

6-24-2015

# Employee retention using non-financial means in a nonprofit: Recommendations for Oaklawn Academy

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Employee Retention Using Non-Financial Means in a Nonprofit: Recommendations for Oaklawn

Academy

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Capstone II - 2015NTUNMBA532MBAL090022

June 24, 2015

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Academy

**Executive Summary**

**The Research Problem and its Context within Oaklawn Academy and other Nonprofit  
Organizations**

This paper seeks to address the following research question: what are alternative and non-financial incentives that are strategic and effective for use in key employee attraction and retention in a nonprofit organization? This question was researched within the context of a specific organization, Oaklawn Academy, a nonprofit boarding school with the mission of forming Christian leaders from around the world. It focused on the salaried positions such as administration, residential staff, and teachers. The research also used additional, similar nonprofit primary sources from the geographic area surrounding Oaklawn.

Attracting and retaining key talent is a strategic aspect of any successful organization. Organizations that attract stronger talent have a better chance at success because of higher work quality and better service. While there are a variety of types and sizes of nonprofits, they are no exception to the need for attracting and retaining talent. In addition nonprofits often have low retention rates and some cannot attract the strongest candidates. This is due to comparatively lower salary offers for similar jobs than other larger, more profitable companies have.

Nonprofits are notorious for low pay and demanding working conditions. Rather than have a traditional bottom line of financial growth or stock price. Nonprofits focus on their mission as their bottom line. Financial incentives are then only a means to push the mission of

the organization. These organizations are often restricted by organizational policy, lack of funds, and their customer demographic, all of which contribute to a lower financial reward to those working for these organizations.

This shows the strategic importance of using non-financial incentives to attract and retain employees. While any organization can greatly benefit from using these means, a nonprofit organization in particular can rely on them and put them in place in order to further help to retain the best employees when available financial incentives are not enough.

### **Research Method Used to Gather Data on Non-financial Incentives and the Organization**

A qualitative method was used to gather the primary data. This consisted of six interviews, three of which were done with directive staff and middle management of Oaklawn Academy, and the other three were done with key talent management in three local nonprofit organizations. The interviews with the primary sources were with a Corporate Talent Recruiter from Goodwill Industries of Southwest Wisconsin, the recently retired CEO of the Builders Association of Wisconsin, and the Vice President and Chief Operating Officer of the Boys and Girls Club of Dane County.

The interview consisted of ten set questions regarding retention methods that worked in the organization and in the subject's personal experience with nonprofit organizations. The set questions were emailed to all participants as soon as a meeting was arranged. Whenever possible the interview was done in person, and then the conclusions were emailed to the participants for a final check of the facts.

The facts regarding retention within Oaklawn Academy came from the three interviews of the directive staff of the organization, informal conversations with the employees from the

organization, and personal experience lived by the author during seven years of working within the organization.

This qualitative review was based off of a review of literature relating to retention means using search terms such as nonprofit, retention, non-financial means for retention, and retention in nonprofits. Various scholarly articles on the subject were reviewed and several key business study findings were used to write the questions for researching possible solutions to a strategic opportunity for Oaklawn Academy and other similar nonprofits to address turnover of key staff.

### **Conclusions, Recommendations, and Key Elements of Evidence**

The emphasis of the research is placed on attraction and retention of key staff since in any business those are the most important members to retain. In the case of Oaklawn Academy retention overall is not a problem, in fact there is only a ten percent turnover rate at the school in all departments, much lower than the national average of seventeen percent turnover in nonprofits. The residential staff has a much higher turnover averaging three years for the salaried staff and one year for the volunteer program. Since these positions are key to the mission accomplishment of the organization, it is important to address possible solutions in this area.

The school is doing many things correctly as far as attraction and retention of employees. At the same time there are recommendations for improvements that can and should be made by the school. This paper addresses some of the issues faced by the school and makes a recommendation of seven means that can be put in place to improve retention rates of key employees, especially those that are strategic for the school to keep but who require higher salaries than are feasible for the organization.

### Author Note

Acknowledgement: The author would like to thank his wife for standing by him with constant support, advice, and help during this long period of study. He would like to dedicate this paper to his three children: Thomas, Patrick (born at the beginning of this journey), and Maximilian (our blessing who passed away at the end of this journey). You all are my greatest joy and the goal for which I did all of this.

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## **Chapter I: Introduction and Overview of the Research Project Including an Initial Analysis of Oaklawn Academy**

### **Introduction**

It is essential for the success of an organization that it attracts and retains the highest skill and talent possible in order to fulfill its strategy and mission. Human resources are the most valuable asset an organization possesses, and it is important for an organization that wants to succeed and excel to manage their human talent wisely (Mello, 2011, p1). Effective compensation policies, both financial and non-financial, are an important aspect of effective management of employees. Every business needs to understand and use alternative, non-financial compensation practices in order to retain their employees.

This is especially true in the case of nonprofit organizations. While the bottom line usually refers to financial gain as the final objective of an organization, nonprofit organizations often consider the mission of the organization to be their bottom line or final objective. Since the focus is not on financial gain, these organizations more often lack sufficient resources to pay their employees competitively and need to find alternative means to retain employees.

### **Overview of the Research Project**

This research project attempts to discover the most appropriate non-financial means for employee retention in nonprofits. While attraction of employees is very different than retention, some of the methods of retention are also helpful to attract employees. Thus the research will also take into account some aspects of employee attraction in nonprofits using the same non-financial means.

With so many nonprofits in existence, this information will be beneficial to a great number of organizations. Much of the research has already been done on the subject so the primary source of information was taken from scholarly and business literature. Additional information was gathered from a focus organization, Oaklawn Academy. This information was then compared to the experiences and methods of other similar nonprofits in the geographic area of Oaklawn. The information from both the focus organization and three similar nonprofit organizations was gathered through the use of a qualitative method, a personal interview (see appendix A for the interview). Finally, conclusions and suggestions are offered to help Oaklawn Academy improve its employee retention and attraction methods.

### **Description of the Focus Organization and Nonprofit Industry**

**Oaklawn Academy.** Oaklawn is an English language academy for middle school boys. It is a nonprofit run by the religious organization, the Legionaries of Christ. The school provides a one-year boarding program for an average of 130 students each year. Most of these students come from various countries in South America with a few also coming from Europe or Asia. Since the school is a one-year program, each school year there is an entirely new set of students who share similar age, background, and social characteristics but who also have their own unique circumstances.

The parents of these students are often very wealthy. Some of the parents are influential business owners or politicians; and so, they can afford an expensive and exciting, full time boarding experience with many athletic options, organized events, and cultural opportunities, including trips to Europe and around the United States.

It is important to note that Oaklawn is a Roman Catholic school and is affiliated with five other boarding schools around the world. These schools are under the supervised direction of Oak International. They are also run by the Legionaries of Christ, and are part of a huge conglomerate of nonprofit organizations, affiliations, schools, and apostolates run by this religious organization.

School staff is comprised of teachers, residential monitors, administration, maintenance, janitors, kitchen staff, laundry workers, and leadership. The school currently employs slightly more than 60 staff members. Every year an average of twelve of these employees are full time volunteers, both religious and lay personnel. Compensation at the school for non-volunteer employees remains slightly above Catholic private school averages, but still below public school salaries, and below similar work in most other sectors (Javier Valenzuela, personal communication, May 27, 2015). The school relies heavily on its volunteer employees to keep salary costs low.

The past five years have seen lower application rates and increased expenses for the Oak International boarding schools around the world. Some of the responses to decreasing enrollment have been staff reductions, salary freezes, and a focus on streamlining use of resources.

Services offered by Oaklawn Academy. The primary service offered by Oaklawn Academy is a year-long boarding school program for students who are interested in learning English and wish to have a fully Catholic experience. By the end of one school year a student is expected to speak fluent English and to excel on his TOEFL exam. Besides full immersion into the English language, the school offers a form of character development trademarked as Integral

Formation. Integral Formation consists of character development in three key areas: spiritual, intellectual, and human.

Part of the boarding school experience consists in offering evening and weekend activities that would normally be taken care of by parents at a day school. These activities vary from relaxation, to athletics, to parties and get-togethers. Soccer, basketball, and cross country are the three main competitive sports offered to the students. Weekend trips include visits to Madison, the Wisconsin Dells, Milwaukee, and Chicago for recreational activities.

The school offers additional vacation trips for the students including a cultural visit to Rome, Italy for ten days, and a trip to Washington, D.C. for eight days. Students can qualify for various other trips such as a trip to the Mall of America, a camping trip in northern Michigan, Disney World, Boston, sports tournaments, athletic outings, and professional sports games.

One of the core competency aspects that set Oaklawn Academy apart from other boarding schools is its emphasis on spiritual development. Students are required to attend Mass most days during the school year. Confessions, processions, pilgrimages, and other religious activities are offered periodically. The chance to speak personally with a priest, religious brother, and the school deans for spiritual guidance and character development is offered to every student at least monthly. Students are encouraged to develop goals for personal spiritual development and are given daily character development talks regarding virtues by their teachers, athletic coaches, mentors, and deans.

***Global business context, including competitors and supply chain.*** Oaklawn Academy recruits heavily from Mexico. The academy belongs to an extensive school system developed by the Legionaries of Christ in the early 1950's (Oak International Website, n.d.). This system is

currently the largest and most prestigious among Mexican middle schools. The school system has also spread to many other countries in South America and the Oak International boarding school are presented as the affiliated boarding schools offered as an extension of these day schools.

For the past 30 years this system has been very successful and the boarding schools have been at full capacity. Recently, other well-established boarding schools have exerted more pressure on this recruitment system. Parents now have better access to the school's competition through Internet recruitment sites. These parents now also have better access to and understanding of prices, products offered, and school prestige than they had in the past. No longer does the word of mouth and personal recruitment strategies alone work to fill the schools. This places Oaklawn Academy, and Oak International boarding schools in the position of having to market their product more and compete with many other boarding schools around the world. The schools have responded to this by improving facilities and product offerings as far as technology, sports, and experiences. For example, all classes are taught through the use of iPads and educational apps. The schools have also produced high quality promotional videos to market the exceptional experience of a student at one of the schools.

***Annual revenues.*** The financial data of Oaklawn is closely guarded and kept private. An inquiry to the directive staff of Oak International was not addressed. Some understanding of the financial system can be determined through data that is readily available. According to the Oak International Webpage (2014), tuition at Oaklawn Academy costs a student a minimum of \$39,000. There are other trips offered at additional expenses that total \$8,000. With a student body of 130, Oaklawn has an annual revenue of over six million dollars. The school also offers

an onsite shop where students can purchase supplies, food, spirit wear, and other necessities. In addition to the revenue from tuition and sales, Oaklawn sponsors various fundraisers and donor giving campaigns.

**The nonprofit sector.** Oaklawn Academy operates within the nonprofit sector. This is a large sector comprised of many different types of organizations including: education, healthcare, public/societal benefits, faith based services, human services, environmental initiatives, animal care, and international and foreign affairs organizations. Some of these organizations have a huge amount of assets and operate on a large scale while others provide services that are not highly rewarded or funded. Most nonprofits rely on volunteers and fundraising to help with expansion and operating costs.

The nonprofit sector is the third largest employment group in the United States with over 10 million employees. This is approximately 10% of the US workforce (Opportunity Knocks, 2010). Currently there is job growth across all subsectors. In 2009, only 19% of nonprofits were increasing staff sizes compared to 22% decreasing staff sizes. These numbers have been steadily increasing so that in 2014, 46% of nonprofits planned on increasing staff size while only 17% planned on decreasing it (Nonprofit HR, 2014). These numbers show increases in hiring practices and the vast amount of positions that are available in nonprofits in the United States.

According to Taylor (2010), careers in nonprofits require passion for the organization's mission and a genuine desire to contribute to helping others. Because nonprofits work toward their mission of solving a particular problem or generously helping a group of people, they often do not pay as high as other organizations, rely on volunteer work, and ask for long hours with demanding workloads. Working at a nonprofit often results in a rewarding life rather than

rewarding benefits. However, there are many non-financial options that can be provided by nonprofit organizations to increase the attractiveness for employees to join or remain committed to the organization

A typical career path in a nonprofit begins with internships and volunteer work. Many nonprofits rely on volunteers to share the heavy workload and there are opportunities to gain experience through these internship or volunteer positions. Midlevel employees tend to stay within the sector and often move from organization to organization. According to Nonprofit HR (2014), 48% of mid-level positions are filled by individuals coming from other similar nonprofit positions. A good example of this can be found in teachers. Teachers dedicate their careers to educating others. While a middle school teaching position can lead to lucrative positions such as school administration or higher education, some teachers find their purpose in remaining in lower grade levels and continue their entire careers without seeking career advancements.

Directors of departments or executive directors are often well paid. While not as highly compensated as executive directors in the private sector, they still are well compensated. Sometimes compensation of executive directors of nonprofits even comes under criticism for being overpaid compared to their midlevel employees and to the organization's image of charitable nonprofit work. Since 1994 the IRS has reserved the right to audit nonprofits and levy fines for officials who receive excessive salaries (Lublin, 2004). Executives at nonprofits may make a significant salary.

Retention continues to be an important topic for nonprofits. The rate of retention in nonprofits fluctuates: in 2008 it was at 21% but fell to below 16% in 2010 (Opportunity Knocks, 2012). In 2012 the turnover rate rose to 17% and then went back down to 16% (Nonprofit HR,

2014). In spite of the fact that the retention rate is below national averages, 37% of nonprofits state that retention is a problem for them. Competitive job offers, and dissatisfaction are among the top reasons employees leave (Opportunity Knocks, 2012). Nonprofit organizations cite the inability to pay competitively, inability to promote, and excessive workloads as the three major reasons for retention difficulties. In spite of the importance many nonprofits place on employee retention only 17% of them have a formal employee retention plan (Nonprofit HR, 2014).

### **Research Goals and Objectives**

The goals for this research were to find the information already gathered on the topic of retention, sift through the options and find the most effective and appropriate non-financial means that will be beneficial to a nonprofit organization. It was then the goal to compare this research to the specific situation at Oaklawn Academy in this area and, finally, to complete a recommendation that helped improve the retention and employee job satisfaction at Oaklawn.

### **The Problem for the Focus of the Capstone: Alternative Means for Employee Retention**

Some nonprofits, Oaklawn in particular, rely heavily on their employees to provide safe, outstanding service, but at the same time do not have enough resources to compensate these employees as well as other organizations. They depend on volunteers and under paid employees who are motivated more by the mission of the organization than by the salary and benefits (Brown & Yoshioka, 2013). However, this can lead to high employee turnover, dissatisfaction, and even lower quality of work ethic (Menefee & Murphy, 2004). There are other options that can be used to keep employee engagement high and turnover lower such as recognition, training, promotions, mission, and personal satisfaction (Opportunity Knocks, 2010).

**The problem question.** This research project sought to discover alternative and non-financial incentives that are strategic and effective for use in employee attraction and retention in a nonprofit setting. This question was asked within the specific organization, Oaklawn Academy, with the three other primary sources from local nonprofits: Goodwill, Boys and Girls Clubs of Dane County, and The Builders Association of Wisconsin. The problem question was asked to address the specific situation of the focus organization and make recommendations for improvements to employee retention among the key employees, especially those who work directly with the students, namely the teachers and residential staff.

**Key terms.** In order to better understand exactly what is meant by the key terms for this issue the following words are defined. These words mean the following for the purpose of this research.

***Nonprofit.*** A nonprofit is a special type of organization that has been organized to meet specific tax-exempt status and must benefit either the public, a specific group of individuals, or the membership of the nonprofit (Legal Zoom, n.d.).

***Retention.*** In broad terms, employee retention involves practices, strategies and programs that keep employees working at your company, with the focus being to retain the key employees (Manpower, n.d.).

***Incentives.*** Incentives are defined by Miriam Webster dictionary as: “something that encourages a person to do something or to work harder” (Merriam-Webster, n.d.).

***Non-financial incentives.*** For the purpose of this paper non-financial incentives are those incentives that motivate employees to stay in the organization but do not include a heavy

investment by the organization such as increase in base pay or bonuses. Some non-financial incentives such as training or a plaque will cost the organization a small financial investment.

**Reasons for selecting the issue and its strategic importance.** According to Porth (2011), strategic management is defined as: “a process of formulating, implementing, and evaluating cross-functional decisions that enable the organization to define and achieve its mission, and ultimately to create value” (p.3). Employee retention is a key aspect of strategic management because it helps the organization to better achieve its mission. Keeping key talent that has been trained and developed is strategic for the organization to better create the value that is needed by the organization.

It is important for the directors and managers of nonprofits to be leaders more than managers. Retention of employees through these alternative means is a leadership aspect that can impact management or directive staff. While it is usually considered a Human Resources responsibility, huge corporate studies have shown that management style affects employee retention (Gallop, 2014; Hay Group, 2014; Nonprofit HR, 2014; World at Work, 2012; Opportunity Knocks, 2010). Yes it is the responsibility of the Human Resources department to monitor and take care of employees but the way management leads ultimately makes an employee feel engaged, respected, and important. Understanding how to retain employees will help management and executive directors attain a higher rate of success and retain their key talent.

Sometimes the greatest barrier to an organization’s success is the level of talent the organization attracts and its high turnover of staff. Depending on the position and level of the employee, a single employee who leaves can greatly affect the organization through loss of

productivity, loss of effective work, time needed to wait for and train replacement staff, hiring costs, extra burdens on remaining staff, and its effect on employee morale. According to Scott, McMullen, and Royal (2012), employee turnover usually costs between 50% and 200% of an employee's annual salary.

Employee retention is a strategic method to improve results. Not only does it enable a company to choose more selectively who they want to keep (Smith & Rutigliano, 2002), but it also saves organizations a lot of money (Opportunity Knocks, 2012), and it gives them an edge in the struggle for talent that is so strong among companies (Scott et al., 2010).

Non-financial means to attract and retain employees is further strategic due to the fact that they help engage and commit key employees without a large amount of financial loss for the company. Organizations that have fewer financial means still need to keep their key employees. In fact it is even more important since they are not able to use financial rewards as generously, they need to find other means to retain employees. Reducing employee turnover trims operating costs, saves money, and is especially important for a nonprofit organization (Opportunity Knocks, 2010).

**The issue as it is strategic for Oaklawn Academy.** Oaklawn Academy relies heavily on its employees to keep its students safe and satisfied. With volunteer workers not taken into consideration Oaklawn had a very low turnover rate of 8% in the past year. Compared to the national averages of nonprofits of 16% (Nonprofit HR, 2014), this is exceptional. When volunteers are also considered then the school has a turnover rate of 18% among its staff. Volunteer turnover may not be an issue that can be solved since most volunteers have the intention of giving only one year of volunteer work. Retention of key staff remains an important

issue for the school. Because the school's compensation practices are sometimes a barrier to finding and retaining highly talented workers, it is strategically important for Oaklawn to continue using and to find other means to attract and retain its staff in order to keep the organization competitive in the future.

Being a small organization, a single vacant position puts additional stress on the remaining employees who often have to double up job responsibilities. In the past year the Academic Coordinator was let go, but no one was rehired to replace him. His key responsibilities were divided up among the teachers and administrative staff. This caused an excessive amount of additional work and stress for these staff members.

Since working with the boarding students requires a particular skill set that is difficult to find and often takes over a year of hands on experience to master, a departing employee brings down the level of service. Retaining employees for longer periods of time would help, not only avoid financial costs, but also keep the quality of work high.

The areas where retention is key for the school are in the employees who work directly with the students. These positions have a higher turnover rate with the average length of a paid dean being three years, with some leaving after only one year. Teachers as well have a huge impact when they leave. A lesson plan and way of working with the students takes time to learn and develop. Any employee leaving in this area causes significant financial costs and productivity costs to the school, even contributing to the lower numbers the school is experiencing.

### **Analysis of the Internal and External Context of the Issue**

**Strengths for the focus organization in regard to the issue.** Oaklawn has a strong mission statement that employees can identify with, has five workers who have 20 or more years of experience within the school, and has a number of current volunteers and hundreds of former volunteers. The current average length of employment for Oaklawn staff is currently 10.2 years. This means that Oaklawn has some very attractive means in place for workers to remain for many years.

Oaklawn also has many strengths to build on in the use of non-financial means for employee retention: it has a great mission that attracts people, it has a long history of success, it is situated on a beautiful property, the religious principles of respect for workers as individuals is already in place, and the educational setting demands training and ongoing employee improvement. All of these are key aspects that have been found, by both scholarly research and large consulting organizations, to affect employee retention (State of the American Workplace, 2014; Scott et al., 2012; Opportunity Knocks, 2010; Hay Group 2013; Dewhurst, Guthridge, & Mohr, 2009).

**Weaknesses for the focus organization in regard to the issue.** Including volunteers Oaklawn has high turnover rates among its staff who work directly with the students, has low financial means for compensation, has a few former employees who are bitter about their years of work and lack of compensation, and sometimes has difficulty filling key positions.

**Opportunities for the focus organization in regard to the issue.** There is already a large amount of research done on the subject of employee retention and non-financial incentives this presents an opportunity to compare data from large research organizations to the current situation of Oaklawn. Since non-financial means to retain employees is a strategic aspect of

running a nonprofit the fact that there are over 2.3 million nonprofits in the United States (Urban Institute, 2014), and over 10 million nonprofit workers, presents an opportunity to learn more about retention.

**Threats for the focus organization in regard to the issue.** Some threats that affect Oaklawn's retention are increasing living costs, especially health care costs. Oaklawn offers a high deductible health savings plan to its employees. With rising health care costs this can present a threat to workers being able to support their families with the financial situation of Oaklawn. Increased competition from other boarding schools continues to keep enrollment numbers low, causing lower profit and keeps less staff positions available. A further threat is the demanding workload that is placed on the young volunteers. Often internship volunteers are accepted immediately out of high school and have no previous work experience. Finally, Oaklawn is a small organization and does not have much room for career advancement opportunities so once an employee has improved their skills enough they move on.

### **The Issue of Employee Retention and the Triple Bottom Line**

Employees are the key stakeholders in the organization and should be treated as a key strategic goal. The better the employees are treated the greater they will affect the bottom line (Mackey & Sisodia, 2013). People want to be recognized and to be treated as important and to make a difference through their work. Compensation, whether financial or non-financial, helps show people that they are making a difference and that they do matter to the organization. Finding better ways to do this will help Oaklawn and other nonprofits retain their workers and treat their people better; this will affect the financial bottom line, the stakeholders in the organization, create better job satisfaction, and affect the community in a positive way.

Lower turnover will especially help keep salary and training costs down, it will also help to increase profitability of work. Decreasing employee turnover will make a significant difference on the financial situation of Oaklawn. Finding alternative, non-financial means to compensate employees can help reduce turnover and improve the effectiveness of an organization. Since nonprofits, such as Oaklawn, sometimes do not have large compensation packages to offer in order to attract and retain the quality of talent that they need to succeed, finding other options can have greater success for Oaklawn in retaining its employees.

### **Scope and Limitations**

The scope of this research project followed the proposed goals to find alternative means, specifically non-financial to use within a nonprofit organizational setting to retain employees. Additional focus was placed on attracting the right employees from the start using some of these means.

There are additional goals that could have been looked into, but would have gone beyond the scope of this research project. Organizational culture and its effect on employee retention, especially in a nonprofit organization such as Oaklawn Academy would be an excellent opportunity for an additional study. This research project address organizational culture in order to avoid becoming too generalized. It would also be beneficial to research more into the difference between paid employee retention and volunteer retention since the research and personal experiences of those interviewed indicated the importance of volunteers in a nonprofit organization, yet the difference in work attitudes and means to retain them.

The project focused solely on the non-financial means that could be used by the organization, Oaklawn Academy, and would be beneficial to the current situation of the

organization. It focused on seven recommendations. Additional information was collected and additional aspects could help the organization, but the recommendations remain focused on these seven aspects of non-financial retention.

## **Chapter II: Review of the Literature Regarding Non-Financial Retention**

In spite of the fact that turnover is such an important aspect of an organization, many managers still rely on gut instincts rather than proven research to keep their employees (Bryant & Allen, 2013). In fact, only 17% of nonprofits have an actual retention plan (Nonprofit HR, 2013). Top performers are essential to an organization and there is fierce competition to attract top performers world-wide (Yamamoto, 2011). At the same time, companies around the world are cutting back on financial incentive programs and are in need of alternative means to retain employees (Dewhurst, Guthridge, & Mohr, 2009). “A talent strategy that emphasizes the frequent use of the right nonfinancial motivators would benefit most companies in bleak times and fair” (Dewhurst et al., 2009, p.3).

### **Turnover is Costly**

Turnover sometimes has a positive effect on an organization when it is turnover of the lowest performance percentile (Smith & Rutigliano, 2002), but mostly turnover ends up having a negative effect on the organization (Yamamoto, 2011). It leads to work disruption, loss of organizational memory and talent, loss of productivity, and loss of employee morale.

No matter who leaves the company, the worst performer who is fired or the best performer who leaves for a more attractive offer, the effects of turnover are costly for a company. The cost of recruiting, selecting, and training a new employee often exceeds 100% of the annual compensations of that position (Bryant & Allen, 2013). In a survey of over 1,000 top Human Resource professionals and executives, 83% agree or strongly agree that turnover of key talent is very expensive (Scott, et al., 2012).

**Is Money the Only Motivator?**

Money is a strong motivator for retaining key talent, and in some cases is the principal reason for an employee voluntarily leaving (Scott et al., 2012). In a survey of employees leaving 58% stated dissatisfaction with pay and 37% dissatisfaction with benefits (Menafee & Murphy, 2004).

Dissatisfaction with pay or more competitive offers are often cited as primary reasons employees leave an organization, yet it is a poor indicator of individual intention to leave. Competing for talent on price alone is a poor retention strategy (Bryant & Allen, 2013). In fact it is not the most important driver of turnover. In the same survey mentioned above: 48% of employees leaving also cite dissatisfaction with management, 48% cite inadequate promotional opportunity, 44% inadequate opportunity for career-related skill development, 24% cite an uncomfortable work environment, and 23% cite conflict with their manager or a coworker (Menafee & Murphy, 2004). Dissatisfaction with management, career opportunities, and work environment place right up at the top with compensation strategies.

Nonprofits often rely on the mission as sufficient to overcome the pay deficiencies of their organization, but Brown and Yoshioka (2003), found that while positive attitudes toward the organization's mission was related to employee intention to remain with the organization, dissatisfaction with pay tended to override the intention to stay. Brown, Yoshioka, and Munoz (2004), found that while perceived salary deficiencies continue to be more important than mission attachment, mission attachment can be used as a strong tool to attract and retain employees. So, used together, a competitive pay and mission attachment, are effective means for retention.

In order to retain talent and reduce turnover, pay continues to be an important aspect no matter which way you look at it. Pay should be fair and competitive in order to attract and retain talent an organization wants, but it is not the only essential aspect of retention (Bryant & Allen, 2013; Scott et al., 2012).

Pay should be competitive and used alongside other means, “smart managers know that competing to retain top talent on price alone (higher pay and more benefits) is a losing strategy” (Bryant & Allen, 2013, p.174). When pay is competitive there are also other aspects or non-financial means that can be used to affect employee retention. These other motivators and incentives can be just as important or even more important than salary or financial benefits to retain employees. Dewhurst et al. (2009), found that three non-financial incentives are even more effective motivators than the three highest-rated financial incentives. The study found that praise from immediate managers, leadership attention, and a chance to lead projects or task forces were just as important and even more important than base pay, bonuses, and stocks.

Gallop (2013) also found that selecting the right employees, developing their strengths, and enhancing their wellbeing were the most important motivators for employee engagement, and employee engagement increased employee retention.

### **Engagement Effects on Turnover**

Gallop (2013) has undertaken extensive research for eight years, of over 25 million employees in 195 different countries. The organization has sought to find the key aspects leaders can do to improve employee engagement and performance. This information is presented in “The State of the American Workplace” (Gallop, 2013). Many of these findings about the impact of employee engagement show that there is a direct link between employee engagement and

employee retention. According to the research, engagement directly impacts nine key performance outcomes: customer ratings, profitability, productivity, turnover, safety incidents, theft, absenteeism, patient safety issues, and quality. Gallop (2013) shows that selecting the right people, developing employee strengths, and enhancing employee well being all affect employee engagement and thus turnover.

Gallop (2013) defines engaged employees as those who: work with passion and feel a profound connection to their company, drive innovation, and move the organization forward. The data shows that stronger engagement leads to better employee performance, including retention, much more than any other perk or incentive. In fact, workplace perks are no substitute for engagement.

Employee engagement relates more to organizational culture than employee retention, nevertheless, it is one of the key aspects for retaining employees, especially using non-financial means. According to Smith and Rutigliano (2002), tackling the problem of actively disengaged employees will usually decrease turnover. Gallop (2013) found that engaged workers come up with most of the world's innovative ideas, create most of a company's new customers, and have the most entrepreneurial energy while actively disengaged workers are costing the U.S. up to \$550 billion annually, and often seek other employment.

Turnover itself is "merely a symptom of other problems" (Smith & Rutigliano, 2002, p.4). The vast majority of U.S. workers are not reaching their full engagement potential leading to loss of productivity and huge costs to organizations. Gallop (2013) has found that actively focusing on employee strengths can practically eliminate employee disengagement and double the number of actively engaged workers.

**The Correct Question is “Who” not “How Many”**

A good retention rate in itself should not be the primary goal. The retention of key talent is more important than the retention of all talent. This top echelon of a company’s workforce is “difficult to find and expensive to replace, their retention and continued success is critical for sustaining and growing the bottom line” (Menafee & Murphy, 2004, p.13). According to a report from World at Work by Scott, et al. (2012), talent shortage is going to increase over the next decade. The Report defines key talent as, those employees who are, “the strongest performers, have high potential or are in critical jobs” (p.2). Competition for these employees will continue to increase, and 40% of these key employees will be looking for new jobs between 2012 and 2018. The report concludes that, “it is clear that the foremost challenge for management today is how to retain its key talent” (p.3).

Turnover is costly for an organization but turnover of key talent is even more costly in the long run. While the out of pocket costs for a poor producer versus a top producer may appear similar, the opportunity costs are enormously different. Losing top performers will have a much greater impact on the company mission and bottom line, while losing a poor performer may eventually improve the bottom line if they are replaced by higher performing workers (Smith & Rutigliano, 2002; Menafee & Murphy, 2004; Yamamoto, 2011).

More than half of the organizations surveyed by World at Work (Scott et al., 2012), have a clear definition of the criteria for key talent, and almost 60% have identified who these key talent workers are. Most of the organizations state that their efforts for retention are based on retention of key talent rather than the broader retention base and find that the most important retention method is to identify who the key talent is.

Smith and Rutigliano (2002), also show that it is important to use a clear and objective measure of productivity to identify key performance employees and determine the importance of keeping them. According to their research it is ideal to have the top 75% of performers to have zero turnover, and it is healthy to have higher turnover at the lower 10% of performers in order to find new key talent.

Finally, the five reasons that employees who fit the description of key talent give for voluntarily leaving for another job are: first, the opportunity to earn more pay elsewhere; second, lack of promotional opportunities; third, feelings that pay levels are unfair relative to others outside the organization; and tied for fourth place are dissatisfaction with work responsibilities and feelings that pay levels are unfair compared with employee's contribution (Scott et al., 2012).

The beneficial thing about focusing on retaining key employees or top performers is that, not only does this help the organization retain key talent, but also the retention plan can be easily replicated for lower levels of performance. Specifically non-financial methods can be put in place for all employees without necessarily increasing overall costs. A retention strategy geared toward an organization's top performers has been found to be just as affective for the retention of the general population of employees (Menaffe & Murphy, 2004).

### **Predictions for Future Employee Retention Rates and the Economy's Effect on Retention**

After analyzing global macroeconomic trends and forecasts and the opinion database of over 5.5 million employees worldwide, the Hay Group (2013) predicts that employee turnover will increase yearly until 2018. According to Scott et al. (2012) and the World at Work survey of over 1,000 midlevel or senior rewards professionals, an improving economy leads to lower

retention. In a weak economy employees work harder, have less incentive, and have increased pressure to perform, often leading to discontent and the desire to move on when these circumstances improve. The layoffs, expansion of job accountabilities, and constraints on reward programs lead to frustration, and as the economy improves and growth returns workers begin seeking better opportunities. According to the same survey, almost 50% of the human resources staff stated that as the economy improves they are not confident that they can retain key talent. Almost 70% stated that the retention of key talent is a major concern of senior management.

The Hay Group (2013), a consultation firm, predicts that by 2018 the global turnover average will reach over 23%, with some countries far exceeding this. If this prediction is true, in 2018, a total of 192 million employees worldwide will be leaving their organizations. In the increasingly globalization of organizations this represents an important prediction that should be taken into account by all managers.

### **Nonprofit Employee Retention**

Most nonprofits are organized differently than for-profit organizations, they do things their own way, and have mission specific goals so it is important to study retention specific questions from the nonprofit viewpoint. Two organizations have undertaken research on the topic of retention from the point of view of nonprofits. The organization, Opportunity Knocks (2010), sent surveys to 300 nonprofit organizations employing over 30,000 people, both in 2008 and in 2010. The Nonprofit HR (2014) group has undertaken a study of 413 nonprofits since 2007 and produces an annual report of the results.

According to this research, nonprofit organizations employ over 10.7 million people in the U.S. (Nonprofit Hr, 2014), or even closer to 13 million (Opportunity Knocks, 2010). This

represents over 10% of the nation's private workforce. Besides the people employed, nonprofits rely heavily on volunteers and their programs impact all of us in many ways.

Nonprofits are currently hiring more than in 2009, are letting fewer employees go, and show job growth across the entire sector. Hiring new staff to support new programs is increasing as well, which is important because in the past the trend has often been to add new programs to the workloads of already overworked staff members (Nonprofit HR, 2014).

According to Nonprofit HR (2014), one out of five nonprofit organizations claim that turnover is their biggest employment challenge, while Opportunity Knocks (2010) shows this number being higher at 37%. The retention rates at the end of 2013 were down to 16% (Nonprofit HR, 2014), but at the end of 2008 they were at 21% (Opportunity Knocks, 2010). The survey goes on to show that as the size of the organization increases the turnover percentage decreases, and that competitive job offers and dissatisfaction were the most often cited reasons for an employee to leave a position.

As can be expected, entry-level positions have the highest turnover rate and are the easiest to fill. Midlevel nonprofit professionals tend to stay within the sector, moving from organization to organization which can be seen from the fact that 48% of these positions are filled from other organizations (Nonprofit HR, 2014). Thus the number one competitor of a nonprofit as far as staff retention remains other nonprofits. The hardest positions to fill are experienced and executive positions, with many positions being open for more than 90 days.

The greatest retention challenges for nonprofits tend to be inability to pay competitively (32%), inability to promote or advance top performers (19%), and excessive workloads (16%). The positions hardest to retain are direct service positions, program support staff, and

fundraising/development. Human Resource professionals in these organizations claim that it is difficult to hire qualified staff with limited budgets, it is often difficult to find them, and it is difficult to find the time to recruit them. In fact, only 15% of nonprofit organizations surveyed have a formal annual recruitment budget, and with the average budget of only \$8,500 (Nonprofit HR, 2014).

In spite of the fact that retention is such an important topic for every organization, only 17% of the nonprofit organizations surveyed actually have a formal retention strategy, and only 33% have a formal succession plan in place (Nonprofit HR, 2014).

### **Volunteers vs. Paid Employees**

Nonprofits often rely on volunteers to further the mission and reduce costs. Many volunteers find the mission of nonprofits particularly attractive and are willing to help. However, the volunteers and paid employees need to be treated differently. It is important for organizations to retain both types of workers, but the needs of each vary. A study done by Boezeman and Elmers (2009), showed that volunteers are attracted to a need to relate with the organization. Relatedness factors were the most influential in retaining volunteers and competency factors did not make a difference. On the other hand, paid employees experienced higher commitment when they found more autonomy satisfaction. This highlights intrinsic differences for motivation of both paid employees and volunteer employees, which is essential to take into account in a nonprofit work environment.

Furthermore, Becker, Antuar, & Everett (2011), found that setting up a performance management system in a nonprofit was further complicated by the existence of volunteers since they needed separate performance measurements.

**What Works: Key Non-Financial Means for Retaining Employees**

**Hire selectively.** The first aspect that the literature addresses is to hire selectively. If you have the right people in your organization it will be much easier to keep retention high. The right people will be motivated and innovative, and are the key to organizational success (Gallop, 2013; Olenski, 2015). On the other hand, the consequence of hiring the wrong fit will be lack of mission identification (Brown et al., 2004), a critical aspect for nonprofits, or poor performers, both of which will bring about having to fire inadequate employees and starting the hiring process over again (Meneffe & Murphy, 2004). Nonprofits need to invest more into their hiring process in order to save more in the future by eliminating turnover costs (Nonprofit HR, 2013).

**Have and implement a retention strategy and plan.** Unfortunately only 17% of nonprofits have a retention plan. (Nonprofit HR, 2013). Without a solid retention plan many aspects that can influence retention will be missed. It is important to set up a strategy and choose all key aspects that the organization will offer. Many of these options can be non-financial. The best retention plans are those that include financial and non-financial retention strategies (Bryant & Allen, 2013; Davis, 2013; Dewhurst et al., 2009; Manafee & Murphy, 2004; Scott et al., 2012). The introduction of many employee benefit practices is proven to increase retention by an improved job satisfaction, which leads to employee retention (Yamamoto, 2011).

**Mission Attachment.** Many employees of nonprofits join the organization due to the attraction they have to the mission of the particular organization (Brown et al., 2004). They feel inspired by the goals and purpose of the organization. “Purpose is most powerful when it taps into a ‘universal human truth’” (Mackey & Sisodia, 2013, p. 44). In this sense nonprofits have a powerful motivator in their mission that can be used as a tool for success.

It is important to use mission identification as a retention means in any organization but especially in a nonprofit. Mission identification can be a great means to motivate employee engagement and performance when used in coordination with other retention means (Gallop, 2013). Work is so central in the lives of so many human beings that finding a purpose or calling in work helps inspire them to work with passion and meaning (Mackey & Sisodia, 2013; Fry & Niciewicz, 2013).

Mission identification alone does not replace the need for fair financial compensation, but when used in combination with other incentives it is a highly effective means to retain employees. “Mission seems to be an important determinant of retention, but the findings suggest mission should be utilized with other intrinsic factors to help dampen the impact of perceived lower salaries and benefits in the nonprofit sector” (Brown et al., 2004, p.40). Lack of fair and adequate salary will sap motivation faster than any other policy (Mackey & Sisodia, 2013). Mission identification is best used to attract key talent to the organization and find people who fit in the organization in addition to adequate salary (Brown & Yoshioka, 2013).

When a person truly believes in what they are doing it becomes more than a job, it becomes a calling: “It is therefore critical for purpose-driven organizations to hire, at every level of the company, people who align strongly with the purpose of the enterprise” (Mackey & Sisodia, 2013, p. 55). It is critical that spiritual leadership is the driving force behind work in the organization because this spiritual leadership drives success in all aspects of the triple bottom line and creates a truly sustainable organization (Fry & Niciewicz, 2013).

#### **Recognition, praise from immediate managers, and leadership attention.**

Recognition of accomplishments and praise for a job well done is an essential means for

employee engagement and retention (Gallop, 2013; Olinsky, 2015). Recognition and praise sends workers the message that the company respects them and values their contribution (Thompson, 2015). A Conscious Business creates a work environment that challenges and encourages individuals to grow and flourish and creates a virtuous cycle that improves service and financial success and then comes back and increases employee success and retention (Mackey & Sisodia, 2013).

The nature of an employee's relationship with one's immediate supervisor is essential and a consistent predictor of individual turnover decisions. Immediate managers should be held responsible for retention and ongoing leadership training should be provided for all managers (Bryant & Allen, 2013; Dewhurst et al., 2009; Thompson, 2015; Olenski, 2015).

According to Gallop (2013), naming the wrong manager is unfixable. The wrong manager creates dissatisfaction and causes higher turnover. Wrong managers bring about active disengagement. Actively disengaged employees can usually be found busily acting out their unhappiness and undermining what the company is seeking to do. "Whom companies name as manager is one of the most important decisions they make given that managers play a critical role in driving engagement in any organization" (Gallop, 2013, p.44). Naming the wrong manager cannot be fixed with higher salary, better benefits, or anything. Naming the right manager can help increase employee engagement. Unfortunately, usually the worst managers are training and hiring the most employees due to their having the highest turnover and so creating a vicious cycle (Smith & Rutigliano, 2002).

Spiritual leadership demonstrates that people have core aspects that they respond to. When a person is treated with respect and dignity within the business context, they respond well

and affect not only the bottom line, but the Triple Bottom Line, or people, planet, and profit (Fry & Niciewitz, 2013).

When an employee feels respected, is doing well in their job, and is recognized they have higher retention. Some of the aspects that can be used to help managers respect employees are: listening to them (Olenski, 2015), effective periodical reviews (Becker et al., 2011; Boezeman & Elemers, 2009; Thompson, 2015), focusing on strengths to guide and develop them (Gallop, 2013), providing a comfortable office and work environment (Thompson, 2015), and effective use of a compensation reward system (Menafee & Murphy, 2004).

**Employee management performance system.** An employee performance management system is an established means to provide clear accountability and measurement to assess performance. It can be used to help employees with many of the retention means mentioned in this article such as engagement, praise and attention from immediate supervisors, understanding of employee talent, career development, and training.

According to Becker et al. (2011), setting up a performance management system in a nonprofit presents unique challenges, and might bring about employee resistance and lower initial retention. However, in the long run a well established system provides an effective tool that can be used to benefit both staff and managers, and will effect retention of key employees by giving them a means to discuss their performance, plan for the coming year, and identify development opportunities.

A performance management system facilitates a higher level of ownership, commitment, and accountability to the organization's mission and strategy. The performance management system provides a "clear accountability and measures on which to assess performance. The intent

is that such systems support the strategy and goals of the organization” (Becker et al., 2011, p.255).

**Career path opportunities and ongoing training.** If an employee does not have advancement opportunities and remains stagnant, they will eventually leave in search of better compensation and opportunity. Providing a career path for employees can help keep them in the organization longer and providing ongoing training can be motivational for employees to remain. Career advancement opportunities and training opportunities are two of the most important retention means (Thompson, 2015).

This is easier for larger nonprofits that have more employment opportunities. These larger nonprofits with more career opportunities have a much lower turnover rate than smaller nonprofit organizations (Opportunity Knocks, 2010). It is also more important to provide career advancement and training for younger employees who are interested more in advancement and higher responsibility than older employees (Menafee & Murphy, 2004).

Employees should have clear role expectations, minimal role conflict, and opportunities for growth and a career path (Bryant & Allen, 2013). When employees have unclear job responsibilities and are asked to over extend beyond their expertise it can lead to job burnout, a factor in turnover (Madhavappallil, Vandana, & Choi, 2014). Employees cite clear job definition, ongoing training, and advancement opportunities as the top non-financial retention aspects (Menafee and Murphy, 2004; Thompson, 2015).

**Opportunity to lead projects.** The ability to direct or lead projects or task forces is also ranked high among employees as far as a retention means. This provides leadership roles, opportunity for recognition, training, career advancement opportunity, and bonus opportunities.

It also makes employees feel that they are contributing something to the organization (Dewhurst et al., 2009).

Treating employees as important stakeholders does not have to cost the company its bottom line, but it is one of the most important aspects of a good business. In fact treating employees with respect often improves a company's bottom line since employees will work harder, better, and be more committed (Mackey & Sisodia, 2011).

Employees are the most important asset an organization has, especially a nonprofit that needs employees engaged and motivated by its mission and "It is clear that the foremost challenge for management today is how to retain its key talent" (Scot et al., 2012,p.3). There are many retention strategies that prevent burnout and engage workers. Putting them into place helps keep them longer and saves the company much more than just the financial aspect of finding and training new workers thus creating a sustainable organization.

### **Chapter III: Research Methodology and Overview of the Qualitative Analysis**

Some nonprofits, including Oaklawn Academy, rely heavily on their employees to provide safe, outstanding service, but at the same time do not have enough resources to compensate these employees as strongly as other organizations. They depend on volunteers and under paid employees who are motivated more by the mission of the organization than by the salary and benefits (Brown & Yoshioka, 2013). However, this can lead to high employee turnover, dissatisfaction, and even lower quality of work ethic (Menefee & Murphy, 2004). There are other options that can be used to keep employee engagement high and turnover low such as: recognition, training, promotions, mission, and personal satisfaction (Opportunity Knocks, 2010).

#### **The Problem Question**

“Viable research methods begin with a clear research question” (Cleary, Horsfall, & Hayter, 2014, p. 1). The research method being asked in this Capstone is: what are alternative and non-financial incentives that are strategic and effective for use in employee attraction and retention in a nonprofit setting? This question was asked within the specific organization, Oaklawn Academy, with other primary sources from local nonprofits such as Goodwill, Boys and Girls Clubs of Dane County, and the Builders Association of Wisconsin, to use for comparison.

#### **Qualitative Research Method: Critical Literature Review and Structured Interviews**

The principal method of research was a qualitative analysis of retention methods at Oaklawn Academy and other similar nonprofits in the area. This qualitative method was based off of the research already accomplished on the matter in both nonprofits and in general non-financial methods.

A qualitative method provides more real life experience and in-depth experienced knowledge of the situation. It can be deeply analyzed and often goes further than quantitative research. At the same time it also has more dangers of interpretation and bias (Cleary et al., 2014). It is sometimes stated that qualitative research is not as scientific as quantitative, but still remains a viable choice and even has different outcomes often unattainable in a quantitative research method (Houghton, Shaw, Murphy, 2013). A qualitative research approach, such as interviews can provide the information needed to understand the situation as the individuals being interviewed understand it and for the purpose of this research is the best method.

### **Research**

The first part of an effective qualitative method is an analytical and critical literature review (Cleary et al., 2014; Major & Savin-Badin, 2010). This shows the most important aspects already understood and can become a guide for the development of the questions of the interview. For this research paper, an analysis of the literature on employee retention and nonprofit incentive methods has been accomplished. The questions for the interview were based on the results and statistics already found and mentioned in this paper.

### **Method of Research**

The primary research method used for this paper was the most common qualitative method of gathering data, an interview. In order to have similar data to analyze, the questions for

the interview were pre-established and remained the same for all of the interviews. The interview consisted of ten questions. These questions can be broken into four categories: employee attraction; employee retention methods and best practices; turnover; and employee career methods. These questions were sent to the individuals being interviewed as soon as they agreed to the meeting in order to provide time for reflection on the questions.

Planning an interview involves many questions including: who to interview, how to order the questions and what questions to ask, ethical aspects of interviewing, how to record what is being said, and when to stop. It requires flexible skills to ensure that a rapport is created and the questions are answered objectively and fully. The interviewer needs to be flexible and creative, but also precise and stay on topic, avoiding bias and leading questions.

**Who to interview.** The interview was given to three directive employees of Oaklawn Academy: the director, the general dean in charge of evening operations, and the business manager. These three individuals have an understanding of the methods in use, the goals, and the effects of the different methods and so the information will be relevant to the research question. In addition to the interviews being given to Oaklawn directive staff, the same interview was also set up with a person in three separate nonprofit organizations and given to a person in a directive role or human resources role within each of these three primary sources. This helped to compare methods in use at Oaklawn with other similar nonprofits and provide several primary sources. It also helped obtain a broader picture of the overall picture regarding the research questions.

**How to interview.** The interview was given in person to five of the individuals and over the phone to one in order to see the reactions and establish a rapport with the persons being interviewed. The questions were emailed to the subjects before the interview to allow the

subjects time to think about the questions. Notes were taken on the interview as it happens so that the thoughts and ideas can be recorded for further analysis at a later time. Finally the results were sent back to the individuals in case they wanted to change anything.

**How to order the questions.** It is important to get the subject to open up and to establish a rapport so the questions were ordered from easier to harder. The questions that were deemed to be easier to answer, such as a question asking what attracts an employee to the organization, were placed at the beginning to give the subject the opportunity to put their best aspects forward first. A question regarding what the individual sees as the best methods for employee retention helped enable the subject to open up with personal experience and their own ideas on the subject before they got into what is and isn't working in their organization.

**Ethical aspects involved.** It is important to do an interview well, remain unbiased and objective, and to avoid leading questions. There are some aspects that can be considered ethical considerations when doing an interview: informed consent, relationships between those involved, risk and benefit, and confidentiality (Houghton et al., 2010). The subjects were all informed in the email that the information obtained would be used in the research paper and would be available for the public. They were then informed verbally at the beginning of the interview.

Berger (2015) presents three potential aspects that can affect the researcher based on personal experience with the subject: when researcher shares the experience of the study participants, when the researcher comes as an outsider with no prior experience, and when the researcher has no familiarity with what is being researched. In this case the researcher has a long time working relationship with the three people being interviewed at Oaklawn Academy. This made it important for the author to stick to the script, enter the interview with a completely open

mind, and avoid previous judgments. Berger (2015) offers some advice to the interviewer in the position of sharing experience with the subjects: include the use of a log, repeated review, and seeking peer consultation. The log of the encounter should be three parts: first documenting what is said by the participant, second writing what it may mean, and finally writing what he or she felt and thought about it. Reviewing the interview after a few weeks helps understand the situation better. The interviews of the participants in this research followed this advice. The interviews took place early on in the study, were written down including a follow up of possible interpretations, and the data was reanalyzed after a few weeks.

There is not much risk involved with the subject of the research and all involved were given the opportunity to review the questions ahead of time, and refuse to answer questions if they were unwilling. As far as confidentiality, the subjects knew that their answers could be quoted and available to the general public as well that their organizations would be named. A summary of the interview was sent to each person before being added to the papers in order for them to restate ideas if not understood correctly or if they wished to avoid one of the answers being published.

#### **Alternative Method Considered: a Quantitative Research: Survey of Oaklawn Employees**

An alternative addition would have been to survey Oaklawn employees. This would have been in addition to the interviews. A survey was prepared and proposed to Oaklawn administration but due to some political circumstances the author was asked to refrain from interviewing the employees in the case they would get the idea that anything they complained about would be changed

#### **Reason for Selection of a Structured Interview**

A structured interview provides an opportunity to understand how the directors of the organizations being studied truly think and feel about the questions regarding employee retention. Much more information can be effectively gathered to understand the subject and provide recommendations. The research already discovered and published by various consulting firms can be integrated with personal experiences, especially of those in the target organization.

### **Types of Data Collected**

The goal of the Capstone project was to analyze the situation at Oaklawn Academy and after researching the information provided by consulting firms, academic research, and other similar nonprofit leaders in the area, to make a recommendation to the school on nonprofit retention means.

It was important to gather the data from the school leadership on what is and isn't working, and their opinions of the best methods in place or to be put in place. This was done through the structured survey of three of the members of the directive team. Finally, research was gathered using the same interview method for other nonprofit leaders in the area to understand their take on the situation and what is and is not useful. This information was compared to Oaklawn Academy's information and conclusions reached as far as the most important and effective means to put in place for the school.

### **Method for Use in Analysis of the Data**

The Interview was written down in order to compare results from all six of the participants. The answers of each of the six members interviewed were compared with the others and conclusions could be reached regarding what nonprofit leaders in the area regard as

important retention methods. The conclusions of the interviewees were then matched to the literature research and a recommendation was given to Academy.

#### **Chapter IV: Results from Interviews and Conclusions**

All six of the subjects interviewed agreed strongly that this is an important research topic since in their experience with their own organizations and with other nonprofits, salary is often lower than for-profit job competitors and so employee attraction and retention needs alternative means to bolster the attraction package. All six of the subjects interviewed also reflected that nonprofits often have unique opportunities to use non-financial means such as extra vacation days in a school, zeal for the cause, or fulfillment from the mission of an organization. The interviewees were very positive about the use of non-financial means and excited to find better ways to retain their key employees since retention of key employees is so important to the success of the organization (Dewhurst et al., 2009).

#### **Financial Means Are Important**

Financial means are extremely important and should not be left out of employee retention packages due to the effectiveness of other methods. Non-financial means should be used alongside the salary and benefits package, not as a replacement. The literature dealing with employee retention using non-financial means as well as that dealing with nonprofit employee retention shows that financial incentives are still an important factor. It can be the most important factor in an employee leaving an organization (Scott et al., 2012), it should be used in conjunction with other means such as mission identification (Brown et al., 2004), and pay should be attractive and competitive but used with other means (Bryant & Allen, 2013).

All six of the subjects interviewed had similar experiences with that of the research. They all explained that financial means are very important and should not be overlooked even in a

nonprofit. Very few people look for jobs that do not pay them satisfactorily. Kathi Leverenz, the business manager of Oaklawn Academy for the past ten years, mentioned that it is difficult to attract employees using the mission, but that the mission of the organization helps retain employees. She also mentioned that when the organization was forced to freeze raises, and lower pay below the local mean, that it was very difficult to find prospective employees. The mission remained the same, but when the pay was lowered less people were interested and retention suffered (Personal Communication, June 8, 2015). Other organizations such as Goodwill and Boys and Girls Clubs of America who are larger and better known, cited that mission attractiveness was an important aspect of attracting employees. Whatever the size and the means of the organization, all agreed that salary is important for attracting and retaining staff, as well as the fact that it was important to treat their workers fairly and respectfully and to take care of their families.

A strong concern mentioned repeatedly about relying on financial means was that it is often not changeable by management due to budget constrictions or corporate policies. If the financial incentives are not changeable it is important to rely on other means to make their employees happy enough to remain.

They also found that there are many alternative nonprofit means that could attract and retain key employees, and that these were often more important for their managers to use than the financial incentives. Steve Stone, who had recently retired from 33 years as the CEO and President of the Associated Builders and Contractors of Wisconsin, stated that in his experience nonprofits pay far below the scale offered by for-profit counterparts due to lack of funding and

so organizations need to be creative in finding alternative means to attract and retain employees (Personal Communication, June 9, 2015).

All of the organizations cited use of various ways to determine a fair pay scale based on internet research from [www.salary.com](http://www.salary.com), [www.glassdoor.com](http://www.glassdoor.com), or [www.indeed.com](http://www.indeed.com), as well as from Human Resources research into national pay scales per position. This was similar to results found by Nonprofit HR's survey of other nonprofits and which means they used to attract employees (2014). However, those interviewed did not feel that this was still able to compete with other for-profit jobs, that they relied too heavily on volunteers, or that they lost key talent because of difficulty keeping high enough pay scales. .

### **Employee Attraction**

The first two questions of the interview have to do with employee attraction, specifically what attracts employees to the organization and how the organization attracts them. All of the organizations mentioned various aspects of their organizations that are attractive. None of the six subjects interviewed mentioned salary as a motivator.

One aspect mentioned in all of the interviews is the fact that different positions have different motivators. It is important to be creative in different ways when attracting a volunteer, a teacher, a janitor, an office manager, a coach, or a directive member. Each of these positions have different salary ranges and often different levels of education and motivation to be in them. One example is that janitors and kitchen staff from Oaklawn like the short distance of the school from their houses. This has motivated most of the janitorial staff to stay far longer than the industry average with a zero voluntary turnover rate for the last five years. Goodwill has a much higher turnover rate, around 60% for their employees in the stores than in the corporate level,

which had members of who had worked there for 30 plus years. Having different levels of retention goals for different positions is important as this matches industry averages for the different positions (Justin Beller, personal communication, June 8, 2015).

Rod Mitchell, operations manager for the Boys and Girls Clubs of Dane County, agreed with Stone, in bringing up an important aspect of attracting talent to the organization that is to hire the right people from the start. If you hire the right people you will get the right results. If you hire the right talent they will be successful. It is important to hire people who have the same ideals as the mission of the organization. A solid interview process for all members from the entry-level positions, to the volunteers, to even the board members should be in place. All staff should be interviewed well in order to avoid headaches in the future (Rod Mitchell, personal communication, May 27, 2015; Stone, personal communication, June 9, 2015).

Hiring the right people from the start was an important non-financial means mentioned by the literature specifically in the fact that retention of key talent is more important than the retention of all talent (Menafee & Murphy, 2004; Scott et al., 2012), as well as the fact that hiring the right employees should be the first step to retain them as they will identify with the mission (Brown et al., 2004; Gallop, 2013; Olenski, 2015).

Most of the organizations showed that they use general job websites to attract new employees and stated that these are much more effective than newspapers. Jobsites mentioned were [www.indeed.com](http://www.indeed.com), [www.monster.com](http://www.monster.com), [www.wecan.com](http://www.wecan.com), and [www.linkedin.com](http://www.linkedin.com). Although Oaklawn Academy does not use [www.linkedin.com](http://www.linkedin.com) at all. A good description of the job and the work with the organization mission are important to gather an initial pool of candidates as well as an attractive salary. Oaklawn Academy has a strong network of former students that they pull

from for volunteers. The school has a summer program where they interview and see hands on potential in candidates for future years and can pick the ones they are interested in asking to volunteer for a year. This has proven to be a very effective means of attracting volunteers (Luis Lucini, personal communication, June 2, 1015). Other, larger organizations also find that it is effective to use their name brand and find that people are attracted to them because they know of them in the community (Beller, 2015; Mitchell, 2015).

### **Employee Retention**

This part of the interview was comprised of five questions: first, whether or not the organization has an employee retention plan; second, what the experience of the subject was on the most effective non-financial means for employee retention; third what departing employees mention as reasons for leaving; fourth, what the retention rate is in the organization; and finally if there is a difference between volunteers and paid employees.

**Formal retention plans.** All four of the organizations answered that they did not have any type of formal retention plan. Each of the organizations clarified that they tried to retain employees and that they used various informal means to do so, but did not have any formal plan. Some of the organizations mentioned that it would be a good idea to have a formal retention plan, especially for the key employees. This matched what national surveys had found that less than 17% of nonprofit organizations have any formal retention plan and only 33% have an employee succession plan in writing (Nonprofit HR, 2014).

Leverenz stated that it would be good for Oaklawn Academy to work on their effort to retain employees because the organization traditionally does not make official effort to retain departing employees. She feels that there is a culture of not realizing how important it is to retain

good employees. The attitude of Oak International that is directed at Oaklawn Academy is that they would rather start over with a new employee than fight to keep an existing employee from leaving. It seems like there are always new replacements available. While some things have been done to change this for example, hiring full time staff into previous volunteer positions, still more needs to be done to change the culture of retention in the upper levels of the organization (Leverenz, personal communication, June 9 2015). Even though it is possible to always find new employees, it always takes them time to learn the organization. Most organizations have a year-long learning period for staff members and the second year they understand the cycle of the organization and can make improvements (Stone, personal communication, June 9, 2015).

**Most effective retention means.** For the question regarding each individual's personal experience of what non-financial means are most effective in employee retention, there were numerous responses. Most of the responses strongly agreed with what was presented in the literature. Furthermore, the subjects interviewed presented many personal examples to help clarify their points based on their experience. The combined experience of the six individuals interviewed was close to 100 years in their positions. Many of the responses matched the responses of the others, but different styles of leadership concentrated on different aspects as more important than others.

Stone brought up the fact that there are some aspects of management that are essential common denominators for all positions. These are aspects that are controlled by the manager and include: fairness to all and respect to all. If an employee feels treated unfairly or with lack of respect they will definitely not want to stay in the organization (personal communication, June 9, 2015). This point agreed with what management and retention literature speaks about with regard

to the primary importance of the manager's role in employee retention. Choosing the right manager is of paramount importance: "The single biggest decision you make in your job—bigger than all of the rest—is who you name manager. When you name the wrong person manager, nothing fixes that bad decision. Not compensation, not benefits—nothing" (Gallop, p.4, 2014). It was also matches a key point that most business literature agrees on as an essential aspect of good management for retention (Olenski, 2015).

After the common aspects that apply to all it is important to find creative ways to motivate people to continue. It is important to know each employee well in order to find the ways that they are motivated and taking tests such as the Myers Briggs test or to find out how a person learns, help the manager interact better with the employees. For instance he would send the experiential or visual learner to a construction site as an experience, and he would give words of encouragement to the person affected by affirmation (Stone, personal communication, June 9, 2015).

Mitchell brought up the point that retention comes from a summary of many aspects. Just one good retention method is not enough, there needs to be a full portfolio of retention methods in place in order to keep employees happy and to stay (personal communication, May 27, 2015).

Goodwill has annual surveys that they send out to the staff to ensure that they are doing a good job as far as retention methods and workplace engagement. They also conduct exit interviews in order to find ways they can improve. This generates a constantly improving method of retention, which is important to keep up with what is going on with the staff (personal communication, June 8, 2015).

According to the principal of Oaklawn, job satisfaction, feeling part of the team, mission identification and feeling support from supervisors were the most important aspects of retention (Valenzuela, personal communication, May 31, 2015).

According to Lucini, recognition for a job well done was important and often lacking in the Oaklawn environment. Recognition tended to be generalized to the whole group or school success and not to individual accomplishments. Recognition is considered to be a primary non-financial business means for retention (Mackey & Sisodia, 2013; Menefee, & Murphy, 2004; Olinski, 2015; Scott et al., 2012). There was also the fact that personal friendships formed among the team and created an excellent team atmosphere, which was conducive to retention. He also felt that the mission aspect was overused as a motivator and that not pairing it with other essential aspects of retention was detrimental (personal communication, June 2, 2015).

Leverenz spoke about the atmosphere and culture in the school. Oaklawn is on a beautiful property overlooking a large lake. The environment of the school lends itself to a much better atmosphere than many other schools, even higher paying ones (personal communication, June 9, 2015).

The interviews mostly all agreed with different points mentioned in the literature on the subject of employee retention using non-financial means in a nonprofit environment. The interviewees touched on hiring the right people from the beginning, the importance of retention, using the organizational mission as a strong means, leadership and management attention, the importance of having a solid career path for key employees, ongoing training, and the opportunity to lead projects all as important non-financial means to retain their employees. What

were not in place or not mentioned were employee retention plans and a performance management system.

**Departing employees give reasons.** According to the three members of Oaklawn Academy, voluntarily departing workers give reasons such as leaving for a higher paying job, moving on, seeking a new career, looking for career advancement, and most of all location for their voluntary departure. Since the school is in a very rural location, it is often difficult for some employees to commute, to be away from the social benefits of a large city, or to be away from home.

This matched the fact that the greatest retention challenges for nonprofits according to Nonprofit HR (2014) tend to be inability to pay competitively, inability to promote or advance top performers, and excessive workloads. What was not mentioned in the literature was moving for location. This is specific to Oaklawn due to its remote location.

**Retention rates.** Oaklawn Academy in some areas has a very high retention rate, leading to a low turnover rate. The rate of turnover, not including positions covered by volunteers, is below 10% for most years and many of the employees stay for long periods of time. The average length of retention among the current employees as of June 2015 was over ten and a half years of employment. This is even taking into account some positions such as janitors and kitchen staff, normally extremely high turnover jobs in the national averages (Leverenz, personal communication, June 9, 2010). Most nonprofits have a turnover rate of 17% (Nonprofit HR, 2014).

The turnover rate for Oaklawn volunteers is often yearly, which leads to inconsistencies in the positions staffed by the volunteers (Valenzuela, personal communication, May 27, 2015).

Each year brings a different level of talent and commitment among the volunteers. This needs to be addressed with ongoing training all year. Furthermore two of the volunteers in the past five years have caused serious trouble for the school by their criminal activities with the students.

**Difference between volunteers and paid employees.** Volunteers are recognized by all as an essential aspect of nonprofit work (Boezeman & Ellemers, 2009). All of the interviewees recognized the fact that volunteers need to be treated differently than paid employees and that most volunteers only last a few years or even less. The study by Boezeman and Ellemers (2009) found the fact that volunteers need to feel themselves as a part of the mission and the team, which is usually more important to them than competency or autonomy. This was seen in the interviewees' experiences with volunteer workers, especially those working at Oaklawn. There is a great team spirit, but the level of work of the volunteers does not match that of an older professional paid position. It is an internship experience and while the interns do a tremendous job, they need to be treated differently than the paid workers.

Goodwill also has many volunteers but they leave the program as soon as they find a job since the program is designed as a career-training course to help volunteers learn life skills in order to find a long-term job. Oaklawn volunteers mostly leave after one year, although the religious brothers and fathers stay several years or longer since their commitment is for a life of service. The short length of stay, and the difference in work can be expected from a volunteer makes them desirable but not as much as a paid employee. Lucini brought up the fact that changing volunteers into paid employees would change the dynamic of the work for the better as management would be able to demand more compliance on top of the great service the volunteers provide. A volunteer has a different mindset than a paid employee, in as much as they

are giving their time to the organization as a gift, so if they do not want to do something they do not need to. Whereas a paid employee needs to do exactly what they are being paid to do (personal communication, June 2, 2015). This matched the experience of the study by Becker et al. (2011), who found that setting up a performance management system in a nonprofit was further complicated by the existence of volunteers since they needed separate performance measurements.

Retention of key employees is an important aspect of any manager's job. Often in nonprofit settings the manager is not given the financial tools necessary to keep the employee, but there are other essential means that can and should be used by managers to retain their employees. Many of the managers interviewed shared very similar points of view to the literature research previously conducted. Some additional ideas came up such as being creative in tailoring means to individuals, and treating all with fairness, or the fact that its not just one aspect that will keep employees, it is often a portfolio of strong retention methods. From the interview with the Oaklawn staff members some recommendations can then be made in further papers based on the strengths and weaknesses of Oaklawn's retention plan.

### **Chapter V: Recommendations for Oaklawn Academy**

The facts seen in both the research and the interviews show that nonprofits traditionally have a difficult time retaining employees. This situation comes from the fact that most nonprofits depend on donations or offer services at discount prices in order to help their target audience. Many of them depend on workers to spend long grueling hours for less pay but for greater personal satisfaction of fulfilling the mission of the organization. The smaller a nonprofit is the less opportunity there is for career advancement, so even if an employee endures the hard work and lower pay there is not a better paycheck in sight down the road as family obligations increase and retirement approaches.

Oaklawn Academy, in spite of the fact that it is in the same situation has done an excellent job of retaining most of its employees. This retention is particularly evident in areas where traditionally high turnover is exhibited such as entry level jobs and hourly paid positions. In spite of the difficulties of lesser pay, remote location and the demanding nature of the jobs kitchen staff, janitors, and maintenance have had very high retention rates. In these areas the school should continue to follow the retention means that they already have in place as they are working very well.

Teachers have had a slightly higher turnover rate in the past ten years, however, it still remains lower than national averages. The situation with the teachers has been more of the school releasing the employees rather than voluntary departures. For this case the school needs to concentrate more on hiring the right teachers from the beginning. Discipline staff or residential staff has the highest turnover. It is here that the volunteers work for one year. These volunteers

come from mostly foreign countries and participate in the year-long volunteer program. There is not much that can be done with the program except to give these volunteers the opportunity to continue with the organization later as entry level paid staff or to add the addition of unpaid internships from local colleges offering room and board.

In this same area there are also paid staff positions. These paid staff positions have experienced a much higher turnover rate in the past ten years. Besides the yearly turnover of the six to eight volunteers there is an average of three years for the paid staff positions in this area. Perhaps this is due to the fact that the hours are long and the work is very demanding for this position. The students need to be monitored around the clock and it is not easy to work with a large group of teenage boys.

The following recommendations are aimed at the exempt positions such as the teachers, residential staff, and administration. Some of the recommendations are also aimed at the system of the volunteers since the yearly turnover of the volunteers also creates problems for the school as far as starting over each year in a very important position and using young inexperienced workers for crucial job responsibilities.

The following seven recommendations for Oaklawn Academy to put in place regarding a better key talent retention and attraction system are based off of the literature reviewed and compared to the responses of the six individuals who were interviewed.

### **Focus on Hiring Right**

The first goal in addressing turnover is to find high performers from the start, focusing on those who have the right fit for the organization, will help develop the mission of the organization, and who will be interested in making Oaklawn a long-term career. To do so

requires having large sources of candidates who fit the organizational core competencies and adhere to the organization's mission.

Most of the subjects interviewed mentioned the crucial importance of hiring the right people from the start as being key to, not only a successful organization, but also to retention. It is important in a nonprofit to hire people who realize that they are working to help the mission and not working there to be highly paid. Finding the right fit helps gather an all-star team who work well together and want to be part of the organization for what the organization can offer. This suggestion also matches the literature results which show that people with the right fit will be more creative, innovative, and successful (Gallop, 2014).

Retention is important only when the individual brings about successful results. An organization does not mind losing low performers, but it is even better if it hires well from the beginning and does not need to go through the time and resources to rehire. Once you have these high performers, the other aspects of retention are important. If these high performers match the organization's mission they are more likely to stay in the organization. If the individual employee is motivated by the mission of the organization and fits well with the job they will have job satisfaction which leads to longer retention.

Oaklawn interviewees mentioned the remote location, the lower salary, long hours, and difficulty finding the right fit all as obstacles for hiring the right employees for the organization. The rural location of the school means different things to different groups within the school. The hourly positions want a close drive in order to save on gas since an hourly position does not justify a move. The salaried positions want a better fit with the organization's mission and are

even willing to relocate for a long-term career. Such is the case with teachers, residential staff, and administration.

For the hourly positions, the school has done an excellent job of finding honest, hard working, talented employees and thus has kept the retention rate high. The following suggestions for improvement deal more with the long-term career positions, the salaried positions such as department heads, deans of discipline, residential staff, teachers, and administration. These individuals might not live close to the school already. These positions require more specific training and it is more important that they adhere to the school's mission statement fully as they have more effect on the students and the school's strategic goals.

The school does not just need teachers, it needs teachers who will challenge the students to improve their English proficiency level, improve overall education levels of the school, and who engage and motivate ESL middle school boys. The school does not need residential staff who only watch over the students, but staff who will excel at keeping the students safe at all times, challenge the students to grow in virtue and develop strong character traits, and who can organize and direct engaging and exceptional trips, events, and activities.

The school currently uses online sources to find teachers and key staff members. While this gathers a group of solid applicants there are other means to talent search. A suggestion would be to find universities and colleges that have students who would fit the organizational mission of the school. These universities can become sources of young, highly talented individuals who will fill the starting levels of residential staff.

**Create an internship program.** Oaklawn Academy has a difficult time filling entry-level positions for the residential staff with qualified candidates. The school currently has an

excellent system of finding and choosing the year-long volunteers from previous students. However, these volunteers have little education, training, and life experience. Developing a similar plan of internship opportunities for the paid staff would create a similar source of recruitment but with local employees who would be interested in continuing long term with the school. Many college students look for summer internship opportunities, but since most schools do not have classes in the summer, Oaklawn has an advantage in that there are over fifty summer students every year seeking a camp atmosphere to learn English and play sports in a month long program.

These interns could be offered free room and board in the Academy's extensive dorm areas at little extra cost to the school. The benefits for the future curriculum vitae for entry level employees still in college with educational majors would be both helpful to the them, and Oaklawn. The help for the summer at low cost would be beneficial to Oaklawn. The source or pool of candidates for entry level jobs after graduation or as part time work during the year would benefit Oaklawn with highly educated staff who could be counted on for longer periods. These interns should be carefully selected and the best chosen from this group to continue to work for the school.

**Partner with universities as sources of employee candidates.** Going to colleges or universities to promote the academy position openings, internships, and jobs would help create relationships with large sources of employees. There are thirty-one Catholic universities or colleges in the three states around the school: Minnesota, Wisconsin, and Illinois (United States Conference of Bishops, n.d.). Many of these universities have education, psychology, and athletic majors and would be an excellent source of potential employees. Having a large source

of employees would overcome the difficulties mentioned regarding remote location and would provide a steady stream of replacement candidates for the entry-level residential staff as well as teachers.

A secondary source suggestion is to choose several of the most vibrant Catholic Universities in the United States or Mexico and do a similar internship and employment campaign with them. Steubenville University in Ohio, Catholic University in DC, Benedictine College in Kansas, and Ave Maria in Florida all have developed a reputation of attracting young Catholics who are zealous about their faith and interested in getting a solid Catholic education. This type of education and student body would be a perfect fit for the mission of forming Christian leaders in South America and the other countries from which Oaklawn students come. Partnering with nonprofits already in place at the universities such as the Newman Centers, and Focus organizations would further narrow down the candidates to highly motivated individuals who best fit the organization's core competencies.

Forming relationships with the Anahuac University system in Mexico would be very easy for Oaklawn since the same religious organization runs both Oaklawn and the Anahuac Universities. This would provide an excellent source of candidates for both the volunteer program and the paid residential staff, as well as allowing for greater choice in who the school chooses to work with its students.

Being such a small organization the school will never be able to keep its key employees forever. The school needs to create sources of replacement of its education and residential staff with a pool of highly talented individuals. By promoting in the Catholic Universities and Colleges, the school will always have a source of interns, volunteers, and paid employees ready

to replace key employees right away. By having such large pools to pull from a nonprofit can be highly selective, and have a steady source of employee options.

A similar system of partnering with vibrant universities could be highly beneficial for any nonprofit organization by giving them a stronger pool of candidates from which to choose from and help overcome the difficulties posed by inevitable high turnover. It would also be more efficient than job posting sites such as [www.indeed.com](http://www.indeed.com) or [www.monster.com](http://www.monster.com). It would narrow the search down to entry-level candidates who already adhere to the organization's mission and exhibit many of the organization's core competencies as well as individuals seeking entry-level salaries.

### **Career development plan**

Once highly qualified individuals are chosen for the work, it is then the goal of the organization to keep them as long as possible. These entry-level employees will want to advance in their careers. Providing them with a path to do so will give them a set of goals to improve their skills and advance. Oaklawn does not currently have a career development plan. Since there are very few positions open for advancement, Oaklawn will need to be creative in the options they offer the individuals.

A career development plan helps people work towards goals and improve their skills, which also improves their work and so would benefit both the employees and the individuals. The difficulties for Oaklawn to develop adequate career paths for its employees lies in the small size of the organization. While the school attempts to promote from within, and offers organization specific training (Leverenz, personal communication, June 9, 2015), the fact that there are not many options for promotion was also brought up in the interviews, as well as lack

of encouragement for ongoing meaningful education that would improve a persons skill set and career options (Lucini, personal communication, June 3, 2015). In spite of the fact that there are poor options for individuals to advance there are options for them both within and outside of the school but still within the overall organization of Oak International. A proper career development plan could help individuals to feel more help from Oaklawn and be encouraged to apply or remain with the organization longer.

For this it is important to identify who the key employees are and then find ways to keep them. A career development plan will help with guiding and pointing those key workers in the right direction. It will show them that the school cares about how important they are to the mission that they have spent time and resources to find a career path for them beyond the specific job function they are currently working at. High performers will not be satisfied forever with an entry-level job and if there is no encouragement to go beyond the entry-level job they may not even apply in the first place. Career development plans could help show individuals that Oaklawn cares about each persons greatest good, which will develop a stronger relationship between the organization and the employees.

Encourage ongoing training and education is a career development means that is often mentioned by the literature as an effective way to retain employees (Olenski, 2015; Thompson, n.d.; Yamamoto, 2011). Encouraging the interns and residential staff to continue with undergraduate studies while working at Oaklawn would be an effective way to improve employee skills, attract employees, and ultimately retain them. There are various online courses that could be completed, as well as a Whitewater UW campus, a Cardinal Stritch campus, and the UW Madison Campus all within a half hour of Oaklawn. Once again, free room and board

would be a huge attraction for college students and these individuals could continue their education as a career advancement path. This would not even cost Oaklawn anything but the benefits would be seen both in work performance increases and the ability to attract more employees and retain them for longer.

The nature of the work at Oaklawn could merit extensive ongoing training into more than what is currently provided. By creating a culture of ongoing education and using motivators for improving ones skill sets especially in the light of career advancement opportunities would help the employees want to continue this on their own.

There are many job specific career paths that could come from the residential staff jobs who are working with Oaklawn students, including psychology, education, social work, business, marketing, human resources, project management, operations management, information technology. All of these job skills are used by or required of the residential staff, the employees who most need career advancement planning in order to attract and retain strong candidates. The teachers have chosen a specific career path, which already requires a higher level of education, but they can also be encouraged to study further.

For example, a dean who works full time with the students could pursue a psychology degree using his experience with the boys as a launch pad. This not only would set an effective long-term career path for the employee while giving him room and board and a full time salary, but also take several years to complete. This would be attractive for both the employee and Oaklawn since the employee would have a long-term career option and Oaklawn would have better care of their boarding students.

Career development will cost Oaklawn in salary increases and tuition reimbursement. However, in the long run this will end up saving the school through longer retention of key residential and educational staff as well as improved work skills, and the school can also find creative ways to save costs by pushing some of the costs off on the customers. The customer set that is served by the school often look for special opportunities for their children to advance and are more than willing to pay for it. For example, a teacher who earns a master degree could be paid higher in tutoring of individual students or with advanced classes. A psychology major could offer counseling sessions to students in need of special help with bullying or other mental health needs. An employee who advances in athletic certifications could offer special one on one training with some of the better athletes, or with those who are in need of special diets or training programs.

There are many creative ways that Oaklawn could improve skill sets, advance careers, and improve education of its employees and cover the costs with alternative means. This would end up benefiting the school with higher skilled workers and even could end up improving the quality of education offered at the school which would be more attractive to potential students and their parents. As the stakeholder approach to running a business proposes, treating workers right will end up helping the organization in the long run (Mackey & Sisodia, 2014).

### **Official Retention Plan**

One of the aspects that was mentioned over and over again in the interviews was that it is important to retain your employees, however, none of the four organizations had an official retention plan. This matched the national averages that show that only 17% of nonprofits have a retention plan in place. Oaklawn further has a culture of not attempting to retain its employees.

The fact that there will always be high turnover due to the remote location, or the lack of career advancement may contribute to the lack of organizational effort to retain employees. However, it is important for the success of the organization that key employees continue and that the organization have a culture of retaining its employees.

Having an official retention plan in place would be beneficial for the retention of key employees. A retention plan is a strategic plan to keep employees that can be customized to each individual. It can consist of any necessary strategic goals but a good retention plan should at the very least identify key employees and offer means to be used to retain them. The plan can also consist of general goals to be put in place that are directed towards all the staff in order to improve working relations overall. Things such as what to do when an employee mentions a desire to leave can be an excellent aspect of a retention plan.

A good retention plan for Oaklawn could include most of the aspects mentioned in these recommendations, could be part of the strategic plan, and should establish benchmarks that all management could be working towards to help each individual worker reach their fullest potential and be successful and happy in the organization.

### **Employee Performance Management System**

A fourth recommendation to Oaklawn Academy is to create an employee performance management system. While a performance management system adds additional work to management it also brings benefits to the organization such as increased performance, individual improvement, and helps with quantifiable reports on employee performance levels.

The creating and institution of an employee performance management system will give Oaklawn management the opportunity to recognize positive things that employees do.

Recognizing an employee for their contributions to the organization is a strong retention tool and is completely non-financial. It can also be used as a means to get to know each individual employee to help them work on their career advancement plans.

While research suggested that the implementation of a performance management system initially caused some employees to leave but in the long run it helped to keep the key talent, and bring about stronger work results (Becker, Antuar, & Everett, 2011). This is what a performance management system is made to do, it weeds out the weakest employees and creates a way for management to improve performance. Oaklawn would benefit from performance management system especially with the younger volunteers. Setting them goals and benchmarks would help them see their progress in the year and create a sense of success and belonging, both a key for volunteers and for paid employees to feel job satisfaction (Boezeman & Ellemers 2009).

### **Continue to Use the Mission as a Motivator**

Oaklawn's use of the mission as a motivator has brought about good results as can be seen in the low turnover rate in many areas and in the interviews. Employees join the organization and remain in the organization much longer than national averages and above most averages from nonprofits. In fact the one complaint from an interview was that sometimes the mission is used too much. The mission of an organization, the reason why the organization does what it is doing is important for all who work within the organization. It should be used as a primary motivator, but at the same time it cannot replace other important aspects of retention.

The recommendation to Oaklawn is to continue to use the mission as a primary motivator for staff to remain within the organization but in conjunction with other retention means. It is also important to make the mission practical and not just a slogan. It is important to remind

people every day why they are doing what they are doing. When individuals lose sight of why they are working with the Oaklawn students they will focus on other less positive things. This leads to complaining and concentrating on the negative aspects.

Ongoing training is a great means to concentrate on the mission and to show how it is lived out in the daily life of a teacher or a volunteer. Ongoing training is also mentioned in the literature as an effective non-financial means of retention.

### **Recognition and Praise**

Recognition and praise are important aspects of employee engagement. This can be both organizational and individual done through personal interaction with a manager. When a manager recognizes work that is done by an employee they are showing the employee that they matter. Different people respond to praise in different ways such as through verbal recognition, others by bonuses or gifts etc. Each person responds to different ways of recognition. This is why it is so important for good managers to find the ways each employee responds and target their recognition in that way.

Recognition is an important aspect of employee retention. Oaklawn does not exhibit enough recognition for work done as can be seen in one of the interviews. According to the interview the recognition is either long overdue or it is offered in general to the whole group. Recognition should be individual, fair, and a serious part of any management technique. The manager is a key aspect of employee retention and how the manager employee relationship is depends on the employee satisfaction with the work environment. In a stressful work environment like Oaklawn where there are many opportunities to make mistakes it is even more important to recognize employees.

There is no bonus program in place at Oaklawn, and the one form or official recognition in place, recognition plaques are only handed out after ten, fifteen, and twenty-five years of work. Other recognition is done to all staff such as a turkey at Thanksgiving, a ham at Christmas, and an employee recognition dinner and sports event.

While these methods are effective it is also important to give employees goals to work towards and reward them in some way when these are achieved individually. Some examples of this are personal recognition in private, recognition in front of all staff, salary increases and promotions when available, assignment to important projects as recognition of a job well done, or a promotion opportunity when available.

### **Spiritual Leadership Balanced Scorecard**

Finally, any effective quality improvement process needs a way to monitor the success of the program in order to make adjustments and improvements. An effective method for doing this is a balanced scorecard. The balanced scorecard is a business tool that measures a cross view of the most important aspects of quality change. The scorecard focuses on four areas and monitors improvement periodically. The traditional balanced scorecard monitors quality, stakeholder focus, employee learning and growth, and financial effects.

The spiritual leadership balanced scorecard proposed by Fry and Niciewicz takes into account that spiritual leadership and individual search for spiritual fulfillment are the driving forces behind effective organizational growth. While still monitoring the four aspects that a traditional balanced scorecard has it takes a much deeper look into employee improvement and growth, especially using the spiritual leadership aspects.

This spiritual leadership focus is a perfect fit for Oaklawn Academy. It fits in perfectly with the school mission of forming young boys into effective Christian leaders, and it plays into the spiritual strengths that are core competencies of the school.

### **Conclusion**

While the focus of these recommendations is on creating better retention strategies, it also needs to be recognized that turnover in a small nonprofit is inevitable. Creating a more efficient non-financial retention plan will lead to employee development, which may lead these same employees to seek better positions in the future. These advancement opportunities cannot always be offered in a small nonprofit but always helping employees improve themselves, helping them develop additional skills, proving that the organization cares for them, and showing them the importance of contribution will counteract the worst effects of employee turnover.

Creating a career development plan can help the organization see when an employee will plan to leave for additional responsibilities. This can help the organization in succession planning and save them money and work loss. If the organization is prepared ahead of time, they can search for replacements, train current staff to be promoted, and avoid costly loss of time training new employees or loss of production. Recognizing that there will always be turnover and preventing the worst aspects of it is an important part of retention planning. By creating a career development plan, opening an internship program, and developing better contacts, Oaklawn can replace its departing workers at lower costs and with better work production. It can also find the right employees who will find a personal mission in their work and remain in spite of the lower salary.

A business that truly cares about its workers will find that the increased productivity, skill development, and higher quality of service will positively affect the bottom line. This in turn will help the key stakeholders love the organization even more. Treating employees as the key

element of the business will thus create a virtuous circle that constantly improves all aspects of that business.

Finally, by finding the right fit for the organization, and then treating those individuals well through a balance of financial and non-financial means, the organization will find more individuals who will make Oaklawn Academy a long-term career. It may even find individuals who make their work more than just a career. By truly identifying with the mission of the organization and feeling full support in all aspects of their job by the school itself, they may even find the work they do to be a higher calling or personal mission.

These suggestions, based on the literature and the interviews can help Oaklawn improve employee retention, reduce effects of turnover, improve employee skills and help employees continue to remain at the school.

These suggestions are applicable to many nonprofit and even for-profit organizations, since the principles are applicable to any organization that seeks to retain its employees. Not following these management styles can lead to loss of key employees and lower the work productivity of the organization. These suggestions do not cost the organization much more than what they are already doing and a little time and effort. In the long run the improved employee morale and retention will be worth the extra time spent on developing these programs.

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## Appendix A: Interview Questionnaire for Leadership in Focus Organization and Primary Sources

**Employee Attraction**

1. What do you find to be key motivators for people to join your organization?
2. How do you find and attract new employees?

**Employee Retention**

3. Does your organization have an employee retention plan?
4. In your opinion: what are the most effective means to retain employees? Specifically non-financial means?
5. What are some non-financial means that your organization currently has in place for employee retention?

**Turnover**

6. What do departing employees tell you are the primary factors in their decision to leave?
7. Would you be willing to share the retention rate in your organization? What is the average length of employee service?
8. Do you find a difference between volunteer retention and salaried retention?

**Employee Career and Advancement**

9. How do you assist employees in career planning and development of a career path?

10. How do you ensure that your salaries and benefits are competitive for the industry and your location?