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## **Keywords**

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# The Effects of Job Satisfaction, Organizational Commitment, Organizational Citizenship Behavior on Turnover Intentions

By Orhan Uludağ, Sonia Khan, and Nafiya Güden

## Abstract

The current study investigated the effects of job satisfaction and organizational commitment on organizational citizenship behavior and turnover intentions. The study also examined the effect of organizational citizenship behavior on turnover intentions. Frontline employees working in five-star hotels in North Cyprus were selected as a sample. The result of multiple regression analyses revealed that job satisfaction is positively related to organizational citizenship behavior and negatively related to turnover intentions. Affective organizational commitment was found to be positively related to organizational citizenship behavior. However, the study found no significant relationship between organizational commitment and turnover intentions. Furthermore, organizational citizenship behavior was negatively associated with turnover intentions. The study provides discussion and avenues for future research.

*Keywords: job satisfaction, organizational commitment, organizational citizenship behavior, turnover intentions, North Cyprus, hospitality industry*

## Introduction

In the last decade, employee welfare and satisfaction have become a major concern for management in organizations. This concern has been noticed from the realization that trained, experienced, satisfied, and committed employees can be pivotal for long-term organizational success. Retention of dedicated employees can prove to be a key to success because frequent employee turnover can lead to a number of problems, such as insufficient workforce, the costs of recruiting and training new employees, and organizational inefficiency and lack of productivity. All these increase the burden on management. Hence, keeping employees satisfied, motivated, committed, and long serving in their jobs has been identified as an important task for managers. It is believed that internal motivation, emotional association of belongingness to the organization, regard for the organization's goals, and a willing "team commitment" are instrumental in fostering the construct of "organizational citizenship." This paper addresses the concept of organizational commitment, citizenship behavior, and job satisfaction of employees with respect to turnover.

Many definitions exist for organizational commitment but the widely accepted definition comes from Steers (1977, p.46) who defined *organizational commitment* as “the relative strength of an individual’s identification with and involvement in a particular organization.” *Organizational citizenship behaviors* are “behaviors of a discretionary nature that are not part of employees’ formal role requirements”; nevertheless, these behaviors contribute to the effective functioning of an organization (Robbins, 2001, p. 25) and can be a result of job satisfaction. Nadiri and Tanova (2010, p. 35) have defined *job satisfaction* as an “individual’s positive emotional reaction to a particular job.” If these qualities are absent in a workplace, the result can be *turnover intention*, which Abassi and Hollman (2000) described as the employee’s quitting a job or rotating around the job market.

It is highly recognized among researchers that personal outcome variables affect organizational commitment, citizenship behavior, and job satisfaction; these factors may influence an employee’s intention to turnover (McFarlin & Sweeney, 1992). This is very much evident in recent studies, such as Nadiri and Tanova’s research (2010) findings, which show that one’s personal outcomes can have a direct effect on turnover intentions, job satisfaction, and organizational citizenship behavior, with particular indication to the Turkish Republic of Northern Cyprus’s (TRNC) hotel industry. However, much of the debate in recent years has been on organizational commitment to satisfying employees, thereby sustaining them in employment and mitigating their intention for turnover (Cohen, 2006). High labor turnover exists for the hotel sector (Carbery, Garavan, O’Brian, & McDonnell, 2003), and we can assume that this also is apparent for the TRNC (Nadiri & Tanova, 2010); high labor turnover is of great cost to the hotel and hospitality industry (Tanova & Holtom, 2008); therefore, research in this area is greatly needed. Furthermore, research concerning extra role performance (organizational citizenship behavior) is largely ignored in the hospitality industry (cf. Yavas, Karatepe, & Babakus, 2011).

Moreover, boundary-spanning-role (frontline) employees play a crucial role in the success of an organization. In order to achieve this success, frontline employees need to be satisfied and committed to performing extra role behaviors (i.e., organizational citizenship behavior); there is a necessity to fill this void (Karatepe, 2011). Hence, stemming from the aforementioned facts, the purpose of this study is to investigate the effects of job satisfaction and affective organizational commitment on organizational citizenship behavior and turnover intentions. This study also aims to examine the effect of organizational citizenship behavior on turnover intentions. The rationale behind this investigation is to provide evidence from a developing economy (Northern Cyprus), where there exist political instabilities and sensitive issues between Northern and Southern Cyprus. In addition, to the best of the authors’ knowledge, no empirical study has attempted to measure these



constructs simultaneously in Northern Cyprus, where tourism is seen as the locomotive sector.

## Literature Review

Steers has defined *organizational commitment* as “the relative strength of an individual’s identification with and involvement in a particular organization” (1977, p.46). Such commitment is reflected in employees’ identification with the goals and values of the organization and their willingness to exert effort to help the organization succeed (Scholl, 1981). The word *commitment* encompasses loyalty, concern for the organization, involvement, a defensive and supportive feeling, and willingness to work in the interest of the organization. Commitment encourages employees’ voluntary involvement with the organization and their desire to remain with the organization for a long period of time.

Various types of commitment have been identified, namely attitudinal commitment, normative commitment, behavioral commitment, and calculative commitment. All-encompassing is organizational commitment, while there are other multiple levels and objects of commitment, such as group commitment, occupational commitment, and job involvement (Cohen, 2006). However, in the research the most referred-to traditional “three component model of organization commitment” (Meyer & Allen, 1991) includes affective commitment (inherent emotional attachment), continuance commitment (continuation in the organization because of the fear of losing the job and its benefits), and normative commitment (commitment based on moral obligation towards the job).

The affective dimension is most closely associated with the construct of organizational citizenship behavior. It relates to personal attachment and identification to the organization, whereby employees continue in their employment because they “want to,” willingly (Markovits, Davis, & Dick-Rolf, 2007; Meyer & Allen, 1991). The core of the affective dimension is emotional connection to work and the creation of emotional capital in organizations (Gratton, 2000). It is understood that emotional involvement leads to desirable behaviors and more commitment towards the work and organization. When employees are emotionally dedicated to the organization, they create personal goals that are in consonance with organizational goals. This helps in benefiting both the individual employee and the organization as a whole, as there is no clash of interests.

It is believed that affective commitment results in organizational citizenship behavior (OCB) that builds from interpersonal emotional attachments and a feeling of being part of a group, thereby leading to collective loyalty to the organization. The feeling of citizenship is closely related to social identity with the organization. The term *organizational*

*citizenship* was first introduced by Organ in 1977 (cited in Organ, 1997) and the topic of organizational citizenship behavior has attracted a good deal of research interest (Lee & Allen, 2002; Podsakoff, MacKenzie, Paine, & Bachrach, 2000). Organ (1988, p.4) defined OCB as “individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization.” Joireman, Daniels, Falvy, and Kamdar (2006) explained discretionary behavior as exceeding the routine expectations of the organization. It is extra role behavior that employees perform because they “want to,” not “ought to.” OCB is characterized by employee behavior of punctuality, helping others, a proactive approach towards innovation, and volunteering. Research has recognized five categories of OCB (LePine, Erez, & Johnson, 2002) that were originally given by Organ (1988). These are altruism (e.g., sharing work and helping out others who have heavy / more work loads), conscientiousness (e.g., punctuality and sincerity at work), sportsmanship (e.g., tending not to complain about different matters), courtesy (e.g., information sharing with others before making any important decisions / actions), and civic virtue (e.g., participation in any activity that enhances the image of the organization and leads to its betterment and welfare). In 1990, Organ added two additional characteristic to the former five, i.e., peacekeeping (helping maintain a calm and conflict-free environment) and cheerleading (encouraging others as a leader and boosting their morale). Graham (1991) identified organizational obedience, organizational loyalty, and organizational participation characterized by proactive involvement as the three outstanding characteristic of OCB. Studies have identified several antecedents to OCB, such as individual personality traits, nature of task-related autonomy, nature of leadership, and employees’ attitudes towards their job and organization (Podsakoff, MacKenzie, Moorman, & Fetter, 1990; Suresh & Vankatammal, 2010).

Organizational citizenship is a consequence of organizational environment and is a mutual and reciprocal process between the organization and the employee characterized by a two-way concern for each other contributing significantly towards citizenship. Further, citizenship is considered to be stronger when there is perception of organizational fairness and organizational justice (Folger & Cropanzano, 1998). In their study, Uludag and Menevis (2005) maintained that organizational justice is related to citizenship behavior. This behavior is also positively related to team cohesion (George & Bettenhausen, 1990) and team commitment. The degree of commitment and citizenship reflect upon how strongly the employees associate with the organization and becomes vital in determining turnover.

The word *turnover* signifies quitting of jobs or rotation of employees around the job market, through various organizations, occupations, and between states of employment and unemployment (Abassi & Hollman, 2000). *Turnover intention*, on the other hand, is defined as employees' estimated probability of leaving their organization (Cotton & Tuttle, 1986). Both turnover intention and actual turnover are critical for organizations. The turnover of talented employees can lead to a major setback to the competitive advantage of an organization. Organizations aim at minimizing their employee turnover because continuous recruitment and training of a new workforce can be a serious concern for human resource management. Motivation and commitment also have a bearing on turnover. It is believed that if employees experience a positive exchange in the organization, they tend to be more committed and motivated (Cohen, 2006), and a motivated and committed workforce is negatively related to turnover.

Substantial research has highlighted the importance of employee commitment towards the organization and its relation to turnover (Blau, 1986; Iverson, McLeod, & Erwin, 1996; Meyer & Allen, 1997; Shepherd & Mathews, 2000). Although, the direct relationship between organizational commitment and turnover continues to be debated, studies have confirmed commitment to be negatively related to turnover intentions and turnover (Addae & Parboteeah, 2006; Jones, Chonko, Rangarajan, & Roberts, 2007; Mossholder, Settoon, & Henagan, 2005). Hence, it is important for managers to foster OCB in employees.

Job satisfaction is regarded as a significant predictor of OCB. *Job satisfaction* is explained as the extent to which the people like or dislike their jobs (Spector, 1997). It reflects the feeling of employees whereby they express contentment and a positive attitude towards the work and organization. Satisfaction is an attitude. As attitudes have an emotional component to them (Weiss, 2002), employees' emotional perception of their organization is determined by their satisfaction, allegiance, and performance.

Satisfied employees can be an asset for the organization. Satisfaction is affected by personal, organizational, and non-organizational factors. Within organizations, factors such as strategies of human resource management, work place benefits, workplace climate, well being of the employees, interpersonal relations, and nature of supervision contribute to satisfaction. Herzberg's (1966) Two Factor Theory has led to substantial research with respect to job satisfaction. The theory addresses hygiene factors (satisfiers or dissatisfaction preventers) and motivators. The hygiene factors relate to salary, working conditions, nature of supervision, etc. The presence of hygiene factors can lead to satisfaction, while their absence can lead to dissatisfaction. Hence, hygiene factors are also a maintenance factor, the presence of which is imperative for preventing dissatisfaction but does not

guarantee motivation. Motivators, on the other hand, are factors such as autonomy, empowerment, reward, promotion, recognition, and opportunities for advancement that can keep employees interested and zealous in their work.

Satisfaction is strongly related to and can predict commitment (Lalopa, 1997). Karatepe and Uludag (2007) argued that the role of intrinsic motivation is important in determining job satisfaction and organizational commitment. Research reported a positive relationship between job satisfaction and organizational commitment (Fu, Bolander, & Jones, 2009), but it is difficult to determine which precedes the other.

The relationship between job satisfaction and OCB has also been widely studied (Bateman & Organ, 1983; Foote & Li-Peng Tang, 2008; Le Pine, Erez, & Johnson, 2002) and studies suggested that job satisfaction is positively related to OCB (Shann, 1998; Testa, 2001). Some research suggested that job satisfaction is antecedent to both commitment and citizenship behavior (VanScotter, 2000), as satisfied and content employees are more likely to be committed and supportive of the organization.

Job satisfaction can be used to assess employee turnover (Woodard, 2003). Besides, it has a strong bearing on performance, absenteeism, and organizational productivity. Karatepe and Uludag (2007) contended that emotional exhaustion, decreased job satisfaction, and low levels of affective commitment are antecedents of intention to leave the organization. Previous studies have confirmed that job satisfaction is negatively related to turnover intentions and turnover (Brashear, Lepkowska-White, & Chelariu, 2003; Mudor & Tooksoon, 2011; Susskind, Borchgrevink, Kacmar, & Brymer, 2000). Job satisfaction has a strong relation to turnover in the hotel industry, in particular (Kim, Murrmann, & Lee, 2009).

## **Hypotheses**

In light of the aforementioned facts and links, the current study proposed the following hypotheses:

H1: There is a significant positive relationship between job satisfaction and organizational citizenship behavior.

H2: There is a significant positive relationship between organizational commitment and organizational citizenship behavior.

H3: There is a significant negative relationship between job satisfaction and turnover intentions.

H4: There is a significant negative relationship between the organizational commitment and turnover intentions.

H5: There is a significant negative relationship between organizational citizenship behavior and turnover intentions.

## Northern Cyprus

One of the largest holiday destinations in the Mediterranean, Cyprus was partitioned in 1974. Turkish Cypriots live in the northern part, and Greek Cypriots live in the southern part of the island (Okumus, Altinay & Arasli, 2005). As a consequence, the Turkish Republic of Northern Cyprus was established in 1983, and it is recognized only by Turkey (Altinay, 2000). Southern Cyprus continued to represent the island and acquired benefits; however, Northern Cyprus was able to conduct foreign trade only with Turkey (Ozdeser & Ozyigit, 2007). Hence, the economy of Northern Cyprus was solely dependent on the relations with Turkey (Ozdeser & Ozyigit, 2007). By the year 2005 the tourism industry contributed \$145.6 million to the Northern Cyprus GDP, creating 8,004 jobs (Katircioglu, Arasli, & Ekiz, 2007). Furthermore, economic aid packages were incentivized to contribute to the economy of Northern Cyprus. Ozdeser and Ozyigit (2007) claimed that the service industry, such as tourism, should be fostered to enhance the growth of the Northern Cyprus economy. Within this sensitive environment, with all its political instabilities, the tourism industry is seen as the prime sector contributing to the economy of Northern Cyprus (Karatepe & Uludag, 2008).

## Methodology

### Sample

Frontline employees working in hotels in North Cyprus were selected as a sample for the current study. The judgmental sampling method was utilized to collect data. Judd, Smith and Kidder (1991) defined *judgmental sampling* as “picking cases that are judged to be typical of the population in which we are interested, assuming that errors of judgment in the selection will tend to counterbalance one another” (p. 136). Based on the judgmental sampling procedure, frontline employees working in front office, food and beverage, and public relations departments in five-star hotels (i.e., receptionist, concierge, waiter/waitress, public relations officer) were selected. Frontline employees working in hotels in Northern Cyprus face numerous problems. These problems are lack of empowerment and training, insufficient salary, long and inflexible working conditions, work overload, etc. (Karatepe & Uludag, 2008; Karatepe, Uludag, Menevis, Hadzimehmedagic, & Baddar, 2006). In addition, it is a known fact that intention to quit initiates actual turnover. Turnover is a critical issue that exists within the tourism and hospitality context (Lam, Pine, & Baum, 2003). This issue is also evident in the Northern Cyprus tourism and hospitality industry (Karatepe & Uludag, 2007). Despite these facts, frontline employees are required to give their

highest performance and treat customers in a friendly manner (cf. Karatepe, Yorganci, & Haktanir, 2009). Against these arguments the current study measures the effects of job satisfaction, organizational commitment, and organizational citizenship behavior on turnover intentions of frontline employees working in five-star hotels in Northern Cyprus.

According to Karatepe and Uludag (2008) 16.7% of the hotels were chain and 83.3% constituted independent or family-owned hotels in Northern Cyprus. Karatepe and Uludag (2008) further explained that the Northern Cyprus hotel industry lacks contemporary management practices. It could be assumed that these management and human resource practices are more lacking in independently owned or family-run businesses. Thus, five-star chain hotels were selected for the purpose of the current study.

At the time of data collection there were six five-star hotels in the study settings. The research team contacted the management of each hotel to receive permission. One of the five-star hotels did not permit the research team to gather data. A total of 200 questionnaires were distributed to the remaining five hotels. Only frontline employees who had frequent interaction with customers were selected (e.g., front office agents, waiters/waitresses, and concierges). Each employee received a copy of the questionnaire. The research team assured the confidentiality and anonymity of the responses that each participant provided. Participants were requested to fill out the questionnaire in a self-administered way. At the end of the data collection, a total of 116 useful questionnaires were retrieved. The collected questionnaires had no missing information; hence, the response rate of the study was 58%.

## Measures

The study constructs used for the current study were adapted from extant literature. Five-point Likert scales were used to measure organizational commitment, job satisfaction, organizational citizenship behavior, and turnover intentions. The back-translation method was used to translate into Turkish all the items in the survey instrument, which were originally in English (Mullen, 1995). The scales used for the current study ranged from 1= strongly disagree to 5= strongly agree.

Four items from Lucas, Babakus and Ingram (1990) were used to measure job satisfaction. A sample item for this construct is “I am satisfied with the working conditions of my job.” The Cronbach alpha value for job satisfaction was 0.84. An eight-item scale developed by Allen and Meyer (1990) was used to assess (affective) organizational commitment. A sample item for this construct is “I feel strongly committed to my organization.” The reliability score for organizational commitment was 0.77. Sixteen items from Organ and Konovsky (1989) were used to measure organizational citizenship

behavior. A sample item for this construct is “Assists supervisor with his or her work.” The Cronbach alpha score for organizational citizenship behavior was 0.94. A three-item scale developed by Boshoff and Allen (2000) was used to measure turnover intentions. The item “Often thought of leaving” is a sample question for turnover intentions. The reliability score for turnover intentions was 0.88. All constructs passed the reliability benchmark value of 0.70, stated by Nunnally (1978). Furthermore, correlation coefficients were not equal to and/or higher than 0.90, which fact provides evidence for discriminant validity (Tabachnick & Fidell, 1996).

## Results

Most (66%) of the respondents were male and the rest (34%) were female. The overwhelming majority of the frontline employees (82%) were aged 21-30. Thirty-five percent of the respondents had undergraduate degrees. Thirty-five percent of the respondents had primary and secondary education. Again, the vast number of employees (87%) had job tenures below five years. Thirteen percent of the employees had six or more years of job tenure. Scores obtained from the items were averaged to yield a composite score to represent the study constructs. Table 1 depicts the correlations between the study variables. The correlation coefficients between study constructs ranged from  $-0.58$ , for correlation between job satisfaction and turnover, to  $0.77$ , for correlation between job satisfaction and organizational citizenship behavior.

**Table 1**

### **Correlations among Control Variables, Job Satisfaction, Organizational Commitment, Organizational Citizenship Behavior, and Turnover Intentions**

	1	2	3	4	5	6	7	8
1. Age	1							
2. Gender	0.18	1						
3. Education	-0.16	-0.10	1					
4. Tenture	0.63**	0.13	-0.20*	1				
5. JSAT	0.24*	-0.18	-0.03	0.40**	1			
6. ORGCOM	0.18	0.07	0.12	0.06	0.42**	1		
7. OCB	0.11	-0.12	-0.10	0.24*	0.78**	0.46**	1	
8. Turnover	-0.75	0.21*	0.04	-0.29**	-0.58**	-0.17	-0.55**	1

**Remarks:** *JSAT*= Job satisfaction, *ORGCOM*= Organizational commitment, *OCB*= Organizational citizenship behavior.

\*  $p < .05$ ; \*\*  $p < .01$

Some of the control variables had significant correlations with study constructs. For instance, age was positively correlated with job satisfaction. This may indicate that older employees have higher levels of job satisfaction. Furthermore, gender was positively correlated with turnover intentions. Since gender was coded as a dichotomous variable (0= female, 1= male), higher scores indicate higher turnover intentions. Hence, this may show that males tend to have a greater propensity to quit the organization. Moreover, job tenure had positive correlations with job satisfaction and organizational citizenship behavior. This may demonstrate that employees who have more years of job tenure tend to have higher levels of job satisfaction and organizational citizenship behavior. In addition, job tenure was negatively correlated with turnover intentions. This may indicate that employees who have fewer years of job tenure tend to have lower levels of turnover intentions.

In order to measure the effect of size, multiple regression analyses were conducted. First, control variables (age, gender, education, and job tenure) and study variables (job satisfaction and organizational commitment) were treated as an independent variable on organizational citizenship behavior. Second, control variables, job satisfaction, organizational commitment, and organizational citizenship behavior were inserted as independent variables into the regression equation to measure the effects on turnover intentions. In addition, in order to test the multicollinearity among constructs, a collinearity diagnostic test was run within the regression analyses. The collinearity diagnostic test revealed that variance inflation factors did not create problems among constructs since the results were below 5 (Groebner, Shannon, Fry, & Smith, 2005). The results were significant at the 0.05 level.

The results of the study hypotheses are depicted in Table 2. Job satisfaction was predicted to be positively related to organizational citizenship behavior. Multiple regression analyses reveal that there is a significant relationship. Hence, H<sub>1</sub> is supported. Organizational commitment was predicted to be positively related to organizational citizenship behavior. Regression analyses depict that this prediction is significant, which further supports H<sub>2</sub>.



**Table 2**

**Multiple Regression Results for Control Variables, Job Satisfaction, Organizational Commitment, Organizational Citizenship Behavior, and Turnover Intentions**

OCB				
Variables	$\beta$		$t$	VIF
<b>Step 1</b>				
Age	-.10		-1.32	1.76
Gender	.01		0.11	1.15
Education	-.11		-1.79	1.07
Job tenure	-.02		-0.21	2.01
JSAT	.72		9.82	1.62
ORGCOM	.19		2.85	1.36
$R^2$	0.64			
$F$	32.08			
<b>Turnover Intentions</b>				
	$\beta$		$t$	VIF
<b>Step 2</b>				
Age	.1		1.05	1.79
Gender	.12		1.47	1.15
Education	-.02		-0.20	1.10
Job tenure	-.18		-1.66	2.02
JSAT	-.33		-2.51	3.01
ORGCOM	.10		1.00	1.46
OCB	-.30		-2.42	2.77
$R^2$	0.41			
$F$	10.49			

**Remarks:** OCB was the dependent variable in step 1 and *Turnover intentions* was the dependent variable in step 2. Multi-collinearity was not an issue since all variance inflation factor (VIF) values were less than 5 (Groeber, Shannon, Fry, & Smith, 2005).  $t$  values 2.00 or above are significant.

H<sub>3</sub> was related to a negative relationship between job satisfaction and turnover intentions. This hypothesis is also supported. Organizational commitment was set out to be negatively related to turnover intentions. Regression analyses provide no evidence of support for this hypothesis. Therefore, H<sub>4</sub> was not supported. Finally, H<sub>5</sub> was assessing a negative relationship between organizational citizenship behavior and turnover intentions. Regression analyses reveal that there is support for this hypothesis. Hence, H<sub>5</sub> was supported. Moreover, the inclusion of control variables into the equation of regression did not confound the hypothesized relationships. In addition, multi-collinearity was not an issue since all VIF (Variance Inflation Factors) were below 5 (Groeber, Shannon, Fry, & Smith, 2005).

## Discussion and Implications

This study investigated the effects of job satisfaction and affective organizational commitment on organizational citizenship behavior and turnover intentions. The study also examined the effects of organizational citizenship behavior on turnover intentions. As stated earlier, as a holiday destination, Northern Cyprus suffers from foreign trade problems, lack of trained and qualified personnel, high turnover in the industry, etc. Despite these problems, the hospitality and tourism industry is seen as the key sector for survival. Thus, testing these constructs in a location where there is a developing economy on one side and political instabilities on the other was a necessity since these conditions create unstable working conditions particular to the hospitality and tourism industry. Thus, revealing the circumstances in relation to job satisfaction and organizational commitment, organizational citizenship behavior and turnover intentions yielded a better understanding of the current situation of the hospitality workforce in Northern Cyprus.

The result of the regression analyses reveal that, of the five hypotheses proposed, four are supported. Specifically, the effects of job satisfaction and organizational commitment on organizational citizenship behavior are significant. This finding is consistent with the prior research (Moorman, Niehoff, & Organ, 1993; Nadiri & Tanova, 2010). Furthermore, the effect of job satisfaction on turnover intentions is significant. This finding is consonant with the study findings of Karatepe and Uludag (2007). However, surprisingly, the study found no significant evidence between organizational commitment and turnover intentions. This evidence is contrary to the findings of Karatepe and Uludag (2007) and Cropanzano and Byrne (2000). It is known that frontline employees are confronted with many adverse circumstances in hotels in Northern Cyprus. These are lack of training, empowerment problems, insufficient salary, long hours, inflexible working conditions, work overload, burnout, work and family conflict, etc. (Karatepe & Uludag, 2008; Karatepe & Uludag, 2007; Karatepe et al., 2006). Thus, it is plausible to state that many factors may adversely influence the commitment of employees in an organization. These influences may lower the levels of commitment of frontline employees without, hence, incapable of lowering the levels of turnover intentions. To investigate this gap, antecedents of organizational commitment should be incorporated into future research. In addition, job satisfaction was a strong predictor of turnover intentions in the first step of the regression analysis ( $\beta = 0.72, t = 9.82$ ). When job satisfaction was inserted as an independent variable in the second step, along with organizational commitment and organizational citizenship behavior, it may have created deterioration on the outcome of organizational commitment and turnover intentions.

Finally, the effect of organizational citizenship behavior on turnover intentions was found to be significant. This finding also supports previous work of Cropanzano and Byrne (2000) and a recent study of Du Plooy and Roodt (2010). The findings of the current study confirm and add to the existing knowledge base by providing evidence of confirming hypothesized relationships among study constructs. Among others, satisfying employees by using motivational techniques, providing flexible times, and fostering work-family programs may help employees be committed to the organization. These resources may also positively influence employees to have citizenship behaviors that will help better functioning of organizations (cf. Robbins, 2001). In addition, employees with these resources who are satisfied, committed, and show extra-role performance (organizational citizenship behavior) are likely to stay in their current organizations.

This study investigated the effects of job satisfaction and organizational commitment on organizational citizenship behavior and turnover intentions. The study also examined the effect of organizational citizenship behavior on turnover intentions. The current study, therefore, provides several implications for managers of the hospitality industry. Specifically, the study results reveal that job satisfaction is positively related to organizational citizenship behavior and negatively related to turnover intentions. Hospitality industry managers need to satisfy frontline employees by providing on-time pay, flexible working hours, and clear career opportunities to foster citizenship behavior in the organization and to reduce the propensity toward quitting. In addition, organizational commitment was positively related to organizational citizenship behavior and negatively related to turnover intentions. Managers need to administer a fair reward system and train their staff to ensure that they are committed (Uludag & Menevis, 2005) to the organization. This will promote and support citizenship behavior and lessen the intentions to leave the job. It is believed that training staff in the philosophy of the organization could address the promotion of organizational citizenship behavior and encourage the staff to value the organization as a whole. In return, this approach could mitigate the employees' intentions to turnover. Furthermore, this study posited that organizational citizenship behavior is negatively related to turnover intentions. When employees feel the sense of belonging and loyalty to the organization, the chances that they will leave the organization will be reduced. Therefore, managers should focus on retaining productive employees (cf. Yavas, Karatepe, & Babakus, 2011) to reduce the high cost of employee turnover (Alexandrov, Babakus, & Yavas, 2007).

## Limitations and Recommendations for Future Research

The current study possesses some limitations. The data used in this study are cross-sectional in nature. This may create common-method bias. *Common-method bias* refers to “the degree to which correlations are altered (inflated) due to a method’s effect” (Meade, Watson, & Kroustalis, 2007, p. 1). Hence, inflated correlations distort the true significance levels of the constructs under study. Future research should aim to collect longitudinal or time-lagged data to minimize the effects of common-method bias. Furthermore, although acceptable, the sample size of the current study is relatively low. Future research should try to obtain data from larger samples. Finally, only five-star hotels were selected as a sample for the current study. The reason for this selection is due to lack of management and human resource practices in Northern Cyprus hotels (Karatepe & Uludag, 2008). Specifically, it is plausible to state that this could be more evident in three- and four-star hotels, 83% of which are independently owned or family-owned businesses. However, in order to generalize the findings to the hotel industry in Northern Cyprus, different hotel categories/types (three- and four- star hotels) should also be included in future investigations.

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## Appendix

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### *Job Satisfaction* (Lucas, Babakus, & Ingram, 1990)

1. Being satisfied with the amount of pay received
2. Being satisfied with the working conditions
3. Feeling of getting paid fairly
4. Being relatively well rewarded financially for the work

### *Organizational Commitment* (Allen & Meyer, 1990)

1. I would be very happy to spend the rest of my career with this organization
2. I enjoy discussing my organization with people outside it
3. I really feel as if this organization's problems are my own
4. I think that I could easily become as attached to another organization as I am to this one (R)
5. I do not feel like part of the family at my organization (R)
6. I do not feel emotionally attached to this organization (R)
7. This organization has a great deal of personal meaning for me
8. I do not feel a strong sense of belonging to my organization (R)

### *Organizational Citizenship Behavior* (Organ & Konovsky, 1989)

1. Assists supervisor with his or her work
2. Makes innovative suggestions to improve department
3. Volunteers for things that are not required
4. Orients new people even though it is not required
5. Helps others who have been absent
6. Attends functions not required but that help company image
7. Helps others who have heavy work loads
8. Takes undeserved breaks (R)
9. Coasts toward the end of the day (R)
10. Great deal of time spent with personal phone conversations (R)
11. Being punctual
12. Gives advance notice if unable to come to work
13. Attendance at work is above the norm
14. Does not take extra breaks
15. Does not spend time in idle conversation
16. Does not take unnecessary time off work

### *Turnover Intentions* (Bosshoff & Allen, 2000)

1. I will probably be looking for another job soon
2. It would not take much to make me leave this organization
3. I often think about leaving this organization

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(R) Indicates a reverse coded item

# Hotel Managers Identify Ethical Problems: A Survey of their Concerns

By Betsy Stevens

## Abstract

This study identified and examined the concerns of hotel general managers regarding ethics in the hospitality industry. Thirty-five managers were interviewed during and immediately following the economic recession to determine which ethical issues in the hotel industry and at their own properties concerned them the most. Results showed that more people and organizations attempted to renegotiate hotel rates, which actions, in turn, led to some lapses in ethical behavior. Managers said that because of the economic downturn, they felt pressure from both private owners and corporate headquarters. They also said a lack of work ethic, low motivation, and low pay caused many workers to underperform in ways that raised ethical issues. Managers also mentioned diversity issues and theft by both guests and employees as ethical issues of concern, and shared stories about their experiences.

*Keywords: hospitality ethics, ethics, general managers, ethical issues in hotels*

## Introduction

When the United States's housing bubble burst in 2008, and banks were hit hard for assuming too much risk with subprime mortgages, the ethics of American business leaders was questioned yet again. Patterns of corruption and greed have been present in business throughout history, and more recent cases have been noted in the literature (Burke & Cooper, 2009). Since 2001 the public has witnessed the prosecution of executives from Enron, WorldCom, Tyco, ImClone, and HealthSouth, and has also seen the demise of Arthur Andersen, a once trusted and well-respected accounting firm. Four out of five companies worldwide suffered corporate fraud between 2004 and 2007, and the average cost to companies with revenues of more than \$5 billion was over \$20 million ("Survey finds," 2007). Bernard Madoff's Ponzi scheme collapsed under the weight of the damaged financial market, and most recently, Raj Gupta, former head of McKinsey, was accused by the Securities and Exchange Commission of revealing information from the Goldman Sachs and Procter & Gamble boardrooms (Andrews, 2011).

The American public does not perceive business executives to be very honest. Studies conducted by the Gallup organization for the last 34 years revealed that that the profession of "business executive" is not

considered to be one of the most ethical professions. Gallup's annual honesty-and-ethics poll showed the business executive was rated 14<sup>th</sup>-16<sup>th</sup> out of 25 professions in the 1990's (McAneny, 1995; McAneny, 1997), and the trend continued into the new millennium. Pharmacists were selected as number one in the 1990's, and nurses took over in the 2000's. In the most recent poll nurses again took top honors, followed by pharmacists and medical doctors. Business executives were 15<sup>th</sup> and car salespeople occupied the bottom rung as the least ethical of 25 professions. ("Honesty/Ethics in Professions," 2010). Although The Gallup poll has a separate category for bankers and occasionally adds accountants, hotel managers are not listed as a category.

## Hospitality Ethics

Ethical problems in the hospitality industry reflect the challenges that occur in a cash-based, people-intensive industry. Managers today learn to watch for transaction errors, food-and-beverage pilfering, disappearing inventory, and unreported sales. Ethical violations are not a new occurrence. Inside theft in the hospitality industry was both rampant and costly in the 1990's (Ghiselli & Ismail, 1995) and 44% of restaurant workers reported they had stolen cash or merchandise from their employers (Withiam, 1996). A more recent study indicated that one out of 30 employees in the retail restaurant and food-service sector was caught stealing from his or her employer in 2008 ("Retail, Restaurants," 2009). Today thefts from loading docks and construction areas are especially common, as items are taken before they reach their destinations in the hotels (Crowell, 2008). Examples of inside theft in the hotel industry are quite common. The financial controller of the Stafford Hotel, in London, was jailed after embezzling more than \$500,000 to pay for his gambling debts ("Stafford Hotels," 2009). A 2010 report showed the average loss due to embezzlement in the U.S. is \$385,000, and it typically takes four and half years to uncover ("How Employees," 2010).

A noted hospitality expert observed that the "industry is susceptible to dishonesty of all sorts . . . by people who are notoriously underpaid" (Beck, 1992, p. 2). Frequent cash transactions coupled with part-time employment present employees with tempting opportunities. Hours are often long, and events are unpredictable. Additionally, while managers attempt to establish high ethical standards in their hotels, the information often does not always reach front-line workers (Stevens, 2001). Poor staff training has also been attributed to low ethical standards, along with other factors, such as theft. Improved training reduces workplace problems and is recommended even in organizations with high turnover, as it reduces workplace problems (Poulston, 2008).

Managers themselves are not above reproach when it comes to workplace ethics. Reporters from the *London Times* discovered fake online hotel reviews written by the owners of businesses in Scotland and Britain. Both owners claimed to have done no wrong (Walsh & Swinford, 2006). Additionally, a recent lawsuit filed against Hilton hotels by Starwood Hotels and Resorts claimed corporate espionage and theft of trade secrets. Hilton hired the former president of Starwood luxury brands, and the Starwood suit alleges the executive took confidential information with him, allowing Hilton to develop its Denizen brand very quickly by using millions of dollars' worth of Starwood's research (Freed, 2009). Allegations that Hilton's CEO knew about the theft have recently surfaced, but the case is still in litigation (Clausing, 2010).

Critics of the hospitality industry question the sincerity of some hotels and restaurants that claim to be green and environmentally conscious. Along with others, Lansing and DeVries (2007) have questioned the concept of sustainable tourism. Does it fit the contours of a scrupulous practice or is it a gimmick used by marketers to cash in on the popularity of ecotourism and the green movement? It has become fashionable to tout one's business as helping the environment, when, in reality, not all businesses measure up. Restaurant owners, in particular, have not signaled a strong commitment to the environment. One study showed that only 63% feel an ethical responsibility to increase the sustainable practices in their restaurants, and 50% indicated that reducing the carbon footprint was of some or no importance to them (Elan, 2010). *Greenwashing*, a form of lying through omission, occurs when organizations tout their positive environmental actions, but omit the negative information. Subsequently they are audited by an activist group that penalizes the firm. The term is attributed to activist Jay Weskerveld, who in 1986 observed that hotels' asking guests to reuse their towels to save the environment was self-serving and cut no moral ice when the hotels did not engage in other sustainable practices (Pearson, 2010).

Managing ethics is serious business for hospitality professionals, as they are responsible for communicating organizational standards and providing ethical leadership. Cultural diversity and changing values mean that perceptions of right and wrong might differ in areas where the right answer is not always obvious. Diversity issues, honesty, fairness, integrity and good service all concern the hotel manager, who often does a balancing act with competing values. Hotel general managers (GM's) are challenged each day to solve staff personnel problems, make hard decisions that can favor one group of employees over another, and balance budgets in ways that may harm some of their employees. Thus, their views on ethical issues occurring in the industry are important and constitute the driving purpose behind this study.

## The Study

This research project sought to identify the ethical issues that most concerned GM's and to collect examples of incidents which they said exemplified ethical problems. Thirty-five managers were interviewed and asked to identify specific industry issues that most troubled them as hospitality professionals and to note areas of concern in their own organizations. Managers were also asked to relate an ethical incident that had occurred in their own hotel within the last twelve months. The result was a rich trove of stories, problems, and conundrums challenging hotel managers today. This study also revealed a new set of issues caused, in part, by a weakened economy and technological changes. Some issues were as simple as confronting a young chef who was cooking with one hand and texting on his cell phone with the other. When questioned, the chef replied he was keeping up with the food orders and did not perceive his multitasking as a problem. Other situations were more serious, such as discovering a handyman living covertly in a hotel guest room on a floor that was closed for remodeling. Managers also spoke of people with no reservations offering them a fixed amount of cash for a room that was far below the daily rate. One manager of a luxury hotel said he was offered \$59 cash for a room, and the customer announced he would leave if his offer was not accepted. In short, this study was designed to yield both anecdotes reflecting ethical dilemmas and some quantitative information.

## Method

GM's were contacted by telephone and asked to participate in a brief, fifteen-minute interview on the subject of ethics. While two declined, citing busy schedules, all others agreed to participate and showed considerable interest in the research questions. Thirty-five face-to-face interviews, in total, were completed with the purpose of learning from the GM's about the ethical dilemmas they faced daily. Because of the sensitive nature of this subject, the methodology of mail or e-mail surveys was ruled out. Managers would have no motivation or desire to complete a written survey from an unknown individual and disclose any of their hotel's ethical issues or their own thoughts on the subject. Indeed, they would rightly be wary of divulging any confidential information in this manner. An electronic survey would likely elicit even fewer responses because GM's would be too distant from the interviewer and source of research. Thus, the dyadic in-person interview was chosen as the most effective means of gathering information.

While interviews are effective ways of gathering sensitive material and are readily accepted as methodology (Herndon & Kreps, 1993), the risk of interviewer influence is always present. To minimize this effect, the

questions were posed exactly the same to all interviewees, and care was taken not to influence responses from them either through suggestion or by providing examples. To insure accuracy, responses were recorded on a summary sheet immediately following each interview. This was a sample of convenience because travel expenses and interviews were conducted in the Southeast and Midwest areas of the United States. Managers were interviewed in six states (15 different cities), all east of the Mississippi River. Hotels ranged in size from 58 to 372 rooms, with an average of 140 rooms.

Interviews were held at the hotels, generally in the GM's office. Managers were assured of complete confidentiality and told that no hotel names, corporate identities, or even cities would be revealed in connection with the ethical issues or incidents they discussed. They were also promised that only vague references to a hotel or location would be disclosed in any publication or conference presentation. With this assurance of confidentiality, they all showed a willingness to discuss ethical issues, and more than 95% indicated they wanted to receive the results of the study.

The three questions asked of all GM's were as follows:

- 1) As a general manager of a hotel, what ethical issues occurring in the industry are of greatest concern to you today?
- 2) What ethical issues occurring in your own organization concern you the most?
- 3) Can you relate an incident with ethical implications that occurred in your own organization within the past twelve months?

The results were content-analyzed to determine the frequency of responses overall and to each individual question. Results showed that managers were concerned about the number of ethical issues that are shown in Tables 1 and 2. Table 1 summarizes the GM's greatest ethical concerns about the industry (Question 1) and Table 2 shows their concerns with their individual organization (Question 2). Not surprisingly, there was some overlap in their responses.

## **Results**

Maintaining rate integrity in hard economic times was the most commonly mentioned topic. Managers responded with rate-integrity answers to both Questions 1 and 2. They stated that the recession had greatly affected their guests' behavior, and that customers had learned to negotiate rates at the front desk and threaten to go elsewhere. One manager located near a resort area stated, "We have ruined the guest." He believed that the hotel industry was responsible for guests' front-desk negotiations and that the discount programs, guest rewards, point systems and cheap internet rates were causing guests to behave in aggressive ways toward their hotel stays.



GM's said guests asked for managers at the front desk and said, "This is what I am willing to pay for a room tonight." GM's largely believed that maintaining rate integrity was important and that it was not appropriate to accede to guest demands for cheaper rates. They discussed the ethical issues involved with changing rates and pointed out it could ruin the industry. Most did not see a problem, however, with selling an unsold block of rooms to websites like Expedia or Hotels.com. They believed this was the reality of an industry for which the loss on an unsold room can never be recouped. Several hospitality researchers have argued that good marketing approaches, rather than revenue cutting, may be the right path to take in a recession.

Verbal aggressiveness from boorish customers can be unsettling for employees and cause undue stress. Several managers reported the would-be customers were aggressive in their communication styles and spoke in demanding tones. Managers were concerned that their front-desk employees had to endure some abuse along with the rate negotiations. One hospitality study showed that emotional dissonance, exhaustion, and turnover intention resulted from customer verbal aggression. Training was recommended along with selecting the individuals who could cope with overly assertive and sometimes rude customers (Karatepe, Yorganci, & Haktanir, 2009).

Lack of motivation and a poor work ethic were the second most frequently mentioned industry problems. Low motivation caused problems for numerous managers, and several cited low pay as a contributing factor. A manager in a resort town lamented that her employees showed little interest in the values of the hospitality industry and worked only for drinking money and trips to the beach. She stated that her employees viewed their jobs as an evil necessary for the benefit of living in a seaside town. Interestingly, lack of a work ethic was the number one ethical concern of hotel human-resources directors in a study published ten years ago, so the problem appears to be inherent and on-going in the industry (Stevens, 1999). The industry is labor intensive, with a high number of jobs, such as housekeeping, requiring little formal education, so finding and retaining employees to work hard for low wages is difficult.

**Table 1**  
**GM's industry concerns**

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Maintaining rate integrity	10
Lack of work ethic/motivation; low pay	8
Contracts; owner versus management issues	6
Diversity issues	4
Theft	5
Other	2

N=35

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Balancing the desires of owners to make money on their investments versus the needs of employees and guests was identified as a major concern by six GM's. Some had owners who wanted the same rate of return on their investment despite the recession. They spoke of corporations trying to renegotiate signed contracts upon which the current year's budget had been based. Corporate-brand executives were pressuring GM's to maintain all of the standards of the brand while franchises were operating with skeleton crews because of the weak economy. Managers said they felt pulled in many directions and were stressed. One grappled with the ethics of sitting on information that he knew would negatively affect the wages of employees. The manager was aware that cutbacks were going to occur with a restructuring and wanted to apprise his staff, but was unable to do so because the information was proprietary. One of his young staffers was talking about buying a new car, and the manager wanted to warn him to steer clear of this major purchase, but could not.

Diversity issues challenged the GM's and involved both guests and employees. One hotel was owned by a tribe of Native Americans who at first wanted to hire only tribal people. The chiefs, however, were understanding and compliant when the GM explained Equal Employment Opportunity laws to them. Another GM had a problem with a small group of minority housekeepers who did not get along with other housekeepers and frequently quarrelled. Another was challenged by an owner from India who attended staff meetings and made sexist remarks. Several female department heads were offended, and a marketing director quit.

One manager described an incident that occurred in the breakfast dining area off the lobby when a Caribbean woman came to breakfast barefooted. Although a staff member explained the health regulations to her, she refused to go back to her room for shoes. A male guest at a nearby table then remarked in a loud voice, "I smell feet." The woman later complained

to the manager that she had been humiliated in the dining room and demanded the name and address of the hotel owner. The GM managed to placate her and did not provide the access information, but said the confrontation was tense and potentially combustible. Another manager struggled with a situation in which several part-time employees were over 80 years old. They had cut the golf course grass at the resort with riding mowers for many years, and at least one employee was 85. Respecting the longevity and dignity of workers versus guest and employee safety issues created a challenge for this manager.

Theft by employees and guests was a key issue mentioned by five managers. Several talked about petty theft of toiletries and toilet paper; one had a problem with M&M's being taken from the gift shop by the night front-desk crew. All stressed that these small items added up. They also felt theft was an industry-wide problem and inherent in the industry, a fact that is supported by research. *The Kroll Global Fraud Report* confirmed that the travel, leisure, and transportation segments of the industry experienced higher rates of fraud in theft of property, internal financial theft, information theft, and loss or attack than a cross-section of general industries (2009/2010).

Table 2 shows the frequency of responses to Question 2 concerning ethical issues the GM's experienced in their own organizations. Many of the answers in Table 2 overlap with those in Table 1, a result that is not surprising. Managers responded to both questions similarly as the problems they perceived as issues for the industry likely would have occurred in their own organizations. Maintaining rate integrity was the top concern of managers in their own hotels; low occupancy rates during the recession increased pressure on managers to slash prices.

**Table 2**  
**GM's concerns in their own organizations**

Contract issues/standards vs. cutbacks	11
Theft	8
Rate integrity	6
Lack of work ethic/motivation; low pay	5
Guests wanting free rooms/services	4
Other	1

N=35

Closely related to their rate concerns were managers' issues with contracts and the struggle to maintain standards when budgets were cut. Several managers of chain hotels argued that their corporate franchisers were making them purchase expensive items, such as new outside signs, and

seemed not to understand the hard economic times. Others said they were expected to maintain the same corporate standards as they did during periods of strong economic growth, and this simply was not possible. Several said the corporate discount programs directly hurt their bottom lines. Managers complained about being squeezed in several directions and found that trying to please multiple constituencies in hard times was very difficult. One Saturday morning, a manager observed a line of nearly 50 people at the omelet station in the lobby; he had only one cook on duty that morning for budgetary reasons and he could not predict the flow of guests to the station. Unfortunately, too many people came at once, and he received complaints.

Theft was mentioned as a key concern. Managers saw theft as both an issue at their own hotel and an industry problem; they had experienced both small and large thefts. A trade show was winding down at one hotel, and vendors were loading their equipment. A 42" flat-screen TV disappeared from the staging area, and neither the hotel managers nor the police was able to determine whether a hotel employee or another vendor was responsible. Other managers reported that guests stole lamps and TV sets, and one manager lost several thousand dollars from a safe when two trusted employees did not follow protocols for placing money in the safe. One of them likely took the money, but the manager could not determine which one. In Stevens' 2001 study of hospitality ethical issues, theft was also mentioned by hospitality human-resources directors as an on-going problem.

Nine managers said rate integrity was an issue for them at their own hotel. As fewer people are traveling for both business and pleasure, managers have been challenged by the weak economy and have experienced one of the worst drops in hotel occupancy rates in recent history (Leonard, 2010). The question of whether to lower rates in order to attract more customers is daunting. While there is evidence that occupancy rates decrease when hotels offer rates above their competitors, a recent study suggested the overall RevPARs were higher with hotels that maintained their rates (Enz, Canina, & Lomanno, 2009). Nonetheless, revenues for luxury hotels were down by almost 25% in 2009.

Managers also mentioned problems with debit cards. Reservations made with debit cards sometimes involve a "hold" or claim on several hundred dollars. The problem occurs when the debit-card company continues the hold on the cash for several days after the guest checks out. Guests are unaware that the card company has placed a hold, and they tend to blame the hotel when they cannot access money using their debit cards. A number of hotels in this study had signs on the desk explaining the debit card policy to guests.

A poor work ethic was mentioned again, along with low pay issues. Managers were challenged to find employees willing to work hard for low

wages and little opportunity for upward mobility. One is not very likely to begin as a housekeeper or porter today and rise into management. Hotels need one or two managers and a large numbers of housekeepers, part-time banquet servers, and wait staff. Opportunities for promotion are scare, and employees know that hard work will not necessarily advance their positions. Retaining good employees is a serious challenge for today’s hotel manager.

Guests want to make sure they have a deal. They expect amenities as a matter of course, and according to some GM’s in this study, are happy only if the hotel room looks like one of their rooms at home. They continue to approach managers for price cuts and extra perquisites. Several managers said room amenities such as shampoo and lotion are expected, so now customers are looking for more. Managers also discussed the need for nearly every mid-range hotel to provide a free breakfast for the guest.

Table 3 shows all the issues identified by GM’s in response to the three questions. That is, this table reflects a content analysis of the total interview responses and the frequency with which topics or issues were mentioned. During the course of the interviews, multiple topics were naturally discussed.

**Table3**  
**Summary of ethical issues mentioned**

Lack of employee work ethic/low industry pay	17
Diversity issues	13
Guest and employee theft	10
Maintaining rate integrity	9
Issues with contracts/management companies and owners	9
Lack of ethics by guests	3

N=35 Table reflects multiple responses

Lack of a good work ethic in employees was mentioned most often either directly or as part of an incident that had occurred at the hotel. But managers also recognized that part-time employees and low pay have contributed to this phenomenon. Diversity issues, second in frequency overall, included quarrels among the staff, preferential hiring, and a perceived lack of opportunity for persons of color. Theft was cited as an on-going problem, and managers said it included both employees and guests. Maintaining rate integrity was an issue as managers recounted stories of both guests and corporations trying to undercut established prices. Managers said changes in contracts were being requested from corporate travel agents who had previously signed the contracts agreeing to certain rates. While the signed contracts were binding, these agents and some executives suggested they

might go elsewhere the next year unless the existing contract was modified. Managers said this pressure and the need to sometimes undo contracts caused severe problems for their own budgets, projections, and goals.

This survey was conducted during one of the roughest times for hotel and general managers. Ed Watkins, editor of *Lodging Hospitality*, called 2009 the worst year in 35 years for the hotel industry. While the economy improved in 2010, the Gulf oil spill, strikes, riots, and the ash cloud in Iceland affected travel and hotel occupancy rates around the world. Airports were closed following the volcanic eruption, and tourism was affected in both the UK and Spain (Storey, 2010).

An unexpected finding from this survey was to learn the extent to which GM's felt job stress from a set of competing values and challenges they had not previously faced because of the economy. They indicated stress resulted from being placed in no-win situations, such as having to renegotiate signed contracts and adjust yearly budgets accordingly. None of the managers had foreseen the severe economic recession and its resulting consequences for the hotel industry.

Occupancy rates at all levels of hotels were down by 9% in 2009, and averaged around 55%. High-end hotels experienced a 24% revenue decline. Although the industry began to recover in May, 2010, when occupancy climbed to 59%, the recession caused the lodging industry the worst decline seen in decades (Leonard, 2010). GM's were under extreme pressure during the recession to contain losses, preserve any profit margins, and hang on as best they could. These economic problems placed the GM's in very difficult situations during which time their hotels experienced significant losses.

GM's were informed about a new website in affiliation with a southeastern university where they could discuss their concerns anonymously, participate in research projects, and share information about ethical issues in the hospitality industry. They responded positively, and nearly all indicated they would sign up, knowing they could discuss a problem anonymously on the site with other GM's. The site can be found at [www.hotelethics.com](http://www.hotelethics.com), and is set up as an interactive research website. Members are screened to ensure they are employed in the hospitality industry or are enrolled in universities or hospitality management schools. It is not open to the general public as a complaint or blog forum.

### **Limitations**

Limitations of this study included a small sample (35 respondents) and the way in which the interviewees were selected. Neither respondents nor locations were randomly selected, but occurred when the researcher was traveling to conferences or on personal holidays. In short, this was a sample

of convenience. A larger sample might have revealed some additional dilemmas or yielded new problems, but was not possible given cost constraints. An email or postal survey could have reached more potential subjects, but the sensitive nature of this study created considerable doubt that managers would have responded. Once a trustworthy interviewer is found, face-to-face interviews have an interpersonal richness that cannot be achieved with an electronic survey. For example, would the situation where someone had urinated into a coffee pot have been shared in a venue other than a personal interview? In this case the manager was not sure whether the culprit was a disgruntled employee who was working near the room in question or an opportunistic guest who was seeking a free room. He had no solution to these embarrassing situations. The personal interviews provided a forum where these ethical dilemmas could be shared and dissected. The literature contains little research in which personal interviews have been conducted with managers on sensitive subjects. This is due largely to the costs involved with traveling to the sites and the time consumed by the interviews. Thus, this methodology, even with its limitations, fits this research study very appropriately.

### **Implications for Future Research**

While crime, corruption, theft, and fraud are major problems for business owners, hotel managers also face a number of situations that create ethical conundrums. Part-time employment is a common feature in hotels and brings with it turnover, lack of commitment, and low educational levels. Hotel rooms are frequently used for purposes of questionable legitimacy. Managers are challenged by the very nature of the industry and its unique features. The right thing to do is not always apparent, and they must make close calls in difficult situations. Additional research is needed in several areas of hospitality ethics. Some researchers have suggested that Generation Y is bringing different values into the workplace. If so, managers need to stay apprised of changes and adjust training accordingly. The whole question of green practices and sustainability needs to be addressed so stakeholders will not feel deceived by advertising. And finally the effect of the recession on guest behavior concerns GM's, as this study has shown. Additional research in this critical area would help managers better address the human problems that go along with an inimical economy.

### **Conclusion**

Ethical issues concern every manager and every other person with responsibilities to a business. Poor ethics can cost millions of dollars in damage, cause irreparable harm, and even destroy a good company, as was the case with Arthur Andersen. Although the American public has never rated the ethics of business executives very high, the topic of ethics has yet to

achieve mainstream status in most business schools and hospitality programs. Discussion about the topic and research in hospitality ethics must continue in order to provide answers to ethical conundrums faced by today's hospitality managers.

Parsing the concerns of GM's during 2009 and 2010 has shed light on the additional ethical problems that can be experienced during a recession. The insights found in this research illuminate ways the economy affected the hospitality industry and impacted all levels of lodging, from economy hotels to top luxury properties. Low industry pay, weak employee motivation, rate integrity, and contract cutback issues were quotidian concerns of GM's during this difficult time. This research, although limited in scope, provides a clear picture of the GM's major ethical problems; further research should be conducted along these lines to explore this topic in more depth. While no sweeping conclusions can be generalized from this small sample, the study nevertheless illustrates the GM's concerns during a very difficult time for the industry and increases the body of knowledge concerning ethical issues in the hospitality industry.



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# Generational Differences in Work Attitudes: Evidence from the Hospitality Industry

By David Solnet and Anna Kralj

## Abstract

Our understanding of employee attitudes and their impact on business outcomes has been further complicated in recent years by the newest cohort of service workers. Known as Generation Y (Gen Y), they appear to approach employment in a manner different to that of their predecessors. A review of the academic literature reveals little empirical evidence to support an appropriate understanding of the impact of such difference. This paper provides an overview of a large-scale study into generational differences in employee attitudes and reports on the preliminary data analysis of a survey of over 900 hospitality employees. The most important initial finding from the data analysis is that, on the whole, Gen Y employees have lower scores on those constructs that an organization should be attempting to maximize. Non-Gen Y employees are more satisfied with their jobs, more engaged and more affectively committed to the organization they work for than their Gen Y counterparts, amongst a range of other important constructs. Conversely, Gen Y employees display higher scores on the constructs that an organization would want to minimize in its staff. Gen Y employees are more likely to be planning to quit their jobs, are more likely to perform poorly if their co-workers are doing so, and are also more likely to switch jobs for no particular reason. The discussion covers implications for management as well as directions for future research.

*Keywords: Generation Y; millennials; employee attitudes; human resources*

## Introduction

Despite the ever-growing use of technology, human interaction remains a defining characteristic of the hospitality industry. These interactions are inevitably critical to the creation of memorable experiences (good or bad). Managing these interactions and the employees that deliver them is therefore one of the most significant challenges faced by hospitality managers. Exacerbating the demanding task of effective human resource management are the inherent features of employment in the hospitality industry – anti-social working hours, low status, and unclear career paths, to name some of the most frequently cited (Solnet & Hood, 2008). Nevertheless, it is crucial that hospitality managers encourage appropriate “people skills” in their employees: Displaying positive and hospitable behaviors towards customers and working cohesively as a team.

To add to the long-standing list of people-management issues faced by the hospitality industry, there is now the extra challenge of managing a new generation of employee: Generation Y. This group of employees has seemingly caused a profound upset to hospitality operations around the globe, with fundamentally different work attitudes to those previously expected of new entrants to the workforce. As the hospitality industry traditionally relies on young workers (Magd, 2003), the entrance of the Gen Y employee impacts more acutely on hospitality than most other industries.

Gen Y is a popular topic – at the office “water cooler,” on blogs, during management seminars and in trade magazines. As popular as the topic may be, it remains the case that most of the commonly expressed Gen Y characteristics are based on the subjective observations and experiences of older generations, usually managers, teachers and parents. Even a thorough analysis of articles published in peer-reviewed journals reveals contradictory descriptions of Gen Y and their work-related attitudes. Still less helpful for the hospitality industry is the lack of context-specific research investigating the existence and impact of differences in key work-related attitudes and behaviors.

In response to this gap in understanding the contemporary hospitality employee, the authors designed a research project to examine differences in work-related attitudes by generational grouping. A major objective of the research was to provide hospitality owners and managers with practical approaches to improve the attraction, motivation and retention of Gen Y employees. The purpose of this paper is to provide a broad overview of the background, conceptual framework, method, major findings and conclusions of the large-scale study, which included a survey of over 900 hospitality employees.

## **Background**

A *generation*, or a *generational cohort*, is understood as a group of individuals born in the same defined period of years who have been exposed to similar societal and historical life events during critical stages of their formative development (Schaie, 1965). Members of a generation learn similar responses to social and environmental stimuli and develop a shared set of value systems and ways of interpreting events. The external forces that influence the creation of shared value systems differ from one generation to the next, leading to identifiable differences in the way each generation reacts to authority, their work-related values and what they will do to satisfy their values (Gursoy et al., 2008).

Lack of agreement on the defining life events for a generation (for example, regional events that impact some more than others) has led to a

concomitant lack of agreement on the precise start and end years for each generation currently in the hospitality workforce (Gen Y, Gen X and the Baby Boomers). Nevertheless, it is useful for the purposes of categorization to define the period of years that identifies each generation. After an extensive review of numerous sources of generational research, the authors adopted the common middle ground:

- Gen Y: born between 1979 and 1994
- Gen X: born between 1965 and 1978
- Baby Boomers: born between 1945 and 1964

In Australia, as in many developed countries around the world, Gen Y is much larger than the previous generation (Gen X) and is approaching the size of the Baby Boomer cohort (Cennamo & Gardner, 2008; Kumar & Lim, 2008; McCrindle, 2010; Sutton Bell & Narz; 2007). The impact on the hospitality industry will intensify as Gen Y employees start to make up an increasingly larger percentage of the workforce.

In many different work contexts, the Gen Y employee presents as radically different to previous generations of employees entering the workforce (Solnet & Hood, 2008). These differences are at odds with conventional wisdom on how new entrants to the workplace should think and act. Radical or not, the opinions, attitudes and behaviors of the Gen Y employee are as fundamental in shaping the service orientation of a hospitality business as those of any other employee of the organization. It is therefore of vital importance to understand the attitudes and motivators of Gen Y and how they differ from the attitudes of other generational groups in the workplace.

Although descriptions of the Gen Y employee are often contradictory (Deal et al., 2010; Kowske et al., 2010), there are some traits that are generally cited by most authors. One of these is their demanding nature: constantly seeking performance feedback, new challenges and additional responsibilities (Gursoy et al., 2008; Solnet & Hood, 2008; Twenge & Campbell, 2008). Another is an emphasis on connectivity, communication and collaboration (Howe & Strauss, 2000; Kowske et al., 2010; Solnet & Hood, 2008). Gen Y expects to be listened to and have their opinion valued. This stems from schooling in non-competitive environments that emphasize participation over winning, more involvement in family decisions, and staying at home longer after finishing school (Eisner, 2005; Hill, 2002; Solnet & Hood, 2008; Szamosi, 2006). Solnet & Hood (2008) suggested six propositions related to Gen Y's work-related attitudes, values and behaviors in a hospitality work context. These propositions were largely based on the notion that Gen Y will seek more familial and supportive relationships with

their supervisors and their employing organizations and will respond positively when they find such an environment in which to work.

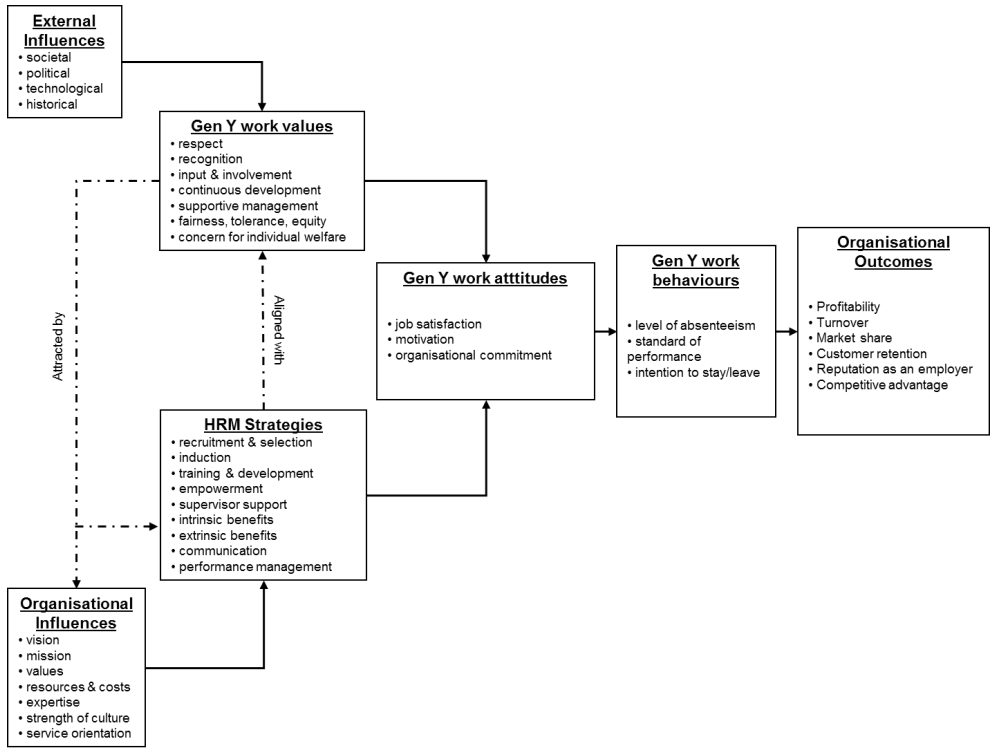
Although there are a handful of empirical studies from the hospitality industry (e.g. Cairncross & Buultjens, 2007; Gursoy et al. 2008), for the most part the findings and recommendations of workplace generational studies center on professional contexts. There is a need to investigate the particular impact of differences in generational attitudes in the specific context of hospitality, as findings from other industries may not be applicable. The few studies that have been conducted in the hospitality industry are qualitative in nature, using small samples and one considers only the perceptions of managers, rather than Gen Y's attitudes. A key objective of the large-scale study reported here is to make recommendations that are directly applicable to the hospitality industry, based on data collected from a large sample of hospitality employees across a range of industry sectors.

### **Conceptual Framework**

The principles of organizational psychology and service management guided the design of this research project. Underpinning the conceptual foundation of the research are such frameworks as the Service-Profit Chain (Heskett et al., 1994) and the linkage research model in service management (Wiley, 1991). The rationale is that the atmosphere internal to an organization exerts a significant influence on the success of a business in achieving its goals. There is growing evidence that there are direct connections between the work environment, as perceived by employees, and important organizational outcomes, such as customer satisfaction, customer loyalty and profitability (cf. Chi & Gursoy, 2009; Nishii et al., 2008; Salanova et al., 2005).

As success in the ever more competitive hospitality environment is dependent on high levels of customer satisfaction (Chi & Gursoy, 2009), positively manipulating the attitudes of employees needs to be a primary focus of managers. The Service-Profit Chain suggests that employee and customer satisfaction are “mirrored” (Heskett et al., 1994). In this line of thinking, the authors developed a conceptual model for the research project, as presented in Figure 1.

**Figure 1**  
**The Gen Y research model**



The conceptual model posits that external influences have an impact on Gen Y's work values, which influence Gen Y's work attitudes, and in turn, the behaviors that Gen Y exhibits at work. Ultimately, the outcomes that the employer achieves are affected by Gen Y's work behaviors. Interacting with Gen Y's work-related values and attitudes are the human resource management (HRM) strategies implemented by the organization, which are influenced by internal characteristics of the organization. Organizational characteristics and HRM strategies can attract potential Gen Y employees, if these are in alignment with Gen Y's work values. The dynamic interaction between Gen Y's work values and attitudes and the HRM strategies of the organization will influence Gen Y's work behaviors, with a resulting impact on organizational outcomes.

Through an extensive literature review, the authors identified a range of external influences that were likely impacting on Gen Y's work values. The authors then conducted a series of focus groups with Gen Y

hospitality employees as well as hospitality owners and managers. The focus groups provided further insight into the work values and attitudes of Gen Y. Analysis of literature review and focus group stages informed the development of a survey of employee attitudes, in order to test for significant differences across generational groupings as well as differences in the relationships between important constructs and attitudes. This paper will now report on the broad findings from the survey of hospitality employees before encapsulating the major conclusions and practical recommendations drawn from the overall project. With an improved understanding of generational differences in work-related attitudes, the hospitality industry can work towards improving organizational outcomes through optimal employee management.

### **Survey Method**

For the quantitative stage of this research, the authors conducted a survey of hospitality employees across a range of industry sectors and geographical locations in Queensland, Australia. To solicit participation in the survey, the authors approached hospitality owners and managers across a range of industry sectors, including hotels, restaurants and community clubs. Twenty businesses agreed to participate, from a total of twenty-four that were approached. Employees of these businesses completed the questionnaire during pre-arranged staff meetings and training sessions. In total, 914 hospitality employees responded to the survey. This represents approximately 35% of the total employee population of the participating businesses.

Figure 2 depicts the breakdown of the sample, by gender, generational grouping, industry sector, tenure, position held, and employment status. Despite the convenience sampling approach, an analysis of hospitality labor market demographics gives the researchers reason to believe that the sample characteristics are relatively representative of the hospitality industry in Queensland, Australia.



**Figure 2**  
**Sample characteristics**

Variable	Frequency	%age
[Gender]		
Male	377	41.2
Female	537	58.2
[Generation]		
Y	570	62.3
Not Y	344	37.7
[Sector]		
Hotel	508	55.6
Restaurant	291	31.8
Club	115	12.6
[Tenure]		
Less than 1 year	281	30.7
1 to 5 years	431	47.2
5+ years	202	22.1
[Position]		
Non-supervisory	621	67.9
Supervisor/Manage	293	32.1
[Employment Status]		
Casual	330	36.1
Part-time	193	21.1
Full-time	385	42.1
Contract	6	0.7

The questionnaire consisted of two sections. In the first, respondents were asked to report on some descriptive characteristics, such as age, gender, tenure with current organization, position in organization and employment status. In the main section of the questionnaire, respondents indicated their attitudes (on a scale of 1 “strongly disagree” to 7 “strongly agree”) towards a series of statements designed to capture relevant employee attitudes.

## Measures

All measures included in the survey were adapted from well-established and commonly used scales in top-tier peer-reviewed journals. The measures covered employee attitudes including engagement (May et al., 2004), job satisfaction (Nishii et al., 2009), organizational citizenship behaviors (Podsakoff et al., 1990) organizational commitment (Meyer et al., 1993), perceived organizational and supervisory support (Rhoades et al., 2001), perceived job security (Kraimer et al., 2005), perceived employability (Berntson et al., 2006), intention to quit (Colarelli, 1984) and job switching behaviors (Khatri et al., 2001). Attitudes towards rewards and recognition (Subramony et al., 2008) as well as organizational investments in training and development (Wayne et al., 1997) were also captured.

In accordance with previous applications in the literature (e.g., Berntson et al., 2006; Nishii et al., 2009; Wanous et al., 1997; Wayne et al., 1997), job satisfaction, perceived employability and perceptions of training and development opportunities were each measured using single-item scales. The specific items were “All in all, I am satisfied with my job,” “It would be easy for me to get a new and comparable job,” and “My organization has made a substantial investment in providing formal training and development opportunities,” respectively.

Perceived job security, job switching behaviors and intentions to quit were each measured using three items (examples for each construct included “I will be able to keep my present job as long as I wish,” “To me, switching jobs is kind of fun,” and “I frequently think of quitting my job,” respectively). The affective dimension of organizational commitment was measured using four items. An example is “I sense a strong sense of belonging to my organization.”

Five items were used to measure both perceived supervisory support (example item: “My supervisor really cares about my well-being”) and perceived organizational support (example item: “My organization often asks about my opinions”). Employee engagement and perceptions of rewards and recognition were measured using six items (examples for each of these constructs included “I really put my heart into my job” and “My supervisor praises me when I do a better than average job”). Finally, organizational citizenship behaviors were measured using eleven items adapted from Podsakoff's et al.'s (1990) scale. Example items for this scale included “I obey company rules and regulations even when no one is watching” and “I am always willing to lend a helping hand to others around me.”

## Survey Results

As the first round of questionnaires collected did not exclusively identify the Gen X and Baby Boomer generations (an oversight corrected in subsequent collection rounds), it is not possible to compare across the three generations using the whole sample. Accordingly, the results presented here are based on a comparison of Gen Y and non-Gen Y (i.e., Gen X and Baby Boomers combined) employees. Although this may not be ideal, the authors wish to emphasize again that the objective of this paper is to provide an overview of an extended research project, parts of which will be examined in more detail in subsequent analyses and publications. This paper in part serves to point to future directions for analysis and research in this area.

Independent samples t-tests were used to identify significant differences in the attitudes of Gen Y and non-Gen Y employees. The results are presented in Table 1. As can be seen, there is a significant difference in the attitudes of Gen Y and non-Gen Y employees for every construct with the exception of perceptions of training and development. Evaluating the extent of such differences reveals further interesting results. Every construct that an organization would want to maximize in its employees (e.g., engagement, job satisfaction, organizational commitment), the Gen Y cohort rates significantly lower. The converse is also true. The two constructs that an organization would want to minimize in its staff (job switching behavior and intention to quit), the Gen Y cohort rates significantly higher. Interestingly, Gen Y consider themselves to be more employable than their non-Gen Y counterparts, although the non-Gen Y cohort have a greater sense of job security. Of course, the job security finding would point to the higher rates of part- and full-time employment within the non-Gen Y cohort (81.4%) over the Gen Y cohort (52.3%).

**Figure 3**  
**Independent samples t-tests**

Construct	Gen Y <sup>a</sup>		Non-Gen Y <sup>b</sup>		t-statistic	df	Sig.
	Mean	SD	Mean	SD			
Engagement	5.41	0.81	5.76	0.76	-6.53	912	.000**
Job satisfaction	5.30	1.28	5.66	1.19	-4.17	912	.000*
OCB	5.49	0.73	5.80	0.72	-6.24	912	.000**
Org. commitment	5.13	1.13	5.56	1.04	-5.71	912	.000**
POS	4.77	0.86	4.98	0.81	-3.64	912	.000**
PSS	5.05	1.12	5.32	1.20	-3.34	912	.001**
Job Security	5.20	1.15	5.40	1.12	-2.58	912	.010*
Employability	4.89	1.45	4.46	1.12	4.01	912	.000**
Intention to Quit	3.54	1.53	2.80	1.42	7.20	912	.000**
Job Switching	2.83	1.26	2.39	1.34	4.95	912	.000**
Rewards & Recognition	4.63	1.24	4.84	1.25	-2.45	912	.000**
Training & Dev	5.07	1.49	5.23	1.48	-1.50	912	.134

<sup>a</sup> n=570 <sup>b</sup> n=344

\* p < .05 \*\* p < .01

In this study, the Gen Y cohort spans sixteen years, and the youngest of this generation have only just entered the workforce, while the oldest could have been in the workforce for around ten years. It stands to reason, then, that there could also be significant differences in the attitudes of employees within the Gen Y cohort. Accordingly, the cohort was split into three “waves,” with the oldest being the first wave (born between 1979 and 1983), the middle group becoming the second wave (born between 1984 and 1988), and the youngest Gen Y employees making up the third wave (born between 1989 and 1994). One-way ANOVAs were conducted to determine the existence of any differences in the attitudes of the three Gen Y waves. Significant differences existed in the attitudes of the three waves of Gen Y for the constructs engagement,  $F(2, 567) = 5.501, p < .005$ , organizational commitment,  $F(2, 567) = 6.125, p < .005$ , organizational citizenship behaviors,  $F(2, 567) = 4.954, p < .01$ , PSS,  $F(2, 567) = 11.828, p < .001$ , POS,  $F(2, 567) = 6.791, p < .005$ , job security,  $F(2, 567) = 11.198, p < .001$ , employability,  $F(2, 567) = 3.517, p < .05$ , and job switching behaviors  $F(2, 567) = 6.786, p < .005$ . That is to say, no differences existed in the attitudes of the three Gen Y waves regarding job satisfaction  $F(2, 567) = 0.640, p = .528$ , quit intentions,  $F(2, 567) = 2.736, p = .066$ , perceptions of training and development,  $F(2, 567) = 0.390, p = .677$ , and rewards and recognitions,  $F(2, 567) = 1.429, p = .240$ .

Post hoc tests (Tukey’s HSD) revealed that the major source of difference was between the third wave (the youngest employees) and the second and first waves (the older employees). Again, the youngest wave had less positive perceptions of those things an organization would want to have

good perceptions of (e.g., job satisfaction, engagement, etc.) and more inclination to engage in the behaviors an organization would want to minimize, i.e., quit intentions and job-switching behaviors.

## **Discussion and Conclusion**

The preliminary analysis of the quantitative data from an extended study of generational differences in attitudes reveals that there are indeed significant differences in all but one key work-related attitude. This simple finding itself should be of key concern to hospitality owners and managers. Although a single point in time study such as this one cannot definitively prove the existence of stable and continuous generational effects, immediate attention must be paid to the existence of significantly different attitudes and opinions regarding some of the important internal drivers of external business outcomes.

Perception of training and development opportunities was the only measure with no significant differences in the attitudes of different generations. A closer inspection of this finding reveals that both the Gen Y and non-Gen Y group rated this construct at approximately 5 (out of a possible 7). While this is a positive attitude towards training and development in general, it is only slightly higher than the neutral attitude (at 4 on the scale). Providing opportunities for training and development can benefit a company in many ways: Employees can develop and improve on the required set of skills to effectively deliver the highest levels of service quality and customer satisfaction, and revenues can increase through improved confidence and up-selling. The investment makes employees feel valued by their organization, encouraging them to reciprocate in kind. For the hospitality businesses that participated in this survey, there is a long way to go in terms of improving training and development opportunities for their staff, of all generations.

This same finding is true of all the indicators of employee attitudes. Although the non-Gen Y cohort rates consistently and significantly higher than the Gen Y cohort in their positive attitudes, the level for both groups is still a long way from the possible rating of 7. As employee perceptions of the work environment are directly linked with desirable organizational outcomes, such as customer satisfaction, customer loyalty and profitability (cf. Chi & Gursoy, 2009; Nishii et al., 2008; Salanova et al., 2005), hospitality owners and managers must constantly seek to provide the best possible working environment in the eyes of their employees.

Long-term profitability and sustainability in the hospitality industry are largely dependent on customer satisfaction (Chi & Gursoy, 2009). Customers will often equate service quality with the employee that delivered the service (Schneider & Bowen, 1985). Through the interactional nature of service delivery, the internal HR practices of an organization become

“visible” to the customer (Tornow & Wiley, 1991). It is not enough to focus on revenues, costs and profitability targets; understanding and improving the impact of internal processes on employee attitudes is an integral part of business success.

### **Implications for management**

By integrating the results of all stages of the larger study (literature review, focus groups and large-scale survey), the authors are able to make some suggestions for effective people management that are directly relevant to hospitality operations. Some of the suggestions are directly applicable to the management of Gen Y employees, and some are general suggestions for balancing the needs of various generations in the workplace. First and foremost, it is more important than ever before to hire the right person; skills are important but there is a need to ensure that the potential Gen Y candidate’s values align with those of the business. Once hired, the orientation and socialization of the new Gen Y employee to the business is crucial. If they are made to feel comfortable and like part of the family from early on, they are likely to reciprocate with commitment and loyalty to their co-workers and to the business.

Employee engagement is one of the most important drivers of positive business outcomes, such as increased customer satisfaction and revenues (Schneider et al., 2009). Involving Gen Y employees in how and why the business operates, rather than just asking them to follow instructions, will be well received. One example of this could be offering attractive opportunities to experience the business as a customer would. Positive co-worker relationships, trust and collaboration inspire the Gen Y employee; building a company culture that supports these things is important. Hospitality organizations that do not already have one should develop a statement of “values” and actively and openly uphold these in practice. Employee attitude surveys are a useful tool for keeping abreast of the tide of opinions within an organization.

So often, easy opportunities for providing learning and growth opportunities in hospitality go ignored. While formal training programs are obviously beneficial, not all businesses can afford them for their staff. Such smaller operators should focus on what they can do, by passing on their valuable insight and experience to less experienced staff. One simple example could be by involving front-line employees in the stock-ordering process. Mentoring is an excellent opportunity for Gen Y employees to learn from their older counterparts. This not only develops relationships and provides learning opportunities for the mentee, but also affords the mentor the chance to learn valuable new skills.

Anecdotally, the authors are aware of a lot of resistance to new technological platforms, mobile communication in particular. Hospitality operators are encouraged to embrace these technologies and turn the challenge into an advantage: Vacant shifts could be advertised through a Facebook page, or important company announcements (shortened to the Gen Y “language”) could be sent out via SMS. Banning the use of phones and other mobile gadgetry in the workplace is fast becoming an archaic practice. Operators should think instead about developing reasonable guidelines for the use of such devices during work hours. A corollary to the increasing reliance on mobile technologies is that face-to-face communication skills do not come as naturally to this generation as one might assume. Role play training, where employees get a chance to see what good customer service “looks like,” would be of great benefit.

Effective people management will require more flexibility on the part of the organization, manager and supervisor than previously (Tulgan, 2004). This may mean offering different benefits, rewards and working hours to different employees depending on what suits the employees, rather than the manager. Above all, managers need to recognize and respect the individuality of each and every employee (regardless of generation). A “one size fits all” approach is not going to work into the future. For all their desire to follow trends, collaborate, and stay intricately connected to their peers, Gen Y also strongly values their own individuality and freedom of expression.

### **Study Limitations**

Perhaps the most relevant question regarding generational differences in attitudes relates to how enduring the traits are. Will the attitudes and subsequent behaviors that Gen Y now displays be stable and continuous over the years to come? Will Gen Y continue to demand individualized attention, new challenges and regular feedback? Of course, it is not possible to determine this from a single point time study such as this one. Naturally there are certain other limitations of this study that must be acknowledged. While the study benefited from a large sample size across a diverse range of hospitality business in different geographic locations across Queensland, Australia, the authors recognize that this sample may not be representative of hospitality employees in other areas of the world.

There are many other possible considerations that could moderate or affect the results of this type of research program. It is rather difficult to fully disentangle the reasons why and the ways how generations differ, as differences between individuals could be the result of many factors that are unrelated to generational grouping. For example, there is the idea of a “life cycle” effect, whereby young people today become more like today’s older people as they mature into older life. Then there is the “period” effect, in

which all generations are affected by a major world event, but the way in which they are affected is quite different as they are different formative stages in their lives (Kowske et al., 2010).

## Implications for Future Research

As emphasized in previous sections, this paper provides a broad overview of an extended program of research into generational differences in work-related attitudes in the hospitality workplace. The objective of this paper was to introduce the reader to the background, rationale and conceptual model for the study, before summarizing the broad findings from the large-scale survey of hospitality employees and providing some suggestions for how management might deal with the implications of the findings. Naturally, the size of the data set collected by means of the survey lends itself to an extended program of statistical analysis. In this regard, the authors are already in the process of conducting various statistical analyses to further investigate important relationships between the constructs of interest.

Further analyses must control for the effect of organizational tenure, position and employment status, amongst other potentially confounding factors. Preliminary analyses of the dataset before all data collection finished indicated that the effect of generational grouping was much stronger than other factors, although it is necessary to conduct such analyses again on the full dataset. It was beyond the scope, limits and relevance of the current paper to report such results here. Another angle the authors are investigating is the moderating effect of employability and job security on employee attitudes and relationships between constructs. Given the turbulent economic circumstances of recent years, this is an important area for further analysis.

In this study, differences in *levels* of attitudes across generations have been empirically established in support of the abundant popular press and anecdotal evidence. Going forward, it is important to understand the nature of *relationships* between the key attitudes and whether these relationships differ across generations. For example, is the impact of perceived organizational or supervisory support on employee engagement stronger for Gen Y employees than non-Gen Y employees? The propositions developed by Solnet & Hood (2008) support this line of thinking. Further data analysis will shed light on questions such as these.

Future studies could examine the effect of various leadership styles, management approaches or human resource practices on the attitudes of different generations. For example, in the human resource literature there is a widely cited gap in understanding the mechanisms that link human resource practices with subsequent employee attitudes and behaviors. It is generally accepted *why* human resource practices lead to particular behaviors and outcomes, but it not so well understood *how* such practices influence



behaviors. There is a growing argument that the way in which human resource practices are perceived by individual employees is an important factor (Nishii et al., 2009). It is likely, then, that such perceptions would vary across generations. This warrants further investigation.

Some of the limitations referred to above could be overcome in future research through strata sampling in multiple countries and repeated measure, longitudinal research designs. The only way to control for age, period and generation effects in a single study is to adopt the age-period-cohort (APC) model (cf. Mason et al., 1973), although even this method has its limitations surrounding the linear dependencies between age, period and cohort (Kowske et al., 2010).

In closing, just as those who market products and services must remember that they are not the customer, managers must remember that they are not the ones serving a great majority of customers. Strategies for managing employees must be tailored to suit the employee, not the preferences of the manager. People with open minds and the energy and drive to satisfy the variety of workplace demands made by today's employees will steer the businesses that succeed in the ever more competitive hospitality environment. Never resting on their laurels, such hospitality leaders and managers will be constantly monitoring the changing attitudes of successive generations of their workers.

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# Entrepreneur's Dilemma: Hotel Investments in Emerging Markets

By Melih Madanoglu

Estimating the required rate of return for hotel properties is a daunting task because a lodging property is considered a hybrid between a real estate asset, and a revenue-generating enterprise affiliated with a hotel brand. Computing the expected rate of return for a hotel becomes even more complicated when a third party foreign investor/entrepreneur is the one performing the computation for an investment hotel in an emerging country. This clinical case illustrates the challenges surrounding the estimation of a project's cost of equity in the multinational hotel industry. The results reveal that estimating cost of equity in emerging markets for hotel investments continues to be a conundrum. Future investors should make multiple adjustments and use several models when making their capital investment decisions.

*Keywords: hotel investments, cost of equity, emerging markets, country risk*

## Introduction

In the last decade, the periods of economic growth (2005-2006) and economic recession (2008-2009) had a profound influence on investment activity. On the one hand, in 2006 the U.S. lodging market was a hotbed for mergers and acquisitions (M&A) activity. On the other hand, the Asian market experienced an abundance of hotel openings. All these developments were greeted warmly by Wall Street equity analysts, who viewed them as positive signals about increasing the share price of these companies. However, since major hotel chains are becoming asset-light by primarily managing or franchising their properties (Page, 2007), less is known about how the actual hotel owner or lessor (i.e., the entrepreneur) has estimated the required rate of return of a hotel asset he owns or leases. First, it is not clear how the entrepreneur has estimated the level of cash flows the investment is expected to generate. It is assumed that the expected level of cash flows can be forecasted based on the competitive set or by using "comparables" (hotels in the same price segment) from within the affiliated hotel chain. More importantly, it is even more challenging to decide on the rate at which these cash flows should be discounted to obtain the net present value (NPV) of this project. When a foreign investor makes a capital investment decision in a hotel project affiliated with an international hotel brand, matters become even more complicated. In other words, should the foreign investor look at the local hotel market risk of the local country or should he/she go with the overall risk level of the international hotel chain? This paper aims to answer this dilemma by using various cost of equity models in the context of

emerging markets.

Ogier, Rugman and Spicer (2004) viewed the investment process as analogous to passing through a river as fast as possible while getting minimally wet. This situation is parallel to the world of today's business investments. That is, executives need to make informed decisions prior to embarking on an investment project. More specifically, company executives need to estimate the minimum rate of return their shareholders expect to be compensated for the level of risk they undertake.

The same logic applies when an entrepreneur plans to invest in a project in a foreign country and desires to expatriate profits back to his/her home country. The analysis becomes even more complex when the entrepreneur finances part of the project with a bank loan from his/her own country. In order to focus on the required rate of return (i.e., the cost of equity), this study assumes that the entrepreneur would use 100% equity financing for this hotel project. However, the major complexity of this case study would be that the entrepreneur's property would be affiliated with an international hotel brand whose stock is listed on a stock market in Country A (the United States), while he/she resides in Country B (Thailand), and the prospective hotel would be located in Country C (Turkey).

The purpose of this clinical case is to illustrate the challenges surrounding the estimation of the project's cost of equity in the multinational hotel industry. The case took place at the end of 2005, when a Thai entrepreneur planned to open a luxury hotel in Turkey. The investor's decision rested upon two key attributes:

- 1) the level of free cash flows the project would generate
- 2) the discount rate (cost of capital) of this project.

As mentioned before, the key complexity to this case study is that the investor was from Thailand while the investment project was located in Turkey and the parent hotel brand (Four Seasons Hotels & Resorts) was based in North America (headquartered in Canada but listed on stock exchanges in the U.S. and Canada). The inclusion of a third country in this decision-making process raises some questions, such as which market data should be used (Thai, Turkish, or North American)? Also, how could a potential country-risk premium or exchange-risk premium be added to the required rate of return (cost of equity) of the Thai investor?

It is worth emphasizing that equity capital is generally the most difficult capital to raise, and it is also the most expensive. According to Roos (2004), equity capital is the residual claimant on a project; equity receives the leftover cash flows after all other claims are paid. As a result, de Roos (2004)

maintained that equity participants work hard to understand the precise nature of the risk and returns to their investment.

Fortunately, some major models help equity investors worldwide estimate the risk side of the equation: the Capital Asset Pricing Model (CAPM) of Lintner (1965) and Sharpe (1964), and the Arbitrage Pricing Theory (APT) of Ross (1976). Since these models originated in a developed equity market (the United States), they are still difficult to apply in emerging country contexts. One of the ways to ameliorate some of the shortcomings of the CAPM and the APT is the implementation of adjustment models specifically developed for emerging markets. The next section provides an overview of the common cost of equity models and cites some relevant studies from the hospitality management field.

## Cost of Equity Models

### The Capital Asset Pricing Model (CAPM)

One of the most popular models for estimating the cost of equity of a given project or a company is the Capital Asset Pricing Model (CAPM) (Lintner 1965; Sharpe 1964). The model has an intuitive appeal to managers because it is based on the assumption of a positive risk-return tradeoff. The model states that the expected return of an asset is determined by three variables: beta (a function of the stock's responsiveness to the overall movements in the market), the risk-free rate of return (generally measured as the 1-month yield of a Treasury bill), and the expected stock market return (Fama & French, 1992). The model assumes that investors are risk averse and, when choosing among portfolios, concerned only about the mean and variance of their one-period investment return. This argument is in essence the cornerstone of the CAPM. The model can be stated as:

$$E(R_i) = R_f + \beta_i (R_m - R_f)$$

where,  $R_m$  is the market return of stocks and securities,  $R_f$  is the risk-free rate,  $\beta_i$  is the beta that measures the covariance of the risky asset with the market portfolio, and  $E(R_i)$  is the expected return of  $i$  stock.

Early practical tests of the CAPM employed by Black, Jensen, and Scholes (1972) and Fama and MacBeth (1973) both supported the theory by reporting a positive relationship between beta and average returns for the period of 1926-68. However, in the past three decades, financial economics literature produced several studies that yielded more disturbing results. Banz (1981) found that market equity (firm size) added to the explanation of the cross section of expected returns, suggesting that beta is not a sufficient statistic to describe the cross-section of expected returns. Similar effects were found for leverage (Bhandari, 1988), the ratio of book value to common equity (Chan, Hamao, & Lakonishok, 1991; Rosenberg, Ried, & Lanstein,

1985), and earnings-price ratios (Basu, 1983). Several other studies (e.g., Lakonishok & Shapiro, 1986; Reinganum, 1981) presented evidence that the positive relationship between beta and returns could not be demonstrated for the period of 1963-90. Particularly over the last ten years, even stronger evidence has been developed against the CAPM by Fama and French (1992, 1993, 1995, 1997), and Roll and Ross (1994). These researchers challenged the model by contending that it is difficult to find the right surrogate for the market portfolio, that CAPM does not appear to accurately reflect the firm size in the cost of equity calculation, and that not all systematic risk factors are reflected in returns of the market portfolio. In the restaurant industry, Madanoglu, Erdem, and Gursoy (2008) reported that the CAPM does not provide accurate estimates for the portfolio of small casual-dining restaurants. In another study, Lee and Upneja (2008) showed that using the Implied Cost of Equity (ICE) approach provides more reliable results than the CAPM. While the shortcomings of the CAPM are well documented in and outside of the hospitality industry, it is still prominently used in financial management studies.

**Arbitrage Pricing Theory**

Another seminal model in finance literature is the Arbitrage Pricing Theory (APT), developed by Ross (1976). Ross (1976) argued that factors other than beta affect the systematic risk. While the CAPM presents the notion that there is one efficient portfolio for every investor in the world, the APT is based on the underlying premise that asset returns,  $R_i$ , are generated by a factor model that can be stated as:

$$R_i = E_i + \sum_{j=1}^k b_{ij} \delta_j + \epsilon_i$$

where,  $R_i$  is the uncertain return to asset  $i$ ,  $E_i$  is the expected return to asset  $i$ ,  $b_{ij}$  is the factor loading for asset  $i$  related to factor  $j$ , or asset  $i$ 's sensitivity to movements in factor  $j$ ,  $\delta_j$  is the factor  $j$  ( $j=1, \dots, k$ ), and  $\epsilon_i$  is the error term for asset  $i$ . In addition, the model assumes that the factors and error terms have a mean of zero.

As mentioned before, instead of seeking for equilibrium in which all investors hold the same portfolio, the APT argues that in the world of finance an investor faces many possible sources of risk and uncertainty. More specifically, the core assumption of the APT is that security returns are exposed to multiple macroeconomic factors (Vishwanath & Krishnamurti, 2009). The APT contends that these macroeconomic factors can not be



diversified away in a portfolio of stocks. Thus, these macroeconomic factors are priced by the investors because they are source of risk that cannot be diversified away. Hence, investors expect to be compensated for these macroeconomic risks they are exposed to (Goetzmann, 1996).

Since Ross (1976) did not explain exactly what those macroeconomic factors are, there has been a long debate regarding which risk factors are indeed priced by the investors. In 1986, Chen, Roll, and Ross specified five risk factors that influence security returns: a) The industrial production index, which is a measure of the state of the economy based on the actual physical output, b) the short-term interest rate measured by the difference between the yield on Treasury bills and the Consumer Price Index (CPI), c) short-term inflation, measured by unexpected changes in CPI, d) long-term inflation, measured as the difference between the yield to maturity on long- and short-term U.S. government bonds, and e) default risk, measured by the difference between the yield to maturity on Aaa- and Baa-rated long-term corporate bonds (Chen et al., 1986; Copeland et al., 2000).

In the hospitality industry, there is still a scarcity of studies that investigate how macroeconomic variables affect security returns. The very first study, conducted by Barrows and Naka in 1994, modified the original five factors of Chen et al. (1986). Barrows and Naka (1994) reported that none of the five macroeconomic factors was significant in explaining the variance of hotel stocks at the .05 level. The five APT factors accounted for 7.8% of the variance in lodging stocks. The regression analysis indicated that three variables (namely, expected inflation, money supply, and domestic consumption) had a significant effect on the variation of the stock returns in the restaurant industry. The APT explained 12% of the variance in the restaurant stocks. The second study was undertaken by Chen, Kim, and Kim (2005), who used hotel stocks listed on the Taiwan Stock Exchange. The macroeconomic variables included in their study were industrial production (IP), consumer price index (CPI), unemployment rate (UEP), money supply (M2), 10-year Government bond yield (LGB), and 3-month Treasury bill rate (TB). These variables explained merely 8% of the variation in hotel stock returns. Two of these variables (money supply and employment) had a significant relationship with the stock returns ( $p < .05$ ). Change in money supply had a positive relationship with hotel stock returns; whereas, change in the unemployment rate had a negative association with lodging returns.

## **Adjustment Models**

In emerging markets, when the CAPM and APT do not provide reliable estimates, investors need to use adjustment models. Generally, these adjustment models can be economically justified, but these models lack theoretical grounding. This is because practitioners cannot easily adopt

models from academic literature; a universal asset pricing model is not available (Andrade, 2009).

The starting point for the adjustment models is to assess whether the emerging markets are segmented or integrated with the world markets. That is, in a completely segmented market, assets will be priced based on the local market return. The local expected return is the product of the local beta times the local market risk premium (Bekaert & Harvey, 2002).

Bekaert and Harvey (2002) developed a modified model after researching eighteen emerging markets for the pre-1990 and post-1990 periods and reported that the correlation of the emerging markets with the Morgan Stanley Capital International (MSCI) World Index increased noticeably. For instance, the context of this case study –Turkey– is one of the countries whose market correlation with MSCI World Index increased from less than .10 to over .35. By virtue of this increase, Turkey may be considered an integrated capital market, where the expected return is determined by the beta with respect to the world market portfolio multiplied by the world risk premium. This is the core argument of the Bekaert-Harvey Mixture model (Bekaert & Harvey, 2002).

When the integrated markets assumption does not hold, investment banks and consulting firms tend to employ a method called the Sovereign Spread Model (Goldman Model). This is conducted by regressing an individual stock against the Standard and Poor's 500 index returns to obtain the risk premium. Then, an additional "factor" is added, which is labeled the "sovereign spread" (SS). This spread between the country's government bond yield denominated in U.S. dollars and the U.S. Treasury bond yield is "added in." The bond spread serves to compensate for an "unreasonably low" country risk premium (Harvey, 2005).

## Method

### Sample and Data

This paper is structured as a piece of a clinical case study. That is, it is a work in which a small number of events are researched more intensively and in-depth (Tufano, 2001). The present study uses two different sub-samples. The first sub-sample is represented by a single company, the Four Seasons Hotels and Resorts, which is listed on the New York Stock Exchange. The second sub-sample is the Tourism Index (composed of seven tourism stocks) of the Istanbul Stock Exchange (ISE), in Turkey. The empirical observation period in this study is the five-year period between 2001 and 2005. Stock data were obtained from the Center for Research in Security Prices (CRSP), at the University of Chicago. The Turkish stock return data comes from brokerage houses in Turkey.

In line with suggestions made by Annin (1997), and Barad and McDowell (2002), a minimum of thirty-six months' stock market trading was the criterion for a hospitality firm to be included in the Turkish Tourism Index. In addition, the value-weight CRSP index (which includes NYSE, AMEX, and NASDAQ stocks) was used as a market portfolio index for the U.S. This is in congruence with the previous seminal studies related to asset pricing models (Fama & French, 1992, 1993, 1997; Jagannathan & Wang, 1996). On the other hand, the IMKB Ulusal 100 Index was utilized as a market portfolio for Turkey.

Beta was computed by regressing excess return of the Four Seasons and Turkish Tourism Index over the excess market return. Excess market return (market risk premium (MRP)) for the U.S. was computed by subtracting one-month's Treasury bill rate from the monthly value-weighted CRSP index return. For Turkey, MRP was calculated by subtracting the Turkish Government's Treasury Bill from the monthly IMKB Ulusal 100 index return.

The data for the five APT variables were obtained from Global Insight Database. The APT variables were calculated as in Chen et al. (1986). Expected inflation was estimated following the method of Fama and Gibbons (1984). Country risk premium was adapted from Aswath Damodaran, at New York University. Damodaran (2006) explained the estimation procedure as follows: "To estimate the long term country risk premium, I start with the country rating (from Moody's: [www.moody.com](http://www.moody.com)) and estimate the default spread for that rating (U.S. corporate and country bonds) over the Treasury bond rate. This becomes a measure of the added country risk premium for that country. I add this default spread to the historical risk premium for a mature equity market (estimated from U.S. historical data) to estimate the total risk premium."

### **Estimation Approaches**

The present paper uses two different approaches to estimate the expected return (indirect and direct):

a) *Indirect approach*

In this method, first the required rate of return is computed for the U.S. for a stock (in this case Four Seasons) by averaging out estimates for the CAPM and APT. Then, an adjustment for country risks of Turkey and Thailand is made based on Moody's country risk ratings, as reported by Damodaran (2006).

b) *Direct Approach*

In the direct approach, an estimation of the nominal required rate of return for the portfolio of Turkish tourism and hospitality stocks is applied. As a next step, the author makes an adjustment for the sovereign spreads of Turkey and Thailand, since it is assumed that the Thai investor will repatriate cash flows to his/her home country.

## Results

### The Indirect Approach

As mentioned, the indirect approach assumes that the Turkish Stock Market is integrated; thus using the U.S. Market Indices for Four Seasons is equivalent to using IMKB Ulusal 100 for the Turkish Tourism portfolio. First, a regression of the monthly returns of Four Seasons over the CRSP Value Weighted Return for the 2001-2005 period was run. The results in Table 1 show that the beta for Four Seasons was 1.6, and the CAPM explained over half of the variation in the stock returns of Four Seasons ( $R^2 = 56.8\%$ ). Next, a calculation of the five-year annualized return for CRSP to estimate the market risk premium was conducted. The five-year historical return for CRSP was 4.3%. The risk-free rate for the 2001-2005 period was 2.16%. As a result, the cost of equity based on the CAPM is as follows:

$$E(R_i) = 2.1 + 1.6 * (4.3-2.1) = 5.4\%$$

**Table 1**  
**Results for the CAPM and APT**

Model	Variable	$\beta$	SE	t
CAPM	Beta	1.640	.211	7.773*
				R 2 = .568*
APT	IP	-1.129	.939	-1.203
	UPR	-10.937	4.766	-2.295*
	UTS	-3.039	4.041	-.752
	UI	-58.599	56.602	-1.035
				R <sup>2</sup> = .208

Notes: IP= Industrial Production, UPR= Default Risk,  
 UTS=Term Structure, UI= Unanticipated Inflation,  
 EI= Expected Inflation, SE=Standard Error  
 \* Denotes significance at the .05 level

In an effort to have less biased estimates, the APT was used to calculate the expected return for Four Seasons. The results revealed that only the default risk variable (UPR) was significant at the .05 level. Jointly the APT variables did not explain a significant portion of the stock return variation in Four Seasons ( $R^2 = 20.8\%$ , *ns*) (See Table 1). The negative coefficient for the UPR precluded the author from using this variable in the cost of equity estimations. Otherwise, the use of the UPR would produce a negative expected return based for Four Seasons with the APT. As a consequence, the cost of equity estimate with the APT was not included in the final cost of equity computations.

Consequently, the author of this study employed the CAPM's estimate of 5.4% and adjusted it with the country risk of Turkey and Thailand. According to Damodaran (2006), the historical risk premium for the U.S. is 4.80%, while Turkey's country risk premium is 5.60%, above the U.S. risk premium. The risk premium of Thailand is 1.65% above the risk premium of the U.S. This denotes that Turkey's country risk premium is 3.95% over Thailand (5.60% less 1.65%). These figures produce an expected return of 9.35% (5.4% + 3.95%) for the Thai entrepreneur undertaking an equity investment in Turkey.

### **The Direct Approach**

In this approach, the monthly return of the Turkish Tourism Index was regressed over the return of the IMKB Ulusal 100. The beta for the Tourism Index was merely 0.17. The five-year average for the risk-free rate (Turkish government's Treasury bill) for the 2001-2005 period was 46.4%. The annualized return of the market index (ISE) for the 2001-2005 period was 37.7%. The expected return for the tourism portfolio was calculated by applying the CAPM, and it yielded the following results:

$$ER(i) = 37.7 + 0.17 * (46.4 - 37.7) = 37.7 + 1.5 = 39.2\%$$

It was assumed that the expected return of prospective Four Seasons property in Turkey would be identical to the Turkish Tourism Index. The next step entailed the addition of the sovereign spread between Thailand and Turkey. The sovereign spreads came from the study of Fuentes and Godoy (2005). The spread for Turkey was 11.875%, and for Thailand the spread was 7.750%. The difference between the two spreads was 4.1%. Based on these figures, the cost of equity estimate for the direct approach was 43.3% (39.2% + 4.1%).

### **Alternative Analysis**

Due to the shortcomings of the CAPM, Fama and French (1993) put forward a three-factor model (hereafter, the Fama-French (FF) Model),

which augments beta with the size and financial distress factors. The size factor is denoted as small-minus-big premium (SMB), where size is measured by market capitalization. SMB is the average return on three small portfolios minus the average return on three big portfolios, as described by Fama and French (1993). High minus low (HML) is the average return on two value portfolios minus the average return on two growth portfolios (Fama & French, 1993). High BE/ME (value) stocks are associated with distress that produces persistently low earnings on book equity that result in low stock prices.

The FF model was not included in the main analysis because the SMB and HML portfolio returns are not readily available for Turkey. As a result, this study used the monthly returns from the Dow Jones Lodging Index as a proxy for the U.S. hotel industry returns. The findings demonstrated that the FF model explained approximately 65% of the variation in stock returns ( $p < .05$ ). All three factors (i.e., beta, SMB and HML) were significant at the .05 level. The cost of equity with the FF model for US lodging stocks was 17.12%. Once the country risk premium (3.95%) was added, the total discount rate for the project was 21.07. As can be seen here, the FF model gives a more realistic cost of equity estimate compared to the CAPM and the APT.

### **Limitations**

The findings of this study come with some considerable drawbacks. First, the beta estimate for a single firm is likely to be exposed to some statistical noise. However, even when a portfolio approach was used in Turkey, the estimation of the cost of equity was still a very difficult task. In addition, the trading returns of Four Seasons' stock in Canada are not included in this study because Four Seasons reports its financial results in U.S. dollars. Another important limitation is that sovereign spreads and country risk premiums are primarily related to default risk. In the present case study, the default risk carries less relevance since the investor does not seek a bank loan. Last, the present study did not control for currency exchange risk, which may have had an influence on the expected return of the hotel project.

### **Discussion**

The findings show that the expected returns for the hotel investment in Turkey varied widely. One of the main reasons for this stark difference is the high historical inflation in Turkey. This is clearly demonstrated by the gap in the Treasury bill rates for this country (82.3% for 2001, and 16.3% for 2005). Hence, if a hypothetical investor elects to use the "going-rate" for the risk-free rate (i.e., 16.3%), then the new expected return

for the Turkish Tourism portfolio would be much lower than the original cost of equity (43.3%).

Capital markets view hospitality projects as inherently riskier than other real estate investments (de Roos, 2004). However, in this study the direct approach produced a very low beta for the Turkish Tourism portfolio (0.17). Does this mean that the tourism portfolio is almost six times less risky than the overall ISE index? What if the real risk of tourism stocks is twice as high as the market? This scenario is quite likely since North American data indicated that the beta for Four Seasons in the U.S. was 1.6. If that is the case, then the Thai investor should require a rate of return of more than 50%. If so, how can the investor hedge his investment risk against the large swings in the cost of equity estimates? While these thought-provoking questions are left to be answered in future studies, the present findings tell us that present financial models fall short of reflecting the realities of the hotel investments in emerging markets.

The attempt to use Four Seasons' market data and then extrapolate these return estimates into the Turkish market is another formidable task. This is evidenced by the effort to use the average estimates of the CAPM and APT to obtain a baseline expected return for Four Seasons. However, the abysmal results provided by the APT lead to a single solution: to rely on the CAPM to produce a baseline estimate and then adjust this figure based on other types of risks (credit risk, exchange risk, political risk, etc.). One bit of positive news pertaining to cost of equity is that models such as the FF model or Carhart's four-factor model (which consists of beta, the two Fama-French factors and the momentum factor [up minus down] [UMD] [Carhart 1997]) may provide more realistic cost of equity estimates in emerging markets. For instance, the alternative analysis showed that the expected return with the FF model was more realistic than the CAPM and the APT. However, the FF model is still not easy to apply in emerging markets.

As the results indicated thus far, cost of equity estimations for hotel investments in emerging markets are still beset with uncertainty. The major shortcomings stem from the challenge of applying the seminal models, such as the CAPM and APT. The second set of issues arises when countries such as Turkey tend to have high historical rates of inflation but more recently apply disciplined fiscal reforms to curb inflation. Thus, should an investor use the historical data or should he/she try to forecast the future "forward-looking" interest rates in Turkey? In the case of Turkey, the author of this study contends that investors should have some forward-looking estimates due to the downward trend of inflation in Turkey. Otherwise, the required rate of return of the project may be overestimated. Given the issues mentioned above, investors should go back to basics and use basic models such as the Internal Rate of Return (IRR). Consequently, entrepreneurs may

calculate the discount rate at which the NPV of the project will be zero as a safety net in their decision- making process.

### **Recommendations and Implications**

This study has several implications for practitioners and researchers. First and foremost, future entrepreneurs/investors should employ multiple financial models and use these models' average estimate to obtain a more reliable value for the cost of equity capital. It may be plausible to use Carhart's four-factor model (Carhart 1997) or the ICE approach used in hospitality management by Lee and Upneja (2008). It is also suggested that investors should try to use forward-looking analyst estimates (*ex ante*) instead of historical (*ex post*) market data. Special care should be exercised when dealing with countries which have historically high inflation (e.g., Turkey, Brazil, and Argentina).

While this study focused on the denominator of the NPV calculation, investors should be conservative both about expected cash flows and the cost of equity to prevent a possible project default. In addition, cost of equity should be estimated by using comparables or a competitive set approach. That is, investors should calculate the cost of equity for a minimum of three or four hotel corporations and use the average cost of equity estimate as the expected return for their hotel project. When the sample size of referenced hotels is small, one should use firms from other closely related industries, such as real estate, tourism, and travel. Last, other contextual risk factors that are idiosyncratic to the investment project, such as liquidity and political instability, should be considered prior to making the final equity investment decision.



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# Perceived Work Status and Turnover Intentions of Casual-Dining Restaurant Employees

By Robin B. DiPietro and Brumby McLeod

## Abstract

The current research examined the effects of perceived work status of hourly employees on the established relationships between turnover intentions and the constructs of autonomy, affective organizational commitment, perceived management concern for employees, and perceived management concern for customers in the casual-dining restaurant industry. Surveys were collected from 296 employees of a multi-unit casual-dining restaurant franchise, part of a large, national, casual-dining restaurant chain. Employees with perceived part-time work status revealed a generally negative trend in factors shown to contribute to turnover. Employees who perceived their work status as part-time also showed significantly lower levels of affective organizational commitment than those who perceived their work status as full-time. Additionally, the mean scores of the desirable attributes trended lower for those employees who perceived themselves as part-time. Even more, helping behaviors, so crucial in a casual-dining environment, were lower when employees perceived their work status to be part-time. The current study discusses managerial implications of the research findings and gives suggestions for future research.

*Keywords: Turnover intention, casual-dining restaurant employees, autonomy, part-time, full-time, management concern, affective organizational commitment*

## Introduction

Historically, many service organizations, including those in the hospitality industry, have used a high percentage of part-time employees (Inman & Enz, 1995). During recent years, the service sector has seen an increase in the percentage of part-time staff. The results of that shift have created additional concerns related to future employee turnover and service quality. As part-time employees have become the dominant source of labor in hospitality organizations, strategies for retaining the best employees and maintaining exceptional service quality require the attention of management (Cho & Johanson, 2008). The benefits associated with part-time employment, such as reduced labor costs and flexible scheduling, are desirable, but not if they result in higher turnover costs and poor service quality.

During times of economic crisis, hospitality organizations tend to lay off numerous employees and decrease the hours of current employees,

causing an immediate reduction in costs and a long-term focus on controlling operational budgets. During recessionary periods there are fewer job opportunities in the market. Therefore, voluntary turnover decreases because people tend to stay in less-than-desirable positions until the economy improves (Gentry et al., 2007). In addition, employees settle for jobs that were once overlooked because of pay, benefits, and job requirements. The past suggests that as the economic recovery begins and employees leave for better opportunities elsewhere, turnover should increase. The research shows that it is important to determine the relationships that exist between factors such as work status, autonomy, organizational commitment, and perceptions of management concern, on the turnover intention of employees in order to create a better environment for increasing retention of the best employees (Alexandrov et al., 2007; Cho & Johanson, 2008; Fuller et al., 2003).

The current research challenges using work status as just a demographic variable, instead using it as a moderator regarding turnover intention. Because of the importance of part-time employees in the restaurant industry in particular, managers need to know how they can retain these employees and provide a work environment that continues to challenge and motivate employees in order to get the best service quality from them. Because they are not always in a position to lure new employees with lucrative pay and benefits, organizations are forced to find creative ways to motivate and retain their current part-time employees. This research will help in identifying relevant differences amongst employees, based on their perceived work status.

The current study examines the effects of perceived work status on the established relationships between turnover intentions and the constructs of autonomy, affective organizational commitment, perceived management concern for employees, and perceived management concern for customers in the casual dining restaurant industry. Work status is considered “perceived” by hourly employees since all employees with the exception of management in the sample organization are categorized as part-time hourly employees. They are not guaranteed a certain number of work hours, not provided healthcare benefits, and not provided any retirement benefits.

The following research questions are put forth:

- A. Is there a relationship between perceived autonomy and turnover intention in hourly, casual-dining restaurant employees?
- B. Is there a relationship between affective organizational commitment and turnover intentions in hourly casual-dining restaurant employees?

- C. Is there a relationship between employee-perceived management concern for employees and turnover intention in hourly casual-dining restaurant employees?
- D. Is there a relationship between employee-perceived management concern for customers and turnover intention in hourly casual-dining restaurant employees?
- E. Are there mean differences in these constructs based on an employee's perceived work status as part-time or full-time?

## **Literature Review**

### **Casual-Dining Restaurant Industry**

Despite the economic downturn of late, the foodservice industry is on track to make more than \$604 billion in 2011 (National Restaurant Association, 2011). The casual-dining segment of the industry makes up approximately 34% of the foodservice revenue (National Restaurant Association, 2006). The definition of a *casual-dining restaurant* is one that has consistent standards and menus, typically more themes than other segments, trendier and higher-priced food items than limited-service restaurants, higher service levels than quick-service restaurants, and more highly trained and knowledgeable staff (Muller & Woods, 1994). The importance of this segment of the restaurant industry cannot be overstated, and the role of the part-time employee in the segment is critical to its success. Because the restaurant industry is increasingly dependent on part-time employees, and because the casual-dining segment requires that employees have a higher level of service and product knowledge, it is critical for managers to understand how to best retain and engage part-time employees. In order to provide this higher level of service, employee retention is essential; therefore, the current study looks at how various job and organizational constructs impact turnover intention of employees.

### **Part-time vs. Full-time Employees**

The hospitality industry has always had a strong reliance on part-time labor (Buonocore, 2010; Feldman, 1990; Inman & Enz, 1995; Johanson & Cho, 2009; Nardone, 1986), and during economic downturns this fact becomes even more evident. Hospitality research often investigates the differences between part-time and full-time employees in the workplace. This research into the differences between part-time and full-time employees is often conflicting (Cho & Johanson, 2008; Conway & Briner, 2002; Holtom, Lee, & Tidd, 2002). *Part-time employees* are defined as people who work less permanent hours and can be scheduled and hired to be flexible with guest demands, whereas *full-time employees* are typically viewed as the traditional, standard, permanent positions in organizations (Holtom, Lee, & Tidd, 2002).

Cho and Johanson (2008) concluded that even though part-time employees do not work the same number of hours as full-time employees and are traditionally more transient than full-time employees, they are an important part of the workforce. Those authors found that part-time employees should not be treated as perishable workers and that managers should implement practices that engage part-time employees. Other research has shown that despite the fact that part-time employees may have different motivations for staying with an organization, they are critical to the overall operation of the organization (Conway & Briner, 2002; Gentry, Kuhnert, & Mondore, 2007; Johanson & Cho, 2009; Sighetler & Adams, 1999).

Studies of the financial benefits of using part-time employees in the hospitality industry found that if part-time employees are scheduled properly, and if managers find a way to help the employees connect with the workplace--despite being part-time employees--the organization can benefit financially. In a study done by Choi, Hwang, and Park (2009) related to the proper scheduling of hourly employees, it was found that managers must work hard at scheduling employees appropriately for the financial benefit of the employee, for the financial benefit of the company in labor costs, and for the service standards of customers. Johanson and Cho (2007) concluded that if employees, either part-time or full-time, felt connected to the workplace, they were less likely to have turnover intention; this could help organizations financially. Many employees in the restaurant industry are considered part-time and are a critical component of the workforce. It is becoming increasingly important to determine how employees distinguish themselves--as part-time or full-time--and how this perception of their work status is related to various constructs.

### **Perceived Work Status**

The concept of *work status* is not new; it relates to whether a person is employed in a part-time or full-time position (Buonocore, 2010; Conway & Briner, 2002; Holtom, Lee, & Tidd, 2002). The idea behind perceived work status comes from Holtom, Lee, and Tidd's (2002) *work status congruence concept*, which is defined as the degree to which employers match employee preference for full-time or part-time status, schedule, shift, and number of hours. *Perceived* is defined as the process of using the senses to acquire information about the situation (*Encarta*, 2009). In this context, perceived work status is the way that employees perceive their work status despite whether the organization officially considers the employee full-time or part-time. This perceived work status can influence the employee's overall perception of the organization and can influence the various constructs analyzed in the current study.

No research to date has taken into account the perceived work status of a group of employees and analyzed this factor as it relates to autonomy, perceptions of manager concern for employees, perceptions of manager concern for customers, affective organizational commitment, and the intention to turnover. Determining employees' perceived work status related to these constructs can give management suggestions for how to use the employee perceived work status to help facilitate improved commitment and lower turnover intention as well as to develop organizational commitment. Each of the constructs to be analyzed in the current study is described below.

### **Turnover and Turnover Intentions**

Turnover is clearly identified as a burden to hospitality organizations, particularly as it relates to training and service quality (Tax & Brown, 1998). *Turnover intention* is the self-reported perception by employees regarding whether they will be turning over, or leaving their current place of employment, within a given amount of time.

The *turnover intention model* proposed by Alexandrov, Babakus, and Yavas (2007) provides a conceptual framework for benchmarking and potentially capitalizing on the benefits of utilizing part-time employees. The turnover intention model incorporates the relationships between key elements already found to be important to an organization: employee perceptions of management concern for employees and customers, affective organizational commitment, and turnover intentions. Alexandrov et al. (2007) found that there was a linear relationship between the variables and turnover intention. The Alexandrov et al. (2007) turnover intention model was examined in a retail-service setting; the current study will analyze several of these same constructs in a casual-dining environment and will add the construct of autonomy and the possible impact of the perceived work status of employees on turnover intention.

### **Autonomy**

Another workplace variable, autonomy, has received extensive attention in the literature, particularly as it relates to the design of work and how to help employees stay engaged with work (Karatepe, 2011; Marchese & Ryan, 2001). *Autonomy* refers to freedom, independence, and discretion in scheduling and in how to do work (Hackman & Oldham, 1975). Hackman and Oldham (1975, 1976) provided some of the earliest research addressing the importance of autonomy in job design from their instrument termed the *Job Diagnostic Survey (JDS)*. Barrick and Mount (1993) incorporated this work by revealing the moderating effects of autonomy on the five personality dimensions of extraversion, agreeableness, conscientiousness, emotional status, and openness to experience. In addition, the researchers examined



the moderating effect of autonomy on job performance, extending the work of Lee, Ashford, and Bobko (1990), whose work examined the moderating effect of autonomy on a specific personality trait and job performance.

Studies have tested the concept of autonomy and how it relates to employees in the service industry. Severt, Xie, and DiPietro (2007) determined that autonomy and participative decision making on the job had a positive impact on employee retention in school foodservice. Other studies found that autonomy and having control over various components of the job, such as the number of work hours, scheduling, and the division of server tips, helped with increasing *employee retention intention* (a term sometimes used in place of turnover intention) and satisfaction on the job (DiPietro & Milman, 2008; Namasivayam & Upneja, 2007). In a more recent study of 620 hotel employees in Turkey, Karatepe (2011) found that job autonomy helped to decrease emotional dissonance and disengagement on the job. Autonomy will be analyzed in relationship to turnover intention in the current study in order to help provide managerial suggestions for decreasing turnover and thereby lowering some of the costs of employee turnover.

### **Employee Perceptions of Management Concern for Employees and Customers**

The turnover intention model proposed by Alexandrov et al., (2007) suggested that management concern for frontline employees and customers significantly increases employees' job satisfaction and organizational commitment, and indirectly reduces their turnover intentions. This model suggests that management could increase job satisfaction and organizational commitment by its perceived behaviors and by being more supportive of customers and hourly employees. By being concerned for employees, the managers are showing that they are invested in the people that work with them to achieve goals. Showing concern for customers creates a more positive environment for both the customers and employees. Showing concern for customers may help to increase tips for frontline servers and help to create positive interactions with customers more frequently, as customers may feel more positive toward the organization.

Other research supports this by stating that supervisory support helps to increase employee retention by showing that employees tend to stay in their organization if they feel that supervisors care about them and their well-being (Fuller et al., 2003; Gentry et al., 2007). Supervisory support includes valuing employee contributions, treating employees with respect and recognition, and caring about employee development and well being (Eisenberger, Fasolo, & Davis-LaMastro, 2002; Gentry et al., 2007). This feeling of supervisory support may be related to an employee's feeling of connection to the organization and may encourage them to stay with the organization. In a study of global service providers, Gentry et al. (2007)

found that the districts or areas of the company studied that had higher levels of perceived supervisory support also had higher retention rates (or lower turnover rates).

### **Affective Organizational Commitment**

*Affective organizational commitment* refers to the employee's psychological attachment to an organization (O'Reilly & Chatman, 1986). Studies by Lee and Johnson (1991) and Meyer and Allen (1991) found that employees were stronger in organizational commitment levels when the incentives or payments for the work they did met or exceeded the employee's expectations. Employee commitment has been found to be directly linked to turnover intention. Hom and Griffeth (1995) found that employees decide to leave their organization when they become dissatisfied with, and lose commitment to, the job. More recently, Karatepe et al. (2007) determined that job satisfaction and affective organizational commitment were negatively associated with turnover intention for hourly employees in a hotel.

Related to the commitment level of employees are the types of organizational citizenship behaviors that employees exhibit on the job. Organizational citizenship behaviors were analyzed in the Stamper and Van Dyne (2003) study of 257 foodservice employees: It was found that part-time employees exhibited less "helping" behaviors than their full-time counterparts. These behaviors included helping out when other employees needed help performing their work, such as clearing plates or serving drinks to a table other than their own. Part-time employees were fairly equal with the full-time employees when rated on their "voice" behaviors, which include making recommendations for how to improve the workplace or job environment, suggesting menu items, and providing feedback about guest likes or dislikes. This research shows that there are differences between part-time and full-time employees, but not as many differences as are often hypothesized by managers in the foodservice industry (Stamper & Van Dyne, 2003).

A study by Jacobsen (2000) found that part-time or temporary workers often had less organizational loyalty and dedication to their work because they viewed it as a short-term commitment; thus they did not exhibit as many loyalty and dedication characteristics as full-time employees. When employees are less loyal or dedicated to their organization, they tend to be less committed to the organization overall.

### **Summary**

Calls for research on part-time employees reverberated in the late 1980's and early 1990's (Feldman, 1990; Inman & Enz, 1995; Nardone, 1986). Much of the research sought to identify differences across work status between full-time and part-time employees (Thorsteinson, 2003).

Researchers found mixed results across key psychological constructs, such as attitude, customer orientation, involvement, job performance, job satisfaction, organizational citizenship, organizational commitment, retention, stressors, and turnover intentions. Even today, research continues to focus on these differences between part-time and full-time employees due to the relative importance of these different types of employees in service organizations (Cho & Johanson, 2008; Gentry et al., 2007; Johanson & Cho, 2009). The reliance on part-time employees in the hospitality industry increases the importance of the research in the area.

## Methodology

Data for this study were collected as part of a comprehensive analysis of a multi-unit restaurant franchisee in the Southeast. The sample population included all hourly, non-management employees across the 22-unit casual-dining restaurant chain. The restaurant group allowed the researchers access to employees via their web-based scheduling system during a one-month period. The employees were asked to complete an online survey from their home computers that took approximately 7-10 minutes to complete. The online questionnaire included questions related to their personal demographics (age, gender, education, and family status), work place characteristics (tenure, work assignment, and perceived work status), and the latent variables discussed in the literature review.

The survey was developed from previously tested measures in the literature. The survey items for the constructs of perceived management concern for employees, perceived management concern for customers, affective organizational commitment, and turnover intentions were adapted from the Alexandrov et al. (2007) study. The survey items for the autonomy variable were adapted from Barrick and Mount (1993). Restaurant executives, area managers, and academicians reviewed the survey instrument for content validity before it was administered to the hourly employees. The following table provides a summary of the measures used in this study (see Table 1). Reliability analysis was conducted on the measurement scales *perceived management concern for employees* (CE), *perceived management concern for customers* (CC), *affective organizational commitment* (AOC), and *autonomy* (AU).

**Table 1**  
**Measurement Scales**

Scale	Alpha
<b>Perceived management concern for employees (CE)</b>	<b>.952</b>
1. Management cares about potential growth and achievements of each employee 2. Management encourages the employees to do whatever it takes to do the job right. 3. Management listens to what employees have to say. 4. Management motivates employees without using fear and intimidation. 5. Management inspires employees to give excellent service to customers. 6. Management practices what they preach. 7. Management promotes teamwork throughout the company.	
<b>Perceived management concern for customers (CC)</b>	<b>.968</b>
1. Management promotes high quality products and services. 2. Management is always improving its products and services. 3. Management is focused on customer satisfaction. 4. Management provides accurate information to customers. 5. Management looks for quality first when selecting suppliers. 6. Management lives up to the promises made to customers. 7. Management does a good job keeping customers informed of changes which affect them.	
<b>Affective organizational commitment (AOC)</b>	<b>.951</b>
1. I find that my values are aligned with the company's values. 2. I am really glad that I chose to work for this company as opposed to a competitor. 3. I really care about this company's future. 4. I would not hesitate to recommend this company as a good place to work. 5. My work at this company gives me a sense of accomplishment. 6. I am proud to work at this restaurant. 7. I understand the mission of my company.	
<b>Autonomy (AU)</b>	<b>.696</b>
1. There is a lot of freedom in how I perform my job. 2. This job is quite simple and repetitive. 3. If someone else did my job, they could do the tasks in a very different manner than me. 4. The way my job is performed is influenced a great deal by what others (supervisors, peers, customers, etc.) expect. 5. The way my job is performed is influenced a great deal by company rules, policies, and procedures. 6. The work itself provides a lot of clues about what the person should do to get the job done. 7. I enjoy the flexibility that Hot Schedules provides me in managing my schedule.	

In order to achieve a desirable response rate, a link to the electronic survey was placed within the scheduling software environment so that employees would be invited to participate in the study when they logged in from home to receive their weekly work schedule. There was also support from company executives, area directors, and unit managers in promoting participation in the survey by hourly employees.

## **Results**

After a 4-week period beginning in mid-November, 296 useable responses were completed from a sample population of 650 employees, resulting in a 45.5% response rate. Employees from all 22 restaurant units participated in the study.

A summary of the respondents' demographics is provided (see Table 2). More than half of the respondents were female (67%). More than 73% of the respondents were between the ages of 20 and 34. More than 75% had gone to college or were currently in college, and more than 65% of the respondents were single and without children. In addition to these demographics, workplace information was gathered. Over 52% of the respondents had been with the company less than a year. An additional 28.5% had been with the company 1-2 years, and 19% had been with the company more than 2 years. The majority of the respondents were classified as servers (62.5%) and hosts (11.8%). The respondents who had work assignments that were grouped under "other" (5.4%) included "to-go" employees and "food expeditors." In regard to perceived work status, more than 42% of the respondents considered themselves full-time. It is interesting and important to note that the organization does not classify any of the hourly employees as full-time. The reasons for this are that employees receive no set or guaranteed number of hours, no permanent employment contract, and no health or retirement benefits from the organization. Thus the classification for full-time and part-time employment status was based purely on employee perception of their work status.

**Table 2**  
**Summary of Demographics**

Variables	Number	Percent
<b>Gender</b>		
Female	195	67.0 %
Male	96	33.0 %
<b>Age</b>		
16 to 19	41	13.9 %
20 to 24	128	43.5 %
25 to 34	89	30.3%
35 to 44	27	9.2 %
45 to 54	8	2.7 %
55 to 64	1	1.0 %
Above 65	0	0.0 %
<b>Education</b>		
Less than High School	6	2.0 %
High School / GED	60	20.3 %
Some College	157	53.2 %
2-year College Degree	33	11.2 %
4-year College Degree	37	12.5 %
Master's Degree	1	0.3 %
Doctoral Degree	0	0.0 %
Professional Degree	1	0.3 %
<b>Family Status</b>		
Single without children	191	65.2 %
Single with children	40	13.7 %
Married without children	10	3.4 %
Married with children	39	13.3 %
Life partner without children	8	2.7 %
Life partner with children	5	1.7 %

Note: n=296

Scatter-plot diagrams were used to examine the expected linear relationship between the variables prior to conducting correlation analysis. Additional analysis examined the Pearson correlation between the latent variables *perceived management concern for employees* (CE), *perceived management concern for customers* (CC), *affective organizational commitment* (AOC), *autonomy* (AU), and *turnover intentions* (TI) (see Table 3).

The first research question explored the relationship between autonomy and turnover intentions. The data revealed a moderate negative relationship, suggesting that higher levels of perceived autonomy are related to lower turnover intentions. The second research question explored the relationship between an employee's affective organizational commitment and turnover intentions. The data revealed a strong negative relationship, suggesting that higher levels of affective organizational commitment are

related to lower turnover intentions. The third research question explored the relationship between employees' perception of management's concern for employees and turnover intentions. The fourth research question explored the relationship between employees' perception of management's concern for customers and turnover intentions. Both employees' perception of management's concern for employees and customers revealed a strong negative, linear relationship with turnover intention, as revealed in previous studies. These findings show that if employees perceive that their managers show concern for employees and customers, it is related to lower turnover intentions for the employees.

In order to answer the last research question regarding whether there were mean differences between part-time and full-time perceived work status and the constructs analyzed in the current study, sample t-tests were utilized. Although mean differences were significant only for *affective organizational commitment*, employees that perceived themselves as full-time revealed more favorable means across all measures (see Table 4).

**Table 3**  
**Correlation matrix latent variables**

Variable	CE	CC	AOC	AU	TI
CE	1.000	-	-	-	-
CC	0.845	1.000	-	-	-
AOC	0.747	0.804	1.000	-	-
AU	0.396	0.455	0.515	1.000	-
TI	-0.597	-0.604	-0.691	-0.296	1.000

Note: n=296. All correlations were significant at the 0.01 level (2-tailed).

**Table 4**  
**Differences in Perception by Perceived Work Status**

Variable	Mean	Full-time	Part-time	t	Sig.
CE	5.30	5.37	5.24	-0.696	.487
CC	5.68	5.82	5.57	-1.545	.123
AOC	5.57	5.79	5.41	-2.313**	.021
AU	5.34	5.34	5.33	-0.113	.910
TI	2.92	2.79	3.02	1.022	.308

Measured on a 7-point Likert scale: 1=strongly disagree; 7=strongly agree

Turnover intentions were measured over four different intervals. Each interval was analyzed independently. Mean differences of turnover intentions were not statistically significant for the first two measures.

However, turnover intention within 12 months and 24 months showed significant differences. Employees who perceived themselves as part-time indicated higher consideration for leaving the company as time progressed. In addition, the magnitude of the mean differences increased across the four turnover intention measures (See Table 5).

**Table 5**  
**Differences in Perception by Perceived Work Status**

Variable	FT	PT	MD	Sig.
I frequently think of quitting my job.	2.79	3.02	.230	.308
I am thinking of quitting in the next 6 months.	2.71	3.02	.310	.187
I am thinking about leaving this company in the next 12 months.	2.92	3.51	.591	.019
I am thinking about leaving this company in the next 2 years.	3.45	4.29	.837	.001

Measured on a 7-point Likert scale: 1=strongly disagree; 7=strongly agree

## Discussion and Implications for Practitioners

The results of the current study supported previous studies in which affective organizational commitment revealed a negative correlation with turnover intentions. Thus, turnover intentions are lower for those employees with higher levels of affective organizational commitment. This finding suggests that if managers can gain commitment of employees either through their actions or by more diligent hiring practices, employees will be less likely to turnover. This suggests that managers need to make more of an effort to use organizational commitment questions as part of the hiring process and encourage and reward the behaviors that demonstrate affective organizational commitment in daily operations. Once employees are hired, the company needs to work at increasing commitment level by possibly including employees in decision making, communicating about issues occurring in the business, and creating a sense of ownership or partnership in the organization.

Perceived work status revealed mean differences in affective organizational commitment. Employees who perceived themselves as part-time had lower measures of affective organizational commitment. Because of the large percentage of part-time employees needed for the restaurant industry, it is important to look at strategies for creating a more committed workforce. Strategically developing policies and tactics to create higher levels of affective organizational commitment should reduce turnover intentions. In the finding about perceived work status, it was determined that employees who perceived themselves as full-time employees had higher organizational commitment. This shows that organizations need to make all employees feel



a part of the “team” or the work environment so that they feel more like a full-time member rather than a part-time member of the organization.

The results supported previous studies in which favorable perceptions of management’s concern for employees and customers had a negative linear relationship with turnover intentions. Thus, turnover intentions are lower for those employees with higher perceptions of management’s concern for employees and customers. These findings emphasize the role of the manager in creating a positive culture. By being honest with customers and employees, creating a motivating environment, and helping to develop staff, managers can reduce turnover. It may also prove to be helpful to have more open discussions with employees regarding the management practices that they see exhibited. Perceived work status did not reveal significant differences in how management was perceived.

The study also revealed a moderate negative relationship between autonomy and turnover intentions. This shows that the more autonomy an employee perceives in the job, the lower the turnover intentions. This finding underscores the need for managers to include employees in decision making on the job, including scheduling, work and task assignments, and work design. Employees want to feel that they can add input to what their job is and could be. This can have implications that challenge many of the old management models that emphasize excluding employees from decision making or work design. This might be seen as a benefit in an organization that does not provide health or retirement benefits to its hourly employees. In addition, allowing employees an opportunity to help in the design of their job through flexible hours and job tasks can help to increase their autonomy on the job and thus help to lower their turnover intention. Perceived work status did not reveal significant differences in autonomy; both part-time and full-time employees benefit from autonomy on the job.

### **Limitations**

If employees who perceived themselves to be part-time demonstrated significantly lower levels of affective organizational commitment, then these employees were also less likely to complete the survey. This could be a potential limitation of the current study. Another limitation of the current study is that it is based on one organization; therefore, generalization of the results is limited.

### **Future Studies**

Because of the use of only one organization in the current study, future research could use a sample across multiple casual-dining operations and even other segments of the restaurant industry. This would help to ensure that these findings are more widespread and not the effect of one organization’s policies and procedures. In performing research with only one

organization, the results could be tainted due to the hiring practices of the organization, the type of employee that they employ, the policies that are in place in the organization, and possibly the pressure put on employees to complete the survey. These factors could have caused some static in the data that was collected. In order to minimize that influence, employees from various organizations could be used. This would result in a more generalizable set of data about the relationships between the various latent variables in the current study and turnover intention.

Future research could also be done to look at the relative values of the desired number of work hours versus the actual work hours received by these hourly employees to determine work status congruence. Using the Holtom, Lee, and Tidd (2002) study, it would be interesting to note whether there were variations in responses based on the level of satisfaction with, and discrepancies based on, the desired and actual hours that the employees' were scheduled. *Work-status congruence* is defined as the degree to which employers match employee preference for full-time or part-time status, schedule, shift, and number of hours (Holtom et al., 2002). Although the organization in this study utilizes only part-time hourly employees, the concept of workplace congruence could be used to identify the correct match with a potential employee. In addition, attributes of the job, such as scheduling, hours, shifts, and positions, could be matched with employee preferences to increase retention and affective organizational commitment.

In the work of Holtom et al. (2002) it was determined that if employees had positive work status congruence--in other words, if they were receiving the number of work hours that they wanted--they were more satisfied, committed, and likely to stay with the employer. Future studies should look at the work status congruence related to the part-time hourly workforce in the casual-dining restaurant industry. In this way the impact on the tested relationships could be determined, and managers could practice human resources methods that might help retain employees.

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# **Interrole Conflicts in the Hospitality Industry: The Role of Positive Affectivity as an Antidote**

**By Ugur Yavas, Osman M. Karatepe, and Emin Babakus**

## **Abstract**

This study investigates the role of positive affectivity as a buffer against the detrimental effects of interrole conflicts on frontline hotel employees' job performance and turnover intentions. Data collected from a sample of frontline hotel employees in Turkey serve as the study setting. Results and their implications are discussed, and directions for future research are offered.

*Keywords: hotel employees, interrole conflicts, positive affectivity, survey, Turkey*

## **Introduction**

Today's demanding work environment blurs the boundaries between job and home lives and heightens the potential for work-family and family-work conflicts, where participation in one role makes it difficult to participate in the other (cf. Arnold, Flaherty, Voss, & Mowen, 2009; Smith, 2010). The difficulties frontline employees experience in achieving work-life balance (Wong & Ko, 2009) can cause poor morale, undermine their performance, and hinder effective customer service (Netemeyer, Maxham, & Pullig, 2005; Wayne, Musisca, & Fleeson, 2004). Given the detrimental effects of interrole conflicts on the well-being of the employees and the organizations, managing work-life balance is a managerial imperative (Chiang, Birtch, & Kwan, 2010; Wong & Ko, 2009). Against this backdrop, the purpose of the present study is to investigate the relationships among interrole conflicts and frontline employees' job performance and turnover intentions, and the buffering role of positive affectivity in this process using data gathered from a sample of frontline hotel employees in Turkey.

Our study is relevant and significant. First, conflicts in the work-family interface have detrimental outcomes for frontline employees in the hospitality industry. This is widespread both in developed Western countries (e.g., the United States, the United Kingdom) as well as other countries (e.g., Jordan, India, China). Employees experiencing difficulty in managing work and family conflicts have poor job performance and elevated levels of turnover intentions. Therefore, managers strongly desire to retain frontline employees who display effective performance in the workplace. This is important because, due to their boundary-spanning roles, frontline employees should deliver quality services to customers (Yavas, Babakus, & Karatepe, 2008). In addition, turnover is a crucial problem in the hospitality

industry, has substantial tangible and intangible costs for the organization (Kusluvan, Kusluvan, Ilhan, & Buyruk, 2010), and is triggered by turnover intentions. With this realization, managers should make sure that they retain a pool of frontline employees with low levels of turnover intentions.

Second, while a plethora of research in the past examined direct linkages among interrole conflicts and organizationally significant outcomes, there is a paucity of research on the role of personality traits as possible moderators in the hospitality management literature (Karatepe, 2008, 2011). This is a shortcoming. Management can use certain tools, such as employee assistance and training programs, to mitigate the detrimental effects of interrole conflicts on job performance and turnover intentions. However, ultimately, an individual's personality can play a significant intervening role in the process (cf. Richardson & Rothstein, 2008). In this study, we contend that positive affectivity is one such trait.

Finally, besides adding to the compendium of knowledge and serving as a frame of reference for future research, the findings of our study may also prove useful from a managerial perspective, as well. For instance, if found viable, our findings may carry implications regarding the recruitment of the "right" type of individuals for frontline positions in hotels. Consequently, the findings would be useful for hotel managers in the global work environment, where there are intense competitive pressures. The next section presents an overview of the relevant literature. This is followed by presentations of the method and results of the empirical study we undertook among frontline hotel employees in Turkey. We conclude with implications of the results and suggestions for future research.

## Literature Review

### Interrole Conflicts

Frontline employees in service organizations are often underpaid, typically work long hours and irregular schedules, and carry heavy workloads (Karatepe, 2010; Poulston, 2008). These factors, coupled with dramatic changes in today's social conditions (e.g., the entry of more women into the workforce; the rise in the number of dual-career couples; the increased responsibility of caring for older, infirm parents/relatives); and tighter economic conditions (e.g., downsizing, resulting in "lean and mean" organizations and necessitating that surviving employees work even longer hours) give rise to heightened conflicts between the two universal roles of adult life (Halpern, 2005). These are work-family and family-work conflicts (Netemeyer, Boles, & McMurrian, 1996). *Work-family conflict* refers to "a form of interrole conflict in which the general demands of, time devoted to, and strain created by the job interfere with performing family-related responsibilities." *Family-work conflict* refers to "a form of interrole conflict in

which the general demands of, time devoted to, and strain created by the family interfere with performing work-related responsibilities” (Netemeyer et al., 1996, p. 401).

Both forms of conflict basically result from an individual’s attempts to meet an overabundance of demands emanating from their dual roles. The demands coming from one domain make performance of roles in the other domain more difficult. Research in the extant literature suggests that interrole conflicts decrease employees’ work-related performance and have negative impacts on other outcomes, including employees’ turnover intentions (Allen, Herst, Bruck, & Sutton, 2000; Netemeyer, Brashear-Alejandro, & Boles, 2004).

A careful investigation of the hospitality management literature also suggests that work-family conflict or family-work conflict influences managerial and non-managerial hotel employee outcomes (e.g., organizational commitment, job satisfaction, turnover intentions) deleteriously. For instance, the results of a study conducted with hotel employees demonstrated that conflict between work and family domains decreased normative organizational commitment and job satisfaction, whereas family-work conflict positively affected job satisfaction (Namasivayam & Mount, 2004). According to the results of another study in Turkey, two directions of conflict had detrimental effects on service recovery performance and exacerbated turnover intentions among frontline hotel employees (Karatepe & Sokmen, 2006). In Karatepe and Sokmen’s (2006) study, it was shown that conflict between family and work domains reduced job satisfaction, while work-family conflict did not. The results of a study in Jordan also provided support for the positive effects of two directions of conflict on turnover intentions among frontline hotel employees (Karatepe & Baddar, 2006).

Namasivayam and Zhao’s study (2007) revealed that family-work conflict was a significant predictor of job satisfaction for a sample of hotel employees in India, while work-family conflict was not. Recently, Blomme, Van Rheede, and Tromp (2010) reported that work-family conflict intensified turnover intentions among Dutch hotel employees. More recently, in a study of hotel sales managers in China, Zhao, Qu, and Ghiselli (2011) found that two directions of conflict reduced affective reactions to the job, while only family-work conflict weakened the cognitive appraisal of a job. The results of their study also showed that family-work conflict mitigated life satisfaction, while work-family conflict did not.

### **Positive Affectivity**

*Affectivity*, defined as “the dispositional tendency to experience certain affective states over time” (Thoresen, Kaplan, Barsky, Warren, & De



Cherment, 2003, p. 915), is a personality variable that manifests itself in terms of negative affectivity and positive affectivity. Negative affectivity and positive affectivity are not opposite points on a continuum but rather two independent forms of affectivity (Cropanzano, James, & Konovsky, 1993). In this study, we focus on *positive affectivity*, or the dispositional tendency to experience pleasurable engagement with the environment (Watson, Clark, & Tellegen, 1988). This is because the preponderance of management research in the past has centered on negative affectivity and ignored positive affectivity (Karatepe & Uludag, 2008; Zellars, Perrewé, Hochwarter, & Anderson, 2006) and calls are made to incorporate positive affectivity into research (Zellars et al., 2006). Such a gap in the extant literature has also been highlighted in Eby, Maher, and Butts's (2010) review.

Overlooking positive affectivity in prior studies is a shortcoming considering the contemporary movement towards positive psychology/positive organizational behavior (Schaufeli & Bakker, 2004). Positive psychology focuses on human strengths, optimal functioning, and positive experiences at work rather than weaknesses and malfunctioning (Mauno, Kinnunen, & Ruokolainen, 2007; Schaufeli, Salanova, González-Romá, & Bakker, 2002; Seligman & Csikzentmihalyi, 2000). Likewise, positive organizational behavior, which is an extension of positive psychology, encourages and promotes the study and application of positively oriented human resource strengths and psychological capacities to improve performance in today's workplace (Luthans, 2002).

Positive affectivity increases intuition and creativity, widens the scope of attention, triggers happiness (Barsade & Gibson, 2007; Fredrickson & Losada, 2005). Individuals who are high in positive affectivity fully concentrate on their tasks; they are energetic and determined (Fogarty et al., 1999; Watson et al., 1988). They tend to perceive events and individuals in a generally more positive manner (Iverson, Olekalns, & Erwin, 1998). Individuals with low positive affectivity, on the other hand, are more likely to experience feelings of fatigue and apathy (Cropanzano et al., 1993). Research suggests that positive affectivity can reduce absenteeism and turnover intentions (cf. Barsade & Gibson, 2007) and can increase job satisfaction and organizational commitment (Amabile, Barsade, Mueller, & Staw, 2005; Thoresen et al., 2003). As can be inferred from a statement of its objective, in this study we contend that positive affectivity can potentially mitigate the negative effects of interrole conflicts on employees' job performance and turnover intentions.

## Method

### Sample and Procedure

Data for the study were gathered via self-administered questionnaires from full-time frontline employees of three-, four-, and five-star hotels in Ankara, the capital city of Turkey. These respondents were employed as front-desk agents, bell attendants, food and beverage servers, concierges, guest relations representatives, door attendants, and bartenders and had frequent face-to-face or voice-to-voice interactions with customers.

According to the information we received from the Ministry of Culture and Tourism, 11 five-star, 27 four-star, and 38 three-star hotels were operating in the research location at the time of our study. These hotels had a total of 6,432 rooms. The ownership structures of the hotels ranged from international/national chain hotels to independently/family owned and operated hotels. The managements of the hotels were contacted to receive permission for data collection. The managements of 32 three-star, 22 four-star, and 10 five-star hotels granted permission. The total number of frontline employees in these hotels was 1,339. The research team distributed the questionnaires to all these frontline employees. Each questionnaire included a cover letter promising complete anonymity and confidentiality to the respondent. Six hundred twenty questionnaires were returned, for a response rate of 46.3%, which is comparable to the response rate obtained in another study conducted among frontline hotel employees in the same locality (Yavas et al., 2008).

As shown in Table 1, about 45% of the respondents were between the ages of 18 and 27, 39% between 28 and 37, and the rest were older than 37. Approximately 55% of the respondents were male. Approximately 48% of the respondents had secondary and high school education, 2% had primary school education, 24% had vocational school (two-year college) education, 24% had college degrees, and the rest had graduate degrees. About 47% of the respondents had tenures of 1-5 years, 30% had tenures of 6-10 years, and 7% over 10 years. The rest of the respondents (16%) had been with their hotels less than one year. The majority of the respondents (52%) were single or divorced, while the rest were married. About 52% of the respondents had no children, and nearly 46% had 1 or 2 children. The rest had more than two children.

### Measurement

Multiple item indicators from well-established scales were used to operationalize the constructs of the study. As shown in the Appendix, work-family conflict and family-work conflict were measured via five (5) items from Netemeyer et al. (1996) and Boles, Howard, and Donofrio (2001).

Positive affectivity was measured via three (3) items from Agho, Price, and Mueller (1992). Job performance was measured via five (5) items adapted from Babin and Boles (1998), and turnover intentions via three (3) items from Singh, Verbeke, and Rhoads (1996).

Responses to all these items were elicited on 5-point scales ranging from 5 (*strongly agree*) to 1 (*strongly disagree*). Composite scores were generated by adding items comprising each construct. Because of the scoring method used, higher scores consistently indicated higher levels of each construct (e.g., higher work-family conflict, positive affectivity, turnover intentions). With the exception of the family-work conflict construct ( $\alpha = .66$ ), all internal consistency reliability coefficients exceeded the .70 benchmark.

The survey instrument was initially prepared in English and then translated into Turkish via the back-translation method (Malhotra, 2007). To ensure that the item contents were cross-linguistically comparable and generated the same meaning, two faculty members of a Turkish university fluent in both languages further checked the questionnaire. Prior to administering in the field, the questionnaire was pre-tested with a pilot sample of 30 frontline hotel employees, and no changes in the wording of the questions were deemed necessary.

## Results

### Measurement Results

The entire set of 21 items comprising the measures of study constructs was initially subjected to an exploratory factor analysis (principal component analysis) using oblique rotation since the underlying factors were expected to correlate. The analysis produced a five-factor solution with eigenvalues larger than 1.0, accounting for 63% of the total variance. The first factor explained 20.5% of the variance. All items loaded heavily (.48 or stronger) on their intended factor, while the cross-loadings remained small (largest cross-loading was .187).

The scale items were also subjected to confirmatory factor analysis using the sample covariance matrix as input to LISREL 8.80 (Joreskog & Sorbom, 1993). The confirmatory factor analysis results indicate that the five-factor measurement model fits the data well ( $\chi^2_{166} = 421.21$ ,  $p = .00$ , RMSEA = .050, GFI = .94, CFI = .96, NFI = .94, NNFI = .96) and the median value of the standardized factor loadings was .80 with a range of .42 to .94. The average variance extracted (AVE) consistently exceeded shared variance ( $\Phi^2$ ) between the constructs, which suggests that the measures exhibit discriminant validity. With the exception of family-work conflict, all AVEs were larger than .50, an indication of convergent validity (Fornell & Larcker, 1981).

We checked the potential problem of common method variance by Harman's one-factor test (McFarlin & Sweeney, 1992). The initial five-factor confirmatory factor analysis above was followed by a one-factor measurement model ( $\chi^2_{176} = 2272.33$ ,  $p = .00$ , RMSEA = .140, GFI = .73, CFI = .71, NFI = .69, NNFI = .65). A  $\chi^2$  difference test indicated that the single-factor model fit is considerably worse than the proposed five-factor measurement model ( $\Delta\chi^2_{10} = 1851.12$ ,  $p < .01$ ), suggesting that common method bias may not be a problem in this study (Boyer & Hult, 2005).

## Regression Analysis Results

In examining the relationships among interrole conflicts and job performance and turnover intentions, and determining whether positive affectivity moderates these relationships, a two-step procedure was followed. In the first step, two regression models were run by using work-family conflict and family-work conflict as the independent variable, and job performance and turnover intentions as the dependent variable. As can be seen from Table 2, both models proved to be viable (marginally significant in the case of job performance). The independent variables collectively were more effective in explaining the variance in turnover intentions ( $R^2 = .08$ ). A closer scrutiny of the results showed that work-family conflict was the only significant predictor of job performance. In the case of turnover intentions, family-work conflict was the only significant predictor.

In the second step, we used sub-group analysis (cf. Kohli, 1989) to determine whether positive affectivity moderates the interrole conflict-outcome relationships. Sub-group analysis, which examines significant differences in regression coefficients across sub-groups (Arnold, 1982), depicts the pattern of results more clearly than would be the case in an examination of interaction effects in analysis of variance. Specifically, we repeated ordinary least squares regression analysis in sub-groups reflecting low and high scores on the moderator variable (positive affectivity). In forming a pair of sub-groups representing low and high sub-groups, the respondents were arrayed according to their positive affectivity scores, and the two sub-groups were then formed by selecting approximately the top and bottom quartile of the cases. The accepted procedure in sub-group analysis is to drop the middle cases from subsequent analysis so as to increase the contrast between sub-groups (Arnold, 1982; Kohli, 1989). As a result, 165 respondents were classified into the low positive affinity group, and 136 respondents into the high positive affectivity group.

The Chow test (Dougherty, 2007) was then performed to establish the significance of the difference in the form (intercept and slope) of each regression model across the two sub-groups. Chow's test is defined as:

$$F = \frac{[\text{SSR}_N - (\text{SSR}_1 + \text{SSR}_2)]/k}{(\text{SSR}_1 + \text{SSR}_2)/N - 2k}$$

where:

- SSR<sub>N</sub> = Residual sum of squares for the combined data set
- SSR<sub>1</sub> = Residual sum of squares for the high group
- SSR<sub>2</sub> = Residual sum of squares for the low group
- N = Number of observations in the combined data set
- k = Number of parameters in the model (i.e., k-1 slope coefficients and one intercept)

A statistically significant Chow test would suggest that the estimates of the structural parameters corresponding to the two data sets (i.e., high positive affectivity and low positive affectivity groups) are different and, therefore, positive affectivity is a moderator. The Chow tests of the individual regression estimates for high and low positive affectivity groups were statistically significant in the cases of both outcome measures (turnover intentions:  $F=264.04$ ,  $p=.0000$ ; job performance:  $F=298.29$ ,  $p=.0000$ ), showing that positive affectivity is a significant moderating variable. Further, independent samples t-tests confirmed that the turnover intentions of low positive affectivity employees and job performances of high affectivity employees were significantly higher than for their counterparts.

## **Discussion**

Using data obtained from frontline hotel employees in Turkey, this study investigated the effects of interrole conflicts on job performance and turnover intentions. This study also examined the buffering role of positive affectivity in this process. There are useful results that contribute to the existing knowledge base in the hospitality management literature.

First, results of our empirical study indicate that family-work conflict is a significant determinant of turnover intentions, while work-family conflict is not. Such results are partially consistent with other empirical studies (Karatepe & Baddar, 2006; Karatepe & Sokmen, 2006). Results suggest that employees who are unable to allocate sufficient time to their family responsibilities have intentions to leave the organization. On the other hand, the non-significant finding between work-family conflict and turnover intentions can be attributed to the fact that other constructs, such as burnout or job satisfaction, might have mediated this relationship. Results of our study reveal that there are unexpected findings regarding the effects of two forms of conflict on job performance. Specifically, work-family conflict positively influences job performance, while family-work conflict does not have any bearing on job performance. These results are not in line with

Allen et al.'s (2000) and Netemeyer et al.'s (1996) studies. As discussed by Yavas et al. (2008), frontline employees who experience conflict between work and family roles tend to concentrate on their work roles more to protect themselves from additional stress and exhibit elevated levels of performance in the workplace. Possibly, constructs such as job satisfaction or organizational commitment might have mediated the effects of work-family conflict and family-work conflict on job performance.

Second, results of our study reveal that positive affectivity can be a potent antidote to the detrimental effects of two forms of conflict on frontline employees' job performance and turnover intentions. That is, positive affectivity reduces the detrimental effects of work-family conflict and family-work conflict on job performance and turnover intentions. Consistent with Eby et al.'s (2010) review, the deleterious effects of two directions of conflict on job performance and turnover intentions are weaker among employees with higher positive affectivity.

An immediate implication of our results is that managers should consider the level of affectivity of the candidates during employee selection and hiring. Candidates high in positive affectivity should be given priority in hiring (cf. Rego & Cunha, 2008), since such employees can better cope with interrole conflicts. Screening of candidates with positive affectivity can be facilitated by objective and standard tests that utilize dispositionally based factors and variables. In addition, the extent of positive affectivity of employees can be considered in periodic appraisals.

Management should also consider devising proactive strategies to retain employees high in positive affectivity in the organization. On one hand, retention of suitable employees (e.g., those with high positive affectivity) enhances the reputation and image of the organization and attracts other high-performing employees to the organization (Redman & Mathews, 1998). On the other hand, employees depicting positive affectivity can help create a positive work environment, may serve as role models to their colleagues, and may generate a demonstration effect among existing employees with negative affectivity.

### **Limitations and Future Research Directions**

Although this study expands the knowledge base, it has limitations that future research can address. First, the study focuses on a single service sector in a single country. Replications of the study in the same sector in the same locality, as well as other service sectors and countries, would expand the data base for generalizations and also show whether the propositions tested here are viable in other contexts. Second, the single-source nature of the data makes the construct measures vulnerable to common method bias. Future studies could benefit from collecting information from alternate

sources (e.g., performance data from supervisors). Third, the cross-sectional nature of the study does not allow causal inferences. Longitudinal studies could enrich the findings and generate a deeper understanding.

Fourth, the marginally significant finding in our study pertaining to interrole conflict-job performance relationship can be partially attributed to the nature of our performance measure (Babin & Boles, 1998), which operationalizes performance relative to coworkers. Therefore, better job performance measures are needed in the future. As stated before, constructs such as job satisfaction and organizational commitment might have played a mediating role in this process. Fifth, in this study, we showed that positive affectivity can serve as a buffer against the detrimental effects of interrole conflicts on job performance and turnover intentions. Our understanding would be enriched by an investigation of the possible roles of other variables (e.g., self-esteem, self-efficacy, locus of control, agreeableness, proactive personality) as antidotes to the detrimental effects of interrole conflicts not only on in-role job performance and turnover intentions but also on other organizationally valued job outcomes (e.g., organizational commitment, extra-role performance). Thus, we culminate with a call for additional research on these intriguing issues.

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## Appendix

### Study measures

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#### **Work-family conflict**

1. The demands of my work interfere with home, family, and social life.
2. Because of my job, I can't involve myself as much as I would like in maintaining close relations with my family, spouse, relatives, or friends.
3. Things I want to do at home do not get done because of the demands my job puts on me.
4. I often have to miss important family and social activities because of my job.
5. There is a conflict between my job and the commitments and responsibilities I have to my family, spouse, relatives, or friends.

#### **Family-work conflict**

1. The demands of my family, spouse, relatives, or friends interfere with work-related activities.
2. I sometimes have to miss work so that family and social responsibilities are met.
3. Things I want to do at work don't get done because of the demands of my family, spouse, relatives, or friends.
4. My home and social life interfere with my responsibilities at work such as getting to work on time, accomplishing daily tasks, and working overtime.
5. My coworkers and peers at work dislike how often I am preoccupied with my family and social life.

#### **Positive affectivity**

1. For me life is a great adventure.
2. I live a very interesting life.
3. I usually find ways to liven up my day.

#### **Turnover intentions**

1. It is likely that I will actively look for a new job next year.
2. I often think about quitting.
3. I will probably look for a new job next year.

#### **Job performance**

1. I am a top performer.
  2. I am in the top 10 percent of frontline employees here.
  3. I get along better with customers than do others.
  4. I know more about services delivered to customers than others.
  5. I know what my customers expect better than others.
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# Human Capital Decisions and Employee Satisfaction at Selected Hotels in India

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

## Abstract

Understanding the role of human capital is one of the key considerations in delivering and sustaining competitiveness. Managing employees in the hospitality industry is particularly a challenging task as the industry is considered to be labor intensive. High turnover and increasing employee demands are among the problems that are identified as threats to maintaining a strong competitive position. Successful hotels attempt to retain their best employees in an effort to adapt to changing environments and increased competition. Effective hotel human resource systems can produce positive outcomes, through effective employee retention strategies that focus on work force motivation, attitudes and perception. The positive implementation of these strategies can influence and create employee satisfaction.

This study aims to focus on the relationship between the mediating variables of motivation, attitudes, perception and their effect on employee satisfaction. These findings are based upon an extensive survey carried out between April 2009 and June 2009 in the small mountainous state of Uttarakhand, located within the Indian sub-continent. Although the area of study is confined to the Kumaon region of Uttarakhand, the authors contend that the findings and implications can be applied to other remote developing tourist destinations in other regions.

*Key Words: Attitude, Human Resource, Lodging Industry, Motivation, Satisfaction, Turnover*

## Introduction

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

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

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

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

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

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

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

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

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

### **Literature Review**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Research Methodology**

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

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

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

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

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

## Results

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

**Table 1**  
**Employee Financial Benefits and Satisfaction.**

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

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

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

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

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

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

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

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

**Table 3**  
**Employee’s Physiological Needs and Satisfaction**

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

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

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

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

### **Conclusions**

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

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



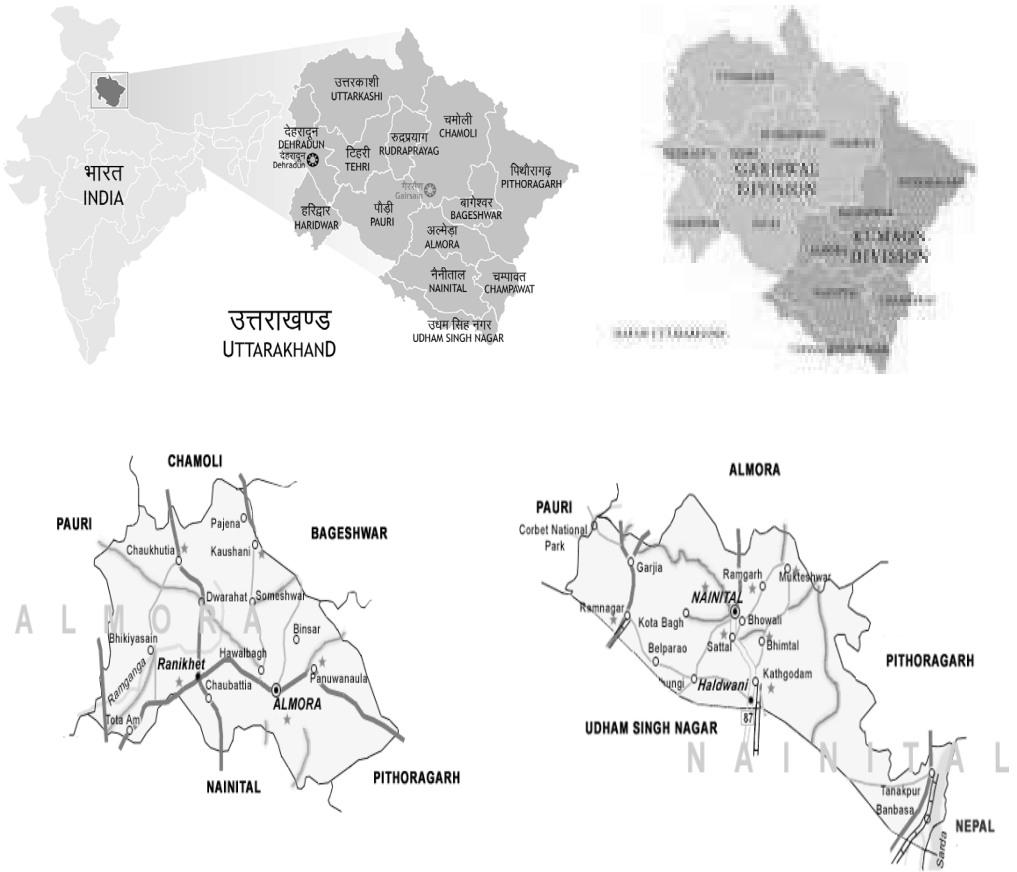
One such initiative undertaken by the Ministry of Tourism of India was a joint venture where the state government attempted to educate the employees through a series of training programs at Almora, Nainital, Haldwani, Kausani, Pithorogarh and Champawat. Under this program all interested hoteliers, lodge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

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

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

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

Figure I: Study Area



map source: [www.uttara.in](http://www.uttara.in) - the official portal of Uttarakhand Govt.

map source: [www.uttara.in](http://www.uttara.in) - the official portal of Uttarakhand Govt.

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# **In Favor of Hospitality-Management Education**

**By Michael J. Tews and Hubert B. Van Hoof**

## **Abstract**

Despite the almost one-hundred-year history of hospitality-management education; the hundreds of well-established two-year, four-year, and graduate programs worldwide; and the hundreds of thousands of graduates those programs have prepared for careers in the industry, hospitality-management education's merit and place in higher education are still questioned at times, to the dismay of hospitality educators the world over. This article delineates several features of hospitality management that make these programs valuable and unique and provides compelling arguments in its favor. The arguments include: 1) courses tailored to the hospitality industry, the world's largest industry; 2) focus on small-business management as well as corporate enterprises; 3) emphasis on services and service management, not manufacturing; 4) programs and coursework focused on people management, which it at the core of the hospitality businesses; 5) unique focus on the specific issues of food and beverage management, the largest component of the hospitality industry; and 6) transferability of graduates' knowledge and skill sets, which are in high demand among other service industries. While business programs focus on the fundamentals of management and production, hospitality- management programs prepare graduates who are aware of general management principles and are particularly well-versed in managing the guest experience and employees in a service environment.

## **Introduction**

Despite its almost one-hundred-year history, hospitality management education is regularly questioned about its merit and place in higher education. Questions such as: "Isn't it just common sense?" "Do you really need a degree to learn how to serve people and check them in?" and "Couldn't you just take some business courses?" are still heard regularly. They are puzzling to all of us who are enthusiastic about the hospitality industry and who are committed to hospitality-management education. Every time we are confronted with these questions, we are taken aback and struggle to find the right answers.

We struggle because these comments call into question the value of hospitality- management education and our roles as educators. They imply that hospitality programs lack intellectual rigor, are irrelevant to successful careers in the hospitality industry, and are redundant or watered-down versions of business-school programs. As firm believers in the value of hospitality-management education, we think that the most important reasons

that hospitality- management education is criticized so often is that those who criticize or question are not fully aware of the content of the programs, do not clearly see their relevance, and do not appreciate the unique skill sets our graduates bring to the hospitality industry of tomorrow.

Given that criticisms persist, it is necessary that those in hospitality-management education, regardless of whether they are faculty members, administrators, or students, have a firm and ready grasp of effective arguments to educate the doubters and naysayers. One might argue that this should be common sense and that everyone should have these arguments at his/her fingertips. The reality is that we do not. We stumble when asked about the value of hospitality-management education and have a tough time trying to persuade others why our programs should not be folded into the business schools and be a minor at best. Our struggle to respond with persuasive and clear arguments provides all the more ammunition for those who doubt its contributions.

The purpose of this piece is not to provide a diatribe against those who doubt or criticize hospitality-management education, or even suggest that everything we do is fine. Hospitality- management education certainly has its own struggles, as does every field of study. This article takes the highroad, shares our enthusiasm for the hospitality industry, and provides some persuasive arguments in support of hospitality-management education as a valid and rigorous academic field of study that prepares solid future leaders for the hospitality industry and other service contexts.

### **Why the Criticism?**

Prior to detailing arguments in support of hospitality-management education, we will first address some of the possible reasons that this academic field may be subject to question and criticism and that it is sometimes perceived as no more than a “workforce training program.” One obvious reason for the criticism is that everyone eats in restaurants, sleeps in hotels, and plays in water parks and on golf courses. Everyone is exposed to the industry daily, yet very few people see where stocks are traded, chocolate bars are made, and computers are assembled. Such exposure to the hospitality industry makes everyone an “expert,” or at least causes everyone to have an opinion about service encounters. What most people see is a labor force that is largely employed in entry-level jobs, and granted those positions do not require a college degree. Lay people may thus equate hospitality-management education with educating individuals to perform entry-level work. They may not look beneath the surface and see the higher-level managerial components involved in operating hospitality enterprises and managing and motivating those entry-level workers.



A large majority of managers in the hospitality industry is directly involved in supervising employees and interacting with guests, more so than in other industries. Very few of us have met the manager of the widget factory in our home town, yet everyone has met and interacted with the manager at the local Red Lobster, Dairy Queen, or Hampton Inn. Employee supervision and customer interaction are often perceived as “just common sense.” If you get along with people, you will be able to get along with employees and customers. Individuals may not perceive the knowledge and skills acquired in a formal classroom environment as a necessary requirement for managing others. These skills may be perceived as best acquired through hands-on, real-world experience. Real-world experience is certainly a valuable component of management education, but hospitality-management education provides future managers with a solid additional layer of knowledge that makes them better managers.

Another reason for the criticism might be that the hospitality industry caters to basic consumer needs—food and accommodation. These are needs that individuals provide for themselves and their families in their own daily lives. They may, therefore, wonder why one would need a college degree to provide food and accommodation to others, and the same argument, “just common sense,” crops back up. People can cook their own food and make their own beds.

The issue is not that there is no truth in these criticisms. Of course, some of it is common sense, and real-life exposure is very important in developing future managers. Hospitality- management programs do not educate students to become rocket scientists, physicians, or nuclear engineers, professions that arguably require higher levels of intelligence, knowledge, and preparation. Yet, would other academic fields not pale in comparison to those, as well? It is our contention that hospitality management is a field worthy of academic pursuit because it requires specific knowledge and a unique skill set that is different from what business schools offer. However, that knowledge and skill set may not necessarily be readily apparent to lay people who see the value of a university education for future engineers, teachers, or business managers. Therefore, this article presents some commonly heard arguments in favor of hospitality- management education as well as some additional ones.

### **Commonly Heard Arguments**

There are two commonly heard and often over-used arguments in support of hospitality- management education. The first is related to the size of the hospitality industry: That it is the world’s largest industry certainly cannot be disputed. According to the National Restaurant Association (2011) the restaurant industry in the U.S. employs approximately 12.8 million individuals in about 960,000 locations, with annual sales of approximately

\$604 billion. The Bureau of Labor of Statistics (2011) estimated that the lodging industry in the U.S. employs approximately 1.9 million individuals in about 65,000 locations. According to the American Hotel and Lodging Association (2011), the U.S. lodging industry generates approximately \$134 billion in revenues annually. Purely based on the size of the industry, hospitality-management education is warranted: “We are big, and we are important.”

A second common defense is that hospitality-management education is on par with management education in business schools. Hospitality-management curricula offer courses in accounting, finance, marketing, strategy, and human-resource management, just like schools of business. There is even a layer of service and operations management added to that mix. Since schools of business garner respect, and since private industry appreciates the value of business degrees, hospitality-management programs and the degrees they grant deserve similar respect. Hospitality-management programs do not train their students only in daily hands-on hospitality- operations management. Rather, the central focus of many programs is on the enhancement of their students’ higher-level management skills, functions that require critical thinking and analytical ability.

These arguments in favor of hospitality management are valid, but they are not sufficient. Just because an industry is large does not mean that universities should devote a program of study to that area. Size alone does not necessarily translate into a sufficiently specialized skill set that warrants a field of study at the university level. Furthermore, while equating hospitality-management programs to traditional business programs may add to their credibility, validity, and even their reputations, doing so may also dilute the perceived added value of hospitality- management education. Merely comparing and equating hospitality-management programs with business programs too frequently may relegate hospitality-management programs to the status of “red-headed stepchildren” and will lead to debates about the depth of coverage.

### **Additional Arguments**

In order to educate others who are not knowledgeable about hospitality-management programs, we need to move beyond those common arguments into the realm of what makes us special. We need to delineate those aspects of our programs of study that differentiate hospitality management from traditional management programs in unique and valuable ways. Business schools are valuable, and the education they provide is excellent, yet their limitation is a lack of depth in certain specific areas of management. They do not provide the depth of content necessary in specific industry contexts, and we consider the hospitality industry to be one of those. The hospitality industry presents a number of unique challenges that

require managers and executives to have specialized skill sets that are not taught and not emphasized sufficiently in typical business schools. These form the basis for another set of arguments in favor of hospitality-management education.

The first additional argument in support of hospitality-management education is that the curriculum is tailored to this specific industry context. In all of our courses, whether they are accounting, strategic management, or human-resource management, hospitality-management examples and applications are utilized. A hospitality-specific focus in our courses allows our students to more readily apply the knowledge and skills acquired during college to their jobs upon graduation. Our students can be more easily trained in company-specific skills with a foundation in the management of hospitality enterprises that a college education provides. Having heard about OSHA and Dram Shop Liability, having calculated RevPars and food-cost percentages, and having written a strategic plan for a restaurant company help in the transition from college to industry. One could run and manage a hospitality business with a general business degree, but it would be a steeper uphill battle than with a hospitality-management degree.

A second argument in support of hospitality management is that we teach our students skills to succeed in small-business contexts, in addition to corporate environments, which is not a typical focus of business programs. A large number of companies in the hospitality industry are small businesses and entrepreneurial start-ups, which often fail because their principals are unprepared for the demands of the industry. It has been estimated that approximately one-quarter of new restaurants fail within their first year of operations (Parsa, Self, Njite, & King, 2005), primarily because there is no proper business plan, costs are excessive, and revenues come in lower than projected or just hoped for. This small-business focus educates students to be generalists who are well-versed in all managerial functions. Similarly, students need to possess skills spanning various levels in the vertical hierarchy. They need to possess awareness of and expertise in operations, be able to execute managerial functions, and be exposed to higher-level strategic thinking. Students learn about capital management strategies that are effective in privately held small enterprises that are neither appropriate nor legally feasible in public corporate contexts. This development of small business skills is not only important for hospitality-management students but also for the economy as a whole, as small businesses are increasingly seen as the engines of economic growth. Now more than ever, we need more rather than fewer small businesses in the hospitality industry since it employs a relatively large number of people.

A third argument is that the hospitality industry largely sells service experiences, rather than goods and products. Education in this area requires

a specialized understanding of the unique challenges of marketing, managing, and evaluating services. One of those challenges relates to their intangibility, since consumers of the hospitality product are largely buying an experience. A second challenge is the perishability of the services being provided. Hotel room nights cannot be inventoried; therefore, yield management principles are part of hospitality- management curricula. A final differentiating factor is a focus on the interpersonal nature of the hospitality business. Traditional products are manufactured in an environment far removed from the consumer, and there is usually no contact between those producing the product and the consumer. In the hospitality industry, however, the service experience is created jointly by the service provider and the consumer. Specialized education in the management of these complex personal interactions and an increased awareness of the essence of this process is of the utmost importance if our graduates are to be successful. Services are not widgets, and hospitality is not manufacturing. Traditional management strategies need to be modified significantly in hospitality-service contexts, one more reason why hospitality-management education is essential and valid.

A fourth argument in favor of hospitality-management education is that it places a large emphasis on the management of people. The industry is very labor intensive, and line employees are central to the service-delivery process in hospitality enterprises. Many front-line service employees represent the boundary between the organization and its consumers, and line employees are of strategic importance in the hospitality industry. Unfortunately, the hospitality industry is confronted with several human-resource management challenges that may compromise that service quality: 1) the industry struggles with attracting and retaining highly qualified employees; 2) supervising line-level employees who are the face of the company represents a challenge because a single manager is often responsible for a large number of employees; 3) managers may be limited to a degree in their ability to motivate employees through compensation and benefits given narrow profit margins; and 4) opportunities for advancement are limited because of the bottom-heavy nature of the workforce. Given these challenges and constraints, hospitality managers need to be well-versed in organizational behavior, leadership, and human-resource management. In particular, they need to develop skills and techniques such as teambuilding, developing cohesive workgroups, and creating fun work environments that are less financially taxing on organizations yet arguably more difficult to execute. Soft skills are by no means easy skills, and hospitality management programs certainly emphasize these specialized skills.

A fifth argument is that hospitality management programs emphasize food and beverage management, not a focus at all of traditional business programs. Americans spend almost one-half of every food dollar on

meals away from home, making this an increasingly lucrative industry. Several aspects of food and beverage management are particularly important. Knowledge of food safety is vital to the successful management of foodservice establishments. An outbreak of foodborne illness is a bankruptcy waiting to happen. The U.S. food safety code, which stipulates the knowledge and practices necessary to prepare and serve safe food, is continually updated to incorporate new information. Food health and safety content is not merely “learning about germs,” but rather a scientific field. Knowledge of nutrition and construction of menu items that adhere to dietary guidelines are becoming increasingly important. The nutritional content of restaurant meals becomes more important in direct relation to the number of meals eaten outside of the home. The amount of food consumed away from home, the national obesity epidemic, and food safety make it imperative for managers to be able to produce healthy and appealing menu items. While some of these issues are addressed in nutrition programs, hospitality-management programs bring them into the realm of management and profit-making.

A sixth, and final, argument in support of hospitality-management education is that it also prepares students for careers beyond the traditional hospitality context. Whereas a large majority of students opt for careers in hotels and restaurants, other service industries, such as retail, real estate and property management, and financial services, are increasingly attracted to hospitality- management graduates. One notable example that is gaining prominence rapidly is assisted- living and retirement communities, which are becoming increasingly popular and more financially lucrative. Such organizations seek out hospitality-management graduates because their service orientation, specialized knowledge and management skills are easily transferrable to this business context. Their prevalence will only continue to grow as more of the Baby Boomers transition into retirement and take their wealth and service needs and desires with them. The fact that other industries are looking to our graduates in their need to grow future management talent provides further validation for hospitality-management programs.

## **Conclusion**

As stated earlier, the goal of this paper was to take the highroad and to delineate some persuasive arguments in support of hospitality-management education. Our arguments are by no means exhaustive, but rather illustrative of why hospitality-management education is valid and important. They are largely born out of our own passion for the hospitality industry and hospitality education, but also out of frustration with the continued lack of recognition this field of study receives.

One might argue that all of these arguments are common sense, and perhaps they are. One might even argue that there are many more important arguments in favor of hospitality- management education that were not mentioned here, and we agree. Yet, when pressed, many of us never make it beyond one or two commonly heard arguments in favor of hospitality-management education and tend to become defensive, which is exactly what we need to avoid.

Our fundamental point that we should focus on when communicating with others is that our programs are unique and that we are proud of them. While standard business programs focus on the fundamentals of management, hospitality programs prepare well-rounded graduates who have been educated in general management principles but who are particularly well-versed in managing the guest experience and employees in hospitality and service environments.

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