CHAPTER 3: REVIEW OF LITERATURE

The hospitality sector is one of the world's fastest-growing industries. However, huge problems still exist in attracting and retaining a skilled workforce, affirms Mike Burton, Human Resources Director of Compass Group UK & Ireland. Furthermore, Nick Varney, chief executive of leisure operator Merlin Entertainment, agreed, saying that: “Two enduring things in this industry are: high staff turnover, which affects the ability to deliver a consistent brand experience, harming business and the fact that not enough people see our growing industry as somewhere to build their careers” (Druce, 2007).

By contrast, Walker points out that, staff turnover is not always a bad thing. He argues that some mild turnover can be beneficial because it allows staff to move up the ladder to more senior positions, giving them new opportunities. Moreover, it allows the business to bring in new blood, in other words, new people, new ideas, enthusiasm and motivation which is beneficial for a company to increase productivity (2006).

Nevertheless, high and rampant turnover is endemic in the industry. According to Walker, some businesses can experience 50-100% turnover every year, way above the Best Practice Forum's Benchmark Index of 26.5% (almost exactly the same as the 26.7% international hotel labour turnover benchmark published by Horwath Consulting). At a turnover of 26.5%, more than a quarter of staff change their jobs every year; at 50%, a business is replacing half its staff every year (Walker, 2006). An alarming figure that reinforce the idea that the hospitality industry possesses one of the highest rates of turnover, among all the service industries.
In the article “The Cost of Employee Turnover”, Mathew O’Connell & Mei-Chuan Kung (2007) makes the point that organizations tend to underestimate the cost of turnover. Perhaps it is because there is not a line item in most profit and loss statements, nor is it typically adequately defined in the budget, and no one submits an invoice at the end of the month for turnover. Yet, collectively, turnover costs organizations billions of dollars a year.

According to a conservative estimate by the Bureau of Labour Statistics, in America, the average cost to replace an employee is $13,996 USD (O’Connell, 2007).

In this chapter, will be analyzed what turnover is, the cause and consequences of employee turnover, as well as, strategies that exist in order to decrease employee turnover rate. The chapter concludes with a brief discussion and analysis of these topics.

Hemdi and Nasurdin (2006) tell us that hotels all over the world experience high turnover rates. According to their research, globally, the turnover rate in the hotel industry is estimated to range from 60 percent to 300 percent annually, far higher than the 34.7 percent reported in the manufacturing industry. Most importantly, they affirm that excessive employee turnover rate is detrimental to organizations. It is evident that it is related to direct and indirect costs; furthermore, it affects moral, productivity, reputation and survival of organizations. That is to say, turnover, when it is high, often means that employees are unhappy with the work or compensation, it can also indicate unsafe or unhealthy conditions, or that too few employees give satisfactory performance (due to unrealistic expectations or poor candidate screening). By contrast, turnover, when it is low, indicates that none of the above is true: employees are satisfied, healthy and safe, and their performance is satisfactory to the employer.
Employee turnover

Turnover can be defined as the cessation of membership in an organization by an individual who received monetary compensation from the organization (Mobley, 1982 in Hemdi, 2006). In other words, from a business view, Employee turnover is a characteristic that refers to the relative rate at which an employer gains and losses staff.

Many factors play an important role in the employee turnover rate of any company, and these can come from both the employer and the employees. Wages, company benefits, employee attendance, job performance, role ambiguity, workload, stress, leadership behaviours, or opportunity for advancement are all factors that play a significant role in employee turnover. However, Turnover is a process, not an event that is related to factors. O’Connell & Kung remarks that hiring high-potential employees into a bad environment may actually increase turnover (O'Connell, 2007).

The process

O’Connell & Kung affirmation can be reinforced in Mobley Model of how job dissatisfaction leads to employee turnover, one of the first proposed structural models for representing employee turnover explains: job dissatisfaction leads an employee to thinking of quitting then, there is an intention to search (for a new job), afterwards, employees intend to quit, which cause (voluntary) turnover. Based on this brief model of voluntary turnover, Hong & Chao in its article entitled “A Comparative Test of Two Employee Turnover Prediction Models” suggest that job satisfaction is an indirect link in initiating actual voluntary turnover; what is more, organizational commitment is an intervening variable to explain the outcomes, stay intentions or turnover. In addition, based on their
investigation they suggest that greater organizational commitments imply greater intent to stay, i.e., lower voluntary turnover (2007).

Many studies converge that there are two forms of employee turnover, involuntary turnover and voluntary turnover (Hong, 2007; Iverson, 1999). Involuntary turnover is frequently declined as movements across organizational boundaries, over which the employee is only slightly affected (Price, 1977 in Hong, 2007), the representation forms of withdrawal from an organization often categorized with strategy (e.g. downsizing), dismissal (e.g. firing), or policy (e.g. compulsory retirement) (Campion, 1991 in Hong, 2007). In contrast, voluntary turnover is defined as movements across organizational boundaries, over which the employee is heavily affected (Price, 1977 in Iverson, 1999), the representation forms of withdrawal from an organization are often categorized with absenteeism and lateness (Campion, 1991 in Iverson, 1999).

Involuntary turnover is most often initiated by organizational changes and institutional constraints, and it is easy to understand the scope and the affects for the organization.

Alternatively, turnover can, also, be classed as internal or external. Internal turnover involves employees leaving their current position in order to take a new position within the same organisation. There are positive and negative aspects of internal turnover, such as, increased morale from the change of task and supervisor, as well as, project/relational disruption, and thus this form of turnover is important to monitor as its external counterpart. However, internal turnover might be moderated and controlled by typical HR
mechanisms, such as an internal recruitment policy or formal succession planning; discussion about this issue will be discussed in the following paragraphs (Ruby, 2002).

On the other hand, it is important to mention that, according to the Australia Bureau of Statistics (1998), of those employees who ceased a job during the year ending February 1998, 64 percent had left their jobs voluntarily (resigned) compared to 21 percent who had been retrenched (Iverson, 1999), that means the percentage of people quitting their jobs voluntarily has surpassed expectations. Thus the question arise: what are australian entrepreneurs doing to retain their workers?

**Elements that raise employee turnover situations**

Most companies find that employee turnover is reduced when they address issues that affect overall company morale. By offering employees benefits such as reasonable flexibility with work and family balance, performance reviews, and performance based incentives, along with traditional benefits such as paid holidays or sick days, companies are better able to manage their employee turnover rates. The extent a company will go to in order to retain employees depends not only on employee replacement costs, but also on overall company performance. If a company is not getting the performance it is paying for, replacement cost is a small price to pay in the long run.

Again, in order to understand the phenomenon of labour turnover, it is important to study turnover intentions. Therefore, a distinction must be made between turnover intentions and turnover itself. According to Hemdi & Nasurdin (2006), turnover intention refers to an individual’s perceived probability of staying or leaving an employing
organization, while actual turnover is the movement of organizational members across the boundary of an organization.

Although, it is recognized that people leave their jobs for a variety of reasons, there is consistent research evidence indicating that voluntary turnover can be explained by employees’ intention to leave the organization (Hemdi, 2006). For instance, if an employee does not understand how to perform his or her tasks effectively, frustration level will increase and that employee will often leave at the earliest opportunity. In contrast, Career advancement reflects the use of organizational mechanisms in assisting employees to achieve their career goals, if an employee feels he has been rewarded for his work; he will tend to stay within the company.

Moreover, Hemdi & Nasurdin (2006) suggest that intentions; defined previously; are the only antecedent that have been consistently found to be a direct antecedent to actual turnover. They state that studies on turnover have shown that turnover intention is the best immediate predictor of voluntary turnover.

In contrast, some studies affirm, it is axiomatic that voluntary quitting is heavy in the first few months of employment, we must not assume that all fluctuation in a time series representing voluntary quit-rates is necessarily due to increase of the accession rate. The cause-effect relationship is, probably, in part reversible; quit-rates being increased by external labour market conditions, and by their increase necessitating added hiring for replacement (Journal of the American Statistical Association, 1926).
Causes

As Walker (2006) points out, high rates of staff turnover may be endemic in the hospitality industry; however, it is not inevitable. The most critical period of turnover incidents is the first few days and weeks of the incorporation of a new employee in an organization. According to Walker, more people leave then than at any other time. This is often called the induction crisis and it occurs when the new employee, for whatever reason, has not been integrated into the team (2006). Furthermore, he argues that this may be the result of poor recruitment, or a poor induction programme, with insufficient care and time spent on enabling the new recruit to build strong relationships with his supervisor and co-workers. The newcomer may just have been left to sink or swim without sufficient support. Thus, it can be deduced that the recruitment process plays an important part of the success or failure of retaining employees.

“In this industry, the opportunities - both at home and internationally - are huge. So people with ambition will always be looking to improve their career prospects and will want to move about to gain more experience and responsibility - and to earn more money. And where pay levels do not compare well with the competition, the urge to leave and earn more may be overpowering” remarks Walker (2006).

Nevertheless, he argues, people remain in jobs that they like even though higher pay may be available elsewhere. A number of factors will influence this decision: if there are good employment conditions, if staff like working in the business, and if there are realistic opportunities for advancement, people are likely to want to stay (Walker, 2006).
On the contrary, Hong and Chao (2007) in their article entitled “A Comparative Test of Two Employee Turnover Prediction Models”, they lead to the conclusion that, although turnover is usually influenced by work and non-work factors, turnover research, until now, has concentrated primarily on work-related variables (Mobley, 1982; Mowday et al., 1982). However, based on the results of their studies, they comment that it is interesting to see that some non-work antecedents of turnover were consistent with a time-based variable which had some relationship to work and family. For example, age is a time-based variable that affects one's job mobility and one's stage in the personal and family life-cycles. Similarly, number of dependent children is a non-work influence of turnover that is linked to life-stage and job mobility. Finally, it can be inferred that turnover might not always be the result of a rational decision-making process characteristic of economic models of human behaviour, but rather it might be driven by work attitudes such as organizational commitment (Hong, 2007).

In addition, an individual's general satisfaction also enters into the problem. A man may be entirely capable of performing certain work and still he may not be contented. The place, the environment, the activity or lack of activity may not suit him. A multitude of whims affect one's likes and dislikes (Eberle, 1919).

Alternatively, it has been suggested that to enhance employees’ trust in organization and, subsequently, reduce turnover intentions, hotels need to continue providing training and development programs for their employees, conduct fair and formal appraisals, and provide ample and clear career advancement to their employees (Hemdi, 2006). In view of this, positive perceptions of HRM (Human Resources Management) practices will lead to increased trust in the organization.
Competency, openness, concern for other’s interest, and reliability are aspects that reflect trustee’s trustworthiness. These dimensions additively and collectively contribute to the development of one’s trust in an organization. The structure of trust can be differentiated according to whether it is rooted in rationality (cognitive trust) or emotion (affective trust). According to McAllister (1995), cognitive trust is reflected in a belief or expectation that the trustee is reliable, has integrity, is predictable, will tell the truth, and will act in a fair or just manner. Thus, Hemdi & Nasurdin remarks that, the extent to which employees believe that their employers are concerned about their well-being has a significant impact on their work-related attitudes and behaviours (2006).

In other words, HRM practices send powerful signals to employees about the extent to which the organization trusts them, and if organizations fail to deliver on contractual or other promises, employees’ sense of indebtedness or mutual obligations will be reduced. Results of this study found that trust in organization fully mediated the relationship between career advancement and turnover intentions. This implies that career advancement has an indirect and direct effect on turnover intentions (Hemdi, 2006).

Conversely, the Two-Factor or Motivation-Hygiene Theory argues that the nature of a job a person performs has the capacity to gratify needs like achievement, competency, status, personal worth, and self-realization, which lead to a happy and satisfied person. However, the absence of such gratifying job characteristics does not appear to lead to unhappiness and dissatisfaction. According to Herzberg, author of the Two-Factor Theory, men are not content with the satisfaction of lower-order needs at work rather, they look for the gratification of higher-level psychological needs having to do with achievement,
recognition, responsibility, advancement, and the nature of the work itself (Herzberg, 1968).

Finally, according to Agrusa & Lema, when investigating the issue of employee retention, many surveys and studies reveal that more people leave their job because they do not get along with their boss or supervisor than for any other reason. Direct service employees, particularly, are the people who come in the closest contact with the customer on a daily basis. Customer will often make a decision to return to an establishment based on their interaction with a single employee. Thus, when valuable employees continually leave an organization, it has a direct effect on the customer experience. For instance, if customers cannot relate to the employees, business is affected in a negative way (2007).

Furthermore, Training investment is very important in a company, especially if they belong to the service sector because inexperienced, poorly trained staff can turn customers away, subsequently, these customers then talk about their unhappy experience to their friends. Bad news travels fast. In other words, customers can discredit a hotel if they experience bad service.

Therefore, it can be assumed that customer turnover (guests that leave and do not return) is directly related to employee turnover which can become a challenge for many hospitality businesses. Customer and employee turnover both have a direct link to the bottom-line and profit (Agrusa, 2007).

In the following table, it will be explained in short, the possible causes that affect employee turnover.
Table 1 - Summary of Turnover Possible Causes

<table>
<thead>
<tr>
<th>Factors</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Culture</td>
<td>The extent to which employees believe that their employers are concerned about their well-being has a significant impact on their work-related attitudes and behaviours.</td>
</tr>
<tr>
<td>Characteristics of the Job</td>
<td>Some jobs are intrinsically more attractive than others. A job's attractiveness will be affected by many characteristics, including its repetitiveness, challenge, danger, perceived importance, and capacity to elicit a sense of accomplishment.</td>
</tr>
<tr>
<td>Unrealistic Expectations</td>
<td>Poor recruitment, or a poor induction programme, with insufficient care and time spent on enabling the new recruit to build strong relationships with his supervisor and co-workers, this can cause dissatisfaction that can lead to quitting a job. HRM practices send powerful signals to employees about the extent to which the organization trusts them, and if organizations fail to deliver on contractual or other promises, employees’ sense of indebtedness or mutual obligations will be reduced</td>
</tr>
<tr>
<td>Demographics</td>
<td>Turnover might not always be the result of a rational decision-making process characteristic of economic models of human behaviour, but rather might be driven by work attitudes such as organizational commitment. Age is a time-based variable that affects one's job mobility and one's stage in the personal and family life-cycles. Similarly, number of dependent children is a non-work influence of turnover that is linked to life-stage and job mobility.</td>
</tr>
<tr>
<td>The Person</td>
<td>An individual's general satisfaction also enters into the problem. A man may be entirely capable of performing certain work and still may not be contented. The place, the environment, the activity or lack of activity may not suit him</td>
</tr>
<tr>
<td>Market Size</td>
<td>When demand is big, employees tend to go to the highest bidder, the company that can offers them better conditions and/or pay.</td>
</tr>
<tr>
<td>Employers</td>
<td>More people leave their job because they do not get along with their boss or supervisor than for any other reason</td>
</tr>
</tbody>
</table>

Source: elaborated by Humberto Rodríguez Torres 2008. Based on (Walker, 2006; Hong & Chao, 2007; Hemdi & Nasurdin, 2006; Eberle, 1919; Agrusa & Lema, 2007)

Consequences

As mentioned before, turnover has direct and indirect costs that have to be taken into account in order to measure the impact that it has over the companies. According to
O’Connell & Kung (2007) there are three main components associated with the cost of turnover:

- **Staffing**, which can be defined as the cost of recruiting and hiring the person initially, the organization must spend a similar amount to hire the replacement.

- **Vacancy**, the period of time where a person isn’t working in the company that results in lost productivity and potentially lost business.

- **Training**, time and resources invested on training, orientation, and development of candidates.

However, pure replacement cost estimates fail to cover the total impact of turnover on an organization. For instance, factors such as advertising for replacement staff, commission fees to agencies, management time in interviewing, inducting and training new staff, lost sales or business opportunities caused by inexperienced staff, interruptions to the flow of work in a department, low morale and low productivity, damage to reputation (of the business and the employer among prospective employees) are hard to quantify and need to be added into the total cost of turnover (Walker, 2006).

According to O’Connell & Kung (2007), costs can be higher when employees leave within a short period of being hired; organizations do not have enough time to recoup their investment. Employees did not provide enough output to make up for the investment the organization put into them in terms of staffing, compensation, and training. A high new hire turnover rate is usually related to issues with the selection process, such as choosing candidates that aren’t qualified or are a poor cultural or motivational fit. Therefore, he
remarks that when this happens, the new hire turnover rate is almost three times as high as the standard turnover rate. While the sample size is very small, it may indicate problems in the selection, orientation, or training processes.

During the 1990s, a popular practice in many organizations was “top grading,” a process by which companies routinely tried to eliminate the lowest 10 percent of performers to improve the quality of the organization as a whole. Focusing on the quality of those that are leaving vs. simply the frequency with which they leave is referred to as turnover functionality. Nevertheless, according to O’Connell studies have shown that, negative ratios indicate potentially more serious problems that might be related to systemic, cultural problems in the organization (O’Connell, 2007).

On the other hand, academics that follow the Motivation-Hygiene Theory, as well as, the Mobley Model tend to assure that employees who perceived that their organization’s HRM practices are meant to take care of their well-being will experience greater trust in their top management and higher affective commitment, and are less likely to leave the organization. Thus, the higher employee’s trust in the organization, the less likely he or she will leave the organization (Hemdi, 2006).

Trust in organization has also been empirically reported as an important intervening variable impacting from one’s beliefs to behavioural intentions or outcomes. Given the fact that employees are more willing to trust their organization when they perceive that the HRM practices of the organization are able to take care of their job or career development needs, fostering supportive HRM practices designed for employee development would be beneficial (Hemdi, 2006).
Training and development programs convey the message to employees that they are being valued, supported, and cared for by the organization. As a result, it is possible that the level of trust in organization experienced by employees may also influence their judgments about HRM practices.

In the following table it will be exposed an evaluation of the consequences generated by the causes mention in the previous table, as well as, the impact this consequences have on a company.

**Table 2. Consequences raised by employee’s turnover and its impact on a company**

<table>
<thead>
<tr>
<th>Possible Causes</th>
<th>Consequences</th>
<th>Impact in the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Culture</strong></td>
<td>Trust in organization is an important intervening variable impacting from one’s beliefs to behavioural intentions or outcomes.</td>
<td>If employees perceive that their organization’s HRM practices are meant to take care of their well-being. They will experience greater trust in their top management and higher affective commitment, and are less likely to leave the organization.</td>
</tr>
<tr>
<td><strong>Characteristics of the Job</strong></td>
<td>The nature of a job a person performs has the capacity to gratify needs like achievement, competency, status, personal worth, and self-realization, which leads to a</td>
<td>Dissatisfaction can lead employees to think of quitting a job.</td>
</tr>
</tbody>
</table>

happy and satisfied person. However, the absence of such gratifying job characteristics does not appear to lead to unhappiness and dissatisfaction.

**Unrealistic Expectations**

The result of poor recruitment, or a poor induction programme, with insufficient care and time spent on enabling the new recruit to build strong relationships with his supervisor and co-workers causes the induction crisis. The recruitment process plays an important part of the success or fairly of retaining employees. Lost of employees, waste of money invested on training and more expenses for hiring new staff.

**Demographics**

Age is a time-based variable that affects one's job mobility and one's stage in the personal and family life-cycles. The number of dependent children is a non-work influence of turnover that is linked to life-stage and job mobility. Turnover might not always be the result of a rational decision-making process characteristic of economic models of human behaviour, but rather might be driven by work attitudes such as organizational commitment.

**Person**

A man may be entirely capable of performing certain work and still he may not be contented. The place, the environment, the activity or lack of activity may not suit him. A multitude of whims affect one's likes and dislikes-

Low productivity and waste of money invested on training and other expenses.

**Market Size**

People with ambition will always be looking to improve their career prospects and will want to move about to gain more experience and responsibility - and to earn more money.

People remain in jobs that they like even though higher pay may be available elsewhere. If there are good employment conditions, if staff like working in the business, and if there are realistic opportunities for advancement, people are likely to want to stay.

**Employer**

People leave their job because they do not get along with their boss or supervisor than for any other reason.

When valuable employees continually leave an organization, it has a direct effect on the customer experience. For instance, if customers cannot relate to the employees, business is affected in a negative way.


### Strategies

For many years, numerous strategies have been created in order to decrease turnover rates in companies. However, most of them are based on 5 of the most important theories that focused on understanding employees and how companies can motivate them, creating the conditions where they can excel in their productivity. Furthermore, real world strategies posses a combination of theoretical concepts applied in practices.
1. Two-Factor or Motivational-Hygiene Theory:

Firstly, the Two-Factor or Motivation-Hygiene Theory mentions that there is one set of job characteristics or incentives that lead to worker satisfaction, while another and separate set of job characteristics lead to dissatisfaction at work. Thus, satisfaction and dissatisfaction are not on a continuum with one increasing as the other diminishes, but are independent phenomena (Herzberg, 1968).

The theory distinguishes between two factors, “Motivators” such as, challenging work, recognition, responsibility, which give positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth and, “Hygiene factors” like status, job security, salary and fringe benefits, which do not give positive satisfaction, although dissatisfaction results from their absence. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices, or wages or salary (Herzberg, 1968).

According to Herzberg (1968), hygiene factors are needed to ensure that employee will not be dissatisfied. Motivation factors are needed in order to motivate employees to higher performance.

HRM practices pertaining to employee well-being such as an orientation program, a compensation system, job security, health & safety, and employee relations may play a role in shaping employees’ attitudes. According to Hemdi & Nasurdi (2006), when employees perceive that their organizations show greater concern for their personal growth and welfare via the provision of an adequate and continuous training and development, a fair and formal
performance appraisal and feedback system, and adequate career advancement opportunities, they will experience a positive emotional state (trust in organization).

The individual visions of the employees and supervisors create the shared vision of the learning organization. The organizational vision must be created through the interaction of the employees rather than simply created by their supervisor. The supervisor's role is to facilitate participation and encourage employees to share their visions rather than forcing his or her own vision on them (Hemdi & Nasurdin, 2006).

Examining history is an important activity that allows organizations to review past successes and failures, assess them, and document the lessons learned. Organizations can anticipate results by utilizing stored information to bring new and innovative perspectives of processes. Feedback mechanisms for employees to learn from each other (supervisors and non-supervisors) or from other organizations in a different field provide another opportunity to examine and gather benchmarking data. Transferring knowledge is the key for all learning initiatives. Learning activities that are disseminated through the organization and applied on the job connect the learning with action to benefit both the employee and organization (Hemdi & Nasurdin, 2006).

As competition in the hospitality industry continues to challenge organizations to compete effectively, problem solving processes that involve both supervisors and non-supervisors will need to be developed strategically to improve organizational effectiveness. Through shared participation in decision making, personal responsibility may increase. Supervisors working closely in conjunction with their employees may help to minimize
areas of misperceptions among either group of employees and develop a sense of shared vision (Hemdi & Nasurdin, 2006).

2. Job Characteristics Model:

Secondly, the Job Characteristics Model, which attempts to address how a core set of job characteristics impact a number of psychological states, leading to specific related outcomes in the work environment.

According to the model, there are five core job characteristics: skill variety, task significance, task identity, autonomy and feedback. The psychological states included in the model are meaningfulness of work, responsibility for outcomes and knowledge of results. Outcomes consist of high intrinsic motivation, high job performance, high job satisfaction and low absenteeism or turnover.

Skill variety, task significance and task identity are used in the work environment to stimulate meaningfulness and produce outcomes of both or either high intrinsic motivation or high job performance. Therefore, if employees feel they are fully utilizing a variety of their skills, their job affects many people to a great extent and they are allowed to complete the task from beginning to end, it is likely they will perceive the job as meaningful, leading to high job performance and/or high intrinsic motivation (Hackman, 1976).

This model can be reinforced with Adkins (2006) suggestions for a successful business. Employees have to be involved in the decision-making. By contrast, employers should create an environment where employees can freely give their opinion, letting them
take part in elaborating the training plan, encouraging them to come up with their own ideas, developing an atmosphere where they can excel and be creative.

During an interview with Babylon’s restaurant owner, Adkins (2006) highlight: Branson stated: “For us, our employees matter most. It just seems common sense to me that, if you start off with a happy, well-motivated workforce, you're much more likely to have happy customers.”

Adkins (2006) also remarks that it is important to set personal and collective goals, by consensus, and monitor them during a certain period of time, therefore, a scheme including a performance bonus is to be elaborated, subsequently, review it. Recognize outstanding achievements and reward the best employees.

However, when an employee decides to renounce, employers should conduct an exit interview. The employee should be asked why he or she is leaving and (in confidence) what he or she thinks is good or bad about the business. If a regular pattern of complaints emerges, action can be taken to improve the situation (Adkins, 2006).

3. The Peter Principle:

Thirdly, the Peter Principle, this applies to the level of competence of the human resources in a hierarchical organization. The principle explains the upward, downward, and lateral movement of personnel within a hierarchically organized system of ranks.

In an organizational structure, the Peter Principle's practical application allows assessment of the potential of an employee for a promotion based on performance in the
current job. For example, members of a hierarchical organization eventually are promoted to their highest level of competence, after which further promotion raises them to incompetence (Peter & Hull, 1969).

Promotions are used as the primary incentive device in most organizations, including corporations, partnerships and universities. Organizations use promotions, rather than just monetary bonuses, to motivate employees even though this may conflict with efficient assignment of employees to jobs. When performance is unverifiable, use of promotion reduces the incentive for managers to be affected by influence activities that would blunt the effectiveness of monetary bonuses. When employee are risk neutral, use of promotion for incentives need not distort assignments, rather than when they are risk averse. The distortion may be either to promote more employees that are efficient (the Peter Principle effect) or fewer employees (Fairburn & Malcomson, 2001)

Moreover, Promotions serve two roles in an organization. First they help assign people to the roles where they can best contribute to the organization’s performance. Second, promotion serves as incentives and rewards (Fairburn & Malcomson, 2001)

For instance, if a firm provides incentives by promoting those who have performed well in a job, it may simply transfer them to a job to which they are not well suited, a mild version of the Peter Principle which in its original version took the form “people are promoted to their levels of incompetence”. Why not then use promotions to assign employees to jobs and monetary bonuses to provide incentives (Fairburn & Malcomson, 2001).
Organizations, particularly large ones, must typically delegate assessments of individual performance to managers, the incentives of those managers may not be perfectly aligned with the goals of the organization, so they may misuse monetary bonuses, and bonuses are a reward to employees for a work already done. To the employees, giving bonuses to those who perform best is important only to maintain the long term reputation of the organization for rewarding good performance (Fairburn & Malcomson, 2001).

However, Fairburn & Malcomson (2001) points out that if employees can simply bribe the manager to give them a bonus, the incentives the bonuses scheme is intended to provide is completely destroyed.

Thus, the use of promotions to provide incentives can mitigate this effect, as long as, managerial rewards are tied in some way to the short term performance of the section for which the manager is responsible, the manager has an interest in ensuring that the appropriate employees are promoted (Fairburn & Malcomson, 2001).

When a worker gets stuck in a position it is suggested that a way of addressing the problem is by means of class, or caste (social stratification).

The use of apprentices is a good strategy that company can apply to increase productivity, quality of work, competitiveness and greater staff retention as Apprentices now learn through a combination of on- and off-the-job education and training which makes them more competitive. Furthermore, it embraces the motivational arguments of the Peter Principles.

In a sector with traditionally high employee turnover rates, it has seen recruitment and training costs fall significantly because its apprentices are more likely to stay. They are
also more likely to progress into management roles, leading to additional savings. Employers such as BAE Systems, Bentley Motors, British Gas, Carillion and NG Bailey also report extremely high staff retention rates of between 85% and 95%, all of which are higher than their sector averages. They claim this is because apprentices who start their careers with them have a higher commitment to the overall culture and aims of the business. This in return brings an additional benefit of reduced recruitment costs. Both BAE Systems and British Gas report that their productivity has increased (Apprenticeship Ambassadors Network, 2007).

In order to enjoy all the advantages that the use of apprenticeship generates, it is important to get things right from the start that means that everyone involved in the apprenticeship - individual, employer, training provider, and government skills bodies - know what is expected of them (Apprenticeship Ambassadors Network, 2007).

The ingredients for a successful programme are providing a supportive working environment with good support, where training is seen to be valued; induction programmes should include high-quality information about the obligations and expectations of apprenticeships, for young people, parents and employers; a scheme of appraisal should be elaborated in order to monitor progression of the programme and ensure if it has been completed; there must be effective communication and partnership between the key stakeholders managing the apprenticeship: training providers, the Learning and Skills Council, and the employer; identify 'at risk' apprentices early and put mechanisms in place to follow up recently departed trainees to monitor their career paths; ideally, there should be the opportunity for a permanent position on completion, subject to performance, which
is clear to the apprentice from an early stage (Apprenticeship Ambassadors Network, 2007).

4. McClelland’s Theory of Needs:

Fourthly, McClelland’s Theory of Needs, which proposes that an individual's specific needs are acquired over time and are shaped by one's early life experiences. Most of these needs can be classed as achievement, affiliation or power. A person's motivation and effectiveness in certain job functions are influenced by these three needs.

McClelland explains that the majority of people have one motive to significantly higher degree, though a few have all three high (McClelland, 1973).

- **High need for achievement** - Highly achievement-motivated people should be given challenging projects with reachable but challenging goals. They should be provided frequent feedback. While money is not an important motivator, it is an effective form of feedback if it is linked to clear measures of success
- **High need for affiliation** - Employees with a high affiliation need perform best in a cooperative environment, where they can belong to something larger than themselves
- **High need for power** - Management should provide people with strong need to influence the opportunity to manage others.

According to O’Connell & Kung (2007), there are tools that can be used in the hiring process that can significantly improve overall turnover, new hire turnover, and retention rates. They argue that there are two primary approaches that have been shown to be beneficial: evaluating risk factors and motivational fit, which are:
“Risk factors” that comprehend propensity for turnover, characteristics can often be identified prior to hire. Research has shown that the way candidates respond to some questions on an application form correspond to a reduced or increased likelihood for turnover. However, there are some other factor that can reduce turnover such as candidates that possess relatives working in the organization, as well, as, people who have had more contact with the organization and are more apt to understand better the nature of the job and the organization.

“Motivational fit”, which comprises target the compatibility or motivational fit between the individual and the work environment. Finding qualified individuals may not be enough.

In fact, according to O’Connell & Kung’s (2007) results, candidates who passed the fit index were two times more likely to stay with the job than candidates who didn’t. Moreover, the combination of motivational fit and turnover risk indices as pre-screening tools led to a 63 percent reduction in the overall turnover.

Through a better selection and organization management system, there is hope for organizations to substantially cut turnover costs and sustain a competitive advantage.

It is also essential for hotels to provide clear career paths for their employees. A written job progression showing the opportunities for career advancement within the hotel for each employee would be useful. Therefore, it is suggested that it should be indicated that promotions within the hotel are objectively spelt out and as an assurance that all employees have equal chances of moving up the career ladder as far as their abilities permitted. Furthermore, hotels need to train their managers in order to be able to accurately
evaluate the job performance of their subordinates. This is because effective performance management activities reinforce employees’ sense of fair play and consistency, leading to increased trust in organization (O'Connell & Kung, 2007).

5. Mobley’s Model:

Last but not least, Mobley’s Model, which explains how job dissatisfaction leads to employee turnover. In order to understand turnover phenomenon Mobley proposed turnover cognitions constructs: job dissatisfaction, thinking of quitting, intention to search, intention to quit and turnover. These cognitions represent fundamental elements of prevailing psychological models of employee turnover (Hemdi & Nasurdin, 2006).

Paton (2006) back up this model in his interview about the success of business in the hospitality sector with Gavin Wetton, HR director at restaurant chain La Tasca, who argues that: "It is all about ensuring people understand what's in it for them. It is crucial to be able to apply this to your best practice. If you are committed to doing things in the right way, you have to be flexible in how you implement things so that it is right for the business."

The simplest way for HR to be heard and respected is to ensure that the people at the operational, sharp end of the business understand why adopting a particular procedure or process is beneficial to them. With the comprehension of goals and procedures, employees tend to increase their commitment to the company (Paton, 2006).

Wetton also said: “There are some businesses in hospitality that can be quite reactive on things such as appraisal, so, again, you need to explain to people what the benefits are from having a good appraisal system," he explains. "There is a perception in
the UK, unlike on the continent, that this industry is long hours and low pay, so it is partly up to HR to generate a more positive message. The key is to be accessible and approachable”, Wetton argues. "You need to listen to your employees and get feedback from people who work in the business,” (Paton, 2006).

Finally, for hospitality organizations that may be implementing new forms of technology which may greatly shift employee responsibilities; problem solving capabilities will need to be emphasized on an individual basis (Hemdi & Nasurdin, 2006).

The following table shows a summary of the results of the review using literature, analyzing all the strategies proposed by all the authors and the possible results this can have for a company if they are incorporated in HR programs.

<table>
<thead>
<tr>
<th>Model</th>
<th>Characteristics</th>
<th>Strategies or Actions</th>
<th>Possible Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Factor Theory</td>
<td>Motivators (increase satisfaction)</td>
<td>• HRM practices pertaining to employee well-being such as orientation program, compensation system, job security, safety and health, and employee relations may play a role in shaping employees’ attitudes</td>
<td>When employees perceive that their organizations show greater concern for their personal growth and welfare via the provision of adequate and continuous training and development, fair and formal performance appraisal and feedback system, and adequate career advancement opportunities, they will experience a positive emotional state</td>
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<td></td>
<td>Hygiene Factors (decrease dissatisfaction)</td>
<td>• Organizational vision must be created through the interaction of the employees rather than simply created by their supervisor. The supervisor's role is to facilitate participation and encourage employees to share their visions rather than forcing his or her own vision on them</td>
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<td>• As competition in the hospitality industry continues to challenge organizations to compete effectively, problem solving processes that involve both supervisors and non-supervisors will need to be developed</td>
<td>Supervisors working closely in conjunction with their employees may help to minimize areas of</td>
</tr>
</tbody>
</table>

Table 3. Summary of models and strategies stated
strategically to improve organizational effectiveness. Through shared participation in decision making, personal responsibility may increase

| **Job Characteristics Model** | Employees have to be involved in the decision-making. By contrast, employers should create an environment where employees can freely give their opinion, letting them take part in elaborating the training plan, encouraging them to come up with their own ideas, developing an atmosphere where they can excel and be creative.

- It is important to set personal and collective goals, by consensus, and monitor them during a certain period of time, therefore, a scheme including and a performance bonus are to be elaborated, subsequently, review it. Recognize outstanding achievements and reward the best employees.

- When an employee decides to renounce, employers should conduct an exit interview. The employee should be asked why he or she is leaving and (in confidence) what he or she think is good or bad about the business. If a regular pattern of complaints emerges, action can be taken to improve the situation.

| **Peter Principle** | The use of apprentices is a good strategy that a company can apply to increase productivity, quality of work, competitiveness and greater staff retention as Apprentices now learn through a combination of on- and off-the-job education and training which makes them more competitive.

- There should be the opportunity for a permanent position on completion, subject to performance, which is clear to the apprentice from an early stage

|  | Recruitment and training costs fall significantly because its apprentices are more likely to stay.

Apprentices who start their careers with them have a higher commitment to the overall culture and aims of the business. This in return brings an additional benefit of reduced recruitment costs.
| McClelland’s Theory | Motivators: Achievement, Affiliation and Power | • There are tools that can be used in the hiring process that can significantly improve overall turnover, new hire turnover, and retention rates. Two approaches that have been shown to be beneficial: evaluating risk factors and motivational fit  
• Through a better selection and organization management system, there is hope for organizations to substantially cut turnover costs and sustain a competitive advantage | Candidates who passed the fit index were two times more likely to stay with the job than candidates who didn’t.  
Moreover, the combination of motivational fit and turnover risk indices as pre-screening tools led to a 63 percent reduction in the overall turnover |
| --- | --- | --- |
| Mobley’s Model | Dissatisfaction (causes: organizational culture, characteristic of the job, unrealistic expectations & employer’s style) led to turnover | • Ensure that people at the operational, sharp end of the business understand why adopting a particular procedure or process is beneficial to them. With the comprehension of goals and procedures, employees tend to increase their commitment to the company  
• If you are committed to doing things in the right way, you have to be flexible in how you implement things so that it is right for the business  
• It is partly up to HR to generate a more positive message. The key is to be accessible and approachable. You need to listen to your employees and get feedback from people who work in the business | Employees trust organization and feel satisfies with its working environment and organizational participation, therefore they remain in it. |


To sum up, turnover is an important process that all organizations suffer and that have enormous cost, direct and indirectly. Moreover, it has an important impact on employee morale, productivity and even on the company’s revenue. There are four types of turnovers: involuntary turnover, voluntary turnover, as well as, internal and external turnover. However, it can be highlighted that involuntary turnover is most often initiated by
organizational changes and institutional constrains, in other words, when people do not feel comfortable with their working environment or some certain working issues.

According to the research, there are 5 main factors that cause labour turnover which are: organizational culture, characteristics of the job, unrealistic expectations, demographics, the person himself, market size and employers and their management style.

Furthermore, it was reviewed that there are five main theories that conduct the current strategies to reduce turnover rates and motive staff so that they can increase their productivity.

Finally, achievement, power, affiliation, recognition, autonomy and hygiene are some of the most important factors that employers have to take into account in other to be successful in their management strategies.