

Factors Affecting Employees' Turn Over in the Hotel Industry: A Case of Bahir Dar City

Temesgen Ayenew Birhan*

*Department of Accounting and Finance,
College of Business and Economics,
Bahir Dar University.

Abstract:- Employee turnover is the major problem for business employing staff and it was not uncommon in hotel industry. Human Resources Management has a vital role to play which used as managing the organization resources and the way employees are treated within the organization. Because, the success of every company or business is entirely dependent on the effectiveness of its workforce. The central objective of this study is determining factors which influencing employee's turnover in hotel industry. To attain this objective the researcher collects data from respondents through structured questionnaire. The survey prepared in 5 point likert type. Structural equation model was employed for data analysis and Amos graphics taken as statistical tools. Finally the researcher reach the finding of salary and related benefit, working environment and management practices are responsible factors for employee's turnover in Bahir Dar hotel industry.

Keywords:- Employee turnover, structural equation model, Amos graphics.

I. INTRODUCTION

Employee turnover is serious problem in many businesses. Research evidenced that a company with a high employee turnover has adverse impact for business sustainability and operation by increasing cost of hiring and training new employees, reducing productivity of employees (Faldetta, Fasone, & Provenzano, 2013). In hotel service giving business, employees are important part of an operation in line with their customer experience. In hotel industry, profitability is negatively affected by employee turnover because the employees are the main shareholder create and render service from the hospitality organization. From this point of view, we can understand shifting of employee is critical issues for the industry (Faldetta, Fasone, & Provenzano, 2013).

Human resources management is a very crucial element in running a health organization; Organizations possess different kinds of resources to achieve their objectives. These resources can be money, materials, machines and human beings. Of all these resources only human being (workers) have the ability to develop and improve their abilities and skills. It is also very obvious that the human power belonging to an organization controls the other resources and hence, they can be considered as the most important resource (Armstrong, 2012).

Human capital management has a lion share for efficient and effective utilization of resource. Employees are more useful asset to all company since the success of every company or business is entirely dependent on the effectiveness of its workforce. A business may incur lots of cost to its core operations and activities, but without a highly effective human resource, success within the future can't be achieved (Tom & Huckman, 2008). According to (Tracey & Hinkin, 2008), productivity is incredibly important issue or a target for each industry or organization to a chive its objective. There are several challenges on which productivity of a corporation mostly depends upon. Employee's turnover is one in all them which are considered to be one among the challenging issues in business nowadays.

II. STATEMENT OF THE PROBLEM AND RESEARCH GAP

Now a days for most business which engage in hotel sector, employment relationship encounter obstacles to reduce the cost exist because of employee turnover. Human capitalization holds a major place to stay in the market and taking competitive advantage (Chand & Katou, 2007).

The hospitality industry may be experience employee turnover caused by internal problem that occurred at the company level. Turnover may disrupt the company's performance. The success of the hospitality industry will be seen from the customer satisfaction through the service provide by the hotel. High levels of intention turnover has become a significant problem for companies, even some companies experiencing frustration when he learned that the recruitment process has secured the staff finally clad to be futile because the staff who are recruited and work his company has chosen employment in another company (Hinkin & Tracey, 2000).

It is related with productivity of an organization. It can hamper the overall productivity of an organization and is often a symptom of other difficulties. It is very important to manage turnover for both government and non-government sectors. In government sectors, although some benefits are given to the employees regularly do not satisfy them sufficiently (Mobley, 1977). In contrast to this, in private sector salaries and benefits are high but, the security of job is very low. Due to this reason employee turnover rate in private sector is higher than in public ones. The rate of employee turnover is varies from hotel to hotel and region to region. The highest turnover rate is occurring when

unemployment rate is low and easy for people to get alternative jobs.

One of the private service sectors that are highly important and developing during a prominent way within the region may be a hospitality industry where there are stars, standardized, medium and lower hotels which directly help for the event of tourism and investment. Though, this sector is crucial for the event and building for the positive image of the region (Morrell et al., 2001). The most concerns rendering better service and captures good experience to customers and identified itself for the quality service provider (Crick & Spencer, 2011).

III. RESEARCH OBJECTIVES

Major objective of this study was determining factors which influencing employee’s turnover in hotel industry in Bahir city. The specific objectives provided as follows:

- To examine the impact of salary and related benefit on employee turnover in hotel industry.
- Examine influence of working environment on employee turnover in hotel industry.
- To examine the effect of career development on employee turnover in hotel industry
- To identify the impact of Recruitment and Selection process on employee turnover in hotel industry.
- To examine the impact of training experience on employee turnover in hotel industry.
- To explore the effect of management practices on employee turnover in hotel industry.

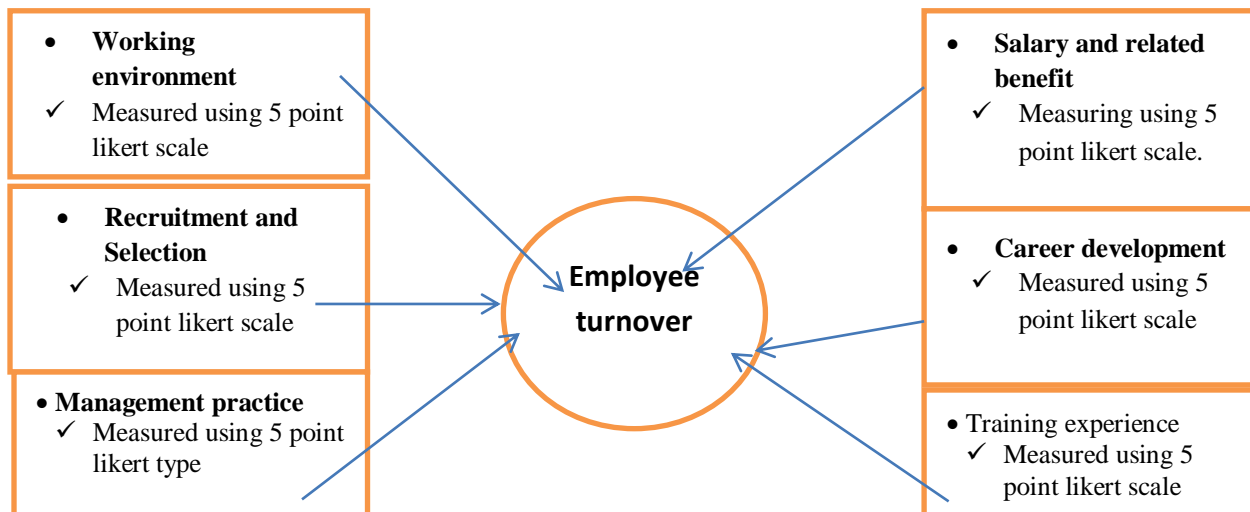
IV. HYPOTHESIS ESTABLISHMENT

The researcher established the following hypothesis after reviewing various theoretical and empirical related literatures for practices of employee turnover and identifiable factors contribute for employee turnover. All hypotheses were test by structural equation model and well explained at the end of this article.

- **H1:** Salary and related benefit has significant effect on employee turnover.
- **H2:** Working environment influence significantly the employee turnover.
- **H3:** Good career development practice enables Company reduce employee turnover.
- **H4:** Recruitment process has significant impact on employee turnover in hotel industry.
- **H5:** providing training to employees has reduce rate of employee turnover in hotel industry
- **H6:** A Management practice has significant impact on employee turnover in hotel industry.

V. CONCEPTUAL FRAMEWORK

The following conceptual framework presents both dependent and independent variable with their ways of measurement. This framework developed by referring theoretical and empirical literature review in broad concept. All variables and its measurement presented in conceptual framework as follows.



VI. RESEARCH METHODOLOGY

This subsection provides some brief description about research approach, identification of target population, sampling and ways of data analysis

• **Research approaches:** The inquiry paradigm utilized in research is usually influenced by researcher ontological and epistemological beliefs. These beliefs represent how the researcher views and seeks to know the globe. The two extremely contradicting paradigms are positivism and constructivism. Thus, positivist researchers normally adopt

quantitative methods and constructivist researchers adopt qualitative methods. The opposite paradigm is combination of positivism and constructivism (that is mixed method).

- **Target Population and sampling:** The target population of this study is composed of employees from each hotel in Bahir Dar city. 150 employees have taken as sample of from total population of employees hires in hotel industry. Sampling techniques was stratified sampling techniques.
- **Data inquiry:** Data collected from secondary source to establish literature and getting knowhow about the

research and general process of doing best research. Not only secondary data, primary data also used to gather information and measured the perception of respondents. To collect primary data survey is usual and best techniques. Under this research the survey prepared in five point likert type.

- **Method of Data Analysis:** Under this study structural equation model used for data analysis. It is best a statistical tool analyzing a structural theory that has an impact on a phenomenon using a confirmatory (i.e. hypothesis-testing) approach. The well-known terms are observed variables and latent variable. Observed variables also called indicator variables or manifest variables. Latent variables also denoted unobserved variables or factors. The latent variables can't be measured directly. The latent

variable must be defined in terms of observed variables to represent it.

VII. RELIABILITY AND VALIDITY

Reliability is the degree to which the measure of a construct is consistent or dependable. The reliability of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instrument. This refers to the repeatability of a measure, i.e., the degree of closeness between between repeated repeated measurement measurements of the same value. In other words, the reliability of measures is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a measure.

Variables	Symbol	# items	Value of alpha	Status
Salary and relates benefit	SRB	5	0.87	Great
Working environment	WE	5	0.76	Good
Career development	CD	5	0.78	Good
Selection and recruitment	SR	5	0.65	Fair
Training experience	TE	5	0.75	Good
Management practice	MP	5	0.88	Great
Employee turnover	ET	5	0.82	Great

Source: SPSS output, 2021

VIII. TESTING OF DATA VALIDITY

Under this study both Convergent and discriminate validity measure using Amos graphics. Former refers to the closeness with which a measure relates to (or converges on) the construct that it is purported to measure and latter refers to the degree to which a measure does not measure (or discriminates from) other constructs that it is not supposed to measure.

Convergent validity	SRB	WE	CD	SR	TE	MP
$AVE = \sum(X_i^2/N)$	0.53	0.75	0.66	0.59	0.77	0.68
Validity	Maintained					

X_i →The value of regression weight under each construct. N →Number of observed variables under each construct.

Discriminant validity	Factor correlation(r)	Correlation Squared(r^2)	$AVE > r^2$	Discriminant validity
SRB↔WE	-0.020	0.0004	0.63	Established
SRB↔CD	-0.053	0.003		
SRB↔SR	-0.085	0.007		
SRB↔TE	0.056	0.003		
SRB↔MP	0.011	0.0001		
WE↔CD	0.130	0.017	0.65	Established
WE↔SR	0.149	0.022		
WE↔TE	-0.282	0.08		
WE↔MP	0.163	0.023		
CD↔SR	0.178	0.032		
CD↔TE	0.296	0.0877	0.69	Established
CD↔MP	0.070	0.005		
SR↔TE	0.199	0.04		
SR↔MP	0.013	0.0002		
TE↔MP	-0.045	0.009		

IX. CONFIRMATORY FACTOR ANALYSIS

AMOS 18 was used to conduct CFA. A number of fit indices criteria were employed to detect the model fit. Based on Hu and Bentler’s (1995) recommendations both the Non-Normed Fit index (NNFI) and the Comparative Fit Index (CFI) require to reach values of over .90 is acceptable while values above .95 and nearer to 1.00 indicate close and exact model fit respectively. Standardized Root Mean Square Residual (SRMR) was also utilized; smaller values are considered to be better (Hu & Bentler, 1995). Root Mean Square Error of Approximation (RMSEA) was another fit index used and values from .10 to .08 indicate mediocre fit (Browne & Cudeck, 1993). Moreover, when the Chi-Square (χ^2) is divided by its degrees of freedom (χ^2/df) to generate values below 2.0, an acceptable model fit is found (Bollen, 1989). Finally, the Akaike Information Criterion (AIC) and Consistent Akaike’s Information Criterion (CAIC) were also used to determine the best fitting model because they have the capacity to indicate the best model out of a number of models tested (Bozdogan, 1987). The following table shows the model fitness by using the above criteria. Both the default model and minimum requirement for fitness provided as follows.

Indices	Default model	Suggested criteria
RMSEA	0.074	<0.08
PCLOSE	0.000	<0.05
X ² /df	2.99	Between 1 and 5
P value	0.000	<=0.001
CFI	0.875	Close to 0.9
IFI	0.922	Close to 0.9
TLI	0.894	Close 0.9

Goodness of fit for Structural Model

X. HYPOTHESIS TESTING USING STRUCTURAL MODEL

After checking model fitness, research conduct hypothesis testing and determining path coefficient to its significance level. It examined the standardized estimate, critical ratios and p-value for each proposed relationship. To conclude a relationship is significant the value of *t* should exceed over 1.96 and a p-value must be equal or less than .05. Therefore, the regression weight estimates of the six hypotheses in this study are presented in the following table.

Hypotheses	Variables	Estimates	S.E.	C.R	P	Status	Outcome
H1	ET --SRB	-0.128	0.065	-1.969	0.030	Significant	Accept
H2	ET--WE	0.139	0.064	2.194	0.028	Significant	Accept
H3	ET--CD	0.16	0.072	2.212	0.22	Insignificant	Reject
H4	ET--SR	0.005	0.048	0.113	0.910	Insignificant	Reject
H5	ET—TE	-0.23	0.098	-2.335	0.38	Insignificant	Reject
H6	ET--MP	0.344	0.103	3.339	0.000	Significant	Accept

XI. CONCLUSION

A. Salary and benefits

Payment inequity and low payment rate is great causes of dissatisfaction and might drive some employees to shift. Lack of skill and coaching make employee at hospitality industry have an occasional income compared with another industry. Educational programmes and professional development will help to ensure the quality of services while also increasing output, resulting in higher earnings for hospitality workers. Salary difficulties were the most common cause for employees in the hotel business to resign. Employees are less likely to resign from a company if compensation offered by the company is competitive. Promotion and compensation are seen as extremely crucial issues for employees (Bloome, 2010). Employee salary and related benefits have a large and beneficial effect on turnover, as indicated in the data analysis output.

B. Working Environment

Working Environment is the place that most people choose to work at. Different hazards occur at any work environment in terms of noise pollution, radiation from computer, inappropriate lighting system. It is also a physical and psycho-social work environment in which physical work environment includes welfare provisions, working condition and safety, while psycho-social work environment includes interpersonal relation, reward system, trust and support (Srivastava, 2008).

C. Career development

One of the reasons for this is that there is no clear career path in the hotel business. They're looking for a demanding work that will allow them to advance their careers while also paying them fairly. Its manager's commitment to resolving the issue gives the company the opportunity to reduce the number of employees who planned to resign. As social responsibility measures, development programmes of career progress training, employee empowerment, and training in specialized areas are essentially. It's self-evident that company should do a better job of hiring high-quality staff and good training those (Bagri et al, 2010).

D. Recruitment and Selection

The process of developing a pool of qualified candidates for a certain post is known as recruitment. It's also a method for attracting potential employees and inspiring and motivating them to apply for positions in a company. As a result, recruiting is the process of attracting people at the right time, in sufficient numbers, and with the right qualifications, and motivating them to apply for jobs. According to Mardianto (2014), the recruitment process is the process of obtaining people who meet the organization's requirements using available resources. The recruitment process begins when a corporation recognizes a vacant job

vacated by an employee, locates a labourer, and approaches the manager.

E. Training Experience

Training is a method or strategy used by the hospitality sector to reduce employee turnover. Besides minimizing quit. The hospitality business pays a small amount of attention to training. According to Davidson et al. (2011), coaching and service quality are two of the most important issues for the long term, just as they were in the past. The need of examining the wants of what's needed to be fulfilled on a regular basis is critical in the hospitality sector. For a variety of reasons, formal and informal training played an important role, including the industry's expansion, the need to reduce worker turnover, and the need to increase knowledge and career routes, increase the legal requirements and therefore important for increasing the standard of service quality. The absence of an educational program may cause workers to fall behind in their level of performance and feel that their abilities are lacking.

F. Management practice

According to Robbins (1998) supervision is that the guidance that's offered by the one who has higher position like supervisors and managers. Employees view supervision as a part to meet their needs that's associated with their job. If supervisors are fair to everyone and maintain an honest relationship with their subordinates, employees' job satisfaction will increase.

REFERENCES

- [1.] Armstrong, M. (2012). *A handbook of human resource management practice*. London: Kogan Press.
- [2.] Bloome. (2010). Work family conflict as cause for turnover intention. *Tourism and Hospitality Research*.
- [3.] Bolch, A. (2001). Benchmarking the quality of hotel service. *Managerial perspective International journal of Quality and Reliability management*, 582-597.
- [4.] Crick, A. P., & Spencer, A. (2011). Hospitality of quality: New direction and challenges. *International journal of contemporary hospitality management*, 463-478.
- [5.] Faldetta, G., Fasone, V., & Provenzano, C. (2013). *Turnover in hospitality industry*. pasos: Revita De Turismo Y patrimonio Cultural.
- [6.] Hinkin, & Tracey. (2000). The cost of turnover. Putting a price on the learning curve. *Cornell hotel and restaurant administration Quarterly*, 14-21.
- [7.] Lussier, N. R. (2005). *Human relation in Organizational Application and skill building*. New York: Mc Graw Hill.
- [8.] Mobley, W. H. (1977). Intermediate linkage in the relationship between job satisfaction and employee turnover. *Journal applied psychology*, 237-240.