



EMPLOYEE RETENTION TOPOLOGY FOR THE FIVE STAR CATEGORY HOTELS IN INDIA

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Abstract

In today's business world, retention of valuable employees is one of the most critical issues confronting leaders. Employees have competencies that are critical for the survival of an organisation. The HR department has to play a key role in designing the policies, practices and topologies, which can enable an organization to retain the human resources contributing significantly to the business. This study examines the phenomenon of employee retention in the hotel industry in India in order to suggest appropriate strategies, which can help the organizations in this sector to retain their valuable talent as its major objective.

This was a desk research study which relied heavily on secondary data. The study concludes that the employees seek for promotion and career growth, better compensation, rewards and work appreciation, and training and development. These strategies can be adopted by the hotel organizations to retain their employees. Without sound employee retention strategies the organizations suffer high employee turnover, high business operational costs. Recognising the size and strength of the hotel industry coupled with the demands faced in attraction and retention of employees, it could be concluded that employers in this sector need to focus developing distinctive and sound employee retention strategies which recognises some of the dynamic challenges the hotel industry in India is facing.

Keywords: Career Development, Employee Retention, Training.

INTRODUCTION

The hospitality industry is facing key economic and workforce challenges as it enters the 21st century. Success in meeting these challenges hinges on the ability of the industry's stakeholders to come together and solve their common problems. This case study is about model solutions for the industry, and how they can be built. Based on detailed background research, and of hours of interviews, discussions, and site visits at three hotels, I draw a comprehensive picture of this critical industry — not only how it looks right now, but also its potential to be an even stronger sector that offers better career opportunities. Seen through the eyes of frontline employees, hotel jobs too often are low-wage, with irregular hours, little training, and almost no hope of advancement. As a result, many employees feel little loyalty to the employer and often leave for as little as a dime an hour, or a new schedule, or when work or family conflicts arise. Seen through the eyes of many managers, high turnover is evidence of an unreliable workforce, and therefore training and promotion are too risky an investment. The result is that employers often recreate the low job quality that pushes workers to leave in the first place. Many of the hotel managers we interviewed were running in place just to keep fully staffed, and simply didn't have the time, financial resources, or organizational support to pursue a different course.

Thus, a low wage and low investment equilibrium appears to dominate much of the industry. But in fact, a closer look reveals a broad range of strategies to deal with the challenges of recruitment, retention, and advancement.

The competencies and skills of the worker have become extremely vital competitive advantage in the present day business scenario. All the professionally managed organizations make an all-out attempt to acquire, retain and develop the talent pool that they encompass. Importance of human resources has increased manifold, firstly because of their scarce availability and secondly due to an increasing demand by the growing number of business units seeking quality talent. In this context the ability of an organization to keep hold of its vital and skilled manpower becomes extremely critical. HR department has to play a key role in designing the policies and practices which can enable an organization to retain the human resources contributing significantly to the business.

This paper is aimed at showcasing the Retention Policy of the Human Resource Department in the Hospitality Industry in India. This research work examines the retention topologies in the hospitality industry and also the new concepts and trends that the organizations are taking up for the bringing down the attrition rate of employees and creating a brand image in the competitive market. This research work is an effort to relate and measure the effectiveness of retention topologies utilized by the organizations and an effort has also been made to put forth suggestions on areas that need attention.

OVERVIEW OF THE HUMAN RESOURCES ISSUE IN FIVE STAR CATAGORIES HOTELS

The success of any industry depends to a great extent up on the quality of human resource and hospitality industry is not an exception. Hotel industry is a labour intensive industry, which provides employment to skilled, semi-skilled and unskilled workers directly and indirectly. The progressive labour force with dynamic management and responsive government and responsible society are the pillars of the hotel industry.

Traditionally, the employment has been seen as an area that is reactive to changes in the wide business environment. There is a widely accepted assumption that the role of people within organizations is required to change and develop in response to developments in markets, products and technology. Most of the large hospitality companies recognized this assumption and has started organizing work and support human resource functions such as training and development. This is possible only when the external labour market permits employers to adapt these changing dimensions.

Human Resource in Hospitality Industry – Supply Side

Some of the services required in the tourism and hotel industries are highly personalized, and no amount of automation can substitute for personal service providers. Human resource development in the tourism industry normally includes manpower training in two main areas, the first being the hospitality and catering sector and the travel trade and tourism sector. The hotel and catering sector is now highly personalized. Customer satisfaction is the prerequisite for a smooth and successful operation in the hotel industry, requiring professionally trained and highly skilled personnel. According to estimates of requirements for additional hotel rooms, the number of personnel who will need formal training in the hospitality and catering sector would increase by about 25 percent, from 16,000 to 20,000 people a year by 2015 end.

The existing training facilities currently produce only about 5,000 to 6,000 trained personnel a year. Different types of jobs are available in the hospitality industry at different levels. The central government and the state governments have collaborated to provide resources in order to train people in the hospitality sector as part of overall development efforts. As per the survey the requirements for trained manpower at each level of employment would focus on general management trainees, trainees in kitchen management, housekeeping management, operational trainees, front office and accounting management, chefs, butlers, captains, bakery, confectionery and other specialized cooking.

Human Resources in Hospitality Industry – Demand Side

In India there is a tremendous shortage of trained manpower in the hospitality sector. Tourism sector on an average requires more manpower than what is available from the catering colleges. Thus there need to develop required human resource in various segment of the tourism industry, as a consequence of the rapid growth in tourism, changing technology and markets both national and international level.

By the very nature of tourism as a service industry, its efficient administration and successful operation depend largely on the quality of manpower. In the Asian and Pacific region, the shortage of skilled manpower poses a major threat to the overall development of tourism. International Hotel Chain is a relatively new phenomenon and therefore the lack of managerial capability exists at all levels of the industry.

PRINCIPLE OF RETENTION TOPOLOGY

Employee retention involves taking measures to encourage employees to remain in the organization for the maximum period of time. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. There are many organizations which are looking for such employees. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees. Retention is not only important just to reduce the turnover costs or the cost incurred by a company to recruit and train. But the need of retaining employees is more important to retain talented employees from getting poached. They may be the turnover cost which includes hundreds of thousands of money to the company's expenses. Employee retention involves a systematic effort by the organization to create an environment that addresses diverse employee needs so employees will stay with the company. Employee Retention is an effort by a business to maintain a working environment which supports current staff in remaining with the company. Many employee retention policies are aimed at addressing the various needs of employees to enhance their job satisfaction and reduce the substantial costs involved in hiring and training new staff. In an industry like hospitality and hotel in India, Outsourcing the work can often be monotonous and opportunities for career growth minimal. So when opportunities beckon, the high rate of attrition is not surprising. However, there are some common reasons that especially cause people to leave.

The hotel industry in India has been experiencing turnover crises over the years. Studies have been conducted on employee turnover and retention but further investigation is needed on talent retention strategies.

Table – 1, Internal and External Recruiting Sources

Internal sources	External sources
Job posting	Advertisements
Newsletter	Employment agencies
Employee as referral sources	Schools, colleges and universities
Recommendations by current employee	Professional organizations
Online recruitment	Online recruiting

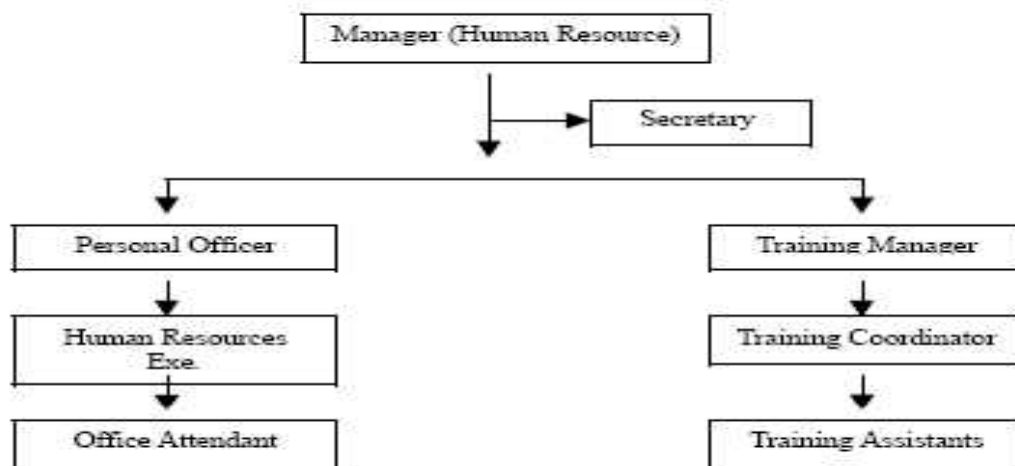


Figure - 1 The Human Resource Department.

THE CONCEPTUAL FRAMEWPRK

Employee retention is a dichotomous binary variable which is measured by employees’ intention to quit or stay. Although several statistical techniques can be used for studies such as this, methods such as the least square method, probability regression and discriminant analysis have inherent weaknesses. Among other things, these methods have been found to be less ideal and difficult to use due to their strict statistical assumption.

Logistic regression was employed to ascertain how well the independent variables - compensation, career management, work-life balance and employee engagement predict the dependent variable - employee retention.

The following logistic regression equation was used for the study:

$$(P_i = f(Y=1|X_i) = \alpha + \beta_1 X_1 + \dots + \beta_n X_n \dots\dots\dots (1)$$

Where

P_i = the probability of retention

Y = dependent variable (employee retention)

When Y = 1 intend to stay in the organisation or

When Y = 0 do not intend to stay

The LOGIT model can be linearised as

$$\text{Logit} (P_i/(1-P_i)) = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \dots\dots\dots (2)$$

The dependent variable is the natural log of the probability of Retention (P_i) divided by the probability of No Retention (1-P).

Where:

0 = is the Y intercept or constant

1 ... 5 = coefficient of regression which measures how each independent variable influences the dependent variable that is employee retention.

X1 = Compensation

X2 = Career Management

X3 = Work-Life Balance

X4 = Employee Engagement

X5 = Job Satisfaction

ϵ = Error term

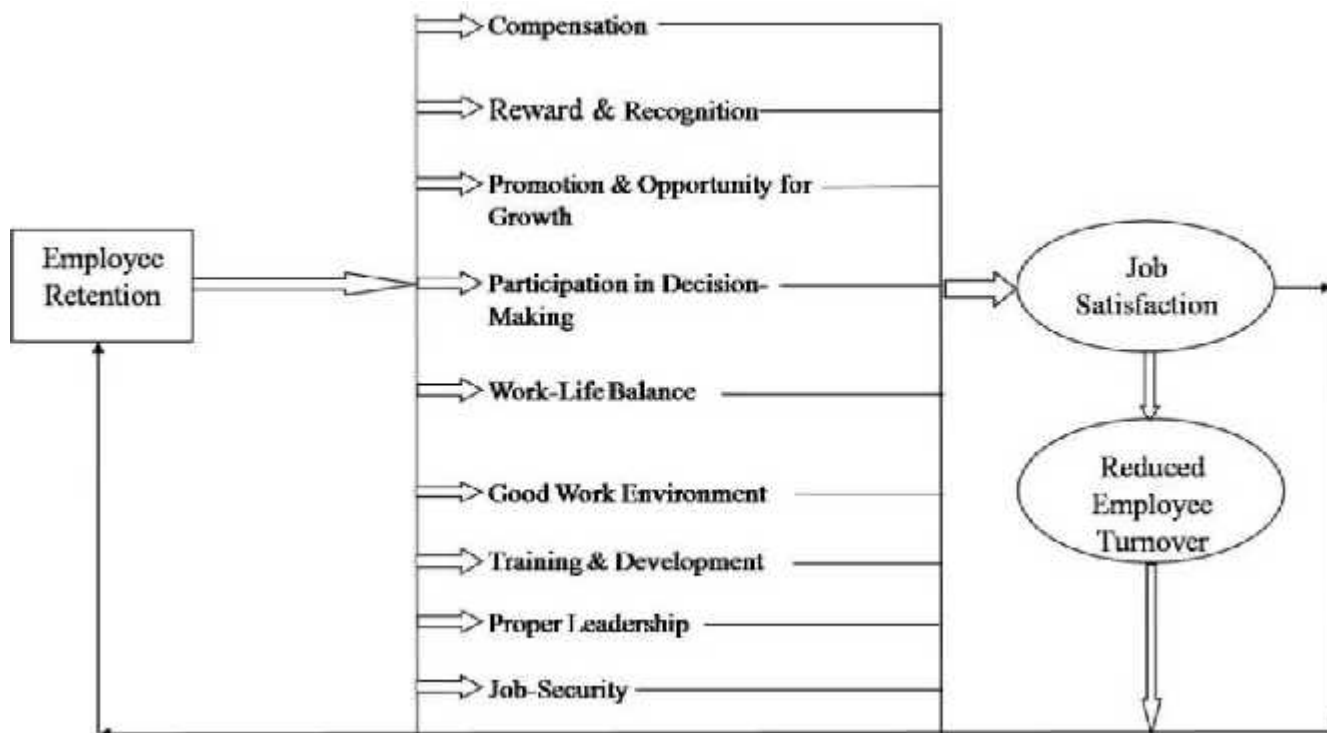


Figure - 2 the employee retention & job satisfaction model

RESULTS & DISCUSSION

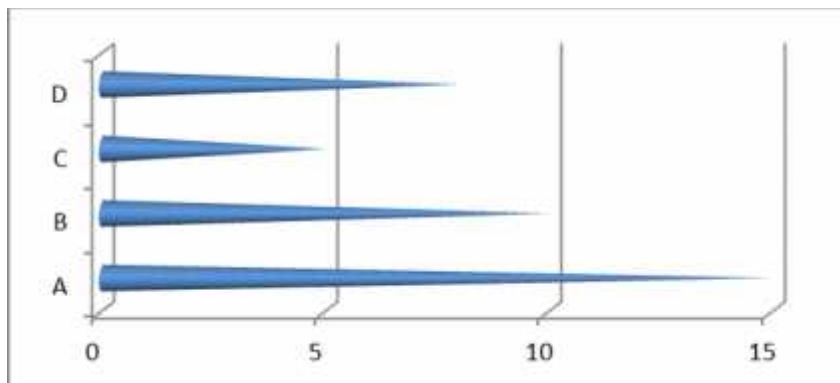


Figure 3. A majority (42%) of the employees feel that a better position was a reason to change organization, while the others feel it was the package (27%).

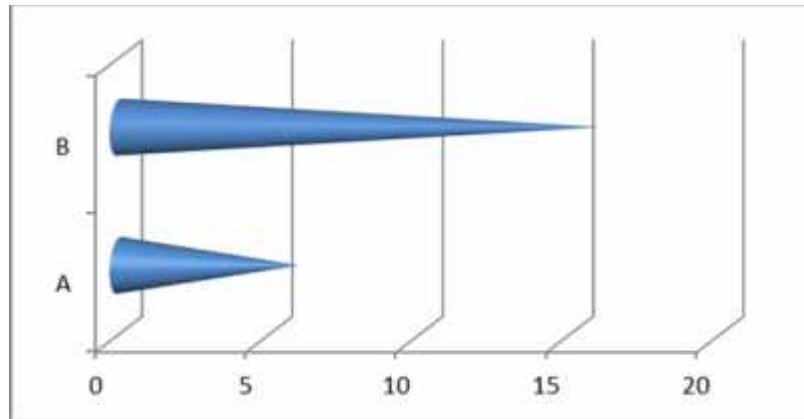


Figure 4. 75% of the respondents feel that Job rotation and Cross Training is done just in order to fill the space if there is any shortage of employees or due to absenteeism and not for learning which the prime function is.

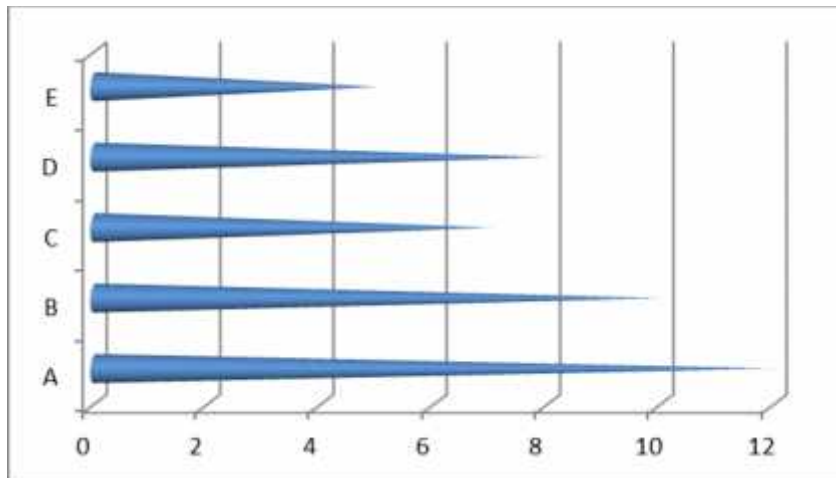


Figure 5. 27% of the respondents leave the organization as they find less scope for growth, while better position and designation (20%) are also the reasons for leaving the organization.

CONCLUSIONS

The Indian hotel market attracts largest number of expats across management verticals. The industry is responding to the attrition issue. At the entry and mid-management level, attrition rates have doubled over the last three years. Sources say the industry is shaking off the perception of being a poor pay master with little concern for employee welfare. The hotel industry is seeing a change in its approach and attitude towards better human resource management.

The Human Resource Department recruits new employees and sends them for training so as to understand the work and work culture and become professionals the various reasons for Employee Retention are higher Pay Package in another company, better working conditions, opportunities for growth in a new company and brand image of the new company. Employee attrition costs the company dearly. There are various costs that are borne by the company at the start when the employee is under training. The different costs like, trainers Cost, cost for the materials provided and conveyance cost, if sent for training to get some specialized skills.

Human resources are complex and not easy to understand. These are the assets which can make as well as break an organization. Retaining them will help in the long-term growth of an organization and will also add to their goodwill. But the most difficult task faced by an organization today is retaining as well as satisfying these resources.

This research is significant in providing the views of HR managers in the hotel industry on the key aspect of employee retention; this sector is globally and locally important yet relatively under-researched with regard to its contribution to the

economy. Recognising the size and strength of the hotel industry coupled with the demands faced in attraction and retention of employees, it could be concluded that employers in this sector need to focus developing distinctive and sound employee retention strategies which recognises some of the dynamic challenges the hotel industry in India is facing.

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