

# Organisational Culture and Its Impact on Employee Retention: Evidence from the Private Tertiary Education Sector of Ghana

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## Abstract

The study investigates the influence of organisational culture on employee retention among private universities in Ghana. From the review of literature, it appears that the issue of culture in relation to employee retention has not been given much research efforts, especially among private universities in Ghana. The study adopts Handy's cultural model as limited efforts have been geared toward investigating the effect each of the four kinds of culture has on employee retention. Based on this, six hypotheses were developed and tested. To test for the various hypotheses, multiple regression technique was used. A total sample size of two hundred and sixty-three (263) was selected using the multistage sampling method. Findings from the study revealed that, out of the four pillars/kinds of culture, achievement culture and support culture had significant and positive effects on retention whilst power culture had a significant and negative effects on retention. Role culture had no significant effect on employee retention. The study recommends that, in order for private universities to retain their skilled employees, authorities and policy makers should increase the extent of achievement culture and support culture and minimize the extent of power culture with no regard to role culture.

**Keywords:** Organisational Culture, Support Culture, Power Culture, Role Culture, Achievement Culture, Employee Retention, Private Universities, Ghana

## 1. Introduction

The idea that organisations can be thought of as cultures, and that culture influences everything an organisation does, gained broad acceptance by managers, consultants and academics alike after the publication of Peters and Waterman's (1982) 'In Search of Excellence' (Brown, 1998). Culture is one of the important sources of competitive advantage and will always be as it affects organisational behaviour and performance either positively or negatively (McDermott & Sexton, 1998). According to Senior and Fleming (2006), organisational culture will continue to remain a source of competitive advantage as it has come to embrace much of what is included in the hidden part of the organisation and plays an important role in enhancing or hindering the process of change. Organisational researchers have addressed the relationship between cultures and the functioning of human groups (Wilkins & Ouchi 1983; Barney, 1986; Barley, Meyer & Gash, 1988; Saffold, 1988; Ott, 1989), but have seldom developed explicit theories of organisational culture (Seihl & Martin, 1990). Cole (2002) believes that the purpose and goals of the organisation initially trigger the kind of culture that the founders or their successors want to see (their vision). Organisational culture has a significant effect on employee morale and retention. It is not just about being a good employer, but about having an employee committed to the vision, mission and the strategy of the organisation, and possessing the will and means to make these a reality. Effective corporate culture therefore engages employees at the fundamental level and translates that engagement into high productivity.

Both research and practical observations of successful companies have established a direct link between strong corporate cultures and high employee commitment and retention (Denison, 2010; Schein, 2001). According to Brown (1998), the concept of organisational culture covers every aspect of an organisational life and affects everything an organisation does, but unfortunately has not been given the needed research effort as required. Looking through literature, it is evident that progress has been made in related areas such as organisational socialisation (Chatman, 2001; Van Maanen & Schein, 2002), organisational change (Kotter & Heskett, 2002; Schein, 2001), employee commitment (Hansen, 2001; Manuh, Gariba & Budu, 2007), organisational climate (Schneider, 2009), organisational leadership (Schein, 1992) but with few exceptions for example, O'Reilly (2008) suggests that little attention has been given to the issue of organisational culture in relation to retention. Again, one limitation of previous research is that organisational culture is regarded in general sense and little attention has been directed at differentiating between the different kinds of cultures within a functioning organisation (Hansen & Wernerfelt, 2009; Knowles, Michael, Morris, Chi-Yue, Yin-Yi & Hong, 2001).

Private universities of Ghana which contribute greatly to the training and development of the nation's human resources also face a great challenge in retaining valuable employees (Adams, 2010) and a study conducted by Price and Muller (2007) reveals that approximately 90% of academic staff usually leave one private university only to join the other. The increase in number of private universities might have come as a solution to the problem of the inability of public sector universities to admit all qualified applicants. The private sector universities however stand to lose their credibility and continuity if there is the lack of fit between their appropriate level of cultures and the values held by their employees.

It is in view of these that the present study focuses on using the structural model of organisational culture

developed by Harrison (1972) and modified by Handy (1985) to assess the culture of private universities in Ghana in order to determine the level of correspondence between their cultures as well as measure the influence each of the four kinds of culture has on employee retention among these private universities. The remaining parts of the study therefore capture the following: theoretical and empirical literature, methodology, data analyses, results, discussions, conclusions and implications of the study.

## 2. Literature Review

### 2.1. Theoretical Literature

Organisational culture is defined as a pattern of basic assumptions, invented, discovered or developed by a given group as it learns to cope with its problems of external adaptation and internal integration that have worked well enough to be considered valid and therefore is to be taught to new members as the correct way to perceive, think and feel in relation to those problems (Megginson, Mosley & Petri, 2006 Schein, 2001). Previous studies have identified different models of culture. Among the more prominent models is Handy's (1985) cultural model which identifies four kinds of organisational culture as: Power culture, Role culture, Achievement culture and Support culture.

*Power Culture* is a type of culture which is characterised by control and power emanating from the central leader and usually operates informally with few rules and procedures. Handy (1985) noted that this type of power suits the figurehead and can result in what Hofstede (1980) identified as power distance where there is high willingness on the part of less powerful individuals in a group to accept the unequal distribution of power without question and to regard it as normal. *Role Culture* is a type of culture which is characterised by bureaucracy as work is coordinated by a manager or small number of managers at the top. In this culture, roles are seen to be more important than the people who fill them and people have clearly delegated authorities within a highly defined structure. *Achievement Culture* is focused on the mission of the organisation and on completing the job. This engenders a strong sense of purpose in members which tend to override all other considerations. Priority is given to ends rather than means and individual expertise are highly valued. *Support Culture* is a type of culture which is consensual with limited management control. According to Schein (2001), support culture is one in which people contribute out of a sense of commitment and solidarity. Relationships are characterised by mutuality and trust and the organisation exists primarily to serve the needs of its members. In a support cultured organisations, individuals are expected to influence each other through examples and assistance.

### 2.2. Employee Retention

According to Griffeth and Hom (2001), retention refers to measures organisations take to encourage employees remain in their organisation for the maximum period of time. To them, highly skilled employees contribute a great deal towards the success of an organisation and hence organisations face lots of consequences when such key employees quit. Employee retention is also defined by Hom (2005) as a process in which employees are encouraged to remain loyal and stay with their organisations for the maximum period of time or until the completion of a particular project.

Understandably, the retention and further development of highly skilled employees is often the priority in terms of an organisation's retention strategy (Dibble 1999). Dibble (1999) suggests "If you think that it is hard to retain your employees now, be aware that in the future it will be worse" (p. 3). Therefore, such organisations may focus not only on high achievers at the present time, but also on those with the potential of becoming high achievers in the future. High potential employees are defined as those who are recognised by senior management as persons with the potential to fill executive functions within the organisation (Dries & Pepermans, 2008). The literature concerning high potential employees suggests that these employees have multiple characteristics - intelligence, team spirit, negotiation skills, social skills and proactivity (Lombardo & Eichinger, 2000; Snipes, 2005). These characteristics can therefore be seen as possible core characteristics of high potential employees. Research indicates that employees with high potentials, in general, have strong organisational commitment (Dries & Pepermans, 2008). This preference causes organisations to invest more in these high potential employees than in others.

Allen (2008) identifies three main methods employers can use to enhance the retention of their valuable employees for the maximum period without the employees showing the intention to leave the organisation. These are: Person-Environment (P-E) Fit, Person-Person (P-P) Fit and Perceptual Fit (PF). *Person-Environment Congruence* refers to a harmony between the personal values of the employee and corporate culture of the organisation in which he or she works. Someone with a high P-E congruence feels personally in tune with his company's stated policies and goals. Conversely, someone with a low P-E congruence feels a sense of disharmony between his own values and the stated policies and goals of his organisation. *Person - Person Congruence* measures the extent of solidarity between all members of the organisation (co-workers, colleagues, superiors and subordinates). An organisation with high P-P fit indicates a high sense of solidarity with one's co-workers, colleagues, superiors and subordinates in terms of shared values, assumptions and goals. A low P-P congruence

on the other hand indicates a high sense of isolation from co-workers, colleagues, superiors and subordinates brought about by the absence of shared values. *Perceptual Fit* measures the level to which the values an employee perceives the organisation to have corresponds to the values their co-workers perceive the organisation to have. A strong PF however suggests a strong correspondence between the values that an employee perceives his company to have (whether or not the company actually does) and the values that his co-workers perceive the company to have (again, whether or not it actually does). A weak PF on the other hand implies that an employee's perception of his company's values differs significantly from the values their co-workers perceive the organisation to have (Allen, 2008).

In line with the literature on the subject matter, the following hypotheses were developed and tested:

1. H1: Power culture will have a significant and negative effect on employee retention.
2. H2: Role culture will have a positive and significant effect on employee retention.
3. H3: Support culture will have a positive and significant effect on employee retention.
4. H4: Achievement culture will have a positive and significant effect on employee retention.
5. H5: Organisational culture will have a positive and significant effect on employee retention.

### **3. Methodology**

#### **3.1. Research Design**

The correlational cross sectional survey design is chosen for the study as it is believed to be the most suitable for this research because it seeks to establish relationships between and among a set of variables Lomax (2007). A cross sectional research offers the researcher an opportunity to gather a large amount of data at a given point in time (Osuola, 2001). Also according to Remenyi (1996), surveys offer the opportunity for researchers to collect relatively large quantities of data, which can be used for statistical analysis that is representative of the whole population.

#### **3.2. Research Population**

The total population for the study consists of all the academic and administrative staff of six privately owned religious universities in Ghana – Methodist University College Ghana (MUCG), Pentecost University College (PUC) and Central University College (CUC), Catholic University College of Ghana (CUCG), Islamic University College (IUC) and Valley View University (VUU). The accessible population comprised employees who have been with their university college for not less than two (2) years. This is because it is believed that such individuals have had enough experience in terms of the way of life of the members of the university and could therefore provide the needed relevant and reliable information to enhance the study. The study excluded the group of workers in the Sanitation and Grounds unit due to the nature of the questionnaires which required a high level of literacy to be able to understand and answer the questions which this category of persons may lack.

#### **3.3. Sample Size and Sampling Technique**

The study adopted the multi-stage sampling technique to select a sample size of 263 respondents out of an accessible population of 876. This is because a sample size of at least thirty percent (30%) of a population is enough to inspire confidence in data collected (Best & Khan, 1994; Blaikie, 2002). Based on this, the researchers selected a sample size of 30% from each institution. First, the simple random sampling is used to select six privately owned religious universities in Ghana. A Purposive sampling technique is further used to select employees who have been with their university for at least two years and the stratified proportional sampling is used to select the actual number of respondents from each of the universities under study.

#### **3.4. Research Instrument**

The study used the Organisational Culture assessment Tool (OCAT) by Harrison and Stoke's (1992) and the Employee Retention Instrument (ERI) by Stone, Lindsey and Liyanearachchi (2004) to collect primary data. These instruments were rated on a five-point likert scale ('1 = Strongly Disagreed through to 5 = Strongly Agreed'). Multiple Regression was used to analyse the questionnaires. All the research instruments were pre-tested on a similar group of the sample in order to eliminate irrelevant items and avoid issues of multicollinearity, autocorrelation and heteroscedasticity in the data collected.

**Table 1: Descriptive Statistics of Continuous Variables**

	N	Mean	Std. Deviation	Minimum	Maximum
Power culture	263	1.8556	.60773	1.00	4.00
Role culture	263	2.0486	.64555	1.00	4.00
Achievement culture	263	2.0833	.68064	1.00	4.00
Support culture	263	2.0479	.69410	1.00	5.00
Organisational culture	263	2.0089	.42613	1.08	3.42
Employee retention	263	2.1403	.70842	1.00	4.50

Source: *Fieldwork, 2015*

Table 2 illustrates the intercorrelations among the variables showing the nonexistence of multicollinearity in data collected using the correlations matrix.

**Table 2: Correlations Matrix Showing the non-existence of Multicollinearity between the Variables**

	Role Culture	Power Culture	Support Culture	Achievement Culture	Durbin-Watson
Correlations					
Role Culture	1.000				
Power Culture	.176	1.000			
Support Culture	.000	-.035	1.000		
Achievement Culture	-.261	-.363	-.376	1.000	1.819

**Table 3: Multiple Regression showing the effect of each of the Four Pillars of Culture on Employee Retention**

Model		Unstandardised Coefficients		Standardised Coefficients	T	P	F	R	R Square	Adjusted R Square	VIF
		B	Std. Error	Beta							
1	(Constant)	1.378	.261		5.271	.000	11.063	.500	.250	.228	
	Power Culture	-.181	.065	-.180	-2.790	.006					1.282
	Role Culture	.101	.057	.106	1.777	.077					1.111
	Achievement Culture	.339	.063	.377	5.399	.000					1.508
	Support Culture	.178	.056	.202	3.189	.002					1.238

Source: *Survey Data, 2015*

**Table 4: Multiple Regression Showing the impact of Organisational Culture and Employees' Demographic Data on Employee Retention**

Model		Unstandardised Coefficients		Standardised Coefficients	T	P	F	R	R Square	Adjusted R Square	VIF
		B	Std. Error	Beta							
1	Constant	1.031	.260		3.960	.000	11.027	.398	.158	.144	
	Organisational Culture	.579	.088	.403	6.574	.000					1.049

Source: *Survey Data, 2015*

#### 4. Discussion of Findings

Multiple regression analyses carried out to test the hypothesized relationships and effects between the different kinds of culture and employee retention are summarized in table 4.4. The results of the analyses show that

achievement culture ( $\beta = .377, p < 0.05$ ) and support culture ( $\beta = .202, p < 0.05$ ) have significant and positive effect on employee retention whilst power culture ( $\beta = -.180, p < 0.05$ ) showed a negative and significant effect on employee retention. However, role culture ( $\beta = .106, p > 0.05$ ) showed an insignificant relationship with retention, hence its effect cannot be accepted as reliable.

The findings of the study provide support for hypothesis H1 which posited negative and significant effect of power culture and employee retention. The findings also support H3 and H4 which posited that support culture and achievement culture respectively have positive and significant effects on employee retention. These results are consistent with the findings made by Cooke and Lafferty (2007) and Enz (2010) which proposed a significant but negative relationship between power culture and employee retention. Studies by Amacost (2004) and Gordon (2012) demonstrated that employee retention is positively and significantly affected by support culture and Barkman *et al.* (2002) and Greenwood *et al.* (2010) also demonstrated a positive and significant effect between achievement culture and employee retention.

Table 4.5 is a multiple regression model that shows the effect of the composite variable (organisational culture) on employee retention. The results of the analyses show that organisational culture ( $\beta = .403, p < 0.05$ ) shows a significant and positive effect on employee retention and this supports H5 which posited a significant and positive effect of organisational culture on employee retention. This finding is consistent with the findings of Allen (2008) which demonstrated a significant and positive effect between organisational culture and employee retention.

## 5. Conclusions Drawn

Several conclusions are drawn from the study and in each case, appropriate recommendations are made:

- Organisational culture contributes to the extent of variations in employee retention among private universities in Ghana (R Square = .156). That is organisational culture account for 15.6% of variations in the extent of employee retention among private universities.
- The issue of corporate culture plays a significant role in enhancing or hindering staff retention among private universities in Ghana.
- There were differences between the four kinds of organisational culture – power role, support and achievement cultures and each, except role culture have significant effect on employee retention among private universities in Ghana.
- Achievement culture and support culture have positive and significant influence on retention among private universities in Ghana with achievement culture having the greatest influence ( $\beta = .370$ ), followed by support culture ( $\beta = .200$ ).
- Though role culture have a positive relationship with employee retention among private universities in Ghana ( $\beta = .113$ ), it is not significant ( $p > .05$ ), making it unreliable in the private tertiary education sector.

## 6. Implications to Policy Makers

The study has implications to policy makers of various private universities in the following ways:

- The authorities and policy makers of private universities need to consider the issue of organisational culture as key factor that influences staff retention and hence include it when designing/developing the policy framework of their universities.
- Power culture has a significant and negative effect on employee retention among private universities in Ghana and this makes it necessary for authorities and policy makers of these institutions to take measures to minimize the extent of power culture within their universities.
- Based on the research findings, it is imperative for the authorities and policy makers of private universities to develop cultures that are well appreciated and consistent with the interest of the employees in order to gain their commitment and retain them for the maximum periods.

## 7. Implications to Practice

- A research that seeks to create an awareness of the levels of an organisation's culture is in relation to retaining key organisational members is important for managers, authorities and organisational leaders since one of their tasks is to ensure that the values and assumptions around which the culture grows are passed on to their staff.
- Managers also need to be aware of the effects of culture on their own work and values. This will enable them to suit the level of organisational effectiveness since they are in a position to bring about such changes in the culture around which the organisation grows.
- This research serves as a very useful document for the authorities and policy makers, especially those in private universities as it informs them about the influence of culture on staff retention. This will enable them to give a great deal of consideration to the cultural dynamics when developing the university's policy documents.

## 8. Implications to Future Researchers

Under this section, the researchers have given few suggestions to guide other researchers who may be motivated to conduct further studies on the subject matter based:

- Further researchers may also extend the issue beyond the borders of Ghana to find out whether economic conditions in other countries may also influence the findings in one way or the other.
- Further studies may examine the situation on state owned universities in Ghana as this current study focused solely on private universities. This would enable researchers find out whether or not the type of ownership would influence the findings in one way or the other.
- The study serves as a significant addition to the existing literature on the subject matter as well as a reference point to other researchers who wish to conduct further research on the subject matter.

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