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RESEARCH ARTICLE

Retention Beyond Salary: Understanding Employee Motivation in Start-ups and Educational Institutions

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Abstract

Employee attrition has been a major concern for HR managers worldwide. Traditionally, most efforts toward retention have focused on providing remuneration at better rates. However, the overall nature of non-monetary retention has attracted the attention of many scholars in the past decade. This paper summarises the factors that influence employee retention in the wider literature. These include Organisation Culture, Psychological Safety, Professional Growth, Workplace and Co-Worker Relationships, Leadership, Work–Life Balance, and Seniority (Tenure). The paper then applies these findings to the technology and innovation start-up sector on the one hand and the education sector on the other. Escape clauses and equity pay among start-up managers, inclusion in decision-making and being part of a culture with a sense of purpose are found to be powerful mechanisms for retaining start-up employees. For education employees, work-life balance, seniority, and support from co-workers and higher management are critical factors in retention. The paper concludes with the development of a new theoretical framework for employee retention. The framework proposes the integration of the Self-Determination Theory (SDT) of intrinsic motivation with Herzberg's Two-Factor Theory. Human Resources implications and directions for future research are also discussed.

INTRODUCTION

In the twenty-first century, the global labour market has undergone significant developments characterised by increasing mobility, rising expectations of knowledge workers, and intensifying competition for talent across various industry sectors. These developments have led to an increasing importance of employee retention in

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organisations, which is the process of maintaining an optimal workforce membership over a given period of time (Hom *et al.*, 2017). While the decision to stay or leave an organisation is traditionally associated with salary and benefits, emerging research evidence has shed some light on the fact that employee or organisational commitment, work engagement and job satisfaction are powerful employee retention drivers besides the financial factors (Saks, 2006; Allen *et al.*, 2010).

The current paper will analyse the factors that influence employee retention in two sectors that lately have been seen as complex for employee retention. These sectors are the educational institutions and technology start-ups. In scalar start-ups, which are characterised by their uncomfortable environment with high ambiguity, continuous refining development and radical innovation, there will be a need for a variety of retentive measures, like the use of equity and a flatter structure, instead of engaging high amounts of pay (Carnahan *et al.*, 2012). Conversely, in educational institutions, which are characterised by motive-driven goals, their employees have different work. Their employees are put in different situations such as intellectual-focused, pedagogue-feeling or job security, instead of financial gains (Barkhuizen & Rothmann, 2008).

The present paper seeks to investigate a systematic approach to drivers and motivators for employee retention in these two sectors and the mechanisms by which employee retention differs and resembles each other. The paper will be structured as follows. Section 2 presents a theoretical framework. Section 3 describes drivers for employee retention in start-ups. In Section 4, the performance of employee retention in the education sector is discussed. Section 5 is devoted to a comparative analysis. Section 6 proposes an integrative model. The paper is concluded in Section 7.

THEORETICAL FOUNDATIONS

Maslow's Hierarchy of Needs: Maslow's (1943) hierarchical model of human motivation proposes that people go through five need levels (physiological; safety; social belonging; esteem and self-actualisation) sequentially until they are motivated by self-actualisation. However, whereas salary satisfies physiological and safety needs at the workplace, culture, recognition, autonomy and job characteristics mediate the higher-order needs (Wahba & Bridwell, 1976). Thus, retention strategies that satisfy only the lower rungs of the hierarchy should be expected to have a limited career-lasting effect.

Herzberg's Two-Factor Theory: Herzberg *et al.*'s (1959) distinction between hygiene factors and motivators is that hygiene factors (*e.g.*, salary, job security, working conditions) are needed to avoid dissatisfaction but not for motivation, whereas motivators (*e.g.*, achievement, recognition, interesting work, responsibility) are necessary for motivation. The implication is that organisations can provide enough compensation to prevent employees from leaving, but this will not produce motivation; therefore, to retain employees, motivators are necessary (Bassett-Jones & Lloyd, 2005).

Self-Determination Theory: Deci and Ryan's (2000) Self-Determination Theory (SDT) proposes that autonomy (the need to experience volition and self-direction), competence (the need to feel effective and mastery), and relatedness (the need for meaningful connection with others) are three universally experienced psychological needs. SDT suggests that experiences that meet these three needs promote intrinsic motivation, psychological well-being, and long-term engagement; these factors in turn predict retention (Gagné & Deci, 2005). Coherent results from studies in both entrepreneurial and academic contexts have substantiated SDT's utility (Roca & Gagné, 2008).

Organisational Justice: Greenberg (1990) defines distributive justice as workplace inequity in outcomes, procedural justice as perceived fairness in procedures, and interactional justice as respectful treatment by a supervisor. Studies meta-analysing the predictions of distributive, procedural, and interactional justice have found significant relationships between each of the three justice categories and job satisfaction, organisational commitment, and turnover intentions (Colquitt *et al.*, 2001). In small, entrepreneurial enterprises, a lack of formal HR procedures can lead

employees to perceive a procedural injustice, which can lead to voluntary turnover. In higher education, perceived injustice in the form of inequity in workload distribution or promotion criteria can be a source of dissatisfaction among administrators (Barkhuizen & Rothmann, 2008).

Retention In Start-Ups

The Start-Up Agenda: Start-up firms are characterised by short feedback loops, limited resources, ambitious growth plans and a strong narrative of mission, purpose, and scope. These characteristics can foster attractive employment propositions in terms of status and purpose, potentially outweighing base pay considerations, providing a more powerful pull than the usual large corporate employer branding pull. The expected start-up employment proposition is that employees will trade a usually below-market salary in exchange for the rewards of a start-up, such as equity, the opportunity to work on cutting-edge problems and the opportunity to feel like an owner of the enterprise. Hello, hellmann@2002. The start-ups nuances treatment of employees.

Equity and Financial Participation: Employee Stock Option Plans (ESOPs) and phantom equity are a major feature of start-up employment propositions. Cliff-vesting schemes, *i.e.*, the vesting of equity options after a minimum tenure, use the reward incentive to lock in employees without direct monetary cost. However, equity participation has limitations. Employees will be motivated by equity as long as the equity is perceived to hold a financial reward, *i.e.*, via a liquidity event. Illiquid start-up valuations are an Achilles' heel for the equity participation retention argument.

Mission and Purpose Alignment: Start-up founders often disseminate a compelling organisational mission that resonates with employees' higher-order need for meaning and contribution (Dees, 1998). Grant (2008) found that employees who perceive their work as making a difference are more persistent and perform better. In start-ups, mission clarity provides a strong lever to retain millennial and Gen-Z employees, who consistently rank purpose over pay in employee preference surveys (Deloitte, 2023).

Autonomy and Learning Opportunities: Start-ups' flat hierarchies and entrepreneurial cultures provide employees with significant autonomy, a key need under SDT (Deci & Ryan, 2000). The chance to own products, make consequential decisions early in one's career, and learn cross-functional skills constitutes a premium that many high-skill and high-ability employees aspire to (Lepak & Snell, 1999). But that same rapid learning also increases employees' swapping value, making them more attractive to competitors – a trend that Carnahan *et al.* (2012) call the 'start-up talent paradox.'

Burnout and Retention Risk: The pervasive culture of 'hustle' that exists in many start-up companies involves long working hours, lack of work-life boundaries and a continual sense of urgency, all of which increase the risk of employee attrition. As 'burnout' involves the loss of engagement resulting from a chronic failure of job demands to be met by available resources, the start-up culture—with its often-small headcount and frequent and uneven spikes in demand—can be a significant trigger of burnout, and therefore a threat to the retention of high-performing employees unless a robust well-being infrastructure is sub-served for to offset this risk (Maslach & Leiter, 2016; Uy *et al.*, 2010).

Retention in Educational Institutions

The Academic Context: Educational institutions such as schools, colleges and universities provide a distinctly structured context in which to operate. The workforce of institutions such as these includes both academic staff (faculty, researchers) as well as organisations' non-academic administrative personnel. Academic staff tend to be characteristically highly motivated through intrinsic rewards and forms of self-determination. Unique academic employees tend to stake their staff identity within disciplinary communities larger than their institution (Deem & Lucas, 2007). Thus, there is a clear need to understand this workforce's specific motivational dynamics in formulating specific retention proposals.

The Intrinsic Rewards and Intellectual Fulfilment: The personal rewards cited by academic staff as being the motivating factor that are intellectual stimulation, independence in research pursuits and personal fulfilment derived from students' development

(Barkhuizen & Rothmann, 2008). These rewards directly feed into SDT logic in supporting the intrinsic motivation of autonomy and competence satisfaction. Where managerialism and administrative overload inhibit academic freedom, academic staff become disengaged and may leave the organisation (Deem & Lucas, 2007).

Tenure, Job Security and Stability: The institutional provision of tenure, a system of long-term or permanent employment contingent upon a probationary performance review, represents a cornerstone retention mechanism in higher education (Altbach *et al.*, 2009). Tenure satisfies Maslow's safety needs and provides psychological security that enables long-term scholarly investment. The erosion of tenure-track positions in favour of contractual and adjunct appointments has been identified as a significant driver of academic attrition and disillusionment in contemporary higher education systems (Kezar & Sam, 2010).

Workload, Role Conflict, and Work–life Balance: Research consistently identifies excessive workload, ambiguous role boundaries, and the conflation of research, teaching, and administrative responsibilities as primary sources of stress and disengagement among academic professionals (Kinman & Jones, 2008). The concept of role conflict, where competing demands from different facets of the academic role cannot be simultaneously satisfied, is a well-documented antecedent of burnout and turnover intention in educational settings (Tytherleigh *et al.*, 2005). Institutional policies facilitating flexibility, workload equity, and structured sabbatical provisions have been shown to mitigate these risks.

Recognition, Promotion, and Distributive Justice: Inequitable promotion and recognition mechanisms are common complaints among faculty members in academic settings. Faculty members who perceive their promotion being based on non-merit factors, favouritism and gender/caste discrimination tend to develop low perceptions of organisational justice and higher levels of turnover intention (Colquitt *et al.*, 2001). Academic institutions that have devolved these processes into merit-based promotion criteria, structured peer-review and mentorship programmes can prevent the loss of valuable faculty (Deem & Lucas, 2007).

DISCUSSION AND ANALYSIS

Although the employee retention challenges of educational institutions and start-ups arise from different contexts, they do share some common ground. It is argued that employees are drawn into both organisations by more than salary. Employees in start-ups are attracted to the opportunities to innovate and to contribute to the success of the firm. Employees in educational institutions are attracted to the opportunities to teach, conduct research and create knowledge for the benefit of society. Thus, autonomy, recognition and a sense of purpose take a predominant part in retaining employees in educational institutions and start-ups.

Nevertheless, there are differences in how educational institutions and start-ups retain talent. While start-ups use equity-based compensation, career advancement and exposure to challenging work, educational institutions emphasise job security, academic freedom, a supportive environment, and opportunities for long-term professional development.

The career outlook for employees also differs between the sectors. Employees in start-ups are usually more flexible in changing roles and considering new opportunities that may arise during their career. Their choices may be based on the growth potential of the company and/or the potential for future financial gains. In the case of educational institutions, employees prefer a long-term career path, developing a close bonding with their institution, colleagues and academic discipline over the years.

Both sectors, however, have benefits from leadership to help retain employees as leaders who inspire employees, support their growth and clearly inspire them with a vision to improve employee commitment and reduce the intention to leave. Transformational leadership, which is a style of leadership that focuses on motivating and encouraging employees to grow both personally and professionally, support them as individuals, and stimulate their intellectual curiosity, has been found to positively affect employee retention

in start-ups and educational institutions (Bass, 1985; Lowe *et al.*, 1996; Barkhuizen & Rothmann, 2008).

Another significant similarity between start-ups and educational institutions is the challenge of ensuring employee well-being. Employees in both sectors could face high levels of stress and burnout. Employees in the start-up sector may be exposed to strong pressures from outraged workload, short deadlines and a rapid pace of high expectations. In educational institutions, employees may be required to have teaching, research, administrative duties and outside service demands. If the appropriate support systems are not available, these pressures might affect employee job satisfaction and their retention. As such, organisations in both sectors need to implement employee wellbeing initiatives, *e.g.*, wellness programs, flexible working arrangements and policies that promote a healthy work-life balance (Maslach & Leiter, 2016).

AN INTEGRATIVE RETENTION MODEL

Drawing upon the theoretical frameworks and sector-specific evidence reviewed above, we propose an Integrative Retention Model (IRM) encompassing four interacting domains:

Compensation Adequacy (Threshold Domain): Salary, benefits, and financial participation must meet or exceed contextually defined adequacy thresholds. Below this threshold, compensation operates as a powerful dissatisfier; above it, its marginal motivational impact declines rapidly, consistent with Herzberg's hygiene factor conceptualisation.

Psychological Needs Satisfaction (Core Domain): Organisational conditions must satisfy the SDT triad of autonomy, competence, and relatedness. This domain is the primary driver of intrinsic motivation, sustained engagement, and voluntary tenure extension.

Organisational Justice and Trust (Relational Domain): Employees must perceive distributive, procedural, and interactional fairness in organisational decisions. Justice perceptions are foundational to trust, which in turn moderates the relationship between all other factors and retention outcomes.

Well-being and Sustainability (Enablement Domain): Organisational structures must actively mitigate burnout risk through workload equity, flexibility, mental health support, and sustainable performance expectations. This domain functions as a precondition for the ongoing satisfaction of psychological needs.

The IRM posits that retention is maximised when all four domains are simultaneously addressed, and

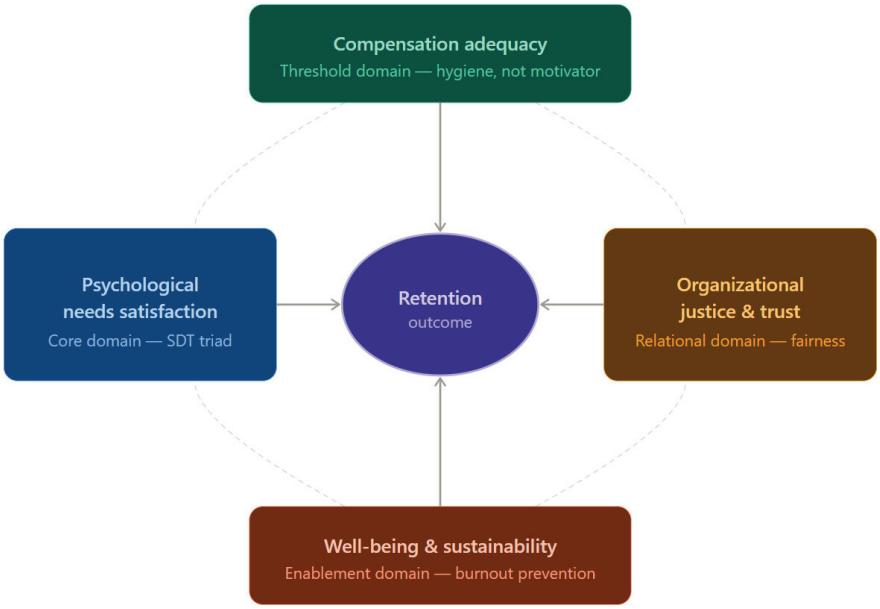


Figure 1. Integrative Retention Model (IRM).

that deficits in any single domain can undermine the retention impact of strengths in others. For start-ups, the model highlights the risk of neglecting the Well-Being domain in the pursuit of growth. For educational institutions, it underscores the criticality of the Organisational Justice domain, particularly in promotion and workload allocation decisions.

IMPLICATIONS FOR PRACTICE

Compensation alone is an inadequate solution for employee retention. Ideally, organisations should foster work contexts that enable employees to feel they are respected, engaged, and connected with the purpose of their work.

The current findings suggest retention strategies for start-up organisations should emphasise the importance of a sense of purpose and belonging. A sense of belonging and purpose is more likely when the employee values how it contributes to the organisation's overall mission. Equity, as a retention strategy, has a role to play but should be combined with other retention strategies such as meaningful work, development opportunities, and an overall supportive culture where the employee feels safe to communicate concerns and ideas. Leadership in the start-up organisation should be mindful of employee well-being in the context of the rapid pace of growth and limited resources, and fostering risk-taking and innovative ideas without fear of being criticised or penalised.

High employee retention is related to career stability, professional development, and a sense of fairness. In the higher education setting, retention can be improved by giving faculty a clear career pathway, ensuring fairness in promotion and evaluation, and supporting faculty in managing their teaching, research, and service demands. In addition, opportunities for professional development and mentorship are critical, especially for junior faculty who need guidance in navigating career expectations and development opportunities. Fostering a supportive academic community ultimately contributes to faculty retention.

In both the higher education and private sector, employees retain more when they are supported by their supervisors, acknowledged for their contributions, and offered opportunities to develop new skills. Investments in leaders who articulate a clear vision, promote trust, and cultivate positive workplace relationships can help employees stay.

Employees do not typically leave companies solely for increased salary, but rather for a range of other factors such as poor management, lack of career growth, limited mentorship, workplace culture, and burnout (LinkedIn Talent Trends, 2022). As such, retention should be considered a multi-faceted challenge that requires organisations to think beyond the professional needs of employees to consider their personal needs. By taking a more comprehensive approach to employee engagement, employers can foster an environment where employees are encouraged to stay and grow with the organisation.

LIMITATIONS AND FUTURE RESEARCH

This study has several limitations. Specifically, as a conceptual synthesis, it does not provide primary empirical data, and as a result, a test of the hypothesised IRM would benefit from the application of longitudinal survey methods and objective turnover data. Further, this synthesis does not adequately address cross-national labour market variation, cultural values towards work, and employment regulation, which may affect the dynamics of and predictors for talent retention. Future research could use a comparative lens to investigate retention processes in both high- and low-income country contexts. Finally, future research could explore translation of the IRM from theory to practice by addressing the applicability of specific components in hybrid work contexts.

The IRM presented here, though embryonic, offers a set of propositions that could be empirically tested and refined. In this context and given that the model is based on the logical synthesis of other theories, future research would be well-advised to operationalise the proposed domains and assess the fit of the model

using structural equation modelling or alternative methodologies.

CONCLUSION

In addition to salary, a broad and complementary group of factors contribute to employee retention. The Growing Knowledge Economy has increased the importance of employee retention in both education and technology start-up goals. The following are recommended strategies to help improve retention: the use of intrinsic need satisfiers, attention to organisational justice, support of transformational leadership, and cultivation of employee well-being. The Integrative Retention Model is a global perspective that will help organisations diagnose problems and take effective action to improve employee retention and subsequently meet their business goals.

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