Chapter-1

Introduction
Chapter-1

1.0. Introduction

The objective of this chapter is to describe the rationale and structure of the thesis. It explains the theoretical background and the justification for the study. It identifies the research questions and the hypothesis.

1.1. Introduction to Hospitality and Tourism Industry

A lot of people travel and stay away from home all over the world for various purposes such as business, leisure, education, sports, adventure, etc., these days. This has paved the way for the development of Hospitality and Tourism as an organised industry. Hospitality and tourism industry has emerged as one of the world’s major industries during the past few decades. The hospitality and tourism industry has accounted for much economic growth, balance of payment, employment and regional balance in many countries. They are also important to the society, the culture and the environment of those who become tourists and for their hosts. Many businesses and other organizations, as well as governments take a lot of interest in the future of hospitality and tourism. (Lockwood and Medlik, (2001) - Tourism and hospitality in the 21st Century)

Brymer (1984) in his book, “Hospitality management: An introduction to the industry”, noted that the hospitality industry is comprised of those businesses which practice the act of being hospitable; those businesses which are characterized by generosity and friendliness to guests. Vallen and Abbey (1987), in their book, “The art and science of hospitality management”, stated that the hospitality industry comprises of lodging properties, which are hotels, motels, inns, and other facilities offering sleeping accommodations, and food and
Cost of Employee Turnover- A Study Based on Various Levels of Employees of Five Star Hotels in Karnataka

beverage operations. As stated by Barrows and Bosselman (1999) - in their book, **Hospitality management education**, the hospitality industry is the largest or second largest industry on the planet. Metelka (1990) in his book, “The dictionary of hospitality, travel, and tourism”, defined the hospitality industry as “Used interchangeably with tourism and tourism industry but focusing attention on the responsibility of industry personnel to be hospitable hosts. Sometimes the hospitality industry is referred to as a category of hotels, motels and other accommodations which comprise a significant part of tourism”. Guerrier (1999) in his book, “Organizational behaviour in hotels and restaurants: An international perspective”, noted that the hospitality industry is a varied industry, which comprises of hotels, restaurants, licensed bars, guesthouses, holiday homes/self-catering establishments, catering to the public and private sector, including any organization that serves food and/or drinks and/or provides accommodation for people away from home. He also identified that a hospitality industry is a part of a wider leisure industry, linking hotels, restaurants, bars, clubs, tourist attractions, museums, galleries, theatres and sport facilities. Some people are of the opinion that the tourism industry is a part of the hospitality industry. Brymer (1991) stated that food service, lodging, travel and recreation are parts of the hospitality industry.

According to Barrows and Bosselman (1999) “the hospitality and tourism industry includes multiple segments, all interrelated yet discrete, including lodging, food service, contract services, gaming services, private clubs, theme parks, suppliers, and hospitality education and meeting planning among others.” Hence we can conclude that the hospitality industry and the tourism industry are integral parts of the same industry, and it is hard to separate one from the other.
1.2. Hospitality Industry as a Service Industry

Greenberg and Baron (1997), in their book, “Behavior in organizations”, are of the opinion that the hospitality organization must be aware of the basic essential fact that its people are the key to the success of organizations. It is not possible to have organizations without people. Problems associated with the workforce can cause the downfall of an organization very quickly even though it may possess an advanced high-end technology and healthy financial status. So it is very important to realize that the human side of work is a critical element in the effective functioning and basic existence of organizations.

Guerrier (1999) observed that the hospitality companies, like other service companies, have to control both the tangible quality of a product and the intangible quality of the service that they provide. Services also need to be delivered where and when customers need them. Employees play a key role in delivering the product, which is service, to the customer.

Barrows and Bosselman (1999) stated that the very essence of the hospitality industry is people’s interaction. True personal service cannot be mechanized or automated. The human element is the determining element of the hospitality business. The hospitality industry is different from other industries, especially those that produce tangible products. Hospitality means people dealing with people.
1.3. Theoretical Perspectives of Cost of Employee Turnover

Flamholtz, (1985) in his book, “Human Resource Accounting”, discussed some of the frameworks on cost of employee turnover. The components of the specific costs which may be difficult to quantify and vary from organization to organization are as follows:

Separation Costs

Direct separation costs are of the following types:

- Buyout costs – These costs include annual leave cash-out, incentives, and other contract separation costs
- Legal costs – These costs are associated with wrongful termination or gender/equity issues that may be brought against the institution

Indirect separation costs are as follows:

- Lost productivity-The outgoing employee loses productivity while becoming disenchanted about the position or while seeking another job. Other employees in the unit may lose productivity as a result of the employee’s behaviour

Acquisition Costs

The acquisition phase has three main components- recruitment, selection and placement. Total acquisition costs can vary widely depending on the position and the search mechanism that has to be used accordingly.

Direct Acquisition Costs are as follows:

- Ad placement- Advertisement must usually be placed in local newspapers, discipline-specific magazines, or national media. Rates vary widely. Ad placed on local bulletin boards, institutional Web sites, or association Web sites, generally carry some change.
- Search firm fee- For selected searches, institutions will retain search firms; fees vary
• Time of search committee- Although committee members contribute their time to searches at no additional fee, there is an opportunity cost associated with their time.

• Time of HR staff- Costs arise from processing paperwork, routing approvals, and so forth

• Contract labour- An outside contract with equivalent skills may have to be called in to fill vacant position while the search is processing

**Indirect Acquisition Costs are as follows:**

• Lost productivity- The unit experiences lost productivity while the position is vacant. This may result in a direct cost when the position is filled with a temporary employee or a contractor and therefore lessening the productivity loss of the vacant position. Contract labour is seldom hired to supplement lost productivity of the search committee.

**Selection Costs**

Once recruitment is underway, time must be allocated for the selection process. The majority of the cost associated with this phase comes from the time of the search committee. Committee members spend time contacting references, verifying credentials, conferring with each other and so on. During the selection process individuals are brought in for interviews. Depending on the position, this may include out of town and travel for the candidate and sometimes a space.

**Direct Selection Costs are as follows:**

• Site Visits- Travel and entertainment expenses are associated with bringing the candidate(s) in for an interview
- Time of search committee- Committee members contribute their time to the search, however, there is an opportunity cost associated with temporarily refocusing their efforts

- Time of others in department-When candidates are interviewed, many in the department is involved in the interview. Although this time appears to have no cost, other activities are pushed back during these periods.

**Indirect Selection Costs are as follows:**

- Lost productivity- In this phase the indirect costs of lost productivity continue.

**Relocation Costs**

Once a selection has been made, the institution incurs costs for relocation. Relocation costs may include house hunting trips for the new hire and spouse, moving expenses and so on.

**Direct Relocation Costs are as follows:**

- House hunting- Costs are associated with a new employee’s search for housing

- Moving expenses- Costs are often seen for moving personal belongings from previous location/ institution to the new location/ institution

- Time of departmental staff- Some amount of staff time is required to process paperwork, route approvals, issue reimbursement checks, and so forth.

**Indirect Relocation Costs are as follows:**

- Lost productivity- The new hire loses productivity while coping with various facets of relocation. There may also be lost productivity for others in the unit as they help the new employee get situated.
Knowledge Acquisition and Training Costs

Once a candidate has been selected, a process of personal development acculturation to the organization begins. Individuals must learn about the organization, the department, and the new position. Many organizations require new hires to participate in orientation programmes. Others provide on-the-job training. In some cases additional off site training is required, as the new employee gains needed certifications.

Direct Knowledge Acquisition and Training Costs are as follows:

- Orientation- The institution provides orientation sessions for new employees
- Training- In some cases, new employees are required to complete additional training (or on-the-job training) to raise their skill level.

Indirect Knowledge Acquisition and Training Costs are as follows:

- Lost productivity- The new employee loses productivity while learning about the institution and the new job. Other employees in the unit may lose productivity as they help the new hire adjust.
- Institutional knowledge- The outgoing employee will take institutional knowledge that the new employee must gain through experience. Rarely is this institutional knowledge archived for future employees.

1.4. Statement of the Problem

Human Resources Management in Indian Hotel Industry

Like in any other industry, human resource management is the key to the smooth functioning of the hotel industry. A Hotel has different functions to be performed by different groups of people. There is a common perception that the hoteliers do not bother much about their
employee’s benefit. The Sale of services constitutes major activities in the hotels rather than the sale of tangible goods. The hotel industry by and large depends a great deal on human resource to carry out these tasks.

The hotel industry in India is at a turning point, where it is witnessing an influx of international and domestic branded hotels, along with a renewed interest by investors. One of the major challenges of the hotel industry, where the customer pays for much more than only the tangible product offerings, is managing manpower. The challenges faced in managing manpower include increasing salaries and benefits, high levels of employee turnover with the addition of new hospitality organizations and its contribution to other service industries such as retail and travel firms, and the frequent need for employee training in order to maintain standards in service.

**Employee Turnover in Hospitality Industry**

Employee turnover is a very important issue of human resource management as well as cost and financial management of an organization. Employee turnover is the termination of existing employees and the hiring of other individuals to replace them. It is a complex phenomenon requiring a systematic view and an awareness of many variables both within the work and external environments. One of the most challenging issues faced by many hotels is the shortage of human capital. Manpower problems in the hotel industry have usually been about providing training to employees to ensure that they provide guest satisfaction. This has a direct impact on price/value, return guest ratios, brand reputation and ultimately, the financial performance. There has also been a focus on employee satisfaction, since a happy employee presents an image of satisfaction to hotel guests, which results in the better delivery
of service. The opposite of that is high employee turnover, which can dent the financial stability at various levels.

Vallen and Abbey (1987) said that hospitality managers are often faced with frustrated, apathetic, and poorly motivated employees. Low productivity, high turnover and absenteeism rates, and poor-quality performance are the results of this dissatisfaction.

Tanke (1990) in his book, “Human resources management for the hospitality industry”, noted that “Turnover rates in the hospitality industry have always been notoriously high, with some segments and geographic regions of the country reporting as high as 200-300%.”

“Brymer (1991) stated that managers in the hospitality industry are faced with the dilemma of assuring that the employees deliver products and services according to the expectations of the guest. This means that the manager of a hotel or restaurant is faced with the daily challenge of getting employees to “do what they are supposed to do.”

Guerrier (1999) stated that many of the skills required in the industry are “transferable”. Hence, a trained waiter in one hotel would be able to move over to a similar job in another hotel relatively easily. Hotel and restaurant jobs also tend to fluctuate and they will need increased manpower at times of high demand and decreased staff at times of low demand.

**Image of Hospitality Industry- A Choice of Employment**

Tanke (1990) stated that the number of hours worked, wages, the scheduling of work hours, training, promotions, physical job demands, benefits package, the treatment by the management, job challenges, and work environment are all matters of concern and that can be the reason for employees to stay in the organization or leave the hospitality industry.
Guerrier (1999) stated that the hospitality industry in some sectors is infamous for providing low wages, and poor working conditions, which in turn causes the industry to suffer from a poor image. Hence, in the hospitality industry, it is difficult to recruit and retain employees. Under these circumstances, the hospitality industry certainly suffers from image problems, even at the managerial level. Many people consider jobs in the hospitality industry as an inferior one in the social strata and hence it is not a career of choice for bright young people.

There are a number of other factors that tend to lower the status of jobs in hotels and restaurants: this work is associated with servility, the work is perceived as “dirty work”, and at times it is considered as women’s work. The result is that hospitality organizations are disproportionately staffed, especially in the lower rungs of the hierarchy. This segment of the staff is generally unskilled and occupied by people who are economically backward in the society and they find it difficult to get “better” jobs. They could be women, the young, members of ethnic minorities, and migrant workers.

**Employee Turnover and Organizational Performance**

Employee turnover can be considered as an important measure of the health of an organization.

Flamholtz, (1973)\(^1\), in his study, “Human resources accounting: Measuring positional replacement costs” stated that the fiscal impact, sometimes described as the positional replacement costs, can be summarized in several categories: costs incurred when an individual leaves, costs of advertising the position and recruiting and selecting a replacement, costs of new employee orientation and training, costs of equipment, and costs of lost production and productivity.
Dalton and Todor (1979)\textsuperscript{2}, in their study “Turnover turned over: An expanded and positive perspective” examine the turnover with a unique and positive focus. Turnover is reviewed, not only from the standpoint of the organizational theorist, but with economic, sociological, and psychological/socio-psychological perspectives. Often, ignored benefits of turnover are noted in this study.

Bluedorn (1982)\textsuperscript{3} in his research paper “A Unified Model of Turnover from Organizations”, stated that turnover has negative effects on operating performance due to the disruption of existing routines. A model of the turnover process is developed by synthesizing three turnover models: those of Price and Mobley and the model which was developed around the organizational commitment variable. This model is tested via a path analysis and is generally supported. An attempt to cross-validate the new model also provided reasonable support for it.

Staw (1980)\textsuperscript{4}, in his study, “The consequences of turnover”, brought out a number of positive as well as negative consequences of turnover and moderators of these effects are proposed. The study also addressed the issues associated with assessing the multiple and conflicting outcomes of turnover.

Darmon (1990)\textsuperscript{5} in his study, “Identifying sources of turnover costs: a segmental approach”, proposed an analytical framework for assessing the costs of various sources of sales-force turnover (promotions, voluntary leaving, firing, and uncontrollable turnover) for salespeople with given characteristics (age, tenure, education, etc.). The main costs of sales-force turnover are taken into account, especially the costs of separation, recruiting and selection, training, vacant territory, and skill differential, as well as operating costs. The
The proposed procedure can be applied to any subgroup of sales-people. Managers can use it to select the sales-force segments that are the most promising in terms of cost savings and can design specific turnover-reducing programs for those segments. He observes that much of the negative effect stems from the direct costs of turnover, such as those involved with severance and the recruitment and training of new employees. The negative consequences tend to be more visible and the costs greater than anticipated.

Zeynep Ton, Robert S. Hickman, (2007)⁶, in their study, “Managing the Impact of Employee Turnover on Performance: The Role of Process Conformance”, examines the impact of employee turnover on operating performance in settings that require high levels of knowledge exploitation. Using 48 months of turnover data from U.S. stores of a major retail chain, they found that, on an average, employee turnover is associated with decreased performance, as measured by profit margin and customer service.

Thus, it can be observed that the image of the hospitality industry as a choice of employment in general and the hotel industry in particular is deteriorating to a great extent over last few decades. This could result in an employee’s dissatisfaction which in turn results in employee turnover. Employee turnover must be definitely adding direct as well as indirect cost to the hotel’s expenditure. Eventually high employee turnover must be causing a huge deficit in the financial prospects of the hotels which may not be reflected by the bottom-line of the financial statement.
1.5. Scope of the Study

The scope of the study is to look at the cost of employee turnover, reasons to stay on the job by employees, reasons to leave the job by employees, monetary benefits, non-monetary benefits, and employee retention strategies of five star hotels in Karnataka. Bangalore has been considered as the place of this study, because almost all the five star hotels of Karnataka are located in Bangalore. Data were collected from 9 five star hotels out of the 13 five star hotels in Bangalore which have been started before 2009 and completed 2 consecutive years of operation. The study mainly focused on the four core operating departments such as Food and Beverage Production, Food and Beverage Service Department, Housekeeping, and Front Office. The Other departments comprises of Sales and Marketing department, Human Resource (HR), Engineering & Maintenance, Security, Accounts, Purchase, Stores, etc.

1.6. Research Questions

In recent times it has been observed that out of the candidates who take up a career in hotel industry, majority of them leave the industry within a year or two. This would definitely affect the cost of the labour by way of fresh recruitment, training, etc. Moreover, when there is a frequent employee turnover, it will affect the customer satisfaction and the erosion of talent would create a vacuum in the managerial spectrum which in turn will have an impact on the financial performance of the Hotel. Retention experts say that hotels spend thousands of rupees every year for each new employee who must be trained to replace a seasoned worker who leaves. It is no longer a startling fact that the cost of losing an employee is between half and one-and-a-half times their annual salary!
According to Mr. Venugopala Naidu of Ista Hotel in Bangalore, India, employee turnover figure in the hospitality industry is a whopping 50%, enough to make employers lose sleep over the tangible and intangible costs of employee turnover. Turnover has an immediate effect, particularly in customer service-dependent areas of the business. A vacant position means more work for the remaining employees, without making a compromise on the customer service front. Little wonder then, that hospitality companies with low turnover rates report higher customer satisfaction and higher profits.

There are many studies undertaken to find the employee turnover rate and cost of employee turnover in hotel industry. Majority of these studies have been done on hotels in US, UK and Australia. Also no study has been done to assess the cost of employee turnover based on position level, performance level and critical level of employees in hotels. There are not enough attempts made to find the cost of employee turnover in hotel industry in India. The relative shortage of contemporary research on this area on Indian hotels is the motivation behind this study which led to the following research questions:

1. What would be the cost of employee turnover in Five Star Hotels in Karnataka based on the position level of employees?

2. What would be the cost of employee turnover in Five Star Hotels in Karnataka based on the performance level of employees?

3. What would be the cost of employee turnover in Five Star Hotels in Karnataka based on the critical level of employees?

4. Is there a gap between the reasons stated by employees to stay on the job and the reasons for employees to stay on the job perceived by the Heads of the Departments of Five Star Hotels in Karnataka?
5. Is there a gap between the reasons stated by employees to leave the job and the reasons for employees to leave the job perceived by the Heads of the Departments of Five Star Hotels in Karnataka?

6. What are the monetary benefits and non-monetary benefits preferred by an employee of Five Star Hotels in Karnataka?

7. What are the retention strategies preferred by the employees of Five Star Hotels in Karnataka?

1.7. Objective of the Study

The objectives of the study are:

1. to study the Cost of employee turnover based on Position Level, Performance Level and Critical Level of Employees of Five Star Hotels in Karnataka.

2. to compare the gap between the reasons stated by employees to stay on the job and reasons for employees to stay on the job perceived by the Heads of the Departments of Five Star Hotels in Karnataka.

3. to compare the gap between the reasons stated by employees to leave the job and reasons for employees to leave the job perceived by the Heads of the Departments of Five Star Hotels in Karnataka.

4. to study the Monetary Benefits and Non-Monetary Benefits preferred by the employees of Five Star Hotels in Karnataka.

5. to study the retention strategies preferred by the employees of Five Star Hotels in Karnataka.

6. to suggest strategies to reduce cost of employee turnover of Five Star Hotels in Karnataka.
1.8. Research Hypotheses

The above research questions led to the formulation of following hypotheses:

\(H_1\) = There is no significant difference in the cost of employee turnover based on the Position Level of employees of Five Star Hotels in Karnataka.

\(H_2\) = There is no significant difference in the cost of employee turnover based on the Performance Level of employees of Five Star Hotels in Karnataka.

\(H_3\) = There is no significant difference in the cost of employee turnover based on the Critical Level of employees of Five Star Hotels in Karnataka.

\(H_4\) = There is no significant difference between the reasons stated by employees to stay on the job and the reasons for employees to stay on the job perceived by the Heads of the Departments of Five Star Hotels in Karnataka.

\(H_5\) = There is no significant difference between the reasons stated by employees to leave the job and the reasons stated by employees to leave the job perceived by the Heads of the Departments of Five Star Hotels in Karnataka.

\(H_6\) = There is no significant difference in the monetary benefits and non-monetary benefits preferred by the employees of Five Star Hotels in Karnataka.

\(H_7\) = There is no significant difference in the retention strategies preferred by the employees of Five Star Hotels in Karnataka.
1.9. Period of the Study

The primary data for the study has been collected between the period of June 2010 and May 2011.

1.10. Significance of the Study

Sherman, Alper and Wolfson (2006), in their study, “Seven Things Companies Can do to Reduce Attrition”, stated that some costs are associated with employee turnover which are often ignored by managers. As some of these costs are not expressed directly (for example, lost productivity, organizational memory, customer defection, employee morale) managers do not often consider them as detrimental to the growth of the organization. They assert that these costs are hard to quantify and this may be more damaging to an organization than the direct costs.

The relative shortage of contemporary research on this area on Indian hotels is the motivation behind this study. The significance of this study is to help the hotel management (5 star hotels in Karnataka) in developing strategies to manage the employee turnover and to reduce the employee turnover cost and thereby achieving better financial performance.

The present study will draw attention to the employee turnover costs based on the position level, performance level and critical level in order for managers to appreciate the essence of motivating and retaining talented employees on an on-going basis.

The outcome of the study will significantly advance the frontier of knowledge and add to the existing academic literature on retention and turnover particularly in the context of Indian Hotel Organisations. The findings will also be useful in reviewing existing ones and in the
formulation of effective retention policies. The results of the study will inspire other researchers to investigate further areas that are not covered in this study.

1.11. Research Method

Since the present study involves the cost aspects of employee turnover as well as employee satisfaction and the reasons for employee turnover, both quantitative (survey) and qualitative (interview) approaches of data collection have been adopted. The period of the study is between June 2010 and May 2011. Secondary data were collected by referring journals, periodicals, books and by visiting websites through internet.

Bangalore has been considered as the place of this study, because almost all Five Star Hotels of Karnataka are located in Bangalore. Data was collected from 9 Five Star Hotels out of the 13 Five Star Hotels in Bangalore which started operations before 2009 and completed 2 consecutive years of operation.

Four hundred and Fifty Questionnaires for employees and fifty four questionnaires for Heads of the departments were distributed. Of these, valid responses from 371 employees and 51 Heads of the departments responses were received with an employee response rate of 82.44% and Heads of the Departments response rate of 94.4%.

Analysis of quantitative data was conducted using percentage, mean, standard deviation, coefficient of variation, and Co-efficient of Correlation. Test of hypothesis was done using One-way ANOVA, Post Hoc Test (Tukey’s HSD), Chi-square test, Factor Analysis and F-test using Levene's method and a t-test for equality of means.
1.12. Research Process

A fieldwork has been undertaken to establish contact with the hotels. The next step was to identify the research question and identify the context of the study. This was followed by preliminary data gathering through a review of literature. The generation of hypotheses and defining the variables was the next step. This was followed by developing the questionnaire and conducting reliability of the instrument though a preliminary study. The next step involves conducting the workplace survey and interviews. The next step was data analysis and interpretation, followed by the discussion on findings and arriving at the conclusion. The last stage was suggestions and recommendations.

1.13. Structure of the Thesis

- **Chapter 1- Introduction**- This chapter explains the rationale and background to the study including an overview of the topic
- **Chapter 2 –Profile of the Hotel Industry and Five Star Hotels in Karnataka**- The chapter looks into the profile of hotel industry in Karnataka in general and discusses the profile of the Five Star Hotels of Bangalore
- **Chapter 3- Review of Literature**- This chapter provides a comprehensive review of literature on which the study was based and helps to uncover the gaps in the cost of employee turnover in the Indian Hotel Industry literature.
- **Chapter 4- Research Methodology**- This chapter includes both the rationale for the methodology and the outline of the methodology adopted for the study.
• **Chapter 5 – Analysis of Percentage and Cost of Employee Turnover in Five Star Hotels of Karnataka**

• **Chapter 6- Analysis of demographic data and Gap between the reasons to stay on the job stated by employees and perceived by the Heads of the Departments and reasons to leave the job stated by employees and perceived by the Heads of the Departments of Five Star Hotels of Karnataka**

• **Chapter 7- Analysis of Employee Preferred Monetary Benefits , Non-monetary Benefits and Retention Strategies of Five Star Hotels of Karnataka**

• **Chapter 8- Findings, Conclusion, Recommendations, Limitations & Directions for Future Research**- This chapter discusses the findings of the study and draws conclusions about the cost of employee turnover and suggests various measures to control the employee turnover and to thereby reduce the cost of employee turnover in Five Star Hotels of Karnataka. This chapter also looks at the limitations of the current study and throws light on areas of research in the future.

### 1.14. **Justification of the Research**

An extensive national and international review of literature revealed that although there are many research studies conducted on cost of employee turnover, till date no research is conducted on position level based, performance level based and critical level based cost of employee turnover in Indian Hotel Industry. Also most of the earlier studies tried to ascertain the cost of employee turnover as a percentage of employee salary, whereas the present study tries to find the cost of employee turnover based on real time cost of separation, replacement, training and induction, loss of productivity, etc in Indian Hotel Industry. Also there are many
studies conducted on reasons for employees to stay on the job and the reasons for employees to leave the job, but there is no research done to compare the reasons stated by employees to stay on the job and reasons for employees to stay on the job perceived by heads of the departments of Five Star Hotels in Karnataka. Similarly, there are no studies done to compare the reasons stated by employees to leave the job and the reasons for employees to leave the job perceived by heads of the departments of Five Star Hotels in Karnataka. The study has been done on Five Star Hotels specifically because most of the Five Star Hotels conduct campus recruitments and selected candidates leave their jobs within a year or two. The study also tries finding department-wise employee turnover in Five Star Hotels in Karnataka. There have been many studies done on manufacturing industries, BPOs, IT & ITES industry on cost of employee turnover, but the number of studies done on cost of employee turnover in Indian Hotel Industry is limited.

1.15. Limitations of the Study

As majority of the Five Star Hotels of Karnataka are located in Bangalore the present study was limited to Bangalore city only. The study has taken into account only Five Star Hotels which were in operation before 2009 and have completed at-least two consecutive years of operation. The sample of the study includes employees belonging to Food and Beverage Production, Food and Beverage Service, Housekeeping, Front Office and Other Departments (HR and Sales & Marketing Department). The study can be done on department-wise to assess the cost of employee turnover. The study can be extended to other departments and other star category hotels also. The present study looks into the cost of employee turnover based on position level, performance level and critical level of employees of Five Star Hotels.
in Karnataka. The study can be done to find the impact of these costs on the financial performance of the hotels.

1.16. Definitions of Key Terms

**Hospitality Industry:** The hospitality industry consists of a broad category of fields within the service-industry that includes lodging, restaurants, event-planning, theme-parks, transportation, cruise line, and additional fields within the tourism industry. (Wikipedia)

**Hotel:** A hotel is an establishment that provides paid lodging on a short-term basis. (Web definition). A “Hotel” can be defined as a place where a prospective guest can be provided with the following (Yogendra K. Sharma (2004) :

a) Accommodation - Place to Stay
b) Food and Beverage - Something to eat and drink
c) Entertainment - To view and enjoy
d) Services - Intangible element

**Employee Satisfaction:** The Company’s ability to fulfill the physical, emotional, and psychological needs of its employees. (Web definition)

**Employee Turnover:** The ratio of the number of workers that had to be replaced in a given time period to the average number of workers. (Web definition- Free Dictionary by Farlex)

**Employee Retention:** Employee retention is a business management term referring to efforts by employers to retain current employees in their workforce. (Web definition)
Cost of Employee Turnover: A Study Based on Various Levels of Employees of Five Star Hotels in Karnataka

Cost of employee turnover: Both real costs, such as time taken to select and recruit a replacement, and also opportunity costs, such as lost productivity. (Wikipedia)

Direct costs: the leaving costs, replacement costs and transitions costs. (Wikipedia)

Indirect costs: the loss of production, reduced performance levels, unnecessary overtime and low morale. (Wikipedia)

Managerial Level Employee: An employee whose work consists mainly of directing and supervising the work of others on the employer's behalf. (European Industrial Relations Dictionary)

Supervisory Level Employee: A Supervisor is responsible for the productivity and actions of a small group of employees. (Wikipedia)

Lower Level Employee: Low-level employees are the ones who assemble merchandise, serve food and provide customer service. (http://smallbusiness.chron.com)

High Performing Employee: A “high performer” is an employee who is a key contributor, demonstrates high performance, is capable of a lateral move, may be qualified for a broader role within the same profession and has reached the potential to move “upward” in a management capacity. (http://www.bersin.com)

The following table depicts a factor-wise narration about the High Performing, Medium Performing and Low Performing Employees:
Table-1.1- Factor-wise narration about the High Performing, Medium Performing and Low Performing Employees (Source: http://apps.sgasp.com)

Critical Employee: The employee is in a "key" role or position within the organization and also possesses knowledge/skills that are crucial and unique. In one circumstance, the unique skills and knowledge are critical to the success of the organization and are not found in other positions in that role. In yet another circumstance, the role is altogether unique and key to the organization, and has a significant influence on performance outcomes. (www.performancesolutions.nc.gov)
1.17. Contributions to the Literature

The study contributes to the literature on the cost of employee turnover based on position level, performance level and critical level of employees. The study reveals that there is no significant difference in the cost of employee turnover based on the various levels of employees in the Five Star Hotels in Karnataka. The study contributes to the literature by showing that there is a significant difference between the reasons stated by employees to leave the job and reasons for employees to leave the job perceived by heads of the departments of Five Star Hotels in Karnataka. The study contributes to the existing body of literature by adding the employee preferred monetary benefits and non-monetary benefits of Five Star Hotels in Karnataka. The findings of this study will enable the management of the highly labor intensive hotels to review the retention strategies currently followed and the need to adopt a more employee preferred retention strategy such as Market Benchmarking for Competitive Pay rate, Promoting Career Progression Opportunities, Review Choice of Benefits and Increase the Variety and Improve the Abilities of Managers and Supervisors in their People Handling Skills.

1.18. Summary

This chapter introduces the background based on which the study is undertaken. It provides an overview of the study by presenting the research questions, and the seven hypotheses. This chapter justifies the rationale for the study. It also incorporates a brief description of the research process and the structure of the research report. This chapter provides the reader with an insight into the research problem and the methodology that was adopted in the study and the justification of the methodology of the study.
References (Journals)


