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High turnover Ratio of Hospitality Industry

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Abstract

Mathu a Hospitality Graduates joins one of the top, leading hotel groups (Leela Group of Hotels) as an industrial trainee and during his 4 months training ends up being the best trainee of his batch. Mathu gets offered a direct joining letter but denies to join, making an agreement that after completion of his 3 years bachelors' course in H&HA he will be join the post. But during this period company went through an acquisition and starts facing high employee turnover.

KEYWORDS : Hospitality, Acquisition, Industrial Training, Turnover.

CASE

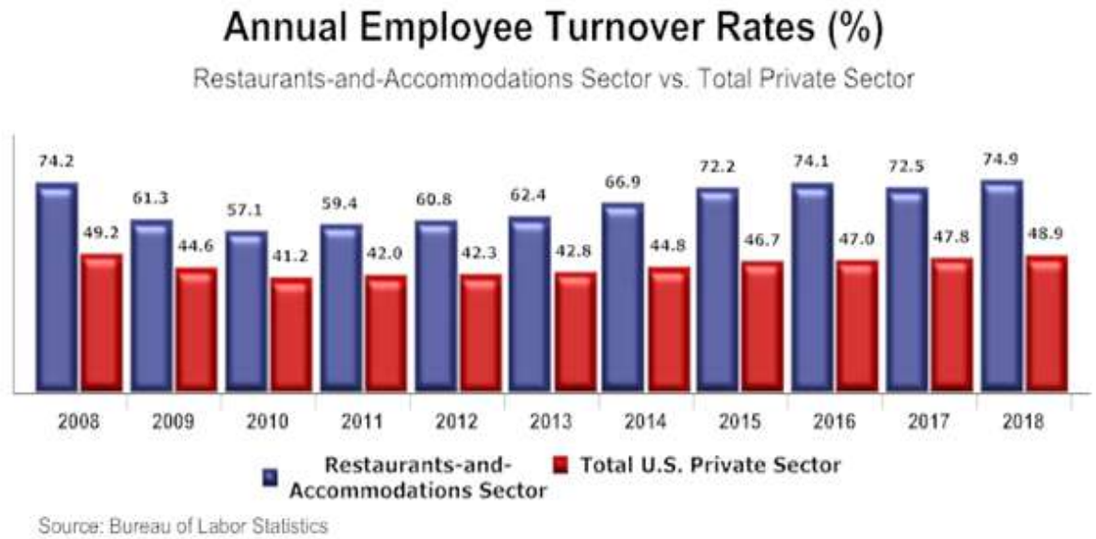
The Hospitality industry's highly competitive climate is undergoing many transformations (Rajput A. and Gahfoor R. Z. 2020). Mathu joins Institute of Hospitality Management, Dehradun in the year 2016 and as a part of his course, gets an opportunity to work with leading hospitality brand Leela Group of Hotels as an industrial trainee. During his 4 months of training in both operational and administrational departments, he developed interest in front office and HR department.

Mathu was a highly extrovert person and loves to interact with guests hence he spent maximum period of his training in front office department and since he worked with HR personnel, he ended up making good PRs and by end of his 4 months training, he concluded by becoming best trainee of his batch and was titled "NEXT GEN HOTELIER". As a perk to which he was offered a joining letter as a permanent employee, but he decided to continue his B.Sc. in H&HA. He agrees to the contract with the company, that after completion of his studies he would join the company as a front office associate and would continue working with Leela.

During that one and half year period, Leela Group of Hotels went through an acquisition deal and was suffering from financial losses, that resulted in a high employee turnover ratio for the company.

Industry Data

(Hospitality Industry in General Faces a High Turnover Ratio



According to National Restaurant Association "Low Pay, Lack of Training and Career Development Opportunities, Lack of Regular and Realistic Performance Appraisals and Undesired Work Environments Are Among the Key Reasons That Cause Low Performance Which In-Turn Result in High Staff Turnover".

In 2018, The Turnover Rate in The Hospitality Sector Topped 70 Percent for The Fourth Consecutive Year, According to Data from The Bureau of Labor Statistics' Job Openings and Labor Turnover (Jolts) Program.

The Overall Turnover Rate in The Restaurants-And-Accommodations* Sector Was 74.9 Percent In 2018, Up from A Rate Of 72.5 Percent In 2017. The 2018 Turnover Rate Represented the Highest Level Since the Great Recession, After Falling to A Cyclical Low Of 57.1 Percent In 2010

(DATA OF YEAR 2020)

Leela Group of Hotels got acquired by Brookfield, which is a Canadian alternative asset management company focusing on direct investments in real estate.

Brookfield is 122 years old highly successful multi billionaire MNC mainly focusing on direct investments in real estate, renewable power, infrastructure, credit and private equity. But lacked any sort of hospitality related experiences. Initially the deal was made for 3 Leela hotels in the Delhi NCR region but later other properties were also acquired, without making much

interruptions Brookfield retained the entire administration staff etc. but amended the work ethics of indian hospitality which Leela use to follow (Atithi Devo Bhava). Brookfield changed the company's main objective of customer satisfaction to profit maximization. Leela used to put its guest at its priority first and service was the prime objective but now employees were motivated to focus on profit maximization by maintaining a reasonable standard of guest service, which saturated Leela among other western hotels.

After one and a half year when Mathu rejoined the company, he was highly motivated and was felling very comfortable as he was very much familiar to the working environment. But soon after joining he realized 50 to 60% of his known colleagues with whom he worked earlies. either had left the industry or have switched to different hotels. His PRs in admin were gone to different companies, but luckily some of his known managers were still in the front office department.

He started working as front office associate and within few days he was quick to learn the PMS and started taking check-ins, and was also given responsibilities of cash handling which usually is not given to freshers.

But soon after his fellow employees who joined with him started leaving within a month of joining, also senior managers started hitting him that they were too planning to switch soon. It took some time for him to understand the change in working culture and to know about the acquisition deal.

From June 2019 to February 2020 for 9 months he worked with the company, during which he saw 2 duty manager switch and tens of associates leaving the job. Mathu was very well aware of the fact that hospitality industry is known for its low salary packages but for him the shift in working culture was difficult to get accustomed to. As result to which Mathu also end up leaving the Leela Group of Hotels.

PROBLEM OF THE CASE

The following are the problems of the case –

1. Hospitality industry fails to retain its employees and is currently facing a rise in its employee turnover ratio.
2. There is lack of motivation and low salaries along with lack of regular and realistic performance appraisals.

ASSIGNMENT QUESTIONS

1. What could you have done to retain the employees if you were HR Manager?
2. Give suggestions what Brookfield could have done to improve the situation and minimize the turnover ratio.

3. Explain in details why hospitality industries are facing increasing employee turnover ratio.

SUGGESTED ANSWERS TO THE QUESTIONS

Answer 1. Employee turnover, or employee turnover rate, is the measurement of the number of employees who leave an organization during a specified time period, typically one year. While an organization usually measures the total number of employees who leave, turnover can also apply to subcategories within an organization like individual departments or demographic groups.

$$\frac{\text{total of the no. of employees leaving within a specific period of time.}}{\text{the average number of employees working in the selected time frame}} \text{ X } 100$$

Employee Turnover Ratio =

Some of the most common reasons for turnover include the following:

- Lack of opportunity for growth or career development
- Natural career progression
- Internal promotion or transfer
- Feeling overworked/burnout
- Negative feelings towards boss or management
- Toxic work environment
- Family or life event
- Competitive offer
- Lack of work-life balance
- Involuntary departure

Understanding the causes of employee turnover can help businesses make the necessary changes to maintain their workforce at the desired level. Because of the many variables affecting turnover, benchmarks for acceptable or ideal turnover vary. It's important for organizations to take individual and industry-related factors into account as they pinpoint their target turnover rate, study the reasons behind their voluntary and involuntary turnover, and make changes to impact the employee turnover rate for their own workforce Here in this case change in working environment and police became one main reason for high turnover ratio alongside lack of motivation and low salaries with lack of regular and realistic performance appraisals.

Answer 2.

Already hospitality industries face large employee turnover ratio up to 74.9 Percent as of 2018, plus companies' inexperience in the hospitality sector all the more add to the reason. Brookfield can apply following tips to reduce employee turnover: -

Hire the right people

The best way to ensure employees don't leave you is to make sure you are hiring the right employees to begin with. Define the role clearly—both to yourself and to the candidates. And then be absolutely sure the candidate is a fit not only for it, but for your company culture.

Fire people who don't fit

As the old saying goes, "a stitch in time, saves nine." The same goes for cutting employees loose when necessary. Sometimes even when you follow the advice above, you get an employee who—no matter what you try to do—just doesn't fit. And, no matter how effective they might be at their actual work, an employee who is a bad fit is bad for your culture, and that creates "culture debt." They will do more damage than good by poisoning the well of your company. Cut them loose.

Keep compensation and benefits current

Be sure that you are paying employees the fair going wage for their work (or better) and offer them competitive benefits, or—really—who can blame them for ditching you? This might seem like a no brainer but you'd be surprised how few companies offer raises that keep up with an employee's development and actual rising worth.

Encourage generosity and gratitude

Encourage pro-social behavior in your employees. When they are given the opportunity to connect with one another through acts of generosity and the expression of gratitude, employees will be healthier, happier, and less likely to fly the coop. And by encouraging them to be on the lookout for good behaviors to commend, you give people a sense of ownership of the company.

Recognize and reward employees

Show your employees they are valued and appreciated by offering them real-time recognition that celebrates their successes and their efforts. Make it specific, social and supported by tangible reward, and you, too, will be rewarded—with their loyalty.

Offer flexibility

Today's employees crave a flexible life/work balance. That impacts retention directly. In fact, a Boston College Center for Work & Family study found that 76% of managers and 80% of employees indicated that flexible work arrangements had positive effects on retention. And more and more companies know it. That means, if you're not offering employees flexibility around work hours and locations, they might easily leave you for someone who will.

Pay attention to engagement

This one sound obvious, but for too many leaders' interests in engagement is limited to the results of engagement surveys. It's not enough simply to run an engagement survey once a year. You need to save most of your energy to take action based on the results and you need to work to build a culture of engagement in your company all year long.

Prioritise employee happiness

Happiness may sound a bit soft and squishy to many execs, but the numbers behind it are anything but. Employee happiness is a key indicator of job satisfaction, absenteeism and alignment with values–just for starters. Investing in the happiness of your employees will pay dividends in engagement, productivity and yes, retention. (Find some tips for building happiness here.)

Make opportunities for development and growth

Employees place HUGE value on opportunities for growth. In fact, a recent Cornerstone survey drew a direct connection between lack of development opportunity and high turnover intentions. If you aren't developing your employees then you aren't investing in them. And if you aren't investing in them, why should they stay with you?

Clean up performance review

Our most recent Workforce Mood Tracker survey painted a frankly dismal picture of how employees feel about performance reviews. Only 49 percent of them find reviews to be accurate, and only 47 percent find them to be motivating. Performance reviews offer a prime opportunity for a big win to increase trust and fortify your relationship with employees. Improve performance management by overhauling reviews, and watch employee trust and satisfaction grow.

Provide an inclusive vision

One key factor in employee engagement and happiness, according to experts, is to provide them with a sense of purpose and meaning in their work. Offer employees a strong vision and goals for their work and increase their sense of belonging and loyalty to your organization.

Demonstrate and cultivate respect

Finally, don't discount respect when it comes to creating a magnetic culture. In fact, in one 2012 study, respect in the workplace was revealed to be a key factor in voluntary turnover. Find ways to cultivate and nurture respect in your workplace and it will pay off in higher retention.

Answer 3.

The hospitality industry is one of the largest employers in the world, covering many different segments and employment sectors. From food and beverage establishments such as quick service restaurants and fine dining, cafes, bars and more to travel and tourism, the hospitality industry is booming. But even though it is an ever-growing sector, the hospitality industry faces its own unique workforce challenges. Employee turnover in the hospitality industry is extremely high. In fact, the hotel and motel industry alone experiences an employee turnover rate of 73.8%––exponentially higher than the annual average of 10-15%.

Six of the biggest causes of employee turnover in hospitality are as following.

- Unclear job expectations

Not knowing what employee will or should be doing at work can be a serious source of stress for many employees. If job expectations aren't clearly communicated, workers may decide it's time to find a job that is more fulfilling. Employees may also become unhappy if they feel like the job, they're doing doesn't align with what they think they've been hired for. This disconnect could push hospitality employees to find a job somewhere else. Make job expectations clear through the entire hiring and training process.

- Disconnect with managers

In some industries, a successful manager only needs to oversee processes or systems. It doesn't matter if they're able to connect with the employees under them. However, most hospitality positions are people-focused––including managerial positions. When managers are unable to properly communicate with their staff, it can push employees to quit.

- Mismatch between jobs and employees

Hospitality is a common job for young people to enter into. Unfortunately, it isn't the right fit for everyone––and they might discover that after they've been hired. Not everyone is well-equipped to deal with the customer-facing demands that often come with hospitality jobs, whether it's in QSR, upscale restaurants, or hotels. If a new hire's position doesn't match their personality, they may find that they're unhappy with the role and ultimately leave.

- Lack of flexibility

Employees in the hospitality industry rarely work a set schedule, and that's a big benefit for many of them. The flexibility that comes with the job is a big drawing point for many people who want some wiggle room in their schedule. Unfortunately, this flexibility can also sometimes mean employees don't know what to expect each week.

- Lack of recognition

The hospitality industry demands hard work and often long, irregular hours, regardless of your position. Unfortunately, many employees don't feel like their investment is noticed by upper management and executives. When employees are constantly giving a job their all and feeling like their hard work is ignored, it can lead to burnout. They may also start to believe that it doesn't matter how hard they work and instead of trying to give more, they'll start giving less.

- Toxic or unhealthy work environment

The hospitality industry often calls for high-pressure work environments that can leave even calm and collected employees feeling stressed out. Not everyone can handle this kind of environment, causing high levels of turnover. It's important to create a work environment that your employees will actually want to be a part of. Establish clear policies that employees can follow in the event that something happens, and ensure they're safe and protected if they choose to speak up.

References

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