

## **FACTORS THAT PREDICT EMPLOYEE RETENTION IN PROFIT AND NOT-FOR-PROFIT ORGANIZATIONS**

**Sunia Fukofuka, PhD.**

Program Director of Online MBA and Distance Learning Center

Business Department

Adventist International Institute of Advanced Studies,

Lalaan 1, Silang 4118, Cavite, Philippines

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**ABSTRACT:** *Retention of talent is critical to maintaining a competitive advantage (Hatun, 2010). Therefore, understanding the factors that impact retention is necessary for all organizations (Brown & Yashioka, 2003; Sinha & Authour, 2012). In this study, a cross sectional survey design was used to understand how mission attachment, organizational commitment, and employee engagement predicts employee retention. The participants for this study come from employees of not- for -profit and for-profit organizations in Silang Area, Cavite, Philippines. Multiple regression analysis was used to establish the best predictive model from the above-mentioned variables and it was found that mission attachment, organizational commitment, and employee engagement predicts employee retention for both organization types. Recommendations based on the results will be discussed.*

**KEYWORDS:** Employee Retention, Profit, Not-For-Profit Organizations

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### **INTRODUCTION**

Critical to the survival and competitiveness of the organization is its ability to attract and retain talent. In a world where globalization has enabled organizations to head hunt talent from around the globe, it is essential that organizational leaders understand the factors that influences employees' willingness to stay within the organization (Brown & Yashioka, 2003; and Sinha & Authour, 2012). The reason is simple, people has always been the edge for the successful organization (see Messmer, et .al., 2008). As such, to be competitive, to be the top in the industry, organizations must figure out how to attract and retain its talent.

Unfortunately, retention of key employees is still a challenge today (see Veloso et. al., 2014). Factors such as excessive workload, job stress, accountability requirements and financial uncertainties have challenged both profit and non-profit organizations in their attempt to hold on to their skilled employees (McDonald as cited in Kim & Lee, 2005). Hence different constructs have been used in the literature in an attempt to understand retention better. Key to this study are the following constructs: employee engagement, organizational commitment, and mission attachment. Specifically, the focus of this study was to find out the ability of employee engagement, organizational commitment, and mission attachment to predict employee retention.

### **Organizational Commitment**

Organizational commitment is not a new construct and most in the literature subscribes to Allen and Meyer's (1990) definition that organizational commitment is the "psychological state that

binds the individuals' to the organization" (p. 14). Allen and Meyer (1990) theorized that organizational commitment has three dimensions: affective—commitment due to emotional attachment identification, and involvement with the organization; continuance—the employee being committed due to the organization because of the recognition that other options outside of the organization would be worse; and normative commitment—the commitment based on an obligation to the organization.

Curtis and Wright (2001) believe that organizational commitment is the first most important construct in terms of employee retention. Others also have argued that organizational commitment has a greater effect on employee retention than other constructs (see Slugoski, 2008 on job satisfaction and embeddedness). Regardless of how it is perceived, the literature is in agreement in that where employees' organizational commitment is high, the likelihood of retention is high. On the other hand, if the employee's organizational commitment is low, the likelihood of retention is low (Barling & Cooper, 2008).

*Hypothesis 1: There is a relationship between organizational commitment and retention*

### **Employee Engagement**

Kahn (1990) argued that employee engagement is the “harnessing of the organization members' selves to their work role in engagement as people employ and express themselves physically, cognitively, and emotionally during role performance” (p. 694). This means the employee going an extra mile in terms of their discretionary use of time, brainpower and energy (Fineman & Carter as cited in Schweyer, 2009, p. 4).

Implicit in the above definitions is the understanding that the primary purpose of engagement is perhaps not retention. When employees are engaged, they will perform better here is a distinction between employee engagement and organizational commitment—an employee can be committed to the organization and not be engaged. However, it is difficult for the opposite to be true, an employee engaged in the organization is likely to be committed to the organization. As such, although the primary purpose of employee engagement may not have been retention, the argument is—if an employee is engaged to the organization, the organization has a better chance of retaining that employee.

*Hypothesis 2: There is a relationship between employee engagement and employee retention*

### **Mission Attachment**

The mission statement of an organization is a declaration of the reason why organization exists as well as its purpose. Mission attachment therefore can be defined as the fit between employees and the organizational mission as observed in its mission statement (Brown & Yashioka, 2003). Mission attachment have been studied in terms of retention in not for profit organizations (see Kim & Lee, 2005; Brown & Yashioka, 2003; Rycraft, 1994) and these studies suggest that employees are tied to their organizations based on the fit between the employees and the organizational mission. In other words, employees are retained by the organization not so much because of benefits acquired from the organization but rather that the employees are attached to the mission of the organization. Therefore, it can be argued that if employees are attached to the mission of the organization, the organization has a better chance of retaining the employee

*Hypothesis 3: There is a relationship between mission attachment and employee retention.*

### **Employee Retention**

Employee retention is the ability of an organization to reduce the turnover of its organization. Sinott, Madison, and Pataki (2000) argues that an effective employee retention consists of a “systematic effort to create and foster an environment that encourages employees to remain employed by having policies and practices in place that address their diverse need” (p. 2). This means that organizations should be deliberate in their efforts to induce employees to be committed, attached, and embedded in the organization (Kyi, 2011). As such, the purpose of this study (as was stated above) is to find out whether organizational commitment, employee engagement, and mission attachment can predict employee retention. Further, for practitioner’s purpose, it is also important to find out which of organizational commitment, employee engagement, and mission attachment has the higher influence on employee retention.

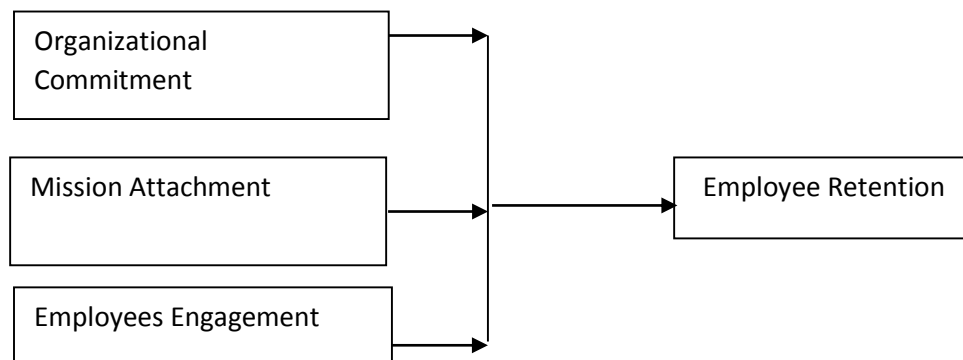
*Hypothesis 4: Organizational commitment, employee engagement, and mission attachment predict employee retention*

### **For-Profit and Not-for-Profit Organization Type**

In doing this study, the researchers decided to study the four constructs in terms of both for-profit and not-for-profit organizations. The purpose for doing this was to understand whether there is a difference between the constructs in terms of organizational purpose. For instance, organizational commitment may be better suited for for-profit organizations retention whereas mission attachment may be better suited for not-for-profit organizations. It is important to understand how these constructs play out in these two different types of organizations because developing of employee retention strategies should be deliberate and organizational context specific (Velooso et al., 2014). Therefore, the predictive model for these two types of organizations would be done separately to see whether there is a difference between the constructs in term of the organization type.

*Hypothesis 5: There is a difference between the predictive models of for-profit and not-for-profit organizations*

### **The Conceptual Framework**



## **METHODOLOGY**

The study was achieved using a survey research design. This design is appropriate when seeking out information regarding attitudes, opinions, preferences, feelings, and motives (Fraenkel&Wallen, 2007; Myers & Hansen, 2006). There are two types of survey research design: the longitudinal and the cross sectional survey design. The cross sectional survey design was considered appropriate because it is a one-time testing of the hypothesized model.

The target population of this study were employees of for-profit organizations and not-for-profit organizations within the Cavite districts. Convenience sampling was used to select the desired participants but purposive sampling was used to select the organizations that the participants would come from. In terms of the not-for-profit organizations, two not-for-profit organization were selected and 205 instruments were distributed. Of the 205 instruments, only 126 were received from the respondents indicating a 61% response rate. Of the for-profit organizations, 6 organizations were used and 232 instruments were distributed among them of which 188 respondents returned their questionnaires. Of that 188, 62 questionnaires were deemed unfit for analysis and was removed from the sample. Therefore, 126 respondents left for analysis. In observing the normality assumptions, 27 respondents' instruments were removed from the not-for-profit organizations and 25 respondents' instruments were removed from the for-profit organizations. Thus only 99 instruments were used for the not-for-profit and 101 instruments were used for the for-profit organizations. The following section will describe the results of the study.

In terms of analyzing the data, Pearson correlation was used to test Hypothesis 1, 2, and 3. Multiple regression was used to test hypothesis 4. Hypothesis 5 was answered by comparing the regression models for the for-profit and not-for-profit organizations.

## RESULTS AND DISCUSSIONS

This section will consist of the analysis of the hypothesis in terms of the two different organizational types and then hypothesis 5 will be a comparison of the two types of organization.

### Not-For-Profit Organizations

*Hypothesis 1: There is a relationship between organizational commitment and employee retention*

When testing hypothesis 1, it is found that organizational commitment is moderately related to employee retention ( $R = 0.288$ ,  $P = 0.004$ ) but is strongly related to mission attachment ( $R=0.557$ ,  $P=0.000$ ) and employee engagement ( $R=0.564$ ,  $P=0.000$ ). Therefore the research hypothesis was accepted that there is a relationship between organizational commitment and retention. Interestingly, organizational commitment is correlated stronger with employee engagement and mission attachment rather than employee retention.

*Hypothesis 2: There is a relationship between mission attachment and employee retention*

When testing hypothesis 2, it was found that mission attachment has a positive correlation with employee retention ( $R=0.396$ ,  $P=0.000$ ) but is strongly related to organizational commitment ( $R=0.557$ ,  $P=0.000$ ) and employees engagement ( $R=0.568$ ,  $P=0.000$ ). Therefore the research hypothesis was accepted that there is a relationship between mission attachment and employee retention. Interestingly, mission attachment is correlated stronger with employee engagement and organizational commitment rather than employee retention.

*Hypothesis 3: There is a relationship between employee engagement and employee retention*

When testing hypothesis 3, it is found that employee engagement and employee retention is not correlated ( $p = 0.290$ ). Therefore the research hypothesis was rejected such that employee engagement and employee retention is not correlated. Interestingly, employee engagement is correlated to organizational commitment ( $R=0.564$ ,  $p=0.000$ ) and mission attachment ( $R=0.568$ ,  $p=0.000$ ).

*Hypothesis 4: Organizational commitment, mission attachment, and employee engagement predicts employee retention*

When testing hypothesis 4, it was found that organizational commitment, mission attachment, and employee engagement predicts employee retention ( $p=0.000$ ). Mission attachment had the highest beta value ( $B=0.431$ ) followed by organizational commitment ( $B=0.183$ ) and Employee engagement ( $B=-0.241$ ). The adjusted r-square for this model is 17.2% which means that organizational commitment, mission attachment, and employee engagement explains 17.2% of the changes in employee retention. The regression model for the not-for-profit organization is as follows:

$$0.191 \text{ OC} + 0.415 \text{ MA} - 0.223 \text{ EE} + 1.646 = \text{ER}$$

**For-Profit Organization***Hypothesis 1: There is a relationship between organizational commitment and employee retention*

When testing hypothesis 1, it is found that organizational commitment is moderately related to employee retention ( $R = 0.474$ ,  $P = 0.000$ ) but is strongly related to mission attachment ( $R=0.741$ ,  $P=0.000$ ) and employee engagement ( $R=0.502$ ,  $P=0.000$ ). Therefore the research hypothesis was accepted that there is a relationship between organizational commitment and retention. Interestingly, organizational commitment is correlated stronger with employee engagement and mission attachment rather than employee retention.

*Hypothesis 2: There is a relationship between mission attachment and employee retention*

When testing hypothesis 2, it was found that mission attachment has a positive correlation with employee retention ( $R=0.443$ ,  $P=0.000$ ) but is strongly related to organizational commitment ( $R=0.741$ ,  $P=0.000$ ) and employees engagement ( $R=0.572$ ,  $P=0.000$ ). Therefore the research hypothesis was accepted that there is a relationship between mission attachment and employee retention. Interestingly, mission attachment is strongly correlated with employee engagement and organizational commitment rather than employee retention.

*Hypothesis 3: There is a relationship between employee engagement and employee retention*

When testing hypothesis 3, it is found that employee engagement and employee retention is not correlated ( $p = 0.351$ ). Therefore the research hypothesis was rejected such that employee engagement and employee retention is not correlated. Interestingly, employee engagement is correlated to organizational commitment ( $R=0.502$ ,  $p=0.000$ ) and mission attachment ( $R=0.572$ ,  $p=0.000$ ).

*Hypothesis 4: Organizational commitment, mission attachment, and employee engagement predicts employee retention*

When testing hypothesis 4, it was found that organizational commitment, mission attachment, and employee engagement predicts employee retention ( $p=0.000$ ). Organizational commitment had the highest beta value ( $B=0.408$ ) followed by mission attachment ( $B=0.271$ ) and Employee engagement ( $B=-0.312$ ). The adjusted r-square for this model is 28.3% which means that organizational commitment, mission attachment, and employee engagement explains 28.3% of the changes in employee retention. The regression model for the for-profit organization is as follows:  $0.432 \text{ OC} + 0.275 \text{ MA} - 0.322 \text{ EE} + 1.673 = \text{ER}$

### **Comparison of For-profit and Not-for-profit Organizations**

*Hypothesis 5: There is a difference between the predictive models of for-profit and not-for-profit organizations*

In comparing the two models, some similarities and differences should be observed. Employee engagement was not correlated to employee retention in both organization types. However, employee engagement was correlated strongly to organizational commitment and mission attachment. Furthermore, it is interesting to note that employee engagement on both the organization types have a negative coefficient.

There are two major differences between the two predictive models. First, in the not-for-profit organization, mission attachment is the highest predictor of retention where as in the for-profit organization, organizational commitment was the highest predictor of retention. Second, in terms of the coefficient of determination (r-square), the model explains the for-profit organization better (r-square = 28.3%) than the not-for-profit organization (r-square = 17.2%).

This has several implications. It means that workers in the not-for-profit sector are working not so much for the benefits attached in the job, but because of the fit between themselves and the mission. Further, the adjusted r-square of 17.2% is quite low and requires further study of other variables that are not included in this study such as employee spirituality.

### **CONCLUSION**

Organizational commitment, mission attachment, and employee engagement were found to be significant predictors of employee retention. Although all are significant, mission attachment is a better predictor for not-for-profit organization whereas organizational commitment is a better predictor for for-profit organizations. Furthermore, employee engagement was a significant predictor but when compared with the other two, was the lowest. Finally, both adjusted r-square for each type of organization was low.

### **RECOMMENDATION**

In light of the results of this study, it is recommended that:

1. A path analysis should be done on the relationships of the independent variables to each other given that employee engagement is correlated with organizational commitment and mission attachment but not with employee retention. This finding was the same for both organization type. Multiple regression is limited because it cannot measure the influence of the independent variables on each other.

2. Given the low values of the adjusted r-square, it is important that other variables be included in the study. For not-for-profit organizations, employee spirituality should be looked into and for for-profit organizations, Cohen's (2007) conceptualization of pre-entry commitment. This may improve the model's predictive ability.

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