Key Factors Influencing Employee Retention and Motivation in the Hospitality Industry

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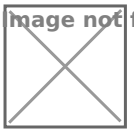
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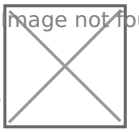
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Key Factors Influencing Employee Retention and Motivation in the Hospitality Industry

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ABSTRACT

The goal of this research was to test if monetary incentives are the best way to motivate people in Dubrovnik, whether they would perform better and be more satisfied with their work if money was given as a reward. In order to test this the experimenter used a modified experiment preformed by Dan Pink in order to design the experiment suitable in this scenario. Results of the experiment have shown that despite money seeming to be a good motivator certain unseen factors proved to be more beneficial and effective in increasing performance than money. Participants stated that winning was motivating them better than money, and forgetting that the monetary incentive was even a part of the experiment. When monetary incentive became the reason of their motivation the participants preformed worse and showed reduced efficiency in a task requiring minimal cognitive capability.

Key Words: Motivation, Experiment, Monetary Incentive, Dubrovnik, Hospitality, Talent Management, Employee, Retention

INTRODUCTION

The field of hospitality poses many challenges for people who work there, owners and people found in that industry. One of the biggest problems and one of the features by which hospitality is defined is high employee turnover (Nadiri, Tanova 2010). Turnover in hospitality can go as far as 300% in certain sectors, solidifying this problem deeply because such high employee turnover affects the overall quality of the service (Wildes, 2007). This being a highly stressful job environment which is very taxing both physically and mentally requires employers to take good care of their workers for them to perform efficiently, and requires them to place certain systems in place in order to ensure that employees stay.

This is where "Talent Management" and employee retention come in to play in order to prevent employee turnover. Talent management is very important for this field of work, but as Jago and Derry (2015) reported this field of study is very much neglected in the hospitality industry due to it being perceived differently.

In this paper the author will explore the concepts that are connected to employee turnover and what are the factors which influence employee's intention to leave or to stay in certain businesses in the hospitality industry. Furthermore the study will cover what can be done in order to influence this and what are the processes that can be implemented to reduce turnover.

As previously mentioned "Talent Management" plays a key role in retaining workers. According to Heathfield (2017) "Talent Management" is what a company does in order to hire, retain and train skillful people on the market. Momtazian (2018) goes on to report that "Talent Management" provides a company with a plethora of benefits like improving employee

satisfaction and performance, attracting top talent and most importantly to this study retaining top talent which creates satisfied clients. Unsurprisingly "Talent Management" is perceived differently in the hospitality industry because there are certain emotional, aesthetic and informational aspects which other areas might not find relevant but which need to be taken in to consideration here (Derry, Jago 2015). This is because this field is more personal and there is a lot more interaction between the employees and other people namely guests. Employees can suffer from not only physical exhaustion but also from emotional exhaustion and stress (Derry, Jago, 2015). They observed that the hospitality industry is defined by several preconceived attributes like low pay, hard labor and dead end jobs which influence the employees' intent to leave the field and should be taken in to consideration when creating "Talent Management" systems. In addition they argue that different generations have different needs and in order to retain these different generations (and trained employees in general) factors like "Work-Life Balance", "Organization Commitment" and "Job Satisfaction" must be included in "Talent Management" systems for them to work and reduce employee turnover.

Employee retention is based on the fact that employees have intent to leave their job, and what can be done to prevent it. Employee turnover is not only limited to servers, or hotels in the hospitality industry, but all parts of this industry are affected. The percentage of worker turnover can range from 60% all the way to 300% which makes this industry with the highest turnover rate compared to other industries (Pang, Kucukusta, Chan, 2014). What makes this a real problem is the cost of replacing these employees with the costs ranging from 3000$ up to 10000$ (Pang, Kucukusta, Chan, 2014; Wildes, 2007; Skrijelj, 2015). Most companies and especially hotels train their employees so that they can offer high quality service, but as the

talent war goes on most low level employees are expected to leave the company in 6 months when better opportunities show themselves in other fields (Singh, Amandeep, 2017). They claim that in this short period of time, the cost of their training will not be covered by their work and that other employees will have to pick up the leftover work leading to lost productivity (Singh, Amandeep, 2017; Moncarz, Zhao, Kay, 2009; Skrijelj, 2015) In order to determine how to retain employees and how to avoid these costs employers need to be aware that there are certain controllable and uncontrollable factors influencing employees' intention to leave (Pang, Kuckusta, Chan, 2014). Factors which fall under the category of controllable are low job satisfaction, low organizational commitment, the internal labor market and organizational justice. Factors which fall under the category of uncontrollable are negative subjective norms, job hopping, external labor market and finally demographic variables (Pang, Kuckusta, Chan, 2014).

Other than those factors there are certain determinants that influence employees' intention to leave or stay (Cho, Johanson, Guchait, 2009). They argue that the three determinants which are crucial in the employees' decisions making process are:

1) Perceived Organizational Support- This is how the employee perceives how the organization values him his contributions and his well being;

2) Perceived Supervisor Support- This is how employees perceive their supervisors and do they value them. Actions of supervisors can be interpreted as the action of the entire organization; and

3) Organizational Commitment- This will dictate how long the employees will stay and is considered one of the most important factors when it comes to influencing employees intention to stay or to leave.

In addition to these determinants there are motivation factors which influence employees to stay in the business. Wildes (2007) observes that the number one motivator as expected would be money; but once money is taken out of the equation fun in the workplace, health benefits and flexible hours become the most important factors influencing employees' intention to stay. Another study done by "Imperative" and "LinkedIn" done in 2016 points out that "purpose" at work plays as well a major role in retaining employees because it makes the more satisfied with their work and makes it more enjoyable for them in turn increasing their performance, while it helps employers understand their own employees better and allows them to better match employees to roles they play in companies.

Efficient retention systems are expensive to implement because they need to be well researched and they need to be implemented efficiently but their cost is covered by the reduced expenses of employees leaving their jobs (Moncarz, Zhao, Kay 2009).

Croatia is very dependent on tourism and relies on it as its main source of income a lot like most other European countries and just like them the hospitality sector suffers from similar problems. Mamula and Duvnjak observe this phenomenon of seasonality and point out a major problem found in Croatia concerning seasonality. Employment during this seasonal period has not been looked in extensively and is fairly neglected despite Croatia entering the European Union and becoming more accessible to a new larger market; while the number of employees during the

season continues to rise annually. Bartoluci and Hodak (2017) observe additional problems found in the Croatian market. They as well agree that seasonality of work is a major problem due to the rapid increase of demand for workers in that period; additionally they go on to explain that because of this increase there is a misconception that in order to work in the tourism sector you do not have to have special skills or previous training which leads to the drop in service quality.

The material mentioned in this study leads to two hypotheses which the author wishes to test:

H1: Once basic monetary needs have been met, money no longer represents the number one factor influencing employees' intent to stay or leave the company.

H2: Once basic monetary needs have been met; additional money remains the number one factor influencing employees' intent to stay or leave the company.

METHODOLOGY

For the data collection method the author chose to do an experiment. The experiment was based on an experiment preformed by Dan Pink who took inspiration from an experiment preformed by Karl Duncker “The Candle Problem” (2009).

The purpose of this experiment was to test weather money is the best motivator for people to perform jobs requiring minimal cognitive processes.

This preformed experiment was a laboratory type where the experimenter controlled most of the outside variables. The experiment consisted of two groups of people having to construct a tower made out of plastic cups. The cups were divided in to three groups: The first group of cups was marked with X-es; the second group of cups was marked with O-s; the final group of cups was unmarked (See Figure 1.). The total number of glasses equaled 80 with 48 of them being marked and 32 unmarked. All of the cups were placed individually in a large black trash bag during the experiment in order to obscure vision increasing the difficulty of the task. Using these cups the participants were tasked with building a 7 floor tower within a time limit of 7 minutes (See figure 2.). The tower had to be built with one side of it being composed of cups marked with X-es and the other side with the cups marked with O-s. The unmarked cups could not be used and were placed with the others as a distraction. Only one participant per group was allowed to build the tower and that person (the “builder”) would be blindfolded. The other two participants were tasked with guiding the “builder” how to build the tower, and giving him the proper cups to use. They were free to guide him however they wanted as long as they did not guide the “builders” arm physically or touch the “builder”. During each run of the

experiment two groups of 3 participants would be used where one group would be used to set the base time for the experiment. The other group would be told that they would receive a monetary reward of 40kn if they perform better than the base group. To see which group did better the experiment would measure 4 factors:

1. The time it took the base group to build the tower (up to 7 minutes)

2. The number of floors made in the given time limit (within 7 minutes)

3. The number of cups used within the given time limit (within 7 minutes)

4. The total time it took for each group to complete the task (in case the groups went over the time limit)

The experiment was piloted three times before the experimenter settled on the final version. In the first pilot the time limit for the experiment was 10 minutes and was done in a college classroom. The participants were allowed to guide the “builders” hand where to place the cups. The second pilot was conducted at the house of the experimenter where the time limit had been reduced to 6 minutes, the participants could no longer touch the “builders” arm in order to guide it where to place the cups and the tower was made in an X O pattern. The third pilot was performed at the experimenters’ house again, where the tower was reverted back to the one side X-es one side O-s pattern and the time limit was extended to 7 minutes.

Once the experimenter settled on the final iteration, the experiment was run on the three different groups of 6 people where each group of six would be divided in to a smaller group of three. Two runs of the experiment were preformed in college classrooms, while one run was

performed in a side room of a bar. In all of the settings there were no outside distractions influencing the participants. Based on Dan Pinks method (2009) the group of six people would be divided in to two groups where one group would be randomly chosen and told that they would be doing the experiment in order to get the base time. They would be given the instructions on how to perform the experiment, and once they were ready the experimenter would allow them to begin while at the same time starting the timer. Once the first group completed the task the second group would enter the room, they would follow the same procedure as the previous group but they would additionally be informed that they would be getting a monetary reward if they beat the base time of the previous group. In case the participants didn't manage to make the tower in time the experimenter would not inform them that they were out of time, rather they would be free to build until they finish in order to get the best time result per group.

The participants for the experiment were recruited considering three factors. All of the participants were of different age groups. The first group of participants were college seniors, the second group of participants were people above the age of 27 outside of college, and the final group of participants were college freshman. This was done in order to test if age and generation will have an impact on the results. Secondly all of the participants within the groups knew each other. This was done in order to avoid inexperience between the participants contaminating the results. Finally each sub group was divided in to three people in order to give the team the optimal number of participants to perform the task while making the monetary reward for each individual significant enough. Each of the participants would be getting around 13kn which would be enough to pay for one drink. Altogether 18 participants took part in the

experiment out of which 12 were college students and 6 were outside people; and out of them there were 4 females and 14 males.

Due to the experimenters lack of experience in performing experiments there is room for improvement in how the experiment was conducted.

RESULTS

The results gained from the experiment are partially consistent with the results gained while doing the pilots of the experiment. Two out of the three groups preformed better when given the monetary incentive, while one group performed worse when given monetary incentive. This final result matches what the literature suggests that will happen while the other two results go in the opposite direction of what the literature suggests and match the results sets by the pilot tests. This has been further confirmed with the pilot tests where the group which had the monetary incentive performed substantially better than the group used for the base time of the experiment. The results for the college senior group are: the base group constructed a 4 floor tower using 19 cups within 7 minutes, and completing the entire tower in 7 minutes and 57 seconds. The incentive group caught up to them in 5 minutes and 55 seconds while they completed the tower in 7 minutes and 24 seconds (See Figure 4). In the case of the outside group the base time was 7 minutes with 5 floors built and 25 cups used. The time it took them to complete the entire 7 minutes and 23 seconds; this time was caused by the builder knocking over the tower partially due to no supervision from the other two participants. The incentivized group caught up with the base group in 4 minutes and 12 seconds and completing the entire

tower in 4 minutes and 35 seconds (See Figure 4). Showing an astonishing improvement over the base group. In the case of the freshman group the entire tower was built within 4 minutes and 15 seconds by the base group. The incentivized group preformed significantly worse than the base group; constructing a three floor tower using 18 cups within the base time set by the previous group. They built the tower completely in 8 minutes and 42 seconds (See Figure 4) knocking it over once in the process, showing a significant counterproductive effect caused by the monetary incentive.

During the experiment the experimenter observed several notable behaviors shown by the groups. The base time groups for the seniors and outside people were seen to have been under much more stress than the groups performing for the monetary incentive. The experimenter observed that despite there being no penalty for not making it in time these groups showed higher levels of stress and nervousness, with their hands being shakier and less focused communication between team members. The groups which were incentivized tended to start of slower and under a small out of panic and stress but tended to quickly focus on dividing who is going to do what and properly guiding the “builder”; while the “builders” hands were much calmer than in the base groups.

The freshman group in general showed the opposite results compared to the pilots and to the actual experiment. The base group performed significantly better than the incentivized group setting the best base time out of all the other groups in the process. The incentivized group showed higher levels of stress, and inefficiency during the experiment. The incetivized group was more affected by the pressure of obtaining the reward than actually focusing directly on how to properly guide the “builder”. In all of the experiments the “builder” would volunteer for

the task rather than an agreement in the team. All of the “builders” showed the best composure during the experiments, showing the least amounts of stress and tended to compose the other two members in to properly guiding him in completing the task.

The experimenter also noted an additional anomaly during the experiment. The participants seemed to perform better when given the monetary incentive during the pilots, but during the actual run of the experiment a single participant commented how they were not interested in the reward; rather they wanted to beat the other team. This lead the experimenter to ask all of the participants what really motivated them. All of the participants in the senior and outside group answered that they were more interested in beating the other team rather than the monetary incentive. Two out of three participants in the freshman group stated that they were interested in the monetary reward rather than beating the other team; and as show in the experiment performed by Dan Pink (2013) this group performed worse than the base line group.

DISCUSSION

When comparing these results do Daniel Pinks we go on to see that the results of the current study match the previous obtained findings. The participants which would perform for reasons other than the monetary incentive would do much better than participants aiming for the actual monetary reward. Unlike in the study conducted by Dan Pink the participants who did the experiment for the base time tended to perform worse than the other group when not aware that they were competing. The participants once aware of the competition would at first take

more time to get focused compared to the group which was not aware of the competition. Once focused the group showed significant improvements in inter-team communication and job division to meet the common goal compared to the other group. The group performing for the base time would have the same amount of stress during the duration of the experiment and their inter-team communication would be less focused.

The author believes that this has happened because of the age gap between the participants in the experiment. Speaking out of the authors' personal experience students have been shown to still value monetary incentives above every other type of incentives. As they age, different incentives like fun at work, and rewards, days of work tend to increase performance more effectively. This has been proven with the freshman group being interested in the monetary reward while both of the older groups were more motivated by the excitement of beating the other team and having fun. In addition the older groups have more experience compared to the freshman group working with other people due to their more extensive work experience. This enabled to older groups to better communicate the instructions to the "builder" and deflate the levels of stress more effectively than the freshman group.

The results go on to prove H1, while H2 was disproven. Due to the comments of the participants in the experiment, it was shown that money did not represent the best influencing factor on the participants. The monetary incentive proved to only increase the interest of the participants while the results were influenced by their desire to beat the other group. Once money became the number one factor motivating the participants their productivity would go down and their results would be substantially worse than those of the other groups.

The limitation to this study are the limited number of participants, the experimenters lack of experience in conducting experiments, the study being done in only once city and the age groups of the participants. Due to the experimenters lack in conducting experiments there is room for improvement within the parameters of the experiment. The small sample size might not represent the major population within the city. A larger sample size with bigger age gaps would provide the experimenter with more concise results and more data to further this conclusion. The final limitation of this study is that it was only performed in Dubrovnik. Performing the experiment in other cities around Croatia would provide with results more applicable to the entire country.

This was the first study of this kind preformed in the city of Dubrovnik, and with these limited results the author recommends the following actions taking in to consideration that Dubrovnik is a city which bases its income on tourism and being impacted by a seasonal style of work. Speaking out of the authors' experience a lot of businesses in Dubrovnik still consider money to be the number one factor to use when aiming for better and more desirable results. The shareholders of tourism based business would be mostly impacted by these results and therefore should be informed of the results yielded by the study. Money should be used as an incentive only if criteria like the age group of the employees and cognitive level of the task required to complete remains minimal in order to avoid counterproductive results. The author claims that once business shareholders of companies within Dubrovnik have been informed of the results the practical implications can be explored. By matching the proper incentives to proper employees more desirable results can be gained while increasing the motivation and performance of employees. This in turn will lead employees to feel more respected and cared

for decreasing turnover and increasing their job satisfaction all of which has been proven to be of high importance in the introduction to this paper. The importance of this is further amplified by the fact that Dubrovnik has seasonal business where the work load drastically increases as the season progresses and in turn leads to dissatisfaction with their jobs and burnout. Unlike what Dan Pink suggested the author believes that monetary incentives can be used to gain employees attention and from there tailor special incentives and rewards to match individual needs rather than generalize the reward.

This takes in to consideration that all employees within the hospitality industry are fairly paid. Once employees perceive that they have a fair wage that covers their basic needs and necessities they start to search for other motivational factors. This is where a mismatch occurs in hospitality due to a lot of employees considering that they are not fairly paid in different branches of the industry. Speaking out of the authors experience employees working in restaurants and bars have larger pays than employees working in hotels who work longer hours. This can be justified by saying that employees working in restaurants or bars are more physically demanding as well as requiring a lot of concentration when working with guests additionally straining the employee cognitively. There is an additional issue for hotel employees where they lack any kind of freedom as well. When compared to employees in other fields of hospitality, hotel employees tend to be the ones with the least freedom of doing something on their own, having to go to their superiors most of the times in order to perform an out of the ordinary action. These factors can be as well transferred to the other branches of hospitality but tend to be most noticeable in hotels. This tends to demotivate people seeking employment in hotels, or forcing employees to leave their current job because of better opportunities in other fields. The

author suggests here the following actions to be taken. A study should be performed in order to determine what employees perceive a fair pay to cover their needs in a seasonal city. From the results gained from that study employers should match their pays with their basic needs, and then focus on other motivational factors which have proven to yield better results.

Drawing from this the motivational factors which should be implemented by the major shareholders are employee development and autonomy. As mentioned in the literature talent management plays a major role in employee retention, and this is best achieved by valuing employees in building on them. Shareholders should focus on hiring people providing them with the proper pay from the start of the employment but then offer the benefit of teaching them the required skills and offer reemployment next season. During their employment employees should be provided with a sense of autonomy. Speaking out of the authors' experience, once employees are given a sense of autonomy they grow faster than employees without any autonomy. These employees will no longer work as machines, rather they will attempt to adapt to any situation on their own, rather than going to their superior. They will build from their mistakes, and will be less likely to repeat them.

The overall benefits for stakeholders are numerous. Employees will be more satisfied with their jobs, and will devote themselves to providing higher quality service which will be above what is asked from them. Guests will have more positive interactions with employees, where they will be talking to people rather than machines which respond in a predetermined way. Daily actions will go faster, and overall business will be more efficient with employees having the freedom to do things on their own. Employers will have a loyal and skilled workforce which reduces a large

portion of their overall expenses, and simplifies their annual operations due to the reduced employee turnover.

This study can be substantially improved in the future. The author believes that by taking this study on a national level more concise results which depict the motivation of Croatian people can be gained. By conducting an additionally study using focus groups or interviews focusing on motivating factors of employees in the tourism sector of Dubrovnik more valuable data for practical implication can be gained.

All in all results have shown that monetary incentive can be used only in limited occasions if certain criteria have been met or as a means to get attention. Other incentives have shown to lead to more desirable results where both parties, business owners and employees, have their overall performance increased as well as their job satisfaction, which leads to reduced employee turnover rate and more efficient management systems.

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APPENDIX



Figure 1. *Cups marked with X, O and the unmarked cups.*



Figure 2. *7 Floor tower constructed with one side being composed of X-es and the other of O-s.*



Figure 3. *Simple cloth used as blindfold during experiment next to the marked cups.*

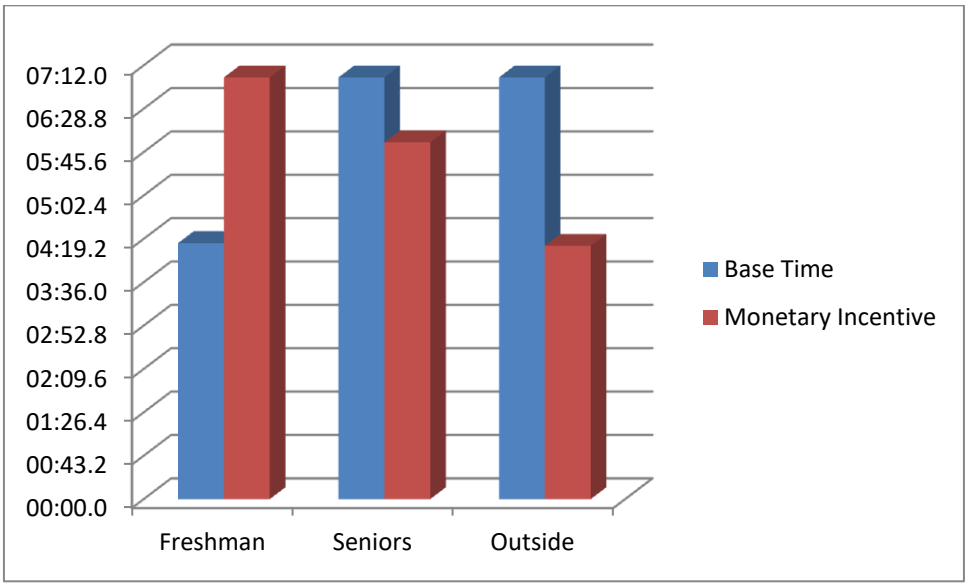


Figure 4. *Chart depicting the time differences between the participants of the experiment.*