THE DETERMINANTS OF EMPLOYEE SATISFACTION AND RETENTION IN HOTEL BUSINESS: A CASE OF ASEAN EMPLOYEES IN BANGKOK

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Abstract - The emerging of South East Asian countries to form ASEAN Economic Community (AEC) bring in a new chapter of Thai’s economy. The value of employee retention is a great success factor in tourism industry. Thus, this research seeks to examine the extent to which pay-for-performance and non-pay-for-performance systems impact employee retention for ASEAN hotel workers of in Bangkok, Thailand. The objectives for this study are to examine the impact of pay for performance on employee satisfaction, to examine the impact of non-pay for performance on employee satisfaction and to examine the impact of employee satisfaction on employee retention. The research was extended to investigate whether there are differences among ASEAN employees (Thai, Laos, Burmese and Cambodia) who work for hotel in Bangkok toward employee retention. The survey was conducted through collecting 400 questionnaires from hotel’s employees in Bangkok. Spearman Correlation analysis was used to observe the relationships and One-way ANOVA was used to compare the difference among targeted ASEAN nations. The findings revealed that Employee satisfaction is strongly influenced by pay for performance; but moderately influenced by non-pay for performance. Moreover, Employee retention is moderately influenced by employee satisfaction. Interestingly enough, this research was supported by several previous studies that, unlike western people, employee retention in Asian countries depends more heavily on extrinsic rewards. Among targeted nation, Thai employees’ job retention is quite differ from Burmese and Cambodia. However, job retention of Thai employees are not significantly different from Laos. The results are contribute to management team and human resource management in hospitality industry to project proper employment policy to enhance employee retention.

Keywords: Pay for Performance, Non Pay for Performance, Employee Satisfaction, Employee Retention.

I. INTRODUCTION

In developing nations, the tourism and hospitality industry has grown exponentially during recent years, becoming a foundational market within the domestic economy (Bhatnagar, Puri, & Jha, 2004). In response to the ASEAN alliance which promotes the ability of member nations to exchange resources, including labour, with relative ease, the growth of diverse workforces within the hotels of the region has been markedly visible. Consequently, the need for these organisations to promote organisational commitment and subsequent employee retention is paramount given the intense competition in the region.

The value of employee retention in the global hotel industry is irrefutable, with the tourism sector impacted by intense growth in parallel with continued labour shortages (Farrel, 2001). In ascertaining the extent to which pay-for-performance and non-pay-for-performance systems impact worker commitment and foster worker retention in the hotel industry, it is critical to categorise the former force as akin to extrinsic, monetary rewards (Ismail & El Nakkache, 2014). Alternatively, intrinsic rewards include satisfaction and social relationships (Farrel, 2001). Ultimately, the literature suggests that both pay-for-performance and non-pay-for-performance systems affects employee retention, with additional issues to be explored including the impact of performance management on organisational commitment and the effects of national cultural dimensions on the performance management-retention link.

This study seeks to examine the extent to which pay-for-performance and non-pay-for-performance systems impact employee retention for ASEAN workers in a single, mid-size hotel organisation in Bangkok, Thailand. The objectives for this study are four-fold: to examine the impact of pay for performance on employee satisfaction (1); to examine the impact of non-pay for performance on employee satisfaction (2); to examine the impact of employee satisfaction on employee retention (3); to investigate whether there are different among ASEAN employees (Thai, Laos, Burmese and Cambodia) who work for hotel in Bangkok toward employee retention (4).

II. CONCEPTUAL FRAMEWORK AND METHODOLOGY

The literature clearly highlights that a connection exists between extrinsic and intrinsic rewards, or pay-for-performance and non-pay-for-performance strategies respectively, and employee satisfaction. The secondary causual link which is integral to this study is employee satisfaction and employee retention. Figure 1 illustrates the conceptual framework for this study with respect to these variables.

Figure 1: Conceptual Framework
The hypotheses for this present study are four-fold:

H1: Employee satisfaction is significantly influenced by pay for performance;
H2: Employee satisfaction is significantly influenced by non-pay for performance;
H3: Employee retention is significantly influenced by employee satisfaction;
H4: There are significant different among ASEAN employees (Thai, Laos, Burmese and Cambodian) toward employee retention in hotel business in Bangkok.

The methodology selected for this study is a quantitative design using questionnaire as research instrument. The questionnaire were collected from 400 participants who work for hotel in Bangkok and are from ASEAN nations (Thai, Laos, Burmese and Cambodian). The first three hypotheses will be analysed using Spearman Correlation, with the fourth and final hypothesis analysed using one-way ANOVA analysis. In achieving the research objectives outlined herein, this study will address potential cultural factors which may influence the impact of pay-for-performance and non-pay-for-performance systems on worker retention in the hotel, applying Hofstede’s taxonomy to the organisation’s culture. Worker retention in the hotel industry has been examined significantly in the literature, with a strong connection between low levels of worker motivation, low levels of organisational commitment, and turnover rates. Factors conversely promoting retention in the hotel industry include career development opportunities, challenging work, job security, a culture of respect, and, importantly, a combination of intrinsic and extrinsic motivational forces (Farrel, 2001); these research themes were reflected in the quantitative instrument.

- **Reliability Test**

30 set of questionnaires were collected for Cronbach’s Alpha testing. The Cronbach’s Alpha were used to ensure that the questionnaire is reliable to use. The appropriate score should be 0.7 or higher (George & Mallery, 2003). In this case, all variables have score higher that 0.9 as show in Table 1. This indicated that the questionnaire is reliable to use.

### Table 1: Reliability Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach'Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay for performance</td>
<td>0.937</td>
</tr>
<tr>
<td>Non-pay for performance</td>
<td>0.942</td>
</tr>
<tr>
<td>Employee satisfaction</td>
<td>0.931</td>
</tr>
<tr>
<td>Employee retention</td>
<td>0.933</td>
</tr>
</tbody>
</table>

### III. RESULTS AND DISCUSSION

**Descriptive analysis**

Descriptive statistics of demographic factors indicates that most of the respondents (34.75% or 139) are Burmese, while Thai nationality (28.5% or 144) comes in second place, following by Laos (22.75%, 91) and Cambodia (14%, 56) respectively. The majority of respondents are male (207) equivalent to 51.75% and female 48.25%. Most of respondents are age between 20-30 (55.25%) and 82.74% of all sample group’s education level are Lower than Bachelor degree. The contribution of respondents based on hotel jobs in Bangkok areas are cleaner and bellboy (39.5%), room service (36.25%), reception or sale (10%), chef (6.75%), supervisor (4%), management team (3%) and others (0.5%) consecutively.

**Inferential Results**

Spearman correlation analysis was used to test the relationships between dependent and independent variables through first three hypotheses (H1 to H3) illustrated in Table 2. While hypothesis four were tested using one-way ANOVA, demonstrated results is in Table 3.

### Table 2: Spearman Correlation Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>P value</th>
<th>Correlation Coefficient</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>.000</td>
<td>Strong (.505**)</td>
<td>Accepted H1</td>
</tr>
<tr>
<td>H2</td>
<td>.000</td>
<td>Moderate (.429**)</td>
<td>Accepted H2</td>
</tr>
<tr>
<td>H3</td>
<td>.000</td>
<td>Moderate (.452**)</td>
<td>Accepted H3</td>
</tr>
</tbody>
</table>

**Correlation is significant at .001 level (2-tailed).**
Based on the result from Table 2, pay for performance have a strong impact in employee satisfaction (H1). Besides, Employee satisfaction is effected moderately by Non-pay for performance as well (H2). Furthermore, Employee satisfaction has moderate effect on Employee retention (H3).

Table 3: One-way ANOVA Results (H4)

<table>
<thead>
<tr>
<th></th>
<th>Thai</th>
<th>Laos</th>
<th>Burmese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laos</td>
<td>.436</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burmese</td>
<td>.027</td>
<td>.004</td>
<td></td>
</tr>
<tr>
<td>Cambodian</td>
<td>.005</td>
<td>.001</td>
<td>.246</td>
</tr>
</tbody>
</table>

Significant value = .001, F value = 5.502

In table 3, a one-way ANOVA was conducted to compare differences among employees in ASEAN countries: Thai, Laos, Burmese, Cambodian on employee retention (H4). According to P-value, Thai employees have a statistically significant difference between Burmese and Cambodian in employee retention. In addition, employees from Laos have a statistically significant difference between Burmese and Cambodian.

Discussion

There are several previous finding to support the results of H1 and H2. The relationship between pay-for-performance and non-pay-for-performance strategies within any organisation is inextricably bound to extrinsic and intrinsic motivators, respectively. Farrel (2001) posits that the hotel industry’s low levels of employee retention is directly attributable to weak links in a triangular model of motivation that includes pay, social support, and overall satisfaction. While pay represents an extrinsic reward, social support and satisfaction represent intrinsic factors which drive both motivation and retention (Patrick and Sonia 2012).

A conflict, importantly, exists within the literature with respect to how preferable intrinsic reward systems are to extrinsic reward systems. Though the majority of evidence highlights the importance of intrinsic rewards as drivers of organisational commitment, with these rewards including strong support networks and, more commonly, linkages between the values of the organisation and those of the worker, Ismail and El Nakkache (2014) cite that extrinsic reward factors are more crucial to overall worker motivation in non-Western nations. In a study of 100 participants in Lebanon, Ismail and El Nakkache (2014) concluded that extrinsic factors, and pay specifically, were far more integral to employee satisfaction and overall motivation than intrinsic factors. While both Ismail and El Nakkache (2014) and Ozutku (2012) highlight that the HRM literature is highly influenced by its common Western orientation, the authors arrived at conflicting conclusions with respect to the influence of intrinsic and extrinsic rewards on worker commitment and satisfaction. The relationship between pay-for-performance and non-pay-for-performance strategies within any organisation is inextricably bound to extrinsic and intrinsic motivators, respectively. Farrel (2001) posits that the hotel industry’s low levels of employee retention is directly attributable to weak links in a triangular model of motivation that includes pay, social support, and overall satisfaction. While pay represents an extrinsic reward, social support and satisfaction represent intrinsic factors which drive both motivation and retention (Patrick and Sonia 2012).

In addition of previous study to support H3, the interconnectivity between employee satisfaction and worker retention in the hotel business is well-documented, with more satisfied workers less likely to support high rates of turnover (Farrel, 2001). Kasekende, Byarugaba, and Nakate (2013) cite that a clear link between worker satisfaction and retention has been established in the literature, with job satisfaction definable as the extent to which worker To support H4, Hofstede’s framework consists of five dimensions of culture which vary significantly according to nation-state (Hofstede’s, 2001). The extent to which Thailand’s cultural differences vary with respect to the workers’ cultures is then particularly pertinent when examining the most effective retention strategies (Hofstede’s, 2010).
CONCLUSIONS

This research contributesto hospitality Industry with a greater comprehension about their employees of ASEAN nations and assists hotel business to establish policies toward pay for performance and non-pay for performance to enhance employee retention effectively. According to the results of this study, the correlation between pay for performance and employee satisfaction in all targeted ASEAN is strong; while there is a moderate relationship between non-pay for performance and Employee satisfaction in hospitality industry in Bangkok. This finding is contradict to previous result in western countries. With regard to the correlation between employee satisfaction and employee retention, the results show moderate relationship the correlation between both factors. Among ASEAN nation, Thai employees are not much differ from Laos, unlike Burmese and Cambodian which has a great different in term of employee retention. In order to survive and standout from aggressive competition among ASEAN Economic Community, hotel business need the right motivators enhance employee retention which is varied by nations.

REFERENCES


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