

# Employee Satisfaction: Mediator of Organizational Service Orientation and Employee Retention

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*The paper seeks to evaluate the relationship between organizational service orientation, employee satisfaction and employee retention, using cluster and simple random sampling. A sample of 346 teachers was drawn from Kampala District Uganda. The paper reveals that consideration of organizational service orientation and employee retention is crucial for employee retention in public primary schools in Uganda. This was a cross-sectional study that naturally had problems of common method biases. Replication of the study using a longitudinal approach would reduce such biases. The paper emphasizes the need for public primary schools to adapt policies that promote service orientation in order to improve employee satisfaction and retention. The study also takes a cross-sector approach. No wide cross-sector study has appeared before in an investigation of organizational service orientation and employee retention in the education industry in Uganda.*

Service industries are characterized by high competition and relatively low switching costs (Colwell et al., 2009). This has mostly been studied in terms of the external customer and not the internal customer (the employee). Such studies include those of Sharma and Patterson (2000); Crosby and Stephens (1987) and Roos et al. (2005). These studies have emphasized that the loss of customers means, the loss of revenue, and therefore service firms must attract new customers on an ongoing basis in order to survive in the long-term. But there is a high cost of customer acquisition

relative to customer retention (Reichheld & Sasser, 2000; Rust, Zahorik, & Keiningham, 1993). The studies emphasized that service firms that can retain customers enjoy a significant competitive advantage over those that cannot retain customers. However, these studies also focused on the external customer which left a gap in relation to how well the internal customer (the employee) can be retained. Accordingly, the focus will be on internal customer retention in the service firm (hereafter, employee retention) in this research.

In Uganda, for example, under the Universal Primary Education (UPE) program, the government was to provide free education for four children in public primary schools for every family. The major aim was to enable individuals to acquire functional literacy, numeracy, and communication skills (Ministry Of Education & Sports, 1999). The action that was taken to provide free education for the four children resulted in the providing of free education to all primary school age children. There were two reasons for this: one was that the government could not ascertain the actual number of children per parent as there was no official documentation to this effect and therefore parents abused this offer, and two, the program turned into a political gimmick by allowing the ruling political party to solicit votes for another term in office. By 2009, student numbers in public primary schools had a composition of 7,185,584 as compared to a little over 2,000,000 in 1997 (Ministry Of Education & Sports Report, 2010). This resulted in a number of problems including a teacher-pupil ratio rising from 1:40 to 1:120 and fewer resources for the delivery of education services. Teachers had not been prepared to handle these numbers. The government had not properly budgeted for teacher motivation in terms of material and monetary resources. Salary remained static and government did not recruit teachers commensurate to the number of pupils enrolled. School teachers' expectations that the more the number of pupils increased, the more their earnings would be, never became a reality. This affected teachers' morale (Ssewanyana & Matovu, 2011). For example, in a study conducted in Iganga district (one of the political districts in Uganda) by the African Network for the Prevention and Protection against Child Abuse and Neglect (ANPPCAN) and the Uganda Chapter with support from Transparency and Accountability Program (TAP), the attrition rate of teachers in public schools had risen to 48.5%. This was a high rate of employee turnover stemming from an inability by the government to retain them.

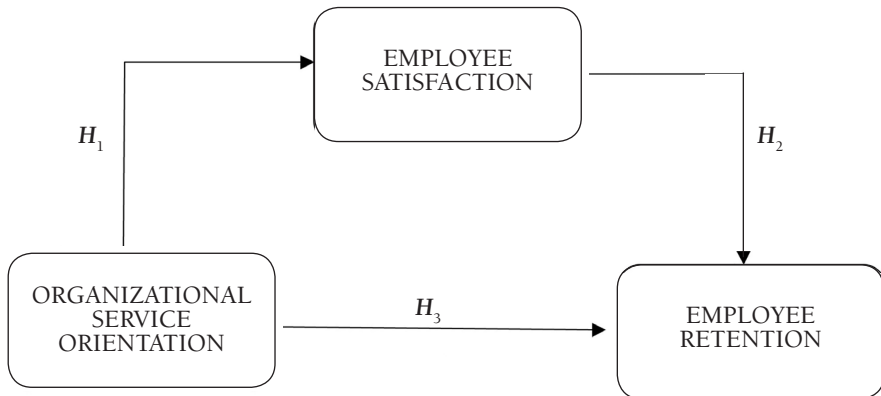
Past studies have identified several drivers of employee retention, such as employment relationship (Turney & Feldman, 2004), personal attributes fit with the job (Cable & Judge, 1996) satisfaction and commitment (Werbel & Gilliland, 1999). Cable & Judge (1996) goes on to assert that managing customer retention is built on relationships but that systems strategies and structures may reflect transactional change.

According to the review of the literature, two possible explanations exist for the positive effect of service organizations on employee retention; that is, the organization can foster employee retention by ensuring that the employee is satisfied and by putting in place organizational service orientation practices. Thus, from a theoretical perspective, the research seeks to advance the study of the role of the organization in employee retention in two respects: by providing empirical tests of both the distinct process explanations that link organizational service orientations to employee retention and the mediating role of employee satisfaction on this relationship. Furthermore,

from a managerial perspective, management attention will be directed to building an organizational environment that supports the attainment of employee satisfaction with an overall view of enhancing high levels of employee retention.

In the next section, the conceptual framework (see Figure 1) will be developed in terms of both the theoretical background that informs it and the specific hypotheses that it entails, using the education sector (teaching service) as the research context. Subsequently, the methods used to test this framework will be discussed, and the results of the empirical tests presented. The paper will end with a discussion of the theoretical, managerial, and future research implications that arise from the research, along with an assessment of the research limitations.

**Figure 1: Conceptual Model**



### *Organizational Service Orientation and Employee Satisfaction*

Organizational service orientation describes staff attitudes and behaviors, which directly affect the quality of service delivery process in a service organization and determine the state of all interactions between an organization and its customers (Lytle, Hom, & Mokwa, 1998). This concept is not widely known among practitioners. Lytle et al. (1998) described organizational service orientation as an organization-wide embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service-giving behaviors that create and deliver service excellence. These practices, policies and procedures indicated a process that took place in order to achieve minimal employee attrition.

The process theory as explained by Van de Ven and Poole (1995) referred to process as the progression (i.e., the order and sequence) of events in an organizational entity's existence over time. The duo argued that change is one type of event. It is an empirical observation of difference in form, quality, or state over time in an organizational entity. The *entity* may be an individual's job, a work group, an organizational strategy, a program, a product, or the overall organization (Van de Ven & Poole, 1995). Attempts to introduce organizational service orientation created a change process designed to achieve a certain end state, in this case, reduced employee attrition better known as employee retention.

Harre and Madden (1975) and Tsoukas (1989) referred to process theory as an explanation of how and why an organizational entity changes and develops. This explanation identified the generative mechanisms that cause observed events to happen and the particular circumstances or contingencies behind these causal mechanisms. Observed events like high employee retention rates result from a process that derive from specific mechanisms designed by organizations. Organizations fronting service orientation will generate employee satisfaction which in turn will result in employee retention.

This argument derives its strengths from the process theory which according to Van de Ven and Poole (1995), explained a causal relationship between independent and dependent variables in a variance theory. Secondly, the process theory is a category of concepts of organizational actions (e.g., rates of communications, work flows, decision-making techniques, or methods for strategy making). These concepts or mechanisms may be at work to explain an organizational result, but they do not describe how these variables or mechanisms unfold or change over time. Actions like introducing appropriate service orientations form part of communication or strategies that in turn result in satisfaction and high retention rates. Such practices actively involve employees and create a gratifying mindset within the employee that enables the employee to feel like working with others and for the organization for a long time.

According to Chia and Holt (2006), from the 'practice turn' in social theory, the involvement with others' lives is a form of relationalism that acknowledges the latent primacy of relations and practices over the individual or organization. Relationalism seeks to explain human actions in terms of a *primitive*, 'mindless' and practical coping. Chia and Holt (2006) stated that, such practical engagements precede mental content, reflection, or any form of symbolic representation. This relational state of absorbed involvement with the world is what a number of writers, including Nietzsche and Heidegger, insisted was a more basic condition of human life (Chia & Holt, 2006).

Given Chia and Holts' (2006) views, it can be argued that service orientation exists when the organizational climate for service crafts, nurtures, and rewards service practices and behaviors that are known to meet customer needs (Lynn, Lytle, & Bobek, 2000). It is also taken as something that manifests itself in the attitudes as well as actions of members of an organization which highly values the creation and delivery of an excellent service (Yoon, Choi, & Park, 2007). According to Lytle and Timmerman (2006) an organizational service orientation consists of ten fundamental elements. Lytle et al. (1998) argued that these elements (dimensions) could be grouped into four service orientation attributes: 1) service leadership practices (SLP) which include servant leadership, service vision. 2) service encounter practices (SEP) which include customer treatment and employee empowerment, 3) service system practices (SSP) which include service failure prevention and recovery, service technology, service standards communication, and 4) human resource management practices (HRMP) which include service training and service rewards.

Brown and Peterson (2003); Deshpande, Farley, and Webster (1993) and Deshpande and Farley (1997) refer to customer service orientation as the tendency by employees to put the customers' interests first. It should be noted that people now live in a service economy. In fact, according to the US Bureau of Labor Statistics, over

80% of American employees were working in service industries in 1999 (Ford, Ford, & D'Amelio, 2008). Research has shown that as they develop a shared history, customers (or clients) and consultants get to know each other and build trust over time.

Newstrom and Davis (2001) defined job satisfaction as an affective attitude – a feeling of relative like or dislike towards something. Attitudes consist of feelings, thoughts and intentions to act. To Newstrom and Davis, job satisfaction was not just optional for an organization, but an important tool and foundation for growth. Attractive compensation and promotion practices provide organizations with an advantage over their competitors by increasing their ability to recruit, hire, and retain employees (e.g., Sinclair et al., 2005). Employees must know what they are doing and why they are doing it in order to be satisfied (Rust et al., 1993). According to Parasuraman, Zeithamal, and Berry (1999), service systems practices were positively and directly related to employee job satisfaction. Standard economic theory postulates that job satisfaction depends positively on income and negatively on hours worked, as well as on a set of other job-specific and worker-specific characteristics (Vila & Garcia-Mora, 2005). Since it is known that employee job satisfaction is not influenced by the same variables in all industries (Hom & Griffeth, 1991), focus will be on the study of organizational service orientation as a predictor of employee satisfaction. Therefore,

*Hypothesis 1: Organizational service orientation is positively related to employee satisfaction.*

### *Employee Satisfaction and Employee Retention*

Much of today's theory on voluntary turnover stems from the ideas put forth on an employee's intent to leave a job. A meta analysis that was performed on this issue emphatically pointed out that a fundamental way of decreasing employee turnover is to raise the level of job satisfaction. Psychologists stress that when these expectations are not met, the employee's job satisfaction and organizational commitment levels will be lowered and the employee will leave. The relationship of job satisfaction to employee turnover has been heavily researched in recent years and is by far one of the main predictors of turnover (Griffeth, Hom, & Gaertner, 2000). Moncarz and Zhao (2009) found that supervision, promotion process, employee communication, and fringe benefits were positively correlated with job satisfaction and negatively correlated with intent to leave and voluntary turnover. However, job satisfaction alone is a result of factors such as human resource practices within the organization. Existing studies have not been able to find a link between organizational service orientation and employee job satisfaction.

According to Spector (1997), job satisfaction is the extent to which people like or dislike their jobs. Spector suggested that job satisfaction is a general or global affective reaction that individuals hold about their job. Weiss, Dawis, and Lofquist (1967) and Locke (1976) defined job satisfaction as a pleasurable emotional state resulting from the appraisal of one's job. This definition suggested that people form attitudes towards their jobs by taking into account feelings, beliefs, and behavior. Job satisfaction has been labeled as a central variable in both research and theory of organizational behavior (Spector, 1997). Put simply, it refers to the extent to which people like (satisfaction) or dislike

(dissatisfaction) their jobs. Literally thousands of job satisfaction studies can be found in journals of organizational behavior, human resources, and related fields (Zeffane, 1994).

Employee perceptions of how they are treated by the organization are positively associated with organization citizenship behavior which, in this case, would be reflected in their reduced attrition levels. It is therefore argued that the above is also true for internal customers. These behaviors result in more effective service delivery to the organizational standards and thus enhance customer perceptions (in this case, internal customers) of service quality which in itself retains (internal) customers (Carol, 2003). This study intends to address the paucity of empirical research on employee satisfaction and internal customer retention, therefore,

*Hypothesis 2: Employee satisfaction is positively related to employee retention.*

#### *Organizational Service Orientation and Employee Retention*

One of the most prevalent challenges, Carol (2003) asserted, is how to motivate service employees to perform their roles so that the service actually delivered by the employees meets the service demands defined by the organization so as to gain customer retention. Empirical evidence suggested that the establishment of well-defined organizational goals and objectives influence employee retention and job productivity. Kim (2009), in his study on corporate orientation, found that organizational direction and support had a significant impact on employee job satisfaction and overall commitment. Findings from Susskind, McKearnen, and Thomas-Lamar's (1999) research also suggested that perceived organizational support strongly influenced job satisfaction and employees' commitment to their organizations. A study by the US Department of Labor in 1993 on high performance work practices revealed that involving employees in decision-making, goals, and the direction of an organization through participation in teams would help produce job satisfaction and reduce turnover. Several scholars found that other work practices, such as total quality management, resulted in productivity gains and had a positive impact on motivation and commitment to the organization (Cotton & Tuttle, 1986; Huselid, 1995; Pfeffer, 1982). Huselid (1995) reported that organizations that incorporated such high-performance work practices were more likely to experience lower turnover rates for non-managerial employees. However, no studies have linked organizational service orientation to employee job satisfaction and eventual employee retention. Thus,

*Hypothesis 3: Organizational service orientation positively influences employee retention.*

Employee satisfaction is defined as a pleasurable emotional state resulting from the appraisal of one's job (Weiss et al., 1967; Locke, 1976). The positive relationship between employee satisfaction and employee retention has been demonstrated time and again and summarized in narrative reviews (Griffeth et al., 2000; Cotton & Tuttle, 1986). Hence, there is abundant support for viewing it as an influence on retention.

Parasuraman et al. (1999), has long argued that service systems practices were positively and directly related to employee job satisfaction. Employee job satisfaction

can depend on a set of job-specific characteristics. Such specific characteristics were part of a process which in essence explained how and why an organizational entity would change and develop. Such changes were embedded in employees allowing them to know what they were doing and why they were doing it (service orientation) in order to be satisfied (Rust et al., 1993). Parasuraman et al. (1999) insisted that service systems practices would be positively and directly related to employee job satisfaction.

One naturally would expect that organizational service orientation would correlate positively with employee retention for reasons other than their satisfaction expectations (e.g., because service orientation influences both). For example, Chao (1997) reported that organizations which incorporated such high-performance work practices (like service orientation) were more likely to experience lower turnover rates for non-managerial employees. Consequently as depicted in Figure 1, it can be hypothesized that:

*Hypothesis 4: Employee satisfaction mediates the relationship between organizational service orientation and employee retention.*

## Methodology

This study utilized 216 responses from a sample of 346 teachers generated using Yamane's (1973) sample selection approach from a population of 3,476 teachers in Kampala District Uganda based on the Ministry of Public Service Payroll 2012. In an attempt to measure the opinions or attitude of respondents (Burns & Grove, 2009), a four point Likert scale-type questionnaire was used to obtain self-reported information on organizational service orientation, employee satisfaction, and customer retention. The background formed the first section of the questionnaire. It contained four questions about the respondents' gender, age, education level, and time spent in the organization.

The findings showed that of the respondents: 50.9% were male and 49.1% were female. In terms of age: 16.7% were below 25 years of age, 56% were between 25 and 35 years of age, 21.3% were aged 35 to 45 years old, 5.6% were between the ages of 45 and 55 and 0.5% were above the age of 55. In terms of education level and training, 8.8% were licensed teachers, 53.7% certificate holders, 31% diploma holders, 5.6% degree holders and 0.5% postgraduate teachers. For time spent in that organization, 20.4% had spent between 0 and 1 year, 49.5% between 1 and 5 years, 22.2% between 5 to 10 years, 6.5% between 10 to 15 years and 0.5% above 15 years.

The second section – organizational service orientation – consisted of 10 items. The item scales for organizational service orientation were developed consistent with the Serv\*Or tool (Lytle et al., 1998). For example, each respondent was asked to indicate his/her opinions on the items provided on the questionnaire (e.g., “My organization has avenues to prevent service failure”). Employee satisfaction consisted of 11 items. The item scales were measured consistent with a the Minnesota Satisfaction Questionnaire (MSQ) (Weiss et al., 1967) with modifications to suit this study. The respondents were asked to report their responses on items such as “I am satisfied with the competencies of my supervisor in making decisions”. Employee retention was measured using a 12 item scale developed from Ramlall (2003) and Bhatnagar (2007). For instance, a respondent

was asked to opine on statements like, “My organization has a documented process for handling employee complaints”.

Principal component analysis was then performed to identify patterns in data in order to reduce it to a manageable level, achieve parsimony and hence explained the maximum amount of common variance using the smallest number of explanatory constructs (Field, 2009). The resulting components for organizational service orientation were interpreted as service systems practices and human resource practices. In total, 9 questions from the original 10 explained 51.369% of the variance in organizational service orientation. The resulting components for employee satisfaction were interpreted as foresightedness and planning. In total, 7 questions from the original 11 explained 62.562% of the variance in organizational service orientation. The resulting components for employee retention were interpreted as supervision related experiences and empowerment. In total, 11 questions from the original 12 explained 55.573% of the variance in employee retention.

### *Statistical Modeling*

To estimate the model of the relationships between organizational service orientation, employee satisfaction and employee retention in line with the objectives, Structural Equation Modeling (SEM) was employed. SEM addressed the issue of measurement error, and simultaneously estimated a system of structural equations. SEM is a comprehensive statistical approach used to test hypotheses about relations among observed and latent variables (Hoyle, 1995). According to Rigdon (1998), it was also a methodology for representing, estimating and testing a theoretical network of (mostly) linear relations between variables, and according to MacCallum and Austin (2000), tested hypothesized patterns of directional and non-directional relationships among a set of observed (measured) and unobserved (latent) variables.

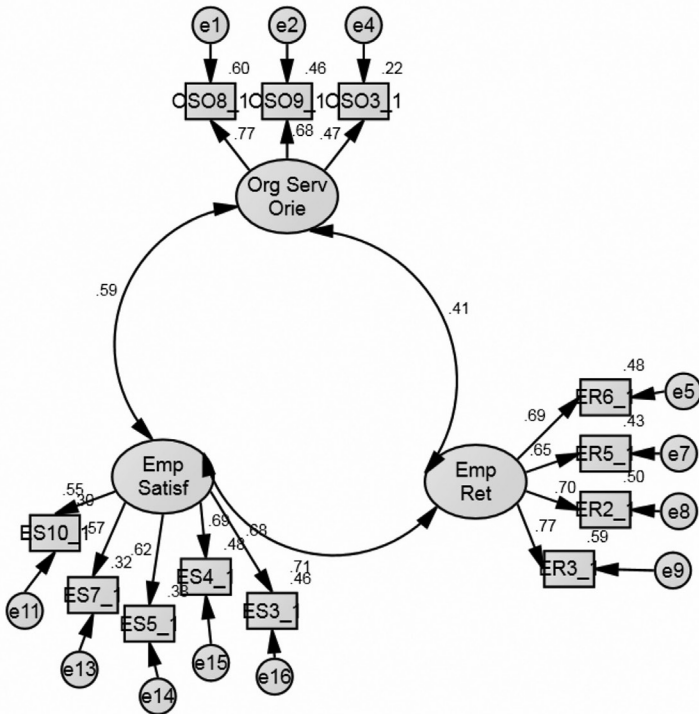
SEM therefore helped in understanding the patterns of correlational/covariance among a set of variables and according to Kline (2011), explained as much variance as possible with the model specified. A two-step process as guided by Anderson and Gerbing (1988) was used: estimate the measurement model first and then the structural model. The estimation procedure in AMOS 18 (Arbuckle, 2009) was used to construct the use of the measurement model in order to construct the structural model. Indeed it showed model fit as indicated in Figure 5. The overall fit of the models was tested using the following fit criteria: the Chi-square test (which was an absolute test of model fit required that the model was rejected if the p-value was  $<0.05$ ), Root Mean Square Error of Approximation (RMSEA) which should have been  $<0.08$ , and the Tucker-Lewis index (TLI) for values of 0.95 or higher (Hu & Bentler, 1999).

Descriptive statistics and variable correlations are presented in Table 1. Table 2 presents a summary of the fit indices for the CFA model that was tested. Using the covariance matrix, a three factor CFA model was estimated. In effect, this model amounted to testing the discriminant validity of three variables: organizational service orientation, employee satisfaction, and employee retention. Convergent validity was performed using the Bentler-Bonett Normed Fit Index (NFI), a measurement model which showed strong convergent validity with a NFI value above 0.90 (Mark & Sockel, 2001). For the model (Figure 2 above), the NFI was 0.989, indicating strong convergent validity. A summary of



other fit indices showed model fit as shown in Table 1 below. Collectively, these results indicated that the measurement properties fit quite well and that there was sufficient covariance among the latent variables to warrant examining the different intervening effects (Tabachnick, & Fidell, 2001).

Figure 2: Measurement Model for OSO, ES, and ER



CMIN=64.045; DF=51; P=0.432; RMR=0.011  
 GFI=0.993; AGFI=0.973; NFI=0.989; TLI=0.976  
 CFI=0.982; RMSEA=0.034

Org Serv Ori= Organizational Service Orientation  
 Emp Satisf=Employee Satisfaction  
 Emp Ret=Employee Retention

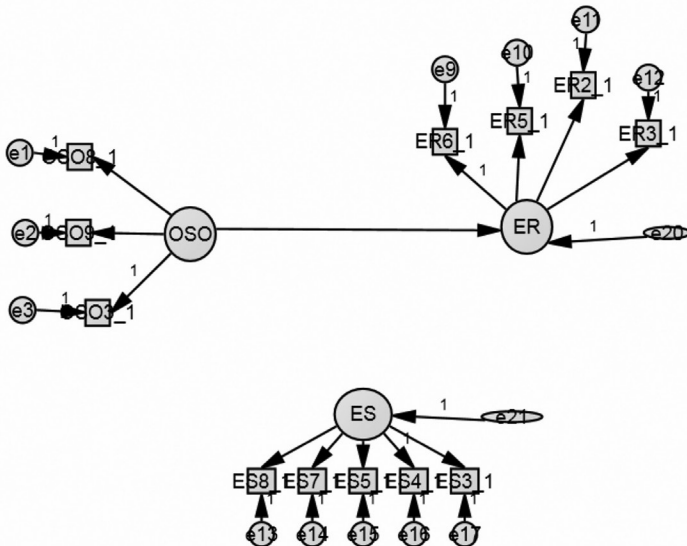
Table 1: Summary of Fit Indices for Measurement Model

Variable	X <sup>2</sup>	df	X <sup>2</sup> /df	p	NFI	GFI	AGFI	TLI	RMSEA
Cutoff point			≤0.5	≥0.00	≥0.90	≥0.95	≥0.90	≥0.95	≤0.08
CFA	64.045	51	1.256	0.104	0.989	0.983	0.973	0.976	0.034

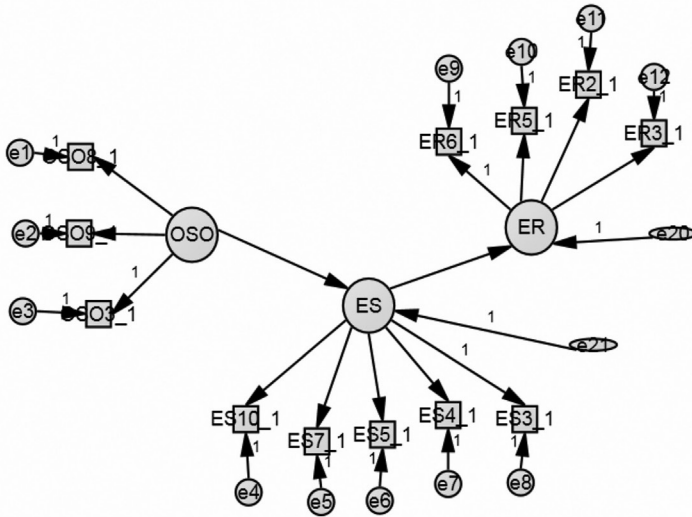
It should also be highlighted that the fit of the three factor CFA was equivalent to a ‘saturated structural model’ — or one that included direct paths from all antecedents to both the mediator (i.e. employee satisfaction) and to the criterion (i.e. employee retention). This saturated model provided a useful comparison against which to gauge the fit of other models.

Based on the revelations above, two competing structural equation models can be constructed. This was so because the major objective of the study was to establish the mediating effect of employee satisfaction on the relationship between organizational service orientation and employee retention. The position of this study in developing the hypotheses had been that employee satisfaction would mediate the relationship between organizational service orientation and employee retention. The point was to establish whether the intervening variable affected the relationship between organizational service orientation and employee retention. Therefore, it had to be compared with a model that tested for no mediation (see Figures 3 and 4).

Figure 3: Direct Effects Model



CMIN=174.819; DF=53; P=0.000; CMIN/DF=3.298 RMR=0.112;  
 GFI=0.895; AGFI=0.846; NFI=0.772; TLI=0.783; CFI=0.826; RMSEA=0.103  
 OSO= Organizational Service Orientation  
 ES=Employee Satisfaction  
 ER=Employee Retention

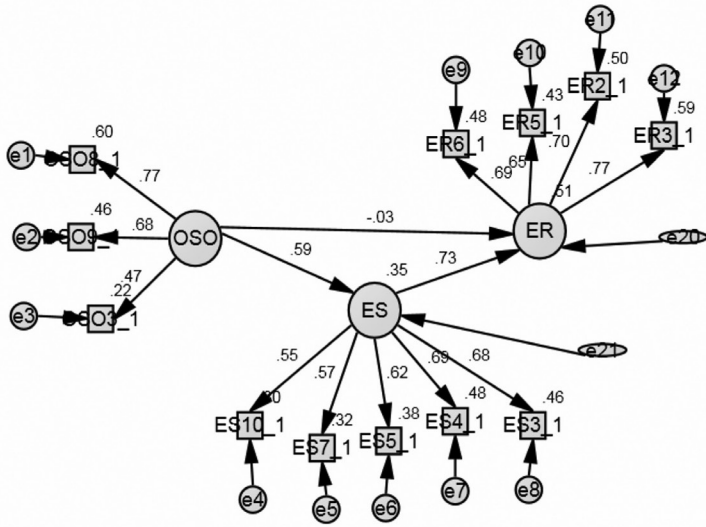
**Figure 4:** *No Direct Effects Model*

CMIN=64.105; DF=52; P=0.121; CMIN/DF=1.233;  
 RMR=0.026; GFI=0.954; AGFI=0.931; NFI=0.917;  
 TLI=0.978; CFI=0.983; RMSEA=0.033

OSO= Organizational Service Orientation  
 ES=Employee Satisfaction  
 ER=Employee Retention

Mediation is the hypothesized causal chain in which one variable affects a second variable that in turn affects a third variable. According to Baron and Kenny (1986), the procedure for testing for mediation is a 4-step procedure: 1) establish the relationship between the predictor and the criterion variable and this relationship must be significant, 2) establish the relationship between the predictor and the mediator variables which has to be significant, 3) establish the relationship between the mediator and the criterion variable which has to be significant, and 4) when paths 2 and 3 are controlled, a previously significant relationship between the independent and dependent variables is no longer significant; which translates into full mediation. In step 4, some form of mediation is supported if the effect of the mediator remains significant after controlling for the predictor variable. If the predictor is still significant (i.e., both the predictor and mediator significantly predict the criterion variable), the finding supports partial mediation. From a conceptual perspective, the most common application of mediation is to 'explain' why a relationship between two constructs exists. To understand how mediating effects are shown in SEM model, a model in terms of direct and indirect effects was examined.

**Model 5: SEM-Mediated Model**



CMIN=64.105; DF=52; P=0.121; RMR=0.011  
 GFI=0.994; AGFI=0.9331; NFI=0.917; TLI=0.978  
 CFI=0.983; RMSEA=0.033  
 OSO= Organizational Service Orientation  
 ES=Employee Satisfaction  
 ER=Employee Retention

It has been recommended that SEM be considered for assessing mediation because it offers a reasonable way to control for measurement error as well as some interesting alternative ways to explore the mediation effect (Baron & Kenny, 1986; Fornell & Larcker, 1981; Holmbeck 1997; Judd & Kenny 1981; Kline, 1998, 2011). Models involving latent variables with multiple measured indicators are inherently corrected for measurement error by estimating a common and unique variance separately. This, in turn, increases the likelihood that indirect effects, if present, will be discovered. More complicated mediation models, such as those with several mediators linked serially or operating in parallel (or both), can be explored in the context of SEM with any combination of latent or measured variables. The normal theory approach developed by Sobel (1982) has been incorporated in popular SEM software applications (Jöreskog & Sörbom, 2005) and EQS (Bentler, 1997), and it is discussed in the context of SEM by Bollen (1987). A bootstrapping approach to assessing indirect effects is implemented in the current version of AMOS (Arbuckle & Wothke, 1999; Arbuckle, 2009).

Thus, in order to test for mediation, three structural equation models using AMOS 18 were used in this study (Hair et al., 2006). The first structural model (Figure 3) was the theoretical model that posited that employee satisfaction did not mediate the relationship between organizational service orientation and employee retention (direct effect). The second structural model (Figure 4) depicted a situation of indirect effect of organizational service orientation on employee retention through employee satisfaction. The third structural model (Figure 5) brought out a mediation effect.

In effect, the direct and indirect effects were isolated for the exogenous variable (Figures 3 and 4). However, the study first fit 'only directs' and 'no directs' models to serve as additional bases of comparison. The only direct model estimated direct relationships from the exogenous variable to employee retention, with no paths leading to or stemming from employee satisfaction or the mediator (although employee satisfaction remains as a latent variable in the model). This model exhibited deficient fit indices (see Table 2) and differed significantly from the CFA model. This indicated that the exogenous variable had a significant direct effect with employee satisfaction, or that employee satisfaction related significantly with employee retention. In other words, these results attested to the importance of the mediator variable. In the context of this model, organizational service orientation ( $r=0.403$ ,  $p<0.001$ ) related significantly to employee retention. These findings were consistent with the anticipated forms of intervening effects.

**Table 2:** Comparison of Competing Models

			<b>“Directs Model”</b>	<b>“No directs Model”</b>	<b>Mediated model</b>
ES	<---	OSO		0.590***	.595***
ER	<---	ES		0.710***	.728***
ER	<---	OSO	0.403***		-.026
CMIN			174.891	64.105	64.045
DF	<---		53	52	51
P	<---		0.000	0.121	0.104
CMIN/DF	<---		3.298	1.233	1.256
RMR	<---		0.112	0.026	0.026
GFI	<---		0.895	0.954	0.954
AGFI	<---		0.846	0.931	0.930
NFI	<---		0.772	0.917	0.917
TLI	<---		0.783	0.978	0.976
CFI	<---		0.826	0.983	0.982
RMSEA	<---		0.103	0.033	0.034
PCLOSE	<---		0.000	0.863	0.839
SMC-OSO_8			0.569	0.600	0.599
SMC-OSO_9			0.519	0.405	0.464
SMC-OSO_3			0.197	0.221	0.222
SMC-ES			0.000	0.348	0.354
SMC-ER			0.163	0.504	0.508

The no direct effects model estimated paths from the exogenous variable to employee satisfaction (Figure 4), and from employee satisfaction to employee retention, but contained no direct effects from the exogenous variable to employee retention. This model exhibited acceptable fit indices (see Table 2). In the context of this model, the exogenous variable related significantly with employee satisfaction and employee satisfaction related significantly with employee retention. Therefore, a mediating relationship was evident for the intervening effects.

Morgan and Hunt (1994) examined four different criteria in a SEM model comparison: (1) overall model fit as measured by CFI, (2) percentage of hypothesized significant paths, (3) amount of variance explained as measured by squared multiple correlations, and (4) parsimony assessed by the Normed Fit Index (NFI). Comparison of results between the directs only, no directs, and mediated models on these four criteria indicated that although both the no directs and the mediated models had generally similar CFI and NFI fit indices (Table 2), the mediated model's squared multiple correlation (SMC) were a better representation of the data than the no directs model's SMC.

## Results

This paper set out to establish whether organizational service orientation was related to employee satisfaction. In SEM, when a variable loads on only a single common factor, the Standardized Regression Weights (standard paths coefficients) can be interpreted as the correlation between the observed variable and that factor. SEM theory assumes that in a relationship between two variables being tested, the Critical Ratio (C.R.) statistic can be based on a probability level of 0.05. This test statistic needs to be  $> \pm 1.96$  before the hypothesis can be rejected (Hair et al., 2006). This implies a significant correlation (Hair et al., 2006). The opposite is true when, for example, the C.R. is  $< \pm 1.96$ , then the correlation is non-significant. The output in Table 2 was used to establish whether the hypotheses were supported or not. Correlation results in Table 2 showed that organizational service orientation was positively correlated to employee satisfaction ( $\beta=0.595$ ; C.R. $> 1.96$ ) meaning that when organizational service orientation values went up by 1 standard deviation (SD), it created a 0.595 increase SD in employee satisfaction, thus strengthening support for Hypothesis 1. The effects of the exogenous variables onto the endogenous variables that were established can be seen in Table 3.

**Table 3: Standardized Effects**

	Total effects			Direct effects			Indirect effects		
	<i>OSO</i>	<i>ES</i>	<i>ER</i>	<i>OSO</i>	<i>ES</i>	<i>ER</i>	<i>OSO</i>	<i>ES</i>	<i>ER</i>
<i>ES</i>	.595	.000	.000	.595	.000	.000	.000	.000	.000
<i>ER</i>	.407	.728	.000	-.026	.728	.000	.433	.000	.000

Table 3 above showed that organizational service orientation explained 59.5% of the variance in employee satisfaction. Of this total effect, all 59.5% was direct effect. This finding was in support of Hypothesis 1 which stated that organizational service orientation was significantly related to employee satisfaction.

Following the results in Table 3, employee satisfaction was found to explain 72.8% of the variance in employee retention. Of this total effect, all 72.8% was direct effect. This finding supported Hypothesis 2 which stated that employee satisfaction was significantly related to employee retention. The correlation results as observed in terms of standard paths coefficients in Table 2, established a significant and positive association between the two variables ( $\beta=0.728$ ;  $C.R.> 1.96$ ), which implied that when employee satisfaction went up by 1 SD, employee retention went up by 0.728 SDs.

In Table 2, it can be seen that the correlation results indicated an association between organizational service orientation and employee retention ( $\beta=0.403$ ;  $C.R.> 1.96$ ), which implied that a change of 1 SD in organizational service orientation created a change of 0.403 SD in employee retention. This finding lent support to Hypothesis 3 which stated that there was a significant relationship between organizational service orientation and employee retention.

The study hypothesized that the influence of organizational service orientation on employee retention would be mediated by employee satisfaction. Accordingly, using the no directs model again as a base, an 'organizational service orientation direct' model was fit by adding a path from organizational service orientation to employee retention (Figure 5). This model exhibited excellent fit indices (see mediated model results in Table 2) which was a significant improvement over the directs model, and did not differ significantly from the saturated model (Table 1) and the no directs model (Table 2).

However, as illustrated in Table 2, the correlation between organizational service orientation and employee retention was significant ( $r=0.403$ ;  $p=0.001$ ). But when a third variable (employee satisfaction) was introduced in this relationship, the correlation between the two (exogenous and criterion variables) became insignificant ( $r=0.026$ ,  $p>0.05$ ). Thus, the direct effect of organizational service orientation was not significant, but the indirect effect was significant (Table 2).

The results of the models above indicated that organizational service orientation had a direct effect on the employee satisfaction mediator, employee satisfaction had a significant relationship with employee retention, and that the direct effect of organizational service orientation to employee retention was no longer significant. Given the earlier significant total effect (0.403), and the new insignificant total effects (-0.026), these results were consistent with the hypothesis of a mediation effect, and in this case, full mediation. This therefore supported Hypothesis 4 which stated that a mediation effect existed in employee satisfaction on the relationship between organizational service orientation and employee retention.

## Discussion, Conclusions, and Recommendations

This study sought to demonstrate the necessity for heads of schools in the private sector to pay attention to organizational service orientation and employee satisfaction in order to achieve a high employee retention rate. In keeping with the aim and



contributions of this study, the process of continuous refinement of the perspectives that attempt to explain employee retention in schools will continue to undergo changes based on the empirical evidence. From this study, it was evident that the more the organization institutes appropriate organizational service orientations, the better the employee satisfaction level and the retention of its employees.

The study derived four hypotheses from the reviewed literature and tested all of them. Hypothesis 1 stated that organizational service orientation was positively correlated with employee satisfaction. This was tested and confirmed. In support of the findings, Lynn et al., (2000), Baydoun, Rose, and Emperado (2001), and Lytle and Timmerman (2006), argued that service orientation existed when the organizational climate for service crafts, nurtures, and rewards service practices and behaviors were known to meet customer needs. The factored indicators of organizational service orientation were service systems practices and human resource practices. This implied that schools should endeavor to institute systems and practices that promote employee satisfaction on the job.

Hypothesis 2 stated that employee satisfaction was positively related to employee retention. The results concurred with the hypothesis and confirmed that when employees are satisfied on the job, they exhibit high levels of retention, and the rate of turnover decreases. These findings are in line with those of Kinzli et al. (2004) who in a meta analysis on factors that affect employee retention emphatically pointed out that a fundamental way of decreasing employee turnover was to raise the level of job satisfaction. Therefore, the heads of schools need to provide avenues for employee satisfaction if they are to maintain low levels of employee turnover.

Hypothesis 3 stated that organizational service orientation positively influenced employee retention. The finding was in support of earlier findings (Homburg, Hoyer, & Fassnacht, 2002; Lynn et al., 2000) that postulated that there was a significant relationship between organizational service orientation attributes and the majority of service performance variables of which customer retention was one. Based on the findings, managerial practices in schools should emphasize avenues to prevent service failure and promote rewards for good performance. This will help maintain high retention rates among employees (Moncarz & Zhao, 2009) and in this case, in schools.

The study also established a mediation effect (Hypothesis 4) in which employee satisfaction mediated the relationship between organizational service orientation and employee retention. The mediation effect of employee satisfaction on the relationship between organizational service orientation and employee retention was explained by the fact that the total effect (40.7%) of organizational service orientation on employee retention was different from the direct effect (-2.6%). This implied that organizational service orientation's account of 43.3% of the variance in employee retention was indirect, meaning there was a mediation effect and that Hypothesis 4 was supported. When employee satisfaction was introduced, the effect (-2.7%) completely diminished, which implied that there was full mediation of employee satisfaction on the relationship between organizational service orientation and employee retention. The fact that the critical ratio index was less than 1.96 and the effect of organizational service orientation on employee retention was reduced to a non-significant level when employee satisfaction was introduced in the model, implied that there was full rather than partial



type of mediation between organizational service orientation, employee satisfaction, and employee retention (Jose, 2008; Baron & Kenny, 1986). In their endeavors to retain their employees on the job for a long time, school heads and proprietors need not emphasize organizational service orientation in isolation of employee satisfaction, but to ensure both factors exist within the organizational practices.

### Limitations and Future Research

This was a cross-sectional survey using a quantitative approach. This by and large precluded cause-effect relationships being uncovered. It is advisable that the diversity between service sectors be investigated. Wide cross-sector studies are rarely practiced in the quality management field, and in this study, it was a challenge.

This was an empirically driven study. The validity of the findings depended very much on whether the sample was representative. This unfortunately may not have been the case since the schools that were studied were located within the capital and its suburbs, yet Uganda has over 111 districts at the moment, mostly in the rural areas. It is fair to say that teachers in remote areas depend on different attributes of service orientation in order to remain or gain satisfaction at work given the rural setting of their environment. This study mostly relied on a quantitative approach, which in turn, resulted in a failure to gather salient issues from the respondents. It is therefore imperative that methodological triangulation approaches (Kozlowski & Klein, 2000) be used (i.e., blending both qualitative and quantitative approaches) in order to enrich the results. The study could also be improved by exploring the mediating effect of employee satisfaction on the relationship between organizational service orientation and employee retention.

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