:** Effective communication strategies are essential for strengthening employee loyalty and commitment. Organizations should prioritize transparent and open communication channels that enable two-way information exchange between management and employees. Regular meetings, employee surveys, and an open-door policy can increase trust and commitment. Additionally, promptly recognizing and addressing employee concerns can further enhance their dedication to the organization.
- 4) **Promoting Positive Perception and Attracting Talented Employees:** Satisfied employees tend to speak positively about their workplace on various platforms, including social media, professional networks, and personal connections. This positive perception can help attract competent and talented employees. Companies with a good reputation find it easier to attract talent, as job seekers often consider the opinions and experiences of current employees. Positive feedback increases the company's attractiveness, reducing recruitment costs and time.

So far, we have considered adapting to employee needs at a strategic level and aligned the expected results accordingly. However, management also includes a tactical level, where daily measures align with strategic concepts. Based on the identified needs, look at what tactical steps could aid in employee retention.

- Benefit and recognition programs tailored to employee needs can significantly improve job satisfaction and loyalty. For example, personalized career development plans, health and wellness programs, and measures to promote work-life balance can make employees feel valued.
- Leaders and managers are instrumental in fostering a culture of continuous improvement and innovation. Training programs focusing on developing leadership skills, particularly empathy, communication, and conflict management, can significantly contribute to a more supportive and productive work environment. Leaders need to be proactive in identifying and addressing potential issues, thereby fostering a culture of continuous improvement and innovation.
- Involving employees in decision-making processes and ensuring autonomy can increase job satisfaction and performance. Organizations should encourage a participatory management style and provide opportunities for employees to engage in initiatives. This approach not only enhances commitment but also leverages the diverse perspectives and skills of the workforce.
- The research underscores the criticality of adapting to the evolving needs of the workforce. In the face of increasing diversity and changing expectations, organizations must demonstrate flexibility and responsiveness. Introducing flexible work schedules, supporting remote work, and fostering an inclusive culture can be key to attracting and retaining top talent. Top of FormBottom of Form.

## 6. Conclusion

The main goal of the study was to examine the factors influencing employee retention in a small machinery enterprise in Hungary. Through quantitative analysis, we identified key elements contributing to employee satisfaction, performance, and loyalty. The results revealed that flexible working hours and easy accessibility to the workplace are extremely important for employees. At the same time, there was a significant demand for better performance-based pay and diverse, flexible benefits packages. Employees also expressed a need for both formal and informal professional recognition, such as praise and awards.

Effective communication strategies are the bedrock of bolstering employee loyalty and commitment. It is imperative for organizations to prioritize transparent and open communication channels that facilitate a two-way information exchange between management and employees. Our findings advocate for introducing flexible work schedules and remote work opportunities, which can significantly elevate employee satisfaction. Furthermore, implementing performance-based pay and diverse, flexible benefit packages can more effectively cater to employee needs. The establishment of formal recognition programs and the provision of regular, informal feedback can serve as potent tools to boost employee morale and mitigate emotional burnout.

Ensuring proper working conditions, including hygiene and safety measures, can further augment employee satisfaction and retention. Our study paves the way for future research, which should focus on larger sample sizes to establish more robust statistical analyses and regression models to examine the relationships between various retention factors and employee outcomes. Additionally, it would be invaluable to investigate the impact of specific retention strategies across different industries and organizational sizes to gain a more comprehensive understanding of best practices in employee retention.

By continuously adapting to the changing needs and expectations of the workforce, organizations can create a more attractive and supportive work environment, ultimately improving performance and reducing turnover. The study highlights the importance of personalized retention strategies and provides a foundation for further exploration of effective human resource management practices.

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