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Human Capital Decisions and Employee Satisfaction at Selected Hotels in India

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These findings are based upon an extensive survey carried out between April 2009 and June 2009 in the small mountainous state of Uttarakhand, located within the Indian sub-continent. Although the area of study is confined to the Kumaon region of Uttarakhand, the authors contend that the findings and implications can be applied to other remote developing tourist destinations in other regions.

Keywords

Attitude, Human Resource, Lodging Industry, Motivation, Satisfaction, Turnover

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By S.C Bagri, A. Suresh Babu, Mohit Kukreti, and Scott Smith

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Introduction

The Himalayan range commonly referred as the mighty Himalayas is the majestic mountain range that is home to the world's highest peaks. The mighty Himalayan range runs west to east forming an arc of 2400 km long and varying width between 450 km to 250 km. The Himalayan range is popularly called as "abode of snow" and people from all nations and walks of life have traveled to this unique destination. It has profoundly shaped the culture of South Asia as the many peaks of Himalayas are sacred to the religions of Hinduism, Buddhism and Sikhism. Pilgrims of the different

religions take painstaking journeys to make at least one visit to the many holy shrines nestled within the mountain range.

The Indian Himalayas border five Indian states including Jammu & Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and West Bengal. The people of these states have a rich culture, tradition, lifestyle that is closely associated with the Himalayas. This rich culture in concert with the unprecedented beauty of Himalayas has enticed many pilgrims, mountaineers, trekkers and nature lovers to enjoy the breathtaking beauty of the region. The language and life style of people serve as an attraction in itself. The peace and tranquility of the Himalayas entice many tourists from USA, UK and other European countries year round and many stay for more than 6 months in home stays.

The state of Uttarakhand is located in the northern part of India, about 300 km from the New Delhi, capital of Indian sub-continent. Uttarakhand is 1600 km from the commercial capital of India, Mumbai. Since the state is nestled in the Himalayan range, it offers magnificent views of the Himalayas. The area is home to many natural attractions, and 30 million tourists visit this place every year.

The following study investigates the development of policies and practices that lead to employee satisfaction within the lodging sector of the Himalayan region and particularly the state of Uttarakhand. Research was conducted in the two districts Almora and Nainital located within the Kumaon Himalaya region of Uttarakhand. These two districts are considered to be the gateways to the diversified attractions of Kumauni Himalaya region.

With this rich heritage of attractions, the Kumaon region has developed an accommodations sector to help support the local tourism industry (Singh & Nag 1999; Shah 1986; Pant 1981; Negi 1982). Although the Kumaon region is a preferred destination for the nature lovers, some experts believe that the accommodation sector has not sufficiently developed at the same rate as the attractions sector (Bagri, Babu & Kukreti 2010). The majority of high quality lodging establishment are mainly concentrated around the areas of Ranikhet, Nainital, Almora, Kausani and Corbett National Park. In contrast, a very small number of lower quality accommodation units are found in the other remaining tourist areas of Mukteshwar, Jageshwar and Sheetlakhet (Bagri et al. 2010). These accommodation units range from multi-star hotels and resorts, to economy/budget hotels, and tourist lodges, commonly known as Dharmshalas. There are also other non-traditional, lower quality accommodations that are unable to be placed into any of the above categories. Camping is also permitted in certain areas with prior approval from the local officials.

The accommodations sector in the region has experienced dynamic development recently and it is forecasted that this growth will continue as demand increases. The primary reason for this rise in demand is believed to be the availability of many unique natural attractions not found in other parts of the country. This increase in tourism has placed a higher demand for the quality accommodations in the region as more affluent travelers now travel to the region.

In an effort to attract the elite and upscale tourists to this region, substantial investments are being made in the development of high quality hotel properties. Realizing the opportunity presented by this growing demand, many lodging establishments have modified and improved their properties in terms of facilities.

While the region continues to invest in capital upgrades to the physical aspects of the lodging establishments, the same cannot be said for the development of the human capital. It is believed that a failure to address the needs of their current workforce has produced a negative effect on both service levels and employee satisfaction within these lodging establishments.

Literature Review

Past research (Boella 2000) has shown that satisfied employee positively influence the desired service levels. The result is an increasing demand for satisfied employees in both manufacturing and service industries. This also applies to the hospitality industry which relies on human capital. (Goldsmith, Nickson, Sloan & Wood 1997; Seidman 2001). Human capital is considered to be vital to the successful operation of hotels (Boella 2000; Tesone 2005). Two of the current challenges facing the lodging industry within this region of India are the increase in demand for the product and the loss of qualified workers within the industry. These workers continue to leave the industry due to various internal and external factors.

The increase in tourist visits to Himalayan hotels and resorts is credited to the extensive and niche marketing strategies currently in place. The continued success of the region could be negatively affected without employees who are committed to providing the levels of service that travelers have come to expect from a developed tourist destination.

One contributing factor for the absence of committed and willing employees is believed to be the lack of understanding on the part of regional service industry employers regarding employee motivation. Unfulfilled employee expectations have led to employee dissatisfaction, resulting in relative high turnover (Aksu 2008). To reduce this turnover, employers must identify and implement favorable policies in an effort to satisfy employees and in turn creates guest satisfaction (Seidman 2001; Amah 2009; Altarawmneh & Al-Kilani 2010).

Several studies have been carried out regarding the success of the tourism industry in the Uttarakhand region. (Bagri 1993 1994; Bagri & Gupta 2001; Bagri & Mishra 2004, 2005; Bainjwal 2002; Pande 1997; Pant 1994; Bharadwaj 2002). These studies lack any findings regarding the motivation of employees within the Uttarakhand lodging industry. No published research is available regarding the different variables impacting overall employee satisfaction in this area.

Previous research from other industries and cultures indicates that employees are motivated by many factors. A seminal study conducted by Kenneth Kovach (1987) attempted to identify what factors motivated employees to work and produce good results. The results of Kovach's study (1987) reveals that employees' job-related motivators are: good wages, security, opportunity for advancement, good working environment, interesting job, appreciation, loyalty to employees, feeling of being in on things, tactful discipline and sympathetic personal help. Kovach further states that although "good wages" did not rank as the most important factor for workers in his study, it consistently ranked near the top on the list of ten items identified in his study.

A subsequent study of seven Caribbean Hotels and Las Vegas Casino Hotels supports Kovach's research and places "good pay" as the top motivating factor for hotel and resort employees (Charles & Marshall 1992). However, another study of 1,245 employees in Hong Kong hotels concluded that an opportunity for advancement was ranked as the top factor, while "good pay" was the third ranked factor (Siu, Tsang & Wong 1997; Milkovich & Wigdor 1991).

In the Simons and Enz study (1995), 278 hotel employees from 12 different hotels located through United States and Canada were surveyed to determine the top motivating factor. Their study found that hospitality employees preferred (1) good wages, (2) job security and (3) opportunities for advancement and development. These top three motivation factors were also observed in a study conducted by Heneman (1992).

Major hotel organizations within India have understood the importance of placing the required human capital in higher management positions. However, these same organizations may have failed to understand the importance of the lower level, frontline employees who directly interact with the guests in maintaining the service standards of the property (Goldsmith et al. 1997; Bowen & Ford, 2004). Many benefits, including high salaries are extended to these higher level employees who are responsible for the management and operation of the hotel. It is perceived by the non-management members of the hotel staff that these benefits are not extended down to them (Lam, Baum & Pine 2001).

Previous studies have shown that a satisfied employee is beneficial to a service organization (Gomez-Mejia & Backin 1992). A recent survey within the Himalayan region indicates that some hotel employees were dissatisfied with their present position and the benefits they currently receive (FHRAI 2010). It is believed that this dissatisfaction has resulted in a higher than average turnover for all hotels (Aksu 2008).

In an effort to increase guest satisfaction, hotels should make a concerted effort to increase employee satisfaction through policies and programs that these employees view as beneficial. Employee friendly policies and programs help to provide motivation. Motivation is considered to be a primary factor/variable that can act upon employees and inspire them to render effective service. This catalyst can be powered by both financial and non-financial benefits. The three identified sub-variables of financial benefits, physiological benefits and the working climate or environment were selected for this study in an effort to determine their impact upon employee satisfaction among employees in selected hotels.

Motivating employees in the hotel workplace is considered to be a major asset and much research has been published regarding these motivating factors around the world (Ambrose & Kulik 1999; Baum 1997; Dobni, Zerbe & Ritchie 1997; Nicholson 2003; Charles & Marshall 1992).

Existing research has shown that employees take into consideration not only their physiological needs, but also monetary compensation and their working environment when they rate job satisfaction (Bagri et al. 2010). But the relationship or the amalgamation of these three variables was not found in any existing research. The following review is based on employees' motivation factor, physiological needs and satisfaction in hospitality organization.

Physiological benefits are considered as one of the motivator leading to satisfaction. Physiological needs include food, accommodation and clothing facilities extended to employees. Hotel properties within the Kumaon region have identified the importance in satisfying physiological needs of employees to a certain extent by providing benefits in the form of staff quarters, food on duty and uniform to staff. These benefits over time have become viewed as an entitlement by many hotel employees.

Aside from physiological needs it is believed that financial benefits play a crucial motivating factor for most workers. Financial benefits include salary and other monetary benefits such as bonuses likely to be enjoyed by the employees. Employee stock option plans (ESOP) have also recently become an optional benefit offered as an incentive to increase employee satisfaction and assist in the retention of employees. Past research indicates that financial benefits induce to more extent than any other factors increasing

satisfaction with the employees with the exception of physiological needs (Bagri et al. 2010; Bradley, Petrescu & Simmons 2004; Noe, Hollenbeck, Gerhart & Wright 2006).

Financial benefits such as salary, incentives, incremental salary increases, bonus, and profit sharing rank very high in employee motivation and satisfaction (Bradley, Petrescu & Simmons 2004). This increasing demand for financial benefits among the employees has been a recurring issue for most employers in this region. Most employees are reported to be dissatisfied with their salaries (Amah 2009). It is believed that improved salaries, bonuses and other financial incentives can be helpful in accomplishing the organizational goals of employee retention and satisfaction (Abang, May-Chiun & Maw 2009). It is suggested that motivating employees with financial support is as much equal as motivating with non-financial support systems in Indian hotels (Gill, Flaschner, Shah & Bhutani 2010; Babu 2011). The increased tendency of Indian hotel workers to compare their financial benefits against other employees within their organization and with the competitors in the same sector puts the employers into a competitive labor market (Sanjeev 2007; Babu 2011). Indian hotels must constantly reevaluate their financial benefits offered in an effort to retain employees who are tempted to move to a different organization for better benefits. As the Indian hotel labor laws become stricter regarding the welfare of the employees and their benefits, it is believed that this action demotivates employers and leads to dissatisfaction (Sanjeev 2007; Babu, 2011). To overcome this specific problem, the belief of profit sharing and stock options are two compensation systems that can create alignment between the desired outcomes of the employees and those of the firm in terms of employee satisfaction & objective attainment for an organization (Bharadwaj 2002). These incentive systems have also been introduced and practiced in an effort to boost the morale of employees working in hospitality sector.

Prior research (Lam, Zhang & Baum 2001; Bharadwaj 2002; Umashankar & Kulkarni 2002; Hechanova, Alampay & Franco 2006) indicates that employee satisfaction plays a significant role in the hospitality industry compared with manufacturing firms where there is less direct contact with the customer/guest. Research has shown that the three factors of financial benefits (salary, incentives, bonus, and increment), physiological needs (providing food & accommodations) and working environment (working climate) are related to employee satisfaction.

The third factor that is commonly associated with employee satisfaction is working environment. Favorable working environment factors include positive working climate, appreciation for work done, sympathetic help with personal problem, employees participating in the decision making process, , and freedom to express their views.

Current research indicates that the perception of a positive work environment leads to increased employee satisfaction. Service organizations that require employees who are committed to delivering the required service levels expected by their guests realize that creating the right environment can build this commitment (Fournies 1999). Some organizations create a favorable working environment for employees by creating favorable workplace policies in an effort to motivate and retain the manpower (Billet 2003). In contrast, other organizations observe stricter employee policies in an effort to achieve goals other than employee satisfaction. The results of these stricter policies produce mixed results and some firms gain market share even as they fail to achieve employee satisfaction. Gitlow and McNary (2006) indicate that a positive environment is a viable strategy for supervisors and managers who wish to motivate their employees. Rucci, Kirn and Quinn (1998) indicate that any service firm should invest in the additional effort to create a positive work environment for employees as their satisfaction can be linked to positive guest satisfaction, which in turn is linked to profitability.

Based upon this construct, the authors have incorporated these three motivational factors into a study of hotel workers in the region and are attempting to discern their perception of benefits in relationship to job satisfaction.

The objective of this study is to identify some of the more important meditating factor leading to positive job satisfaction among hotel employees. In addition the study will identify the rank order of preference of the identified meditating variables among the hotel employees from the region.

Research Methodology

This research was conducted in various lodging establishments between April 2009 and June 2009 within the Kumoan region. The sample was comprised of 100 hotel employees and the survey instrument was distributed to workers in various front-line jobs, throughout different lodging establishments. Out of 100 questionnaires distributed, 82 were found to be completed and functional while the remaining 18 were invalid. Only the 82 valid questionnaires were used for the purpose of analyzing the data.

A survey instrument was developed from the relevant literature in an effort to evaluate the conceptual framework. The questionnaire attempts to measure motivation in terms of three identified variables of physiological needs, financial benefits, and working environment. The survey's questions were aimed at quantifying each employee's perceptions of the three different variables by presenting them with a statement and then asking the respondent to provide a level of agreement. The employee's response is indicated on the five point Likert scale where 5 represents "Strongly Agree"

and 1 represents "Strongly Disagree". Prior to the construction of the survey instrument, in-depth interviews were carried out with the employees to collect functional and qualitative information in an effort to study the set objectives effectively. Necessary pre-test were employed based on the need to study the formulated objectives.

The review of the literature indicates that employees are reliant upon the three identified variables of physiological needs, financial needs, and workplace environment to achieve job satisfaction. In an effort to identify the most inducing variable towards job satisfaction, researchers have concluded the following hypothesis:

- 1) Meeting employee's physiological needs leads to job satisfaction.
- 2) Financial benefits lead to extreme job satisfaction.
- 3) Non-financial benefits and a favorable work environment lead to overall job satisfaction.

Results

Upon analyzing the three formulated statements, the results of the study suggest a positive relationship between financial benefits extended to employees and employee satisfaction. The results suggest that financial benefits provide the greatest employee satisfaction where other two benefits do not have the appreciable response from the respondents comparatively.

Table 1
Employee Financial Benefits and Satisfaction.

	Weight (W)	Response (R)	WR	r-mean	(R-mean)^2
Strongly Agree	5	40	200	0.8590	34.3605
	4	21	84	0.0053	0.1124
	3	8	24	1.1516	9.2135
	2	13	26	4.2980	55.8744
Strongly Disagree	1	0	0	9.4443	0
	Total	82	334		99.5609
		Mean	4.0731		
		Var	0.2141		
		SD	0.4627		

The fact that, "money is all about in one's life" is supported by the respondents of the research area. Respondents strongly believe that, financial benefit is key factor in employee satisfaction. The mean value for Financial Benefits is 4.07 ("Strongly Agree") with a standard deviation of 0.5.

This ranks financial benefits as the highest factor of the three identified within the study and can be interpreted as employees consider this to be the leading factor in employee motivation and satisfaction. Kumoan hospitality employees consider themselves to be below the average salary for the region and this can possible affect their perception of the importance of salary (FHRAI 2010). Increasing inflation and a higher cost of living within the developing region can also magnify the importance of wages in the study. Employee turnover is very common in the Kumaon hospitality sector as employees perceive that they are receiving below average wages.

Table 2 Non-Financial Benefits, Work Environment and Satisfaction.

	Weight	WOIK Ellvii			
	(W)	Response (R)	WR	R-Mean	(R-mean)^2
Strongly					
Agree	5	32	160	1.3422	42.9506
	4	27	108	0.0251	0.6786
	3	7	21	0.7080	4.9564
	2	10	20	3.3909	33.9098
Strongly					
Disagree	1	6	6	8.0739	48.4434
	Total	82	315		130.9390
		Mean	3.8414		
		Var	0.5968		
		SD	0.7725		

Non-financial benefits also scored relatively high at 3.8 with a standard deviation of 0.77. Although the results indicate that non-financial benefits are important to worker satisfaction, the results trail perceived importance of financial benefits. The results indicate that although Kumoan lodging employees consider financial benefits to be the primary motivator in job satisfaction, perceived improvements in non-financial benefits could also yield positive results.

This finding presents an opportunity for the local onsite lodging managers who may not be able to increase employee wages due to financial

constraints. Many of the local lodging managers have little or no control over employee wages and attempts to increase employee pay are met with resistance by owners or corporate management who seek to keep labor cost low. At the same time, an effort to improve non-financial benefits on a property level could increase employee satisfaction and in turn improve guest satisfaction. Much of the non-financial benefits are low cost initiatives and these could provide the greatest return on investment.

Table 3
Employee's Physiological Needs and Satisfaction

	Weight (W)	Response (R)	WR	R-mean	(R-mean)^2
Strongly Agree	5	29	145	2.2867	66.3152
0	4	21	84	0.2623	5.5092
	3	5	15	0.2379	1.1897
	2	15	30	2.2135	33.2034
Strongly Disagree	1	12	12	6.1891	74.2700
	Total	82	286		180.4878
		Mean	3.4878		
		Var	1.2010		
		SD	1.0959		

The range for the majority of responses for the factor of "Physiological Needs" falls between 2.4 and 4.6., within one standard deviation of the mean of 3.48. These findings indicate that most of the employees agree to a certain extent that physiological factors generally lead to greater satisfaction. These findings are less convincing as physiological needs scored the lowest mean of the three factors measured. In addition, physiological needs scored the highest variance showing that many of the employees surveyed were unable to provide a consistant level of agreement on the subject.

These findings with regards to ranking of employee motivators run contradictory to Maslow's theory of motivation, which states that physiological needs are the primary motivator before other motivators (Maslow 1943). A possible explanation for the lowest mean score and the highest variance could be that many employees may have most of their physiological needs met outside of their employment. If an employee

provides for their own satisfactory housing, food and clothing, attempts by the employer to meet these needs will appear redundant andwill have a relatively low value placed upon them. This could account for the lower variance of 1.20 from the mean score. However, employees that are lacking in sufficient housing, food and shelter could consider this more important than both the financial and non-financial benefits. This situation could account for the high variance of 1.20 above the mean of 3.48. The implication of these results could also lead management to consider providing employees who are lacking such with company housing, meals and uniforms. In a circumstance where an employee cannot provide for their own physiological needs, providing these as benefits could produce higher employee satisfaction above both financial and non-financial benefits.

Conclusions

After studying the existing literature regarding employee satisfaction, it is believed that no hotel firm possesses the perfect mix of positive attributes. Each hotel should attempt to implement a strategic human resources plan that fits its needs while achieving a high level of job satisfaction amongst their employees while remaining fiscally responsible in an effort to achieve profitability. The findings suggest that some Kumaon hotels can achieve positive employee satisfaction results with a favorable work environment and fair non-financial benefits extended to employees. It can also be interpreted that when wages are perceived by workers to fall short of their expectations, employee satisfaction will be difficult to achieve. The Kumaon regional hotels appear to fall under this category and few hotels can claim that they satisfy the expectations of their workers for all three factors. One of the difficulties in gauging an employee's perception or attitude with regards to what are "good benefits" is the relationship between these three variables and how their interaction affects the aggregate perception of employee satisfaction. In addition, it is believed that an individual's experience, skills and qualifications affect their expectation of what is perceived to be "good benefits". An increase in any of the benefits may raise employee satisfaction for one worker, where the same increase may not have the same positive effect on another.

These results are common throughout the Kumaon region and can be extended to reflect the perception of hotel employees in the Uttarakhand state. While industrialists, politicians, policy makers discuss the development of hospitality industry in Uttarakhand state, the results of this study suggest that consideration be given to the employee welfare and development. Recently several initiatives were undertaken by the central government of India to develop tourism infrastructure programs in the region in an effort to benefit the various stakeholders.

One such initiative undertaken by the Ministry of Tourism of India was a joint venture where the state government attempted to educate the employees through a series of training programs at Almora, Nainital, Haldwani, Kausani, Pithorogarh and Champawat. Under this program all interested hoteliers, lodge owners and employees were given the opportunity to attend two and three day seminars in Front Office, Housekeeping and Catering Management. The seminars were offered in 2009-10 and were aimed at improving the service levels of the region and in turn improve guest satisfaction. The results were inconclusive and many considered the program to be ineffective towards reaching the goal of improved customer service.

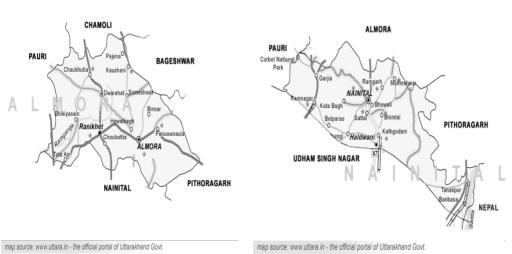
Despite these training seminars many employees perceive that they are being taken advantage as the hotels in the region continue to prosper while employee wages remain low. As a result, frustrated employees are choosing to leave the lodging industry. As this region develops and there continues to be a shrinking supply of qualified employees, many of the workers are leveraging the situation in an effort to gain additional benefits. A recent consequence of this labor shortage and increased demands from existing and potential hotel employees in the Kumaon region is developing a partnership with the local schools in an attempt to tap into their students as a source of potential employees. The hotels consider the student to be a desirable option as they require less pay and benefits when compared to other job candidates.

The authors suggest that hotel firms in the region should take into account the results of the study and develop strategic human resources plans that address the employee needs in an effort to increase employee satisfaction. The study results also suggest that addressing the financial benefits first could provide the greatest return on effort and produce the most effective results where the employee's physiological needs are already being met.

The findings of the study also have significance beyond the Kumaon region of the lodging industry. The challenges faced by these lodging operators tend to be global in nature and many other developed tourist destinations face similar human resource problems. These findings can also serve as an indicator of challenges that new and developing destinations specializing in homestays, ecotourism and nature tourism can expected to experience.

Figure I: Study Area





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