

To Stay or Not To Stay: Can Organizational Culture Provide the Staying Power? Evidence from the Ghanaian Banking Sector

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Abstract

The study investigated the influence of organizational culture on employee retention using four (4) selected banks in the Ghanaian service industry. In addition, the researchers sought to find out the impact of four subcultures, namely; innovative, competitive, bureaucratic and community on employee retention. Predictive correlational research design was used to examine the problem in this study. A convenient sample of 301 participants from four (4) banks was involved in the study. Predictive correlational design was used to investigate the link between the variables in the study. Standard regression and hierarchical regression analysis was conducted to test the hypotheses in the study. It was observed that organizational culture significantly and positively predicted employee retention in the Ghanaian banking sector. The researchers also observed that, innovative culture significantly and positively predicted as well as accounted for the greatest amount of variance in employee retention. Consistent with the predominant culture, community culture was found to significantly and positively predict employee retention. In terms of variance, community culture accounted for 2.5% of the variance in employee retention. Bureaucratic culture was found to significantly and positively predict employee retention. However, competitive culture did not significantly predict employee retention in the banking sector of Ghana. The findings obtained in the Ghanaian Banking sector shows that organizational culture particularly one involving strong innovative, community and bureaucratic cultures were capable of making employees stay with their current organization than one with competitive culture.

Keywords: Organizational culture, Employee retention, Banking sector, Ghana

Introduction

Organizational culture is an important recipe for the encouragement or discouragement of behaviours in organizations. It is the glue that binds employees and organizations together. Acceptable behaviour such as intention to stay is among some positive behaviour all organizations expect the rank and file of its members to exhibit. Deal and Kennedy (1982) intimated that, organizational culture can increase or decrease employee retention rates in organizations because it affects the commitment levels of employees in organizations. When employees are excited about the culture of an organization, they tend to become emotionally and psychologically attached to that organization (Sathe, 1983). In this case, such employees are less likely to develop “slippery feet’s” because their whole being is comfortable with the organization in which they find themselves. This view was corroborated by gurus of organizational culture who intimated that, employees elect to commit their work-life to an organization psychologically and physically especially when the values of the organization are in alignment with theirs. Against this backdrop, we associate ourselves with the expression that organizational culture is the thread that holds employees and their organization together. Thus, culture is the most important hallmark of excellent companies (Peters & Waterman, 1999).

Objectives of the Study

- To find out the relationship between organizational culture and employee retention
- To determine the relationship and amount of variance in employee retention accounted for by components of organizational culture (innovative, competitive, bureaucratic and community)

Literature Review

Organizational culture

The concept of organizational culture has famously been the subject of enquiry by scholars in the field of organizational behaviour, social psychology, social anthropology and management (Scott, Mannion, Davis & Marshall, 2003) due to its unique role in moulding behaviours in organizations. Theoretically, the term organizational culture emerged from Pettigrew’s (1979) work with British private boarding school though it is also associated with earlier literature in the area of organizational analysis (Scott et al., 2003). The high interest in the culture variable has resulted in a plethora of definitions provided by researchers in the field (Ravasi & Schultz, 2006). For instance, Schein (2004) view organizational culture as the prevailing climate and practices developed by the organization which affects how people are managed or relates to the espoused values system of the organization. In addition, Hofstede (1998) define culture as the programming of the psychic of the rank and file of the organization in order to make them different from members of another organization. The central theme

running through these two definitions is that, culture reflects the value system, shared meaning and beliefs which holds members of an organization together or directs the behaviour of members in an organization (Aycan et al., 2000; Chow & Liu, 2009; Ngo & Loi, 2008; Ogbonna & Harris, 2002; Scott et al., 2003). Scholars have generally conceptualized organizational culture as a multidimensional construct with four main dimensions generally reported (Deshpande et al., 1996; Ogbonna & Harris, 2000). Together, the four dimensions measure organizational culture as a whole. The nomenclature of the organizational culture dimensions differ from author to author, however, Ogbonna and Harris (2000) christened the dimensions of organizational culture as: innovative, community, competitive, and bureaucratic cultures.

Employee Retention

Empirical research into employee retention which was informed by studies on high performance work systems started from the US, Europe, Asia and Australia (Accenture, 2001). Industrial and Organizational psychologist have always advanced that, employee retention is a cognitive thing in that employee's always evaluate their work situation and think of either leaving or staying. Thus, the term has been conceptualized as turnover intention or intention to leave. When intention to leave is high, it means there is low likelihood that the employee will stay while low intention to leave means that, there is high probability of the individual staying. In the view of Whitman (1999), an employee thought of voluntarily leaving his or her current organization is called turnover intention (cited in Delle, 2013). As indicated by Delle (2013), when individuals think of leaving an organization, all they are saying is that, "this is not the right place for me to work" (p.2). It is important to note that, our intention to leave or stay is influenced by several factors; organizational, situational and personality related factors. This study focused on organizational factor such as culture because we anticipate that through the culture, organizations can create an environment that is comfort-inducing, and homely and therefore capable of making employees feel that their workplace is their second home. Consequently, we view a favourable organizational culture as an important medicine for any negative intentions that employees may develop.

Relationship between Organizational Culture and Employee Retention

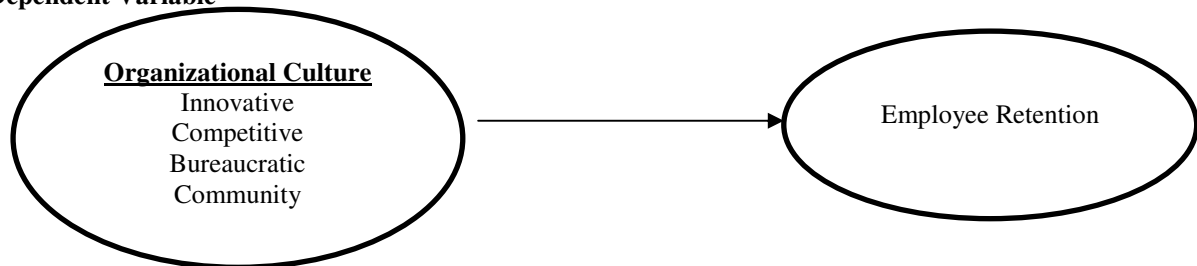
Although, a plethora of studies on employee retention exist, work on the link between organizational culture and employee retention is virtually non-existent. Capelli (2000) indicated that several factors directly affect employee retention in organizations. For instance, career opportunities, work environment, work-life balance, organizational justice, and existing leave policy and organization image have been cited as strong antecedents of employee retention (Cappelli, 2000). Similarly, Cole (2000) expressed the view that, the loyalty levels of employee's increases when they feel that they are valued; have sense of pride and opportunity to work to their full potential in the organization. In a similar vein, it has been reported that, management practices such as compensation and reward, job security, training and development, supervisor support culture, work environment and organizational justice significantly help in reducing employee absenteeism, retention and better quality of work life (Arthur, 1994; Delaney & Huselid, 1996; Meyer & Allen, 1991; Snell & Dean, 1992; Snell & Youndt, 1995; Solomon, 1992). Van Knippenberg (2000) indicated that employees become more loyal and tend to think of staying with their current organization when they feel that they are part of a family. This is consistent with the community culture concept advanced by Ogbonna and Harris (2000) that, when employees feel that they are part of a community, they tend to feel settled, comfortable and therefore want to continue to be part of that family. Despite the lack of direct empirical studies on the link between organizational culture and employee retention, commitment is a direct predictor of employee retention. Researchers have also reported significant relationships between organizational culture and commitment albeit in different settings. In a study of Hong Kong and Australian managers, Lok and Crawford (2004) found a positive effect of corporate culture on organizational commitment. Zain et al. (2009) examined the effect of four dimensions of corporate culture namely teamwork, communication, reward and recognition, and training and development on organizational commitment and found that all the four dimensions of corporate culture were important determinants of organizational commitment. While Mahmudah (2012) report a significant relationship between corporate culture and organizational commitment, research by Lahiry (1994) also showed a weak association between corporate culture and organizational commitment. In a study of six public accounting firms over a six year period, Sheridan (1992) found that organizational culture values varied significantly among these firms and these variations in cultural values had a significant effect on the rates at which newly hired college graduates voluntarily terminated employment. Sheridan (1992) also found that the relationship between the employee's job performance and their retention also varied significantly with the organizational culture values. He further emphasized that the effects of culture were stronger than the combined influence of the labour market, at the time of the study, and the college graduates demographic characteristics.

Statement of Hypotheses

- Organizational culture will significantly and positively predict employee retention
- Innovative and community cultures will account for a significant amount of variance and significantly

predict employee retention than competitive and bureaucratic cultures

Independent Variables
Dependent Variable



Methodology

Research design

Predictive correlational research design was utilized to determine the predictive relationship between the predictors (organizational culture and its dimensions) and the criterion (employee retention). This design was ideal for the study because the researchers sought to determine the relationship and amount of variance in employee retention accounted for by the predictors. The study was based on the quantitative approach because questionnaire was utilized to collect data.

Sample size and sampling technique

Non-probability sampling strategy was used in the study. The organizations and participants were selected conveniently. Three Hundred (300) participants were drawn from four different banks within the Greater Accra Metropolis. The sample size was justifiably adequate based on formula provided by Tabacknick and Fidell (1996) for determining sample size for regression analysis. According to them, for regression analysis, the sample size (N) should be $N > 50 + 8M$, where M is the number of predictors (independent variables). In this study there was one predictor, thus the sample size based on the formulae is 58. The sample was drawn from a cross section of the 4 banks that were selected for the study. Thus, managerial and non-managerial employees, male and female as well as employees of different organizational tenure were involved in the study. The distribution of participants along the various demographic factors is shown in **Table 1**.

Table 1: Demographic Characteristics of Respondents

Variables	Frequency	Percent (%)
Sex:		
Male	160	53.2
Female	141	46.8
Level of Education:		
DBS	25	8.3
HND	64	21.3
First Degree	153	50.8
Master's Degree	59	19.6
Organizational Tenure:		
5years and below	189	62.8
6 to 10 years	71	23.6
11 years and above	41	13.6
Managerial Status:		
Managerial	109	36.2
Non-manager	192	63.8

Total Number of Respondents (N=301)

Instrument

Questionnaire was used to collect relevant research data in the study. **Organizational culture** was measured using the scale by Ogbonna and Harris (2000). The scale contains four subcultures, namely; innovative culture, competitive culture, bureaucratic culture, and community culture. Organizational culture and each of the subcultures were found to be highly reliable in Ogbonna and Harris (2000) study. Each subculture had 4-items. The scale is anchored on a 7-point likert scale ranging from strongly agree (7) to strongly disagree (1).

Employee retention was measured using the 11-item scale developed by Kyndt, Dochy, Michielsen, and Moeyaert (2009). It has a reliability value 0.91. It is anchored on a 5-point likert scale ranging from strongly

agree (5) to strongly disagree (1). Sample items on the scale are “I’m planning on working for another company within a period of three years”, and “If I wanted to do another job or function, I would look first at the possibilities within this company”. Minimum and maximum scores on the scale ranged from 11 to 55 with low scores indicating low intention to stay and high scores suggesting high intention to stay.

Procedure

We sought permission from the Human Resource department of the organizations that took part in the study. Sample of the research instruments were submitted to the organizations to provide them with the opportunity to know the kind of information we are seeking from the employees of the organization. This was to enable the organizations make an informed decision. After permission was granted, we also sought the consent of participants. With respect to the participants, we made them know that participation in the study was voluntary. The questionnaire was administered by hand to all participants who agreed voluntarily to be part of the study. Three Hundred and Fifty (350) questionnaires were administered to employees in four different banks in the Greater Accra Metropolis. Out of this number, 301 fully completed questionnaires were retrieved and used for the analysis. Thus, a response rate of 86% ideal for quantitative analysis was obtained.

Pilot Study

Organizational culture and employee retention instruments were pre-tested to determine their suitability and appropriateness of the items in the Ghanaian setting. In addition, the reliability coefficients of the two instruments were determined. The two instruments were found to have reliability coefficient values above the acceptable threshold of 0.70 (Nunnally, 1978). The reliability values for the instruments were: Organizational culture ($\alpha=.716$), and employee retention ($\alpha=.70$). Because the researchers were interested in the extent to which each of the four culture dimensions related with retention, reliabilities coefficients were obtained for them. The reliability coefficient for the culture dimensions were: Innovative culture ($\alpha=.716$), competitive culture ($\alpha=.658$), community culture ($\alpha=.630$), and bureaucratic culture ($\alpha=.858$).

Results

The researchers conducted preliminary analyses to satisfy critical assumptions underlying regression analysis such as normality, linearity, homoscedasticity and outliers. The analyses performed showed that, there was no violation of the assumption of normality, linearity and homoscedasticity. However, some outliers (i.e. extremely high and low scores) were found and deleted. The hypotheses were tested using standard regression and hierarchical multiple regression.

Standard multiple regression test was used to test the predictive relationship between organizational culture and employee retention. The result is shown in **Table 2**.

Table 2

Standard Multiple Regression Analyses of Predictive Relationship between Organizational Culture and Employee Retention

Variable	β	SE β	β
Constant	27.603	1.765	
Organizational culture	.148	.022	.385***

*** p<.001

As shown in **Table 2**, organizational culture significantly and positively predicted employee retention ($\beta=.385$, $p=.000$). This implies that favourable organizational culture was associated with high intention to stay while unfavourable culture was associated with low intention to stay. The result also showed that, organizational culture accounted for 14.9% ($R^2=.149$) of the variance in employee retention. The model was also found to be significant [$F(1, 300)=45.997$, $p=.000$].

Hierarchical Multiple Regression test was used to determine the predictive relationship and amount of variance in employee retention accounted for by the four dimensions of organizational culture (innovative, competitive, bureaucratic and community). The result is shown in **Table 3**.

As shown in **Table 3**, community culture ($\beta=.159$, $p=.006$), innovative culture ($\beta=.410$, $p=.000$), and bureaucratic culture ($\beta=.179$, $p=.006$) significantly and positively predicted employee retention. This implies that, cultures that encourage and facilitate participation, team spirit, sense of oneness (i.e. community culture), allow autonomy, risk-taking, and creativity (innovative culture), policies that facilitate decision making, speedy discharge of duties and flexible procedures will glue the employees to the organization than when the opposite is perceived. However, competitive culture ($\beta=.096$, $p=.159$) did not significantly predict. In terms of contribution to employee retention, significant differences were observed. Innovative culture accounted for more variance in employee retention (15.8%) than community (2.5%), bureaucratic (2%) and competitive (.1%).

Table 3
Hierarchical Multiple Regression Analysis Result of the Predictive Relationship between Dimensions of Organizational culture and Employee Retention

	β	SE β	β
Model 1			
Constant	37.701	.941	
Community culture	.110	.040	.159**
Model 2			
Constant	28.608	1.474	
Community culture	.041	0.037	.060
Innovative culture	.505	0.066	.410**
Model 3			
Constant	27.044	1.842	
Community culture	.040	0.037	.058
Innovative culture	.332	0.149	.350**
Competitive culture	.143	0.101	.096
Model 4			
Constant	25.247	1.934	
Community culture	-.003	0.040	.005
Innovative culture	.414	0.084	.337**
Competitive culture	.044	0.106	.029
Bureaucratic culture	.239	0.086	.179**

$R^2=.025, .184, .189$ & $.210$ for step 1, 2, 3 & 4 respectively, $\Delta R^2=.025, .158, .005,$ & $.020$ for step 1, 2, 3 & 4 respectively. ** $p<.001$

Discussion

Organizations desire that they keep all their talents because the success of the organization now and in the future is built around the human resource. However, people do not just stay in an organization, but something must make them want to stay. The researchers sought to determine the extent to which organizational culture and its four dimensions predicted employee retention in the Ghanaian banking industry. As expected, the view that organizational culture will significantly and positively predict employee retention was supported by the outcome of the study. This finding is consistent with previous findings (Cole, 2000; Capelli, 2000; Ogbonna & Harris, 2000; Sheridan, 1992). Indeed, we found this outcome not surprising because organizational culture provides the social and mental glue which facilitates the development of affection for one's organization and the people one works with on daily basis.

With regards to the dimensions of organizational culture, it was observed that, three out of the four significantly and positively predicted employee retention in the Ghanaian banking sector. Specifically, innovative, community and bureaucratic cultures were found to relate significantly with employee retention with only competitive culture not producing significant predictive link. This result is consistent with previous outcomes (Cole, 2000; Hofstede, 1981; Ogbonna & Harris, 2000). This outcome is not surprising because it largely reflects practices in the banking industry in Ghana as well as the natural cultural values of Ghana. Innovation is something that leadership of organizations encourage because it is the main driver of novelty. Thus, such cultures encourage risk-taking, creativity, entrepreneurial spirit, and autonomy in all aspects of the organization. Similarly, the creation of workplace ambience reflective of the national culture of countries is a major reinforcer of positive workplace behaviours such as intention to stay. Consistent with the Ghanaian predominant cultural values, community culture was found to significantly predict employee retention. This outcome is in alignment with the view that organizations provide an important supportive system such as supervisor support and serene workplace environment which provides an important social and mental bond between the employee and the organization (Cole, 2000; Hofstede, 1981). Similarly, adherence to organizational procedures and policies was also found to provide a facilitating role in employee retention in banks in Ghana. This, the researchers believe was important for ensuring orderliness and elimination of ambiguity in the discharge of organizational assignments and decision making. Competition was not found as a significant predictor of employee retention in the Ghanaian banking sector. This kind of culture in the opinion of the researchers and Hofstede (1981) is in disagreement with the culture of collectivism which is the hallmark of Ghanaians. Thus, competition among employees will constitute a deviation from cultural values Ghanaians have internalized through the process of socialization and upbringing.

Implication for Practice

The outcome of the present study has significant implications for organizations. Specifically, it is abundantly clear that, culture has a significant effect on employee intention to stay with their organization. Thus, it is important that organizations develop cultures that have the propensity to glue employees to their organization or at best make employees develop positive social and mental feelings towards their organizations. It is also imperative that, managers/leaders of organizations especially in the banking industry of Ghana, commit themselves to creating, enhancing and maintaining innovative and bureaucratic cultures as such cultures have the capacity to keep employees in their organization. Thus, cultures that foster independence, risk-taking, creativity, adherence to work rules and regulations and also facilitate work should be encouraged in organizations.

Recommendation for Future Studies

The researchers are of the greatest conviction that further exploration of the culture-employee retention link in other settings of the Ghanaian business environment would strengthen the current empirical findings. In particular, using sectors like the manufacturing, extractive and educational sectors in future studies is highly recommended as this would help provide empirical evidence of the enormous influence culture has on employee retention in different sectors of an economy. In addition, the need to explore moderators and mediators of culture-employee retention relationship should also be considered in future research. Variables such as level of education, managerial status and organizational tenure, personality variables such as cynicism can be considered as moderators in future studies. Finally, the extent to which job satisfaction and organizational commitment mediated the relationship between culture and employee retention should be considered in future studies.

Conclusion

When employees stay with an organization, it enhances the image of the organization. On the other hand when employees leave, it affects the image of the organization and also brings cost to the organization as they have to spend money recruiting new ones. However, employees do not just stay as their decision to stay is influenced significantly by a number of factors. The present study revealed that one organizational factor responsible for employee retention is organizational culture. Specifically, organizational culture was found to significantly influence employee retention in organizations. Similarly, innovative and bureaucratic cultures were found to significantly influence employee retention in the Ghanaian banking sector. We subscribe to the view that, organizational culture serves as the binding glue for bridging the gaps between the employee and the organization; it makes people develop strong affective bonds and connection so that they feel that their organization is their second home. When organizational culture is able to make employees see their organizations as their second home then, they are more likely to think of being part of the organization for life. Thus, organizational culture particularly one with strong innovative, community and bureaucratic cultures were found to provide the glue which ensured that employees stayed with their current organizations than competitive culture in the Ghanaian banking sector.

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