UNIVERSITI PUTRA MALAYSIA

ANTECEDENTS, OUTCOMES AND CONTROLS OF STAFF TURNOVER IN SELECTED HOTELS IN MALAYSIA

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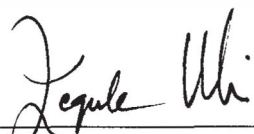
By

VIKINESWARAN A/L A. MANIAM

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DEDICATION

THIS EFFORT WILL NOT HAVE BEEN INITIATED IF NOT FOR MY BELOVED SISTER *VIMALADEVI MANIAM*.

FOREVER IN MY MEMORIES………

ACKNOWLEDGMENTS

First and foremost I would like to thank Dr. Jegak Uli for his continuous support rendered in the successful completion of my project. As the project supervisor and advisor he has given good supervision with great flexibility in ensuring that I carry out my project by fulfilling his high expectations at the same time. He has also given ample resource materials and guidance in statistical work needed to complete this project successfully.

I would like to thank Dr. Aminah, HOD, Extensions Studies Department and Puan Musripah for preparing and typing the official letter in support of my survey research questionnaire for the project. Special thanks to Mr. Reginald Pereira, Consultant, School of Hotel and Tourism Management, Stamford College for allowing me the flexibility of pursuing this course during working hours.

Also special thanks to my dad, mum, brother and wife who gave their encouragement to pursue this course.

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LIST OF ABBREVIATIONS

1. ASCOT - Asean Sub-Committee On Tourism

2. HR   - Human Resources

3. HRD   - Human Resource Development

4. HRM   - Human Resource Management

5. BNA   - Bureau of National Affairs

6. MEF   - Malaysian Employee Federation

7. HCR   - Hotel/Catering/ Resort

8. ASEAN - Association of South East Asian Nations

9. USD   - United States Dollar

10. IT   - Information Technology

11. PATA - Pacific Asia Travel Association

12. HRDC - Human Resource Development Council

13. HRDF - Human Resource Development Fund

14. F & B - Food and Beverage

15. MAH - Malaysian Association of Hotels

Abstract of the project paper submitted to the senate of Universiti Putra Malaysia as a partial fulfillment of the requirement for the degree of Master of Science

ANTECEDENTS, OUTCOMES AND CONTROL OF STAFF TURNOVER IN SELECTED HOTELS IN MALAYSIA

By

VIKINESWARAN A. MANIAM

April 1999

Supervisor : **Dr. Jegak Uli**
Faculty : **Educational Studies**

The research was carried out to obtain more information on the staff turnover scenario in the Malaysian lodging industry. To do this, four main areas related to staff turnover were studied. The areas are rate of turnover, antecedents or causes of turnover, outcomes of turnover and controls of turnover.

The methodology used to garner the required data and information was survey research technique, using a pre-tested questionnaire as the instrument. Response from seventy- nine hotels and resorts were analysed pertaining to the topic and the four areas.

Detailed analysis of turnover rate showed that most hotels face an alarming rate of turnover. The average turnover rate of the sample is 9.97%, with hotels averaging at 9.80% and the resorts at 10.03%. Although the t-test showed no significant differences between hotels and resorts, the higher turnover rate in resorts is due to the nature of

business requiring more staff per room. The expansion of resorts was too fast in a tight labour market situation, rendering mass employment of foreign labour on a contract basis. The fluctuating nature of the hospitality business was not in favour of staff retention and together with other factors such as individual work related variables and availability of alternate jobs became antecedents to high staff turnover. Similar causes were also true for hotels.

The outcomes of turnover were more positive for the employee and negative for the employer. The main variable of the positive outcome for the employee is the availability of better alternate jobs elsewhere; whereas for the employers the main negative outcome variable is the cost of training new staff. Generally, it can be concluded that compensation is the main reason for staff leaving a lodging establishment, besides other factors such as stress and working conditions.

As for controls of staff turnover, compensation and benefits was cited as the main control variable viz. non-monetary rewards. Other tools that received significant response are job match, internal promotion, better working conditions and exit interviews to determine reasons for leaving.

The researcher highly recommends that personnel management in hotels must sharply focus on developing staff retention policies and not labour cost control. Whilst this seems idealistic, in reality it is the workers who are referred to as human resources or the number one asset of the organization.

Abstrak kertas projek yang dikemukakan kepada Senat Universiti Putra Malaysia
sebagai memenuhi keperluan Ijazah Sarjana Sains

PUNCA-PUNCA, KESAN-KESAN
DAN PENGAWALAN PENGALIRAN KELUAR
STAF DI HOTEL-HOTEL MALAYSIA YANG TERPILIH

Oleh

VIKINESWARAN A. MANIAM

Penyelia : **Dr. Jegak Uli**
Fakulti : **Pengajian Pendidikan**

Penyelidikan terhadap topik ini telah dikendalikan untuk mencari dan meninjau
dengan lebih lanjut maklumat mengenai keadaan pengaliran keluar pekerja di dalam
industri penginapan di Malaysia. Empat bidang isu peninggalan pekerja telah dikaji
untuk tinjauan ini. Bidang-bidang ini termasuk kadar pengaliran keluar pekerja, punca-
punca, kesan-kesan dan langkah-langkah kawalan pengaliran keluar staf.

Metodologi yang digunakan untuk mengumpul data dan maklumat untuk kajian
ini ialah teknik penyelidikan survey, dengan menggunakan soal selidik berstruktur
sebagai alat kajian. Maklumbalas dari tujuh-puluh sembilan hotel dan resort telah
dikaji, berhubung dengan empat bidang tersebut di atas.

Analisis yang terperinci mengenai kadar pengaliran keluar pekerja
menunujukkan bahawa kadar peninggalan yang dihadapi adalah amat menggemparkan.
Kadar purata peninggalan adalah 9.97%, di mana hotel-hotel menghadapi kadar 9.80%
dan resort pula 10.03%. Walaupun t-test menunjukkan ketiadaan perbezaan yang ketara
antara hotel dan resort, kadar peninggalan yang lebih tinggi di kalangan resort adalah

disebabkan oleh keadaan semulajadi perniagaan resort yang memerlukan bilangan pekerja yang tinggi bagi setiap bilik yang beroperasi. Perkembangan resort-resort baru secara pesat di dalam situasi pasaran tenaga buruh yang amat rumit, memaksa pengambilan pekerja asing dengan lambak secara kontrak. Keadaan perniagaan sektor penginapan yang tidak stabil menjadi faktor penghalang bagi mengekalkan pekerja untuk jangkamasa yang panjang. Sebab-sebab lain bagi peninggalan pekerja adalah ciri-ciri individu yang berkaitan dengan kerja dan kewujudan pekerjaan lain yang banyak lagi lumayan.

Bagi bidang kesan peninggalan, kesan amat positif adalah dialami oleh pihak pekerja iaitu mendapat kerja lain yang lebih lumayan. Bagi kesan yang amat negatif pula, pihak majikan yang mengalaminya; iaitu kos melatih pekerja baru hasil dari kekosongan jawatan. Secara umum, ketidakpuasan terhadap pampasan dan ganjaran menjadi sebab utama bagi peninggalan pekerja. Lain-lain sebab ialah suasana pekerjaan dan tekanan kerja (stress). Pampasan dan ganjaran, berbentuk bukan kewangan, merupakan alat utama bagi mengawalan pengaliran keluar pekerja. Lain-lain alat adalah penyerasian kerja dengan pekerja, memberi suasana bekerja yang lebih baik dan temuduga sebelum meninggalkan tempat kerja.

Penyelidik bercadang bahawa pengurusan pekerja dalam industri perhotelan mesti bertumpu kepada pembangunan polisi-polisi pengekalan pekerja dan bukan pengawalan kos tenaga manusia. Walaupun ini merupakan sesuatu yang idealistik, pada hakikatnya pekerjalah yang dirujuk sebagai sumber manusia atau hartabenda ulung sesebuah syarikat.

CHAPTER I

INTRODUCTION

The Problem and Its Context

Employee turnover is a phenomenon of immense interest to employers and organizational scholars as well as to individuals and societies. Countless books and articles have appeared over the years to advise employers on how to curb turnover (Bellus, 1984, Half, 1982, Roseman, 1981, Watts & White, 1988). From the organizational perspective, managers have long been interested in turnover because of the significant personnel costs incurred when employees quit, such as those for recruiting, and training new replacements, socialization investment and a variety of indirect costs. (Cascio, 1991). For example, Hom (1992) estimated that turnover cost twenty four mental health agencies more than $3 million in 1991. Multinationals whose expatriate managers on overseas assignments quit within a year of returning, lose, not only sizeable investment opportunity but also invaluable international experience (Gregersen & Black, 1992). Even if organizations are accustomed to excessive quit rates, they may still worry about the timing; premature turnover may waste their sizeable investment in employee training. Conversely, employee turnover can have positive organizational benefits through displacement of poor performers, creation of promotion opportunities for stayers and infusion of new people with new ideas. The cost implications can be seen more clearly in the model presented by Falmholtz (1974) for measurement of human resource replacement costs as presented in Figure 1.

1

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┌─────────────────┐
│   Recruitment   │
├─────────────────┤
│    Selection    │──────────────▶ ┌──────────┐
├─────────────────┤                │  Direct  │
│     Hiring      │                │   Cost   │
├─────────────────┤                └──────────┘
│    Placement    │
└─────────────────┘                                    ┌─────────────┐
                                                       │ Acquisition │
┌─────────────────┐                                    │    Cost     │
│ Cost of Promotion│                                   └─────────────┘
│       Or        │              ┌──────────┐
│ Transfer from   │─────────────▶│ Indirect │
│     Within      │              │   Cost   │
└─────────────────┘              └──────────┘


┌─────────────────┐
│ Formal training │
│ And Orientation │              ┌──────────┐
├─────────────────┤─────────────▶│  Direct  │
│   On-the-job    │              │   Cost   │
│    Training     │              └──────────┘
└─────────────────┘                                    ┌─────────────┐
                                    ┌──────────┐       │  Learning   │      ┌──────────────┐
                                    │ Learning │       │    Costs    │─────▶│  Positional  │
┌─────────────────┐                 │  Costs   │       └─────────────┘      │ Replacement  │
│ Cost of Trainer's│   ┌──────────┐                                         │     Cost     │
│      Time       │──▶ │ Indirect │                                         └──────────────┘
└─────────────────┘    │   Cost   │
                       └──────────┘


┌─────────────────┐    ┌──────────┐
│  Separation Pay │───▶│  Direct  │
└─────────────────┘    │   Cost   │
                       └──────────┘             ┌─────────────┐
                                                │ Separation  │
┌─────────────────┐                             │    Costs    │
│Loss of Efficiency│                            └─────────────┘
│Prior to Separation│    ┌──────────┐
├─────────────────┤────▶ │ Indirect │
│ Cost of Vacant  │     │   Cost   │
│ Position During │     └──────────┘
│     Search      │
└─────────────────┘
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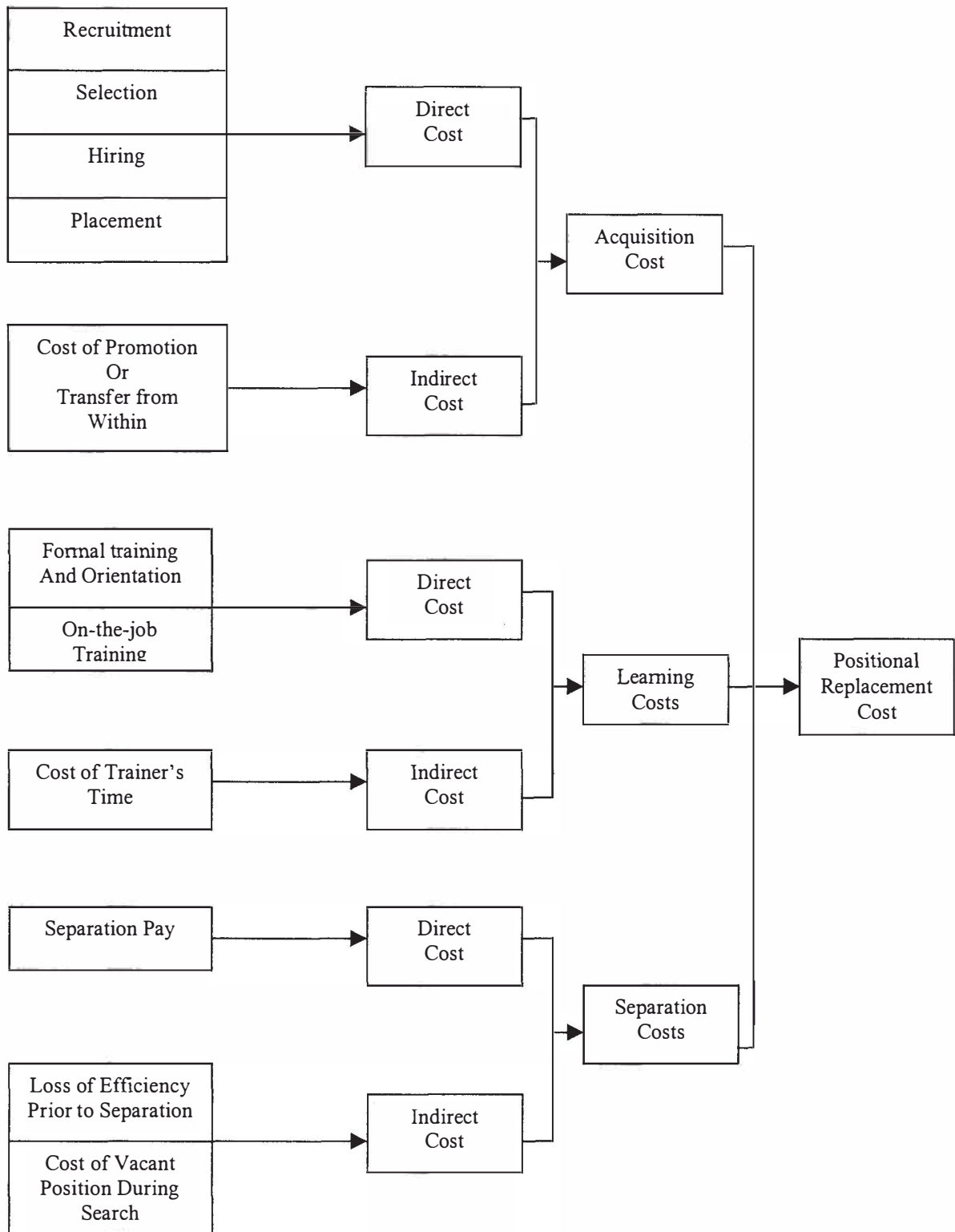
Figure 1: Model for measurement of human resource replacement costs.

Source: Falmholtz (1974)

At the individual perspective level, turnover can have both positive and negative consequences. For instance, the decision to quit a job can be positively associated with the pursuit of an individual's career objectives. Alternatively, turnover can have negative implication for the individual such as seniority benefits or disruption to the family's social support system.

From the societal perspective, positive effects of turnover is associated with mobility and migration to new industries, necessary for economic development. However, excessive turnover can depress orderly human resource development (HRD) in terms of productivity growth.

The study of turnover is all the more essential in the services industry. Service organizations, which employ 42% of the work force, are becoming increasingly concerned about resignations among front-line service personnel (Schlesinger & Heskett, 1991). Services firms now recognise that the delivery of services and loyalty of customers may be jeopardized when employees leave (Reichheld, 1993). Manpower shortages created by turnover may delay or preclude customer service (Machalaba, 1993). Inexperienced service providers may be inept or impersonal because they do not know the customers (Darmon, 1990) and customers may abandon a firm if their attachment had been due to personal ties to former sales personnel.

With relation to the services industry, the lodging industry in Malaysia, which is the main focus of this project, is facing tremendous turnover problems. In a survey by Asean Sub-Committee On Tourism (ASCOT), conducted by its training project team, on Asean

Hotels Manpower Survey 1981 – 1989 results show that staff turnover is one of the main problems faced by this people intensive industry. By far this is the most recent survey available at the library at the Ministry of Arts, Culture and Tourism. Hotels are found to be increasingly concerned about staff turnover, causing many to take drastic actions such as mass employment of foreigners.

Many organizational behaviour theories regard turnover as one among many outcomes of their motivational processes. For example, some of these models submit that job characteristics (Griffeth, 1985, Hackman & Oldham, 1980), organizational demography (Pfeffer, 1983, Tsui Egan & O'Reilly 1992), role motivation of managerial effectiveness (Butler, Lardent & Miner, 1983) and person-culture fit (Chatman, 1991) may influence employees to leave organizations.

Much employee research has sought to identify predictors that can accurately forecast employment stability (Cascio, 1976, Kinicki, Lockwood, Hom & Griffeth, 1990). Turnover, in addition to concrete measures of absenteeism and productivity, is one of the few objective criteria (continuous variable) available to employee researchers for evaluating the effectiveness of organizational programs and practices.

In short, employee turnover is a critical organizational phenomenon, especially in the service organizations where it has evoked considerable managerial and scholarly attention. Therefore, it is important for the manager and prospective managers to be able to analyze, understand and effectively manage employee turnover for better

productivity,cost savings via minimization of disruptions to work processes, organizational harmony and climate stability, and overall employee satisfaction and loyalty buildup.

Statement of the Problem

The Malaysian government, in its pursuit to make Malaysia a developed nation by the year 2020 has taken many steps towards achieving this ambitious aim. One of the industries that received tremendous support for growth is the tourism sector of the economy. The objective was simple in that through the Tourist Development Corporation and the Malaysian Tourism Promotion Board, the Ministry of Culture and Tourism Development has heavily campaigned for Malaysia as a tourist destination. One such activity that was successfully implemented was the Visit Malaysia Year 1994. The growth of tourism in Malaysia has brought about spin-off effects in related industries viz. the hotel industry.

To accommodate the rising number of tourist arrival in Malaysia, the government encouraged the building of various types and sizes of lodging facilities. As the lodging sector grew, so did the hotel industry. Since 1990, hotels have been mushrooming all over Malaysia, increasing the number of rooms available for travelers' stay.

As the hotels grew, the manpower demand for employment in the hotels grew alongside. As hotel business is intensely service oriented, the nature of the business is extremely people intensive in that all hotels need a lot of staff to operate a hotel smoothly. The

unfortunate scenario in Malaysia is that the hotel industry is facing near acute shortage of manpower in all skill level since 1993 (ASCOT, 1990). The staff shortage is further aggravated by staff turnover amongst existing work force in hotels.

Although the existence of turnover is very evident i.e. through analyzing personnel records, the actual causes, outcomes and control have not been put in an orderly manner for the purpose of scrutiny and analysis of turnover on a larger perspective. It may have been done at individual property level or group level but not on a cross-sectional basis, covering different hotels (ASCOT, 1990).

There are various antecedents or causes of turnover in the employment sector. These causes for turnover are similar in general, across the manufacturing and services industries. However there could also be additional causes or differences in the causes of turnover in the services sector as compared to the manufacturing. One of the aims of this project is to find out or identify the antecedents that attribute to the staff turnover situation or problem in hotels in Malaysia. Upon identifying these antecedents, the outcomes to these antecedents and the control exercised by these selected hotels will be listed for further comparison with the variables expounded by previous researchers on causes, outcome and control of turnover. Previous models, theories and hypotheses will be referred to in the process. Hopefully, with clear data on the above variables, a better understanding of turnover in the Malaysian hotel industry can be achieved. With the

identification of turnover causes, outcome and control of turnover, recommendations may be derived based on actual situation.

As the researcher has several years of experience in the industry during the period of 1992 till 1998, he has faced the above problems whilst at work. It was the same case when the researcher delved into this matter of staff turnover whenever he interacted with his counterparts of other hotels during this period. The phenomenal problem of staff turnover exists with little research being done specifically on hotels in Malaysia. To a great extent, staff turnover in hotels has potentially significant implications for labour market analyses, public policy and employee satisfaction.

The availability of literature related specifically to my topic is very little. This is one of the reasons why the above topic has been selected besides it being of my utmost interest owing to my background as an hotelier. As such, selected hotels are surveyed in order to build sufficient literature to do a descriptive survey on the antecedents, outcomes and control of staff turnover in selected hotels in Malaysia.

The research questions to be addressed, on the broader scale, are the following:
1. What's the scenario of turnover rate in Malaysian hotels?
2. What are the different causes that lead to staff turnover in Malaysian   hotels?

3. What are the positive and negative outcomes of staff turnover to both the organization and to the individuals? What controls are being taken to minimize staff turnover at the selected hotels?

4. All the above questions will be compared against prevalent variables identified through literature review. Besides the prevalent variables, it is the aim of this research to elicit from the respondents the other variables associated with turnover.

5. To examine whether there is any relationship between turnover and causes i.e. in terms of number of affirmative response counts on causes by factor groups and by individual sub-variables.

6. To examine whether there is any relationship between turnover rate and controls i.e. in terms of number of affirmative response counts on controls by factor groups and by individual sub-variable.

Specifically, this study is intended to determine the antecedents, outcome and controls towards staff turnover at the hotels and to establish whether there is a relationship between the turnover rates and causes and control of turnover. Also, it is to determine whether the outcomes bring more positive or negative effects to the hotel and to the individuals or employees.

Objectives

General Objective

To examine the variables of antecedents, outcome and control associated with staff turnover in selected hotels in Malaysia. Also to examine whether these variables contribute positively and/or negatively to both the organization and individuals.

Specific Objectives

The specific objectives are as follows:

1. To determine and analyse turnover rate faced by the Malaysian hotels.

2. To identify the antecedent variables that attribute to the staff turnover

3. To identify the outcome variables dependent on turnover

4. To identify the control variables applied to minimize turnover

5. To examine whether certain groups or types of antecedent variables contribute to high or low staff turnover

6. To examine whether certain groups or types of control variables are related to high or low turnover

7. To examine the outcomes of turnover in that whether the outcomes bring overall benefits to the hotel or otherwise.

The Significance of this Study

This study is intended to create a literature on the understanding and recognizing the various variables associated with turnover. It can contribute significantly towards future theoretical advancements, through construction of more specific hypothesis to analyze differences, relationship and association of variables concerning causes, outcomes and controls to turnover.

The findings may also help human resource policy makers to better understand causes of turnover and to determine whether appropriate actions are being taken to control turnover. Also, negative outcomes of turnover can give better insights to hotels when formulating recruitment policy.

It is affirmative to every hotel or organization that turnover contributes to significant losses in terms of cost of further recruitment and training. These are major concerns of any organization, economically (Mobley, 1982 a.)

The study is also aimed at finding newer causes, outcomes and control of turnover that are not raised in current literatures. These new findings may give deeper insights to help in recruitment and career planning policy.