

Positive Turnover versus Employee Retention at Egyptian Hotels

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Abstract

It is widely known that employee turnover has a negative impact on organizations, as it refers to the rate at which an organization loses employees. On this ground, it was a stigma associated with any organization to get a high employee turnover rate. Hence, the term "employee retention" was developed as an opposite technique to employee turnover, as it refers to all practices and policies that the organization deploys to encourage the employees to stay at the organization. However, recent researches have pointed out that there are different types of employee turnover, and not all of them are negative. These types are due to the employee turnover reasons, ranging from termination of poor performance employees and replacing them with more qualified ones "which is known as positive employee turnover" to departure of high skilled employees who decides to move to other organizations. This research aims at evaluating to what extent Egyptian hotels use positive employee turnover strategies versus employee Retention strategies. A questionnaire was directed to five star hotels human resources managers in Sharm-Elshiekh. Collected data was analyzed statistically. The research revealed that hotels management needs to identify which positions, profiles and skills are most important to them and when turnover is most detrimental to their organization.

Keywords: Positive turnover – Employee retention – Egyptian hotels

Introduction

Turnover is considered to have a direct and indirect impact on organizations' costs (Mercer 2004). Besides, the negative effects of talents migration on the overall performance (Richardson 2005). Therefore, employee retention contracts the side effects of turnover (Horwitz et al., 2003). However, one of the key questions about turnover and retention is "is it always beneficial to the organization to retain employees? Hansen (2005) argues that there is a serious need to distinguish between the employees who need to be retained and others who are preferred to leave.

Literature Review

Employee Turnover

In early time, Kossen (1991) defined employee turnover as voluntary terminations of employees from an organization. Later on, Hom and Griffeth (1995) defined turnover in a very wide range as the movement of employees in and out an organization. For more clarification, Abassi and Hollman (2000) stated that employee turnover doesn't only reflect the voluntary termination of employees, but it exceeds to the rotation of employees all over the labor market; between firms, jobs, occupations, and even between the status of employment and unemployment too. Moreover, Morrell et. al (2004) illustrated several factors which causes employee turnover, such as; exits, quits, attrition, mobility, migration or succession.

Due to its causes, employee turnover is divided into two main types Voluntary and involuntary (Griffeth and Hom, 2001). In general, organizations should accurately differentiate between voluntary and involuntary turnover, as voluntary turnover is related to the employees' own choice, i.e.; resignations. While involuntary turnover is because of a managerial decision, i.e.; Human resource downsizing, misconduct dismissal, retirement and employees sick leaves (Loquercio et al., 2006).

For its effects, voluntary turnover may be functional or dysfunctional for the organization. As high voluntary turnover rates can damage quality and affects customer service. On the other hand, most of organizations accurately observe voluntary dysfunctional turnover, which cares about leaving employees who are most talented as they are the ones likely to get a better opportunity elsewhere (Hinkin and Tracey, 2000), (Griffeth and Hom, 2001).

Figure (1) clarifies turnover classification scheme.

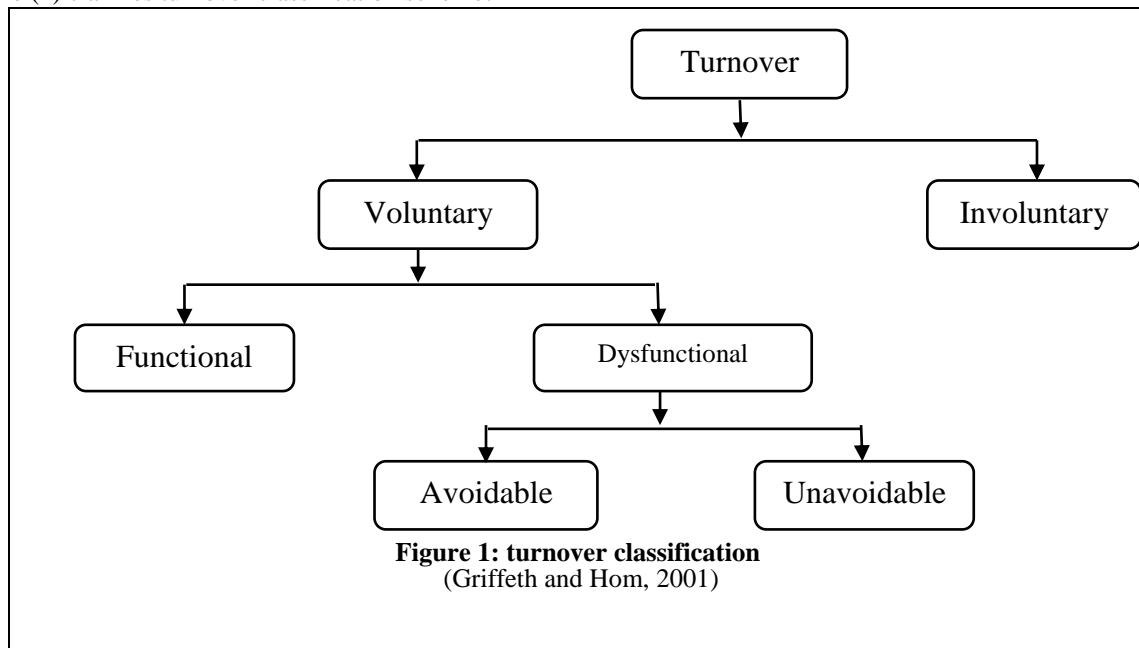


Figure 1: turnover classification
(Griffeth and Hom, 2001)

Employee retention

Employee retention is defined from the employers perspective as the process in which employees are encouraged to remain at the organization for a maximum period of time (Burke and Ng, 2006), and it is defined from the employees perspective as ‘the intention of employees to stay loyal to their current-workplace’ (Huang et al., 2006). Anyway, employee retention is mostly the opposite to employee turnover, as it is based on the survival of any organization is highly depending on its human assets. Hence, a mandatory requirement for organizations is to retain these human-assets (Horwitz et al.,2003).

The advantages of employee retention are completely based on the disadvantages of employee turnover; Employee retention reduces turnover costs that are spent on recruiting and selecting new employees retraining and inducting them (Arnold, 2005). Also employee retention helps to keep the organizational knowledge and know-how techniques within the firm (Bernsen et al., 2009). Moreover, it helps to keep organizational standardization by retaining employees who keep the customer service on a stable standard (Stovel and Bontis, 2002), and it helps to decrease the impenitence of employee turnover high levels which lead to low performance and ineffectiveness in organizations(Henry, 2004)

Several strategies have been developed under the name of employee retention; Offering competitive benefits and compensation to employees, providing continuous tainting and development programs, providing efficient career planning and development programs and family involvement and family welfare programs (Hinkin et al., 2000).

Is it always required to retain employees?

The answer of such a question depends basically on two main elements; first, the advantages of functional employee turnover, which can be useful and desirable for any organization. As it can offset potential stagnation, reduce organizational Conflict, Increase mobility and morale, eliminate low performers and encourages innovation with the entry of new blood (Griffeth and Hom, 2001). Second, the challenges of employee retention that cannot be easily controlled by the organization; employees job boredom, their continuous looking for change, their unrealistic expectation from their jobs and overall the organizations incorrect employee recruitment and selection practices which can bring unsuitable employee (Echols, 2007)

A framework titled "strategic retention and dismissal of employees" was developed to help organizations to choose between employee retention and turnover. This framework is based on two dimensions A: the employee choice "which expresses their intention to leaver or to stay within the organization", B: the employee performance "which is divided into low and high performance". According to Dalton, et al., (1982) framework, four cases were illustrated to distinguish retention and separation of employees. First: Functional Retention, if the employee has no intention to leave and is a good performer, Second: Dysfunctional Retention, if the employee has no intention to leave but he is a low performer. Third: Dysfunctional turnover, if the employee has an intention to leave and he is a high performer. Fourth: if the employee has an intention to leave and he is a low performer (Dalton, et al., 1982) (figure 2).

Employee Choice	No intention to leave	Desirable employee Remains Functional Retention	Undesirable employee Remains Dysfunctional Retention
	Intention to leave	Desirable employee Quits Dysfunctional turnover	Undesirable employee Quits Functional turnover
		High	Low
Employee Performance			

Figure 2: strategic retention and dismissal of employees
(Dalton, et al., 1982)

Research Questions

- What is the current rate of employees' turnover at the Egyptian hotels?
- What types of employees' turnover in Egyptian hotels?
- Does involuntary turnover have positive effects on hotels' employees' performance?
- Do Egyptian hotels tend to deploy turnover strategies or retention strategies to improve performance?

Research Methodology

Participants

The study was conducted on a sample consisting of 56 human resources managers in four and five star hotels in Sharm El-Shiekh. The participants were 92.8% male (N= 52) and 7.2% female (N= 4). According to age, 34% of the respondents were over 45 years old (N= 19), 26.8% belong to the less than 35 years old group (N= 15), and the majority of 39.2% belong to the 35- 45 years old group (N= 22). Regarding the educational level, only 3.6% of the respondents possess PhD degree (N= 2), where 26.8% possess a master degree (N= 15), and the majority of 69.6% have a bachelor degree (N= 39). In addition, the data also indicate that 28.6% of the respondents have

experience of less than five years in the current position (N= 16), while 21.4% were working more than 10 years (N= 12) and the majority of 50% have 5-10 years of experience (N= 28). For the hotels profile, about 29 (51.8%) are five-star hotels, 27 (48.2%) are four-star hotels. Regarding to management pattern, about 25 (44.6%) of hotels are chain hotels and 31 (55.4%) are owner-managed.

Instrument

The instrument of the study is a questionnaire form designed by researchers to gather data. It consists of 6 parts: the first part investigates respondents' demographics (gender, age, education, experience). Also, hotels profile such as classification and management pattern is identified. The second part of the questionnaire concerns the characteristics of employees' turnover (rate, classification, costs, and effectiveness). The third part deals with the causes of both voluntary and involuntary turnover. It consists of 10 statements. In addition, the fourth part consists of 5 statements to investigate the effects of involuntary (positive) turnover on performance. While the fifth part consists of 4 statements deals with retention challenges. The sixth part consists of 12 statements about retention/turnover deployment.

The questionnaires used a five point likert-type scale ranging from "1= completely disagree" to "5= completely agree" to score the responses. The obtained data was analyzed statistically by Statistical package for social sciences program "SPSS" version 20.

Results and Discussion

Reliability and validity

In order to calculate reliability of the study instrument, Cronbach's Alpha was used to determine the internal consistency of the questionnaire dimensions; table (1) illustrates Alpha coefficient and validity.

Table 1: Coefficient of reliability and validity for the instrument

No.	Dimension	No. of items	Cronbach's Alpha	Validity
1	Causes of turnover	10	.89	.943
2	Effects of involuntary turnover	5	.92	.959
3	Retention Challenges	4	.88	.938
4	Turnover/ Retention deployment	12	.89	.943
Overall Total Scale		31	.89	.943

Table (1) showed that Cronbach's Alpha coefficient of all dimensions of the study questionnaire had high scores (89%). Moreover, the overall validity coefficient of the scale constructs was 94%. According to Rovai *et al.* (2012), Cronbach's Alpha coefficient is acceptable at 0.60 or higher. This finding indicates that the instrument is reliable for being used.

Turnover characteristics at the Egyptian hotels

Table (2) clarifies the most common characteristics of employees' turnover at the Egyptian hotels.

Table 2: Turnover characteristics at the Egyptian hotels

Characteristics	Description	Frequency (N)	Percentage (%)
Turnover rate	Below 20%	17	30.3
	20 - 40%	20	35.7
	More than 40%	19	34
	Total	56	100
Classification	Voluntary only	11	19.6
	Involuntary only	6	10.7
	Voluntary and involuntary	39	69.6
	Total	56	100
Costs	High	21	37.6
	Medium	24	42.8
	low	11	19.6
	Total	56	100
Effectiveness	Functional	26	46.4
	Dysfunctional	30	53.6
	Total	56	100

Table (2) indicates the turnover characteristics as perceived by human resource managers at the Egyptian hotels. According to turnover rates, the majority of respondents (69.7%) (35.7 + 34) assured that turnover rates are more than 20%; where about 20 respondents (35.7%) pointed out that the percentage ranged between 20 - 40%. In addition, 19 respondents indicated that rates are more than 40%. While 30.3% of hotels human resource managers pointed out that turnover rates in their hotels below 20%. With regard to turnover classification, about 19.6% of respondents classified it as voluntary turnover and only 10.7% classified it as involuntary. While the majority of respondents (69.6%) indicated that the turnover in hotels is voluntary and involuntary. For the turnover costs, 37.6% of respondents the indicated that turnover costs in hotels were high, and about 42.8% of them assured that the cost of employees' turnover was medium. While only 19.6% saw the cost of employees turnover as low. Finally, about 46.4% of the respondents rated employees' turnover as functional for hotels, while 53.6% rated it as dysfunctional.

Causes of turnover at the Egyptian hotels

Tables (3-6) illustrate causes of both voluntary and involuntary turnover at the Egyptian hotels.

Table 3: Causes of voluntary turnover in the Egyptian hotels

Voluntary causes	Mean	Std. deviation
current working conditions	3.84	.954
Better pay from competitors	4.12	.967
Desire to change the career path	2.54	1.091
Need to acquire new skills on a new job	2.96	1.136
Low rates of job satisfaction	3.77	.985

The previous table clarify that "better pay from competitors" is the main cause of voluntary turnover of hotel employees (M: 4.12, SD: .954), while "Desire to change the career path" was the least reason to quit voluntarily (M: 2.54, SD: 1.091). The other causes came respectively as follows: current working conditions (M: 3.84, SD: .954), Low rates of job satisfaction (M: 3.77, SD: .985) and Need to acquire new skills on a new job (M: 2.96, SD: 1.136). These results are consistent with the study of Manu and Shay (2004) who indicated that low rates of job satisfaction and alternative opportunities may leads employee to quit voluntarily. Moreover, Jones et al. (2000) found that there are strong relationship between job satisfaction and turnover.

Table (4) shows the differences among hotels according to classification and management pattern regarding the causes of voluntary turnover according Mann-Whitney Test as follow:

Table (4): Differences among hotels according to classification and management pattern

Voluntary turnover causes		N	Mean Rank	Mann-Whitney	Sig.
Hotel Classification	Five-stars	27	24.61	124.5	.000
	Four-stars	29	37.42		
Management Pattern	Chain	25	23.51	119.7	.020
	Independent	31	38.48		

The data obtained from the previous table (4), pointed out that there is a significant difference between hotels according to their classification. The P. value equals (0.000), and this value is less than 5%. Therefore, it is confirmed that reasons for leaving work voluntarily are more common in four-star hotels than in five-star hotels. This finding may be due to the five-star hotel employees are more satisfied than their counterparts in four-star hotels. for management pattern, a significant difference is noted among hotels according to their management pattern regarding the causes of voluntary turnover. The P. value equals (0.020). This result may be due to the fact that chain hotels are more concerned with their staff than independent hotels by providing a good work environment that helps to remain and continue. With regard to involuntary turnover reasons, table (5) illustrates causes of involuntary turnover in hotels.

Table 5: Causes of involuntary turnover at the Egyptian hotels

Involuntary causes	Mean	Std. deviation
Poor performance	4.18	.953
Indiscipline causes	4.23	.972
Pension	1.72	1.021
Employee death	1.51	.984
Sick leave	2.93	.989

It is noted that the most common causes for involuntary turnover in hotels were indiscipline causes (M: 4.23, SD: .972) and lay off for poor performance (M: 4.18, SD: .953). These results confirm the study of Dwomoh et al. (2013) who revealed that layoff for poor performance and indiscipline reasons are the major causes for involuntary turnover at the organization. Other causes of involuntarily turnover were sick leave (M: 2.93, SD: .989), pension (M: 1.72, SD: 1.021) and Employee death (M: 1.51, SD: .984).

Table (6) indicates differences between hotels according to classification and management pattern regarding the causes of involuntary turnover according Mann-Whitney Test as follow:

Table (6): Differences among hotels according to classification and management pattern

Involuntary turnover causes	Hotel	N	Mean Rank	Mann-Whitney	Sig.
Hotel Classification	Five-star	27	34.14	138.6	.001
	Four-star	29	26.32		
Management Pattern	Chain	25	35.75	121.3	.003
	Independent	31	28.53		

Table (6) shows a significant difference between hotels according to their classification (P: 0.001). Involuntary turnover rates at five-star hotels are higher than at in four-stars, this may be due to management interest at five-star hotels in maintaining high performance rates, and excluding low-performing workers as well as those who are not disciplined. With regard to management pattern, it is noted that there is a significant difference between hotels according to their management pattern regarding the causes of involuntary turnover (P: 0.003). The data obtained refers to that reasons for involuntary turnover are more common at five-star hotels than four-stars. This result may be due to the need of chain hotels to provide and maintain high standards of service by retaining competent employees and layoff those who are not.

Impacts of involuntary turnover on performance

Table (7) clarifies involuntary turnover and hotel employees' performance.

Table 7: Involuntary turnover and performance

No.	Statement " involuntary turnover"	Mean	Std. deviation
1	Increases in employee performance rate	4.09	.914
2	Decreases absenteeism rates	4.34	1.022
3	Improves employees' commitment levels	3.96	.812
4	Increases job involvement	4.03	.912
5	Improves the disciplinary behaviors	4.56	.985
Overall Mean		4.20	.932

As illustrated in table (7), involuntary turnover human resource managers seemingly have indicated that improves the disciplinary behaviors (M: 4.56, SD: .985), decreases absenteeism rates (M: 4.34, SD: 1.022), increases employee performance rate (M: 4.09, SD: .914), increases job involvement (M: 4.03, SD: .912) and improves employees' commitment levels (M: 3.96, SD: .812). This result is consistent with Dwomoh et al. (2013) who pointed out that employee performance can affected positively if the organization implement and initiate involuntary turnover. According to these findings, it can be said that turnover in many cases may be useful for the organization.

Retention challenges

Table (8) indicates challenges that may face hotels management in retaining employees as perceived by human resource managers.

Table 8: Retention challenges

No.	Statement " Retention challenges"	Mean	Std. deviation
1	Unrealistic expectations from the job	4.31	.964
2	Incorrect employee recruitment and selection practices	3.22	.982
3	Looking for change	4.06	1.013
4	Job boredom	3.75	.986
Overall Mean		3.84	.975
1- Completely disagree 2- Disagree 3- Neutral 4- Agree 5- Completely agree			

Table (8) illustrates that hotels management faces challenges when implementing retention strategies such as employee's unrealistic expectations from the job (M: 4.31, SD: .964), Arokiasamy (2013) assured that if an employee's expectations from the job and employer are not met, he may be dissatisfied a matter which makes it difficult for an enterprise to retain staff. Also, participants revealed that incorrect employee recruitment and selection practices (M: 3.22, SD: .982), looking for change (M: 4.06, SD: 1.013) and job boredom (M: 3.75, SD: .986) negatively affect employees retention. According to Steel and Ovalle (1984), if an organization desires to reduce turnover rates and retain staff, it should recruit the right people for the job. According to these findings, retaining employees is a complex function that requires considerable efforts from management to implemented.

Retention/Turnover deployment tendency

Table (9) shows human resource managers' tendency to adopt either retention or turnover practices in hotels.

Table 9: Retention/Turnover deployment tendency

No.	Statement	Turnover		Retention	
		Mean	SD	Mean	SD
1	Benefits	3.92	.981	4.03	1.102
2	Costs	3.81	.976	4.21	.984
3	Applicability	4.46	1.212	3.87	.942
Overall Mean		4.06	.893	4.04	.912
1- Completely disagree 2- Disagree 3- Neutral 4- Agree 5- Completely agree					

From table (9), it is noted that hotels management tend to deploy both two approaches (turnover and retention), as participants claimed that turnover can be adopted (M: 4.06, SD: .893), as well as retention approach (M: 4.04, SD: .912). According to these findings, hotels management can use turnover approach to improve performance through dismissal low-performance employees; in this case turnover is positive. At the same time, they need to retain high-performance employees.

Conclusion and recommendations

The research revealed that dismissal due to poor performance and indiscipline is the major cause of involuntary turnover at the Egyptian hotels. A matter which makes it positive for hotels performance. On the other hand, there are challenges facing hotels to retain employees, a matter which makes this function complex and requires a greater effort to implement it successfully. The study recommends that hotels need to identify which positions, profiles and skills are most important to them, and when turnover is most detrimental to their organization, therefore, they can focus on reducing turnover for these selected categories.

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الملخص العربي

يعتبر أحد المسلمات أن معدل دوران العمالة ذو تأثير سلبي على المؤسسات بوجه عام. كونه يرمز إلى حجم خسارة المؤسسة من العمالة التي تغادرها. وعلى ذلك، فقد كان زيادة معدل دوران العمالة أحد أهم نواحي القصور في أداء المنظمات. ومن ثم فقد ظهر مصطلح " الاحتفاظ بالعاملين" كإستراتيجية مضادة تعبر عن حجم السياسات التي تتبعها الإدارة للحفاظ على العاملين والإبقاء عليهم في المنظمة. إلا أن هناك بعض الأبحاث التي أشارت إلى أن دوران العمالة له عدة أنواع تختلف طبقاً للسبب الذي دفع العامل لتترك العمل، وأنه لا يمكن القول أن كل تلك الأسباب قد تؤثر بالسلب في المؤسسة، فهناك بعض الأسباب التي قد تعزى إلى وجود قصور في أداء العامل بالشكل الذي لا يمكن إصلاحه، وهو ما اعتبر بداية لظهور مصطلح " معدل دوران العمالة إيجابي التأثير". يهدف البحث إلى الوقوف على مدى استخدام الفنادق المصرية لسياسات الاحتفاظ بالعمالة وما يقابلها من سياسات التخلي الإيجابي عن العاملين. تم جمع البيانات الميدانية باستمارة استقصاء وجهت إلى عينة عشوائية بسيطة من مدراء إدارة الموارد البشرية بفنادق الخمس والأربع نجوم بمدينة شرم الشيخ. تم تحليل البيانات المتحصل عليها إحصائياً. خلص البحث إلى أن قصور الأداء هو أحد الأسباب الرئيسية للجوء الفنادق إلى تدوير العمالة مما يكسب معدل الدوران طابعاً إيجابياً، علاوة على تعدد التحديات التي تواجه تلك الفنادق عند تعميم استخدام سياسات الاحتفاظ بالعاملين. ولذا يوصي البحث بضرورة التحديد الدقيق للأشخاص والوظائف والمستويات الإدارية والمهارات قبل اللجوء إلى استخدام أي من الآليتين.