Perceived Organizational Climate and Turnover Intention of Employees in the Hotel Industry

Indra Devi Subramanian and Yeat Nai Shin

Graduate School of Management, Multimedia University, Cyberjaya, Malaysia

Abstract: Employee turnover is a perennial problem in the hotel industry. Finding the cause and addressing it is very important for the business to be successful. This study looks at the influence of organizational climate on turnover intentions of hotel employees from an Asian based hotel. A survey method was used to collect the data. The research instrument was a structured questionnaire. The study found that rewards, responsibility, standards, conformity and leadership have significant negative relationship with turnover intention. The best predictor of turnover intention was reward which explained 86.8% of the variations in turnover intention followed by standards which explained 4.5% of the variations. The finding from this study contributes to the existing literature and provides managers with an understanding of the organizational climate factors that affect turnover among employees of the hospitality industry.

Key words: Organizational Climate · Turnover Intention · Hospitality Industry · Perception

INTRODUCTION

Background of the Study: The hospitality industry relies heavily on its employees for its success. The creation and provision of service to the customer is achieved through the employees. Being in a service industry, the ability of hospitality organizations to survive and compete is dependent on the quality of their services. This labor intensive industry requires a highly skilled and trained workforce to provide the quality that would meet customer satisfaction. This means that the hospitality industry not only needs to acquire and train the right employees to carry out their roles effectively but should also be able to retain them. This is endorsed by Davidson [1] who found that having and being able to retain the right employees would significantly contribute toward an enterprises success. Hinkin and Tracy [2] who carried out an analysis of top hospitality companies in the USA found that high turnover to be a major human resource challenge.

Lam et al. [3] found that a substantial portion of labor costs in the hotel industry is spent on attracting and retaining competent employees. In an another study carried out by Hinkin and Tracy [2] to examine the relative effects of actions taken to replace departing staff, found that the damage to productivity caused by the inexperience of new employees is the greatest contributor to the overall costs of turnover. Thus in the operational environment of the hospitality industry, the quality of the services would be affected by high turnover [3].

Problem Statement: The detrimental effect of high turnover rate on the hospitality industry is a major cause for concern among human resource practitioners. Students of organizational behavior have found many reasons for turnover of employees. Organizational climate has been cited as a possible reason because of the way it has been found to influence the behavior of the employees.

Organizational climate is a set of characteristics that makes an organization’s work environment unique. According to Liou and Cheng [4] these characteristics are enduring over time implying that the organizational members would be subjected to its effect considerably. Litwin and Stringer [5] and Pritchard and Karasick [6] also proposed that since organizational climate is the subjective perception of employees of the work environment in their organization, it is linked to their work attitude formation. Studies by Ohly and Fritz [7] show that work environment can play a significant role in influencing the behavior of the employees. Therefore, organizational climate could influence an employee’s work-based outcome.
Research by Russel et al. [8] found that organizational climate to be associated with turnover intention. The works by Subramaniam [9] and Donoghue [10] found that a positive organizational climate contributes toward a decrease in intention to leave. Intention to leave and actual turnover are often highly correlated. According to Pack et al. [11] this is the reason why researchers often use intent to leave as a proxy for turnover.

While there have been studies on the relationship between organizational climate and turnover intention, they differ in their conceptualization of organizational climate, study setting and study variables. For example a research conducted by Subramaniam [9] linked the relationship between organizational learning, organizational innovation and organizational climate in the Australian Hotel industry. However, there are no known research done to understand the staff’s perception of organizational climate in the hotels and resorts belonging to an Asian-based hotel operator and its relationship to turnover intention using the operational definition of organizational climate by Stringer [12]. The dimension of organizational climate as proposed by Stringer [12] seems appropriate to the hotel work environment. Thus this study aims to address these gaps. Therefore the research problem that is addressed by this research is:

What is the nature and degree of influence of organizational climate dimensions on turnover intention of employees in the hotel and resorts belonging to an Asian-based hotel operator?

**Literature Review**

**Theoretical Perspective of Organizational Climate:**
Organizational climate concept was first developed in late 1930s by a social scientist, Kurt Lewin. He conceptualized it as a particular type of social process involving influence of a work setting on organizational members who are in subordinate position of power [13]. Neal, West and Patterson [14] viewed it as general psychological climate which reflects the extent to which the environment is personally beneficial versus personally detrimental to a person’s sense of well-being. Schneider et al. [15] explained organizational climate as the atmosphere that employees perceive is created in their organization by practices, procedures and rewards. Employees observe what happens to them (and around them) and then draw conclusions about their organization’s priorities. In an attempt to provide a practical operationalization of the concept, Stringer [12] condensed organizational climate into six dimensions: (a) organizational clarity, (b) responsibility, (c) reward, (d) standards, (e) conformity and (f) team spirit.

**Turnover Intention:** Turnover intention is defined by Lee [16] as the subjective perception of an organizational member to quit the current job for other opportunities. Shore and Martin [17] and Khatri et al. [18] noted that turnover intention is an appropriate dependent variable because it is linked with actual turnover. Bluedorn [19] and Price and Mueller [20] recommended the use of turnover intention over actual turnover because actual turnover is more difficult to predict than intention and there are many external factors that can affect a person’s turnover behavior. The research by Griffeth et al. [21] and Ranman et al. [22] found that turnover intentions, or intentions to quit a job, have been found to be one of the best predictors of actual quitting.

**Relationship Between Organizational Climate Dimensions and Turnover Intention**

**Organizational Clarity and Turnover Intention:**
According to Lencioni, [23] organizational clarity means that you know who the company is, why it exist and the greater purpose the organization serves. Organization clarity is important for the development of a company’s goals, strategies, mission, values and vision i.e. the heart of the company [23]. Hypothetically when every person in a company understands the vision, goals and expressed purpose of the organization, work can be delegated more effectively, employees will feel empowered and have true confidence. As a result, organizational clarity creates healthy organizational climate that promote the sense of belonging of the employees.

**Hypothesis 1:** There is a negative relationship between employees’ perception of organizational clarity and turnover intention.

**Responsibility and Turnover Intention:** Manove [24] defines a responsible job as one in which the value of the job outcome is highly sensitive to the input of the worker’s effort. If an employee is looking forward to a meaningful job with certain level of responsibility entrusted, the employee would be more satisfied with the job if he or she is entrusted with a task where he/she can fully utilize his or her skills and abilities. If the reality of
the job does not meet the expectation, the employee would develop an intention to leave the organization in search of other more meaningful jobs [24].

**Hypothesis 2:** There is a negative relationship between employees’ perception of their responsibility and turnover intention.

**Rewards and Turnover Intention:** Rewards are what an organization gives an employee in return, in appreciation for his or her contribution to the organization. The type and amount depends upon one’s performance and contribution. According to Tan [25] in most studies, rewards are effective in attracting talents and retaining good performers. Rewards are substantially related to turnover as employees who are satisfied with organizational rewards will believe losing such a competitive reward to be costly and they would not find such compensation elsewhere. Therefore, they choose to stay [25]. Employees who perceive monetary rewards as a satisfactory form of appreciation would not consider alternatives from other organizations if their employers were willing to give appropriate rewards in exchange for improved performance.

**Hypothesis 3:** There is a negative relationship between employees’ perception of rewards as satisfactory and turnover intention.

**Standards and Turnover Intention:** Kreiner and Ashforth [26] stated that an organization has its own identity and this identity captures the essential features believed to be central, enduring and distinctive of the organization. The employees’ perceptions of the standards in an organization are believed to influence job attitudes and behaviors. This suggests that if the employees feel proud to be associated with a prestigious organization, they will want to continue to work there.

**Hypothesis 4:** There is a negative relationship between employees’ perception of the importance standards in their organization and turnover intention.

**Conformity and Turnover Intention:** Organizations try to reduce injustice as well as address the needs and interests of organizational members, through the adoption of policies, the creation of formalized procedures and the development of collective agreements. However, if the policies and procedures are too strident, it will reduce the employees’ motivation and severely restrict their ability to carry out their main duties [1]. Stringent policies may result in some inconveniences and led to turnover intention among the staff.

**Hypothesis 5:** There is a negative relationship between the employees’ perception of organizational conformity and turnover intention.

**Team Spirits and Turnover Intention:** Team spirit strengthens members’ relationships and builds unity. Individuals will also develop a better sense of responsibility when they are part of a team because team members depend on each other for success [27]. Team spirit will also promote the employees’ sense of belonging. Generally if an employee is happy working with his team, he or she will not think of switching jobs.

**Hypothesis 6:** There is a negative relationship between employees’ perception of existence of team spirit in the organization and turnover intention.

**Leadership and Turnover Intention:** Dansereau et al. [28] stated that supervisors as leaders play an important role in shaping the attitude and behavior of their subordinates. The excellent leader not only inspires subordinate’s potential to enhance efficiency but also provides the subordinated with opportunities to satisfy their needs in the process of achieving organizational goals. Leadership has been found by Hassan and Chandaran [29] to have a negative relation towards employees’ turnover intention.

**Hypothesis 7:** There is a negative relationship between employees’ perception of leadership in the organization and turnover intention.

**Theoretical Framework:** This study was conducted to understand the organizational climate in hotels belonging to an Asian based hotel operator with the intention to reduce employee’s turnover and improve retention. Employees’ turnover may result from various factors and by understanding the organizational climate, it would benefit the management to identify the dimensions, which impact the most on employee turnover.

Thus organizational climate in this study refers to the employees’ perception of seven different climate dimensions within the organization, namely: organizational clarity, responsibility, rewards, standards, conformity, team spirits and leadership. Turnover intention in this study refers to the extent of the staffs’ desire and intention to leave the organization at current stage of their employment. The theoretical framework for this study is presented in Fig. 1.
Fig. 1: Theoretical Framework of the Relationship between Organizational Climate and Turnover Intention in the Hospitality Industry.

**MATERIALS AND METHODS**

**Research Design:** This is a correlation study and uses the survey method to collect data. The independent variables are the dimensions of organizational climate namely organizational clarity, responsibility, rewards, standards, conformity, team spirit and leadership. The dependent variable is turnover intention.

**Research Instrument:** The research instrument used in this study is a structured questionnaire. The questionnaire comprises of three sections. Section 1 solicits general information pertaining to the respondents namely gender, race, marital status, age and educational level. Section 2 consists of 35 statements and is used to solicit information on the respondents’ perception of the seven dimensions of organizational climate. Each of the seven dimensions of organizational clarity, responsibility, rewards, standards, conformity, team spirit and leadership were measured using five statements each. The items used to measure organizational climate were modified from the research instrument were adapted from Litwin and Stringer’s [30] organizational climate questionnaire. Section 3 consists of five statements. These statements measure the respondents’ turnover intention, which is the dependent variable. The statements used to measure turnover intention were developed by modifying Micheals and Spector’s [31] questionnaire on turnover intention. The respondents were requested to indicate the extent that each statement characterized their organization along the Likert scale format from 1 (agree) to 5 (disagree).

**Population and Sampling:** Respondents for this study were 450 employees from 3 properties of an Asian-based hotel operator. Among these, 285 were from the first property, 68 from the second property and 97 from the third. Number of participants chosen represented 30% of total staff force of the respective hotels and only
confirmed employees were invited to participate in the survey. The distribution of sample by property is presented in Table 1. The response rate was 67.3%, resulting in a final sample size of N=303. There were 201 males (66.3%) and 102 females (33.7%).

**Pilot Study to Test the Validity and Reliability of the Questionnaire:** A pilot test of the survey instrument was conducted with a sample of 20 employees from a representative hotel. Employees who participated in the pilot run were not included in the final study. Pilot survey was carried out to ensure the respondents understood the questions in the survey instrument and had enough organizational knowledge to accurately answer the questions developed. Subsequently, a set of the questionnaire was translated into a Mandarin version with the help of hotel group’s human resource management team as there are quite a number of rank and file employees from all 3 properties who originate from China and do not understand English.

The final instrument was tested for validity and reliability. To determine the face and content validity of the instrument, it was reviewed by five experts in organisational behaviour including three university lecturers. The Cronbach alpha method was used to determine the reliability of each of the seven constructs of rewards, responsibility, leadership, standards, team spirits, conformity, organizational clarity and turnover intention which make up the research instrument. The Cronbach alpha values ranged from 0.79 to 0.98. These values are within the acceptable range and therefore confirm the reliability of the questionnaire.

**Data Collection:** The questionnaires included a cover letter that explained the purpose of the study and assurance of confidentiality of the information obtained. Questionnaires were administered with the help of human resources managers or executives of each of the three properties. Respondents were assured of the strictest confidentiality of their responses and were told that the completed questionnaires would be sent directly to the researchers and that no one in their own hotels or resorts would get to read or see the completed questionnaires. Email address of the researcher was provided to all respondent to promote better response rate and also as a measure to assure the confidentiality in their responses. Respondents who posses internet access could access the questionnaire online through a temporary website setup. All data were collected over a period of 2 weeks.

**Data Analysis:** Analysis was performed using Statistical Packages of the Social Science (SPSS). Descriptive statistics was used to describe the profile of the respondents, the respondent’s perception of the dimensions of organizational climate and turnover intention. Multiple regression analysis using the enter method was used to determine the relationship between the seven dimensions of organizational climate and turnover intention. Factors that show high correlation reflect a strong relationship between the particular dimension of organizational climate and turnover intention. Stepwise multiple regression analysis was used to determine which among the seven dimensions of organizational climate are the significant predictors of turnover intention were. The level of significance was set at p = 0.05.
RESULTS AND DISCUSSION

Relationship between Organizational Climate Dimensions and Turnover Intention: Multiple regression analysis was carried out with dimensions of organizational climate as independent variables and turnover intention as the dependent variable. The result is presented in Table 4. Among the seven dimensions of organizational climate only five dimensions that is responsibility, rewards, standards, conformity and leadership were found to have significant negative relationship with turnover intention. They have statistically significant negative correlation with turnover intention. Based on these results, we fail to reject hypothesis 2, 3, 4, 5 and 7. However, hypothesis 1 and 6 are rejected. Together the organizational climate dimensions contribute 92.2% to turnover intention among the hotel employees. It gives an overall picture that positive organizational climate has the significant effect of lowering the employees’ turnover intention. This result is in line with findings by past researchers who reported that positive organizational climate creates positive work attitudes and behaviors [8]. Employees are more satisfied working in a positive work environment and therefore less likely to leave their organizations [9, 10].

Table 3: Descriptive statistics on perceived organizational climate and turnover intention.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organizational Climate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1. Organizational Clarity</td>
<td>303</td>
<td>1.95</td>
<td>1.041</td>
</tr>
<tr>
<td>1.2. Responsibility</td>
<td>303</td>
<td>2.15</td>
<td>1.124</td>
</tr>
<tr>
<td>1.3. Rewards</td>
<td>303</td>
<td>2.69</td>
<td>1.175</td>
</tr>
<tr>
<td>1.4. Standards</td>
<td>303</td>
<td>2.06</td>
<td>1.110</td>
</tr>
<tr>
<td>1.5. Conformity</td>
<td>303</td>
<td>2.20</td>
<td>1.349</td>
</tr>
<tr>
<td>1.6. Team Spirit</td>
<td>303</td>
<td>1.98</td>
<td>1.205</td>
</tr>
<tr>
<td>1.7. Leadership</td>
<td>303</td>
<td>2.11</td>
<td>0.937</td>
</tr>
<tr>
<td>2. Turnover Intention</td>
<td>303</td>
<td>2.71</td>
<td>1.089</td>
</tr>
</tbody>
</table>

Table 4: Regression analysis of organizational climate dimensions and turnover intention.

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>B</th>
<th>SE</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.471</td>
<td>.051</td>
<td>9.263</td>
<td>.000</td>
</tr>
<tr>
<td>Organizational Clarity</td>
<td>-.076</td>
<td>.063</td>
<td>-.073</td>
<td>-1.219</td>
</tr>
<tr>
<td>Responsibility</td>
<td>-.221</td>
<td>.081</td>
<td>-.228</td>
<td>-2.719</td>
</tr>
<tr>
<td>Rewards</td>
<td>-.647</td>
<td>.045</td>
<td>-.698</td>
<td>-14.302</td>
</tr>
<tr>
<td>Standards</td>
<td>-.407</td>
<td>.081</td>
<td>-.415</td>
<td>-5.019</td>
</tr>
<tr>
<td>Conformity</td>
<td>-.162</td>
<td>.051</td>
<td>-.200</td>
<td>-3.195</td>
</tr>
<tr>
<td>Team Spirit</td>
<td>-.032</td>
<td>.058</td>
<td>-.035</td>
<td>-5.44</td>
</tr>
<tr>
<td>Leadership</td>
<td>-.144</td>
<td>.063</td>
<td>-.124</td>
<td>-2.301</td>
</tr>
</tbody>
</table>

R² adjusted = 0.922
F test = 498.690*
N = 303

Dependent variable is turnover intention; * -significant at p < 0.05.
Table 5: Contribution of organization climate dimensions to turnover intention.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>R² Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.932a</td>
<td>.868</td>
<td>.868</td>
</tr>
<tr>
<td>2</td>
<td>.956b</td>
<td>.913</td>
<td>.045</td>
</tr>
<tr>
<td>3</td>
<td>.958c</td>
<td>.918</td>
<td>.005</td>
</tr>
<tr>
<td>4</td>
<td>.959d</td>
<td>.920</td>
<td>.002</td>
</tr>
<tr>
<td>5</td>
<td>.960e</td>
<td>.922</td>
<td>.002</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Rewards
b. Predictors: (Constant), Rewards, Standards
c. Predictors: (Constant), Rewards, Standards, Leadership
d. Predictors: (Constant), Rewards, Standards, Leadership, Conformity
e. Predictors: (Constant), Rewards, Standards, Leadership, Conformity, Responsibility
f. Dependent Variable: Turnover Intention

Table 5 presents the contribution of the organizational climate dimension that had significant correlation with turnover intention. Rewards alone explain 86.8% of the variation in turnover intention. After rewards, the inclusion of standards explains additional 4.5% of the variation in turnover intention. Rewards, standards, leadership, conformity and responsibility together explain 92% of the variation in turnover intention. (Compare with 92.2% by all seven predictors).

When the employee’s perceived remuneration of his or her hard work and efforts are not compensated accordingly, the employee is more likely to voluntarily leave his/her organization. From a managerial perspective, therefore, it should be imperative to examine determinant factors that can improve the employees’ perceived rewards to prevent and reduce the current problems of high staff turnover.

CONCLUSIONS

Rewards system was found to be the most significant predictor of intention to leave. This result demonstrates that employees would stay on in the organization if the compensation system practiced by the organization is perceived as fair and provides opportunities for promotion for those who are competent and make great contribution to their organizations.

Branding is the identity of the organization. A well-known brand carries its own brand image and reputation which is distinctive and enduring. Brand image can influence an employee’s work attitude. In this study, standard dimension is found to be the second strongest predictor for shaping employees’ turnover intention. Thus it can be interpreted that employees are proud to work in hotels which have prestigious brand name. If they maintain their reputation as a superior brand, their employees are more likely to stay.

In conclusion, the study suggests that organizations could reduce turnover rate by improving the organizational climate especially the dimensions pertaining to reward, standard, leadership, responsibility and conformity. Any of these organizational climate dimensions that are perceived to be negative may trigger employees’ intention to leave the organization.

Implications and Recommendations: The managerial implications from this study are that management should be acutely aware of the need to build a fair rewards system. Internal rewards include succession planning, professional development program and compensation and benefits packages. Engaging a competent employee at work with professional development program will give a chance for the employee to learn the skills and knowledge that could make him or her indispensable. When an employee sees the opportunity for advancement, he or she will not want to leave but instead would stay back to improve his or her ability for promotions.

Fair and equitable performance-based rewards system should be in place. Promotion should not be like an “escalator effect” where it is based on seniority rather than performance. Employees should be paid for what they are worth and not based on standard salary guidelines only. If employees are working in an environment where they can express themselves and develop with more interpersonal support and opportunities for career advancement, the employees are more likely to stay in the organizations [32].

Other efforts that could be considered for improving the employees’ perception of the rewards dimension would be the cross-hotels short term placement. Employees who work with the resorts or hotel for couple of years may want to have a breather outside especially the generation Y employees who are full of energy to explore every possible corner. Exposing the employees to another sister property for short term attachment will
provide a chance for the employee to experience the culture and work process in another property besides building strong connection with the organizations and making friends from other sister properties. The different experiences from these attachments will enable the employees to develop fresh perspectives towards their current job. Additional benefits of exchange programs would be the knowledge transfer. Employees are able to share the best practices at their work place with colleagues from other sister property and reciprocally can adopt the best practices from the sister property back at their own hotel.

REFERENCES


