

**FROM HOSPITALITY WORK TO HOSPITABLE WORKING: INCREASING  
PRODUCTIVITY AND DECREASING STAFF TURNOVER IN A NEW ZEALAND  
HOTEL**

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**ABSTRACT**

This paper presents the case study of the James Cook Hotel Grand Chancellor, a New Zealand hotel that has reduced staff turnover through focusing on two particular drivers of productivity – Creating a Productive Workplace Culture and Measuring What Matters. The theoretical foundations of employee turnover and productivity in hospitality are discussed in the literature review. Particular focus is placed on the importance of congruence between individuals' specific job wants and organisational climate to retain employees. Interviews with a range of the hotel's managers were conducted in 2007, to develop a single site case study. In an industry described as having a 'culture of turnover', learning from a hotel that has successfully reduced staff turnover and created an organisational culture which encourages and rewards productivity is of crucial importance.

**Key Words:** Turnover, Hospitality, Retention, Hotel, Productivity

## INTRODUCTION

Many industry associations, employers, government departments and academics in New Zealand and Australia are increasingly concerned about the high levels of turnover in tourism and hospitality industries. The following recent comments draw attention to the current discourse about the turnover problem:

*So while we have campaigns to sell Australia to tourists, we need similar support to sell the tourism industry to potential workers. We also need to guard against a lack of suitable staff which would undermine the industry's ability to meet the growth of the sector and the service quality expectations tourism promotions create.*

*One of the most significant challenges that the tourism industry faces is employee retention...The Committee was told that the industry has a 'culture of turnover*

(Australian House of Representatives Standing Committee on Employment, Workplace Relations and Workforce Participation, 2007)

*Ongoing skill shortages in the tourism and hospitality sector not only put a brake on growth, but threaten to compromise the industry's ability to deliver a consistently high quality experience to visitors.*

*After looking closely at the issues and listening to industry, it became apparent that we are in fact dealing with a workplace issue; the challenge for tourism and hospitality businesses lies in up-skilling our people at all levels, and lifting our productivity and profit so that the industry can attract investors and pay its workers more.*

(New Zealand Tourism Industry Association Leadership Group, 2006)

*By 2010, there will need to be an extra 16,440 FTE positions to meet the expected growth in demand for tourism services....In addition, more people will be needed to replace those who leave the industry*

(New Zealand Department of Labour, 2003)

While the above comments stress the significance of the problem, they tend to favour popular solutions such as 'training and career progression' to keep valued staff which has become common rhetoric in the industry. The New Zealand hospitality industry is experiencing high levels of voluntary turnover, and of particular concern is that the industry is currently losing 8% of its workforce each year to other industries. Employee turnover within New Zealand's hospitality industry has been accepted as the norm, creating a 'turnover culture' (Deery, 2002) in which organisational structures, management and employees show acceptance of turnover behaviour. This is partially due to the industry being characterised by historical practices, based on stereotypes and myths such as 'you work in hospitality until you get a real job'.

A major part of the attraction for international tourists is the quality of the overall experience of New Zealand, so addressing high staff turnover is crucial for the industry's competitive edge. This paper presents a case study of a hotel that has moved beyond the usual rhetoric to stem turnover by positioning hospitality work as 'hospitable work'. Two specific themes identified in the case have enabled the hotel to lift productivity AND retain valued staff. Firstly, managers concentrate on creating a positive culture where staff are treated, informed and rewarded as clever contributing adults integral for a productive workplace. Secondly, and not mutually exclusive from the first theme, managers emphasise measuring and sharing what matters with staff to enable them to appreciate the clear links between their individual performance and the performance of the hotel.

## **LITERATURE REVIEW**

Turnover has been a focus of intense international research in the Human Resource Management discipline for many years (Bannister & Griffeth, 1986; Dalessio, Silverman, & Schuck, 1986; Blau & Boal, 1989; Wanous, 1992; Dougherty, Lee & Mitchell, 1994; Hom & Griffeth, 1995). Boxall, Macky and Rasmussen (2003) referred readers to comprehensive reviews on the turnover literature in Price (1977), Cooton and Tuttle (1986), Tett and Meyer (1993), Hom and Griffeth (1995) and Griffeth, Hom and Gaertner (2000), and present some of the following key themes from the above reviews:

- While ethnicity and gender are not clear demographic predictors of turnover, age is strongly positively associated with tenure length, and negatively associated with turnover.
- Job satisfaction is consistently negatively associated with employee turnover.
- The extent to which employees feel their contributions are valued is inversely related to their turnover rates.
- Remuneration retains an important role in turnover.

Turnover has also been a topic of long and intense international research in the hospitality sector (Wasmuth & Davis, 1983; Woods & Macaulay, 1989; Hogan, 1992; Hinkin & Tracey, 2000; Lashely, 2001; Simons & Hinkin 2001; Brien, 2004). According to Statistics New Zealand (2006), the hospitality sector has a turnover rate of 29.2% for 2006 as opposed to 16.7% national average for all work sectors. However, recent figures discussed at the 2006 New Zealand Hotel Council Conference, put hotel employee turnover as high as 60%. This very high

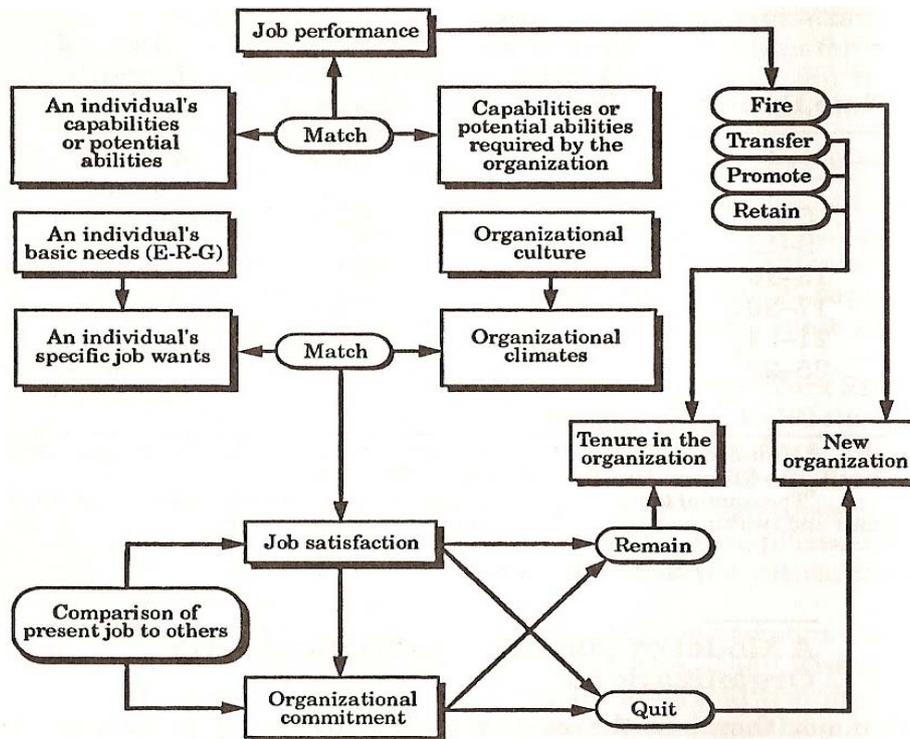
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turnover rate is occurring in a labour market with historically low unemployment of 3.8%, (Statistics New Zealand, 2007). Thus, hotels are faced with the strategic human resource management challenge of very high turnover in a time of intense labour scarcity and skills shortages.

Excessive turnover in the hospitality industry dramatically increases costs and reduces the quality of service delivered (Iverson & Derry, 1997). A culture of turnover can have an impact on the organisation in a negative way by acting as a counter-culture to the organisation's main objectives (Cooke & Rousseau, 1988). Allen (2006) suggested that new entrant turnover provides hospitality organisations with little or no opportunity to recover a significant return on their investment in recruitment, orientation, training, and uniforms. In purely financial terms, The Society for Human Resource Management estimates that it costs US\$3,500.00 to replace one US\$8.00 per hour employee when all costs (recruiting, interviewing, hiring, training, reduced productivity) are considered. Given the hotel industry employees 17,000 people and has a minimum annual turnover average of 29.2%, the annual cost of turnover to the hotel industry using the above equation comes to just over US\$17 million or NZ\$22 million at current exchange rates. Simons and Hinkin (2001) demonstrated the employee turnover is strongly associated with decreased profits.

The work of Wanous (1992) is of particular interest for hospitality organisations, as it focuses on premature turnover and the role of socialisation in that turnover (Figure 1). Socialisation is seen to reduce uncertainty and anxiety and therefore create congruence between individuals and an organisation, transforming an outsider into an effective and participating insider. At the heart of the model is the “dual matching process” between the capabilities or potential abilities of an individual and those required by the organisation (upper portion of the model); a matching process is described as organisational selection (Wood, 2001). A second type of matching process is shown in the lower portion of the model, being the match between an individual’s specific job wants and the capacity of organisational climates to reinforce those wants. Any mismatch that occurs has a direct influence on job satisfaction and an indirect influence on commitment to the organisation (eg. voluntary turnover) (Peterson, 2004). The Wanous (1992) model stresses the significance the culture and climate of an organisation plays in the turnover process.

**Figure 1**  
**Wanous (1992) Matching Model**



Moderate turnover is viewed as enhancing productivity by some authors (see Alexander, Bloom, & Nuchols, 1994; Ilmakunnas, Malirantab, & Vainioma, 2005), especially when it improves job matching and removes poor employees. The high turnover though suffered by many hospitality operations is counter-productive as it often represents the loss of well trained and valuable employees which affects productivity. In an early commentary on staff turnover, Palmer and Dean (1973) attributed low productivity to high employee turnover and Deutsch (1982) associated productivity with staff retention. Rothwell (1982) cited several studies relating increases in productivity to improvements in staff retention, explaining that wastage of staff is unproductive in terms of both recruitment processes and efficient use of employees who can focus on their own tasks, rather than filling gaps left by untrained staff or unfilled vacancies. Loss of productivity was also examined by Hinkin and Tracey (2000) in a study of the costs of staff turnover. They list 'vacancy cost, pre-departure productivity loss, learning curve, errors and waste, supervisory disruption and peer disruption' as productivity-related problems caused by high staff turnover along with unnecessary financial costs, decreased service quality, and decreased quality of working life.

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Given the labor intensiveness of hospitality-related businesses, interest in productivity analysis has focused predominately on labour and its consequences such as service outcomes per employee (e.g., rooms cleaned) or labour-dollar value (Ball, Johnson & Slattery, 1986). Reynolds and Bielb (2007) posited the importance of employee satisfaction as representing an important contribution to the area of productivity analysis. They cite work by authors including Spinelli and Cavanos (2000) who identified a significant correlation between employee and customer satisfaction in a hospitality company. Kennedy, Lassk and Goolsby (2002) presented evidence of an indisputable relationship between employee satisfaction and organizational goals such as sales and profit.

Guthrie (2001) illustrated that like 'anti-taylorism' cultures, high involvement organisational cultures are pivotal to the retention process (Griffeth & Hom, 2004). The key to employee commitment, however, lies with job satisfaction and several strategies can be used to increase job satisfaction and therefore reduce employee turnover, such as providing greater variety in duties enhanced through the multi-skilling of employees (Iverson & Derry, 1997). Labov (1997) elucidated that businesses that have strong communication systems enjoy lower turnover of staff.

**RESEARCH DESIGN**

The objective of the research was to understand which drivers of productivity are key to improving performance at the James Cook Hotel Grand Chancellor (here after known as the James Cook Hotel or the hotel) through efforts to reduce staff turnover. Improving workplace productivity involves exploring all the ways that a workplace can do things better and smarter, and each workplace will have their own unique way to do this (New Zealand Department of Labour 2007). The research design utilises a descriptive explanatory case study approach to generate an understanding of an organisational setting. Ogbonna and Harris (2002, p.39) explained that 'researchers should concentrate on understanding the ways through which organisational members construct and reconstruct their `reality' (Smircich, 1983), rather than seeking to establish abstract variables to quantify their experiences (Schein, 1996)'.

Data gathering took place at the hotel during 2007. Structured interviews lasting approximately 60 – 90 minutes were conducted with the General Manager, six division managers and the Human Resource Coordinator who was interviewed twice during two separate visits. The data

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gathered through the interviews related to the seven productivity drivers as promoted by the New Zealand Department of Labour (2007). These are:

- Building Leadership and Management
- Organising Work
- Networking and Collaborating
- Investing in People and Skills
- Encouraging Innovation and the Use of Technology
- Creating Productive Workplace Cultures
- Measuring what Matters

Interviews were transcribed, and coded thematically within each interview, by highlighting key components and making preliminary margin notes to “isolate certain themes and expressions that can be reviewed with informants... maintained in their original forms throughout the study” (Miles & Huberman, 1994: 6). Notes and interviews were used to build theoretical categories as a basis for analysis (Strauss & Corbin, 1990), moving from situated, emic understandings to general, etic categories that could be compared across informants. By repeated reading, coders worked to identify issues that were emphasized, repeated or highlighted in each section of the texts (Owens, 1984). Whenever possible the most common phrase used by respondents was used to capture the theme and its meaning. The major themes were further categorised into meta-themes (primary) and sub-themes (secondary) (Miles & Huberman, 1994).

**Table 1**  
**Thematic Analysis Results of the James Cook Hotel’s Productivity Drivers**

■ = Primary Driver      □ = Secondary Driver

Productivity Driver	Results
Building Leadership & Management Capability	□
Creating Productive Workplace Culture	■
Encouraging Innovation and the Use of Technology	
Investing in People and Skills	□
Organising Work	□
Networking & Collaboration	■
Measuring What Matters	■

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The following case will examine the actions taken by managers at the hotel around the two main productivity themes to emerge from analysis which are Creating Productive Workplace Culture and secondly, Measuring What Matters. As shown in Table 1 above, Networking and Collaboration was another primary theme, but due to the constraints of the length of this paper, this theme is not included in this case study. The New Zealand Department of Labour (2007) defines the drivers of Creating Productive Workplace Culture and Measuring What Matters respectively as:

*Positive relationships between staff, teams and managers are the foundations of productive workplaces. A positive work environment motivates people and helps them commit to an organisation. It is vital to value people's insights and experience – only then do they feel motivated to go the extra mile.*

*Measuring What Matters is about measuring the impact of the workplace productivity initiatives you have underway so that you understand the things that are making the biggest difference. Your business has to ensure it has the information systems to tell you how well you are doing.*

**RESULTS: CASE STUDY**

The James Cook Hotel selected as the case study is based in the heart of a major commercial and retail district of New Zealand. It is a four star full services hotel with 260 rooms and suites. While essentially a corporate and government hotel, it caters to the business, leisure and tourism markets. Opened in 1972 the hotel has undergone a major refurbishment during the last five years. Today it has 181 staff members, up from 160 last year as a result of increased business. A special feature within the diverse workforce is the number of long serving staff, with 50 of the 181 staff having worked at the hotel for more than five years. A lower than industry average staff turnover rate enables experienced staff to deliver service of a consistency high standard. The organization was selected as a case study due to its performance in the 'Best Places to Work' Awards competition in 2006. The 'Unlimited/JRA Best Places to Work Survey' is New Zealand's largest annual workplace climate-employee engagement survey.

### Creating Productive Workplace Culture

In an industry that often suffers from very high staff turnover, managers at the James Cook Hotel have challenged themselves to reduce staff turnover. The cost of recruiting and employing a new staff member is estimated at \$10,000 and it takes approximately six months to recruit, train and induct new staff. Staff turnover at the hotel has reduced considerably five years ago from 70-80% each year, to 40% now. This has been a major productivity benefit as turnover at the 70-80% level in a workforce of 181 staff costs hundreds of thousands of dollars each year. While high turnover also affects the standard of service provided to guests, managers found that high turnover impacts on the job satisfaction of staff, as having to constantly train new staff adds to the work of more experienced staff which can be frustrating, especially during busy periods.

The James Cook Hotel is typical of its type in that it is made up of several departments which serve a variety of customer groups. The volume of business has grown, particularly in the five years following refurbishment, so a challenge managers faced was how to keep staff energised and engaged to perform demanding work to a high standard. Managers needed to find ways to demonstrate to staff how the work they do individually contributes to the bigger picture of the guest's experience and the performance of the overall hotel. As staff numbers have increased, another challenge that arose was around how best to communicate with staff who work in shifts in diverse areas of a large hotel to ensure that high levels of customer services are maintained.

The General Manager of the Hotel has previously run resorts and hotels in Malaysia and Borneo. He acknowledges that at the James Cook Hotel he is lucky to have a strong management team and good staff. When he arrived, breaking down the hierarchy was a big thing for him, so he does an hour on the floor in the morning and again in the evening, carrying bags, parking cars or picking up plates in the restaurant. He explains, "*The staff seeing me and other managers doing that shows that we get our hands dirty and everyone is really a team*". This culture permeates to all areas of the business, so each department feels important. The Executive Housekeeper describes her department as important as, "*Without us, they have only got a restaurant and a bar*".

Cross-training has enabled staff to be deployed in different areas bringing greater flexibility in staffing, improved payroll costs as a percentage of sales, and improved service levels for customers. It has also improved communication between workers in different areas. "*It does*

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*get busy and when the staff are stressed, managers, supervisors, the General Manager and other staff can jump in. Maybe they are not as good at it, but they can take the heat off”* (Food and Beverage Manager). Recently, waiting and kitchen staff have been cross trained to at least understand what each role is required of an individual. The two Human Resource staff have done some cross training in reservations and concierge. Concierge staff can work behind the bar, make coffee, and clear tables. The flexibility with staff in these ways during the quieter times keeps payroll costs at a reasonable level.

Celebrating success helps staff get through the busy times, for example, when sales over budget have been achieved staff have been shouted Subway food and posters have been put up in the staff canteen saying ‘well done and congratulations’. Although staff seem to prefer it when it’s busy, after six weeks of 95% occupancy, which is typical during February-March, managers can see staff getting tired so they concentrate on ‘lifting energy’ by recognising their hard work, giving staff scratch cards, a pat on the back, a card, or a bottle of wine.

The hotel has a very active Occupational Safety and Health (OSH) Committee consisting of eight key representatives from every department, especially floor staff as they are the staff who will have to report incidents and issues. Although slips in the kitchen and back injuries in house-keeping are occupational hazards, the OSH Committee’s responsibility ensures all measures are taken to minimise such hazards. The Chair of the OSH Committee said *“having a budget is irrelevant. If we need equipment to keep staff safe, we buy it”*.

### Measuring What Matters

At the James Cook Hotel there is a strong culture of measuring and celebrating what matters to optimize productivity. Staff are viewed as integral to the success of the hotel, so they are given the knowledge to understand the importance of the role they play in lifting business performance. *“There are no secrets with the staff; if we are talking about upgrading rooms or doing new things we tell them straight away so they get excited about it. It may or may not happen, if it doesn’t happen, I’ll tell them my reason why”* says the General Manager. Every two months an entire staff briefing is held, during which the General Manager presents staff with information such as income, occupancy rates, sales, staff turnover, comparisons with competitors, as well as the major challenges to focus on for the next two months.

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Staff are given detailed information about performance so they can appreciate the bigger picture of the hotel and how they contribute. Two of these briefings are held two days apart, one in the morning and one in the afternoon so that as many staff as possible can attend. Basically everyone in all departments would understand what the income for the property is and the overall objectives of the hotel in the eyes of shareholders. Staff really enjoy receiving detailed information, says the HR Coordinator, *“They get all gee-ed up, certainly if we are way over budget and we also talk about how we are going compared to our main competitors”*. The Rooms Division Manager gets her team together to work through profit and loss for the month, line by line.

A Steering Committee made up of ten managers meet every two weeks to share information and discuss matters in each department and across the hotel as a whole. *“There are too many other competitors out there in the market wanting our business for us to be going in a different direction, so we work as a solid unit and as one team right across the board”* explains the Rooms Division Manager.

Healthy competition amongst staff also creates a sense of fun. For example if Concierge have been set the task of achieving \$1500 worth of valet, they may compete against the targets that have been set for the Front Desk. Staff enjoy the competition and it keeps them driven. *“We talk about the performance in the department and managers make time to go and say well done, good job, and when done in front of their peers it is a big thing”* says The Rooms Division Manager. Every month her division celebrates meeting budgets for example she will hire a suite out and put on drinks and nibbles.

As pay rates are not high in hospitality, management has designed a menu of staff benefits, including subsidised car parking, meals, discounted accommodation, uniforms which are laundered on site. Doing a good job is recognised and rewarded. A reward card scheme is run throughout the hotel for staff. Managers have cards worth one, three or five points. Each point is worth \$2.50 so if staff save them up to gain eight points they can then cash them in for rewards of their choice from petrol vouchers to grocery vouchers etc. All managers give these cards out at their discretion and they are used in many ways. The cards tell staff that their value to the hotel is appreciated.

Various other measures are used to track performance. Payroll as a percentage of sales is tracked weekly so every Thursday managers know whether they are on target. Managers also

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track productivity using measures including how many guest rooms per attendant and how many clients one staff member can serve in the restaurant.

There are many up-selling incentives at the front desk, mainly around up-selling of rooms, which generates over \$15,000 a month extra. Staff are rewarded for their efforts, as they earn points when they sign customers up for the rewards programme. Once they hit various tier levels with their points they get \$20, \$50 or \$100 vouchers of their choice, or they may choose a bathrobe. Also within the Rooms Division *Best Groomed* and *Star Player* awards are given each month, which fellow staff vote on, not the managers. Such awards are also profiled in the monthly newsletters designed by the Sales Coordinator, who explains that “*Surprisingly, there are actually a lot of people that read it. There has even been the odd family reconnection through it as someone read it and went gosh that is my cousin’s daughter, and went to the bar to find her*”.

**DISCUSSION**

Building a stable and committed workforce increases human and financial performance of an organisation. Service length within the James Cook Hotel illustrates that they do not have ‘premature’ turnover, due to managers working to create an environment of congruence between individual’s specific job wants and the organisational culture. Managers at the hotel have worked hard to keep the ‘honeymoon effect’ alive, that is the early positive experiences that an individual who enters an organisation experiences. It is suggested that the hiring organisation presents their most favourable side to potential individuals during the recruitment and entry processes. As stated by Boswell & Boudreau (2005) the portrayal of the organisation in a more positive light contributes to higher individual expectations. This ‘initial high’ (Wanous, 1992) of the new job is likely to wear off, when individuals became established and their expectations are not met. The fact that the hotel overall has much lower staff turnover than the industry average is testament that they work to retain congruence between the expectations of individuals in terms of working environment and the reality of organisational culture.

A positive work environment which encourages teamwork is a key driver of productivity, as high turnover creates many costs, including reduced service quality and decreased quality of working life (Hinkin & Tracey, 2000). In the case of the James Cook Hotel, the decreased rates of staff turnover, and the significant period of tenure of at least five years served by 50 of the

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181 staff, demonstrates the significance the culture and climate of an organisation plays in the turnover process illustrated by the Wanous (1992) matching model.

Through the various initiatives presented in the case study, a strong theme is that staff are treated as clever creating adults, who are encouraged to use their strength and talents. Managers realise that staff are often the best people to identify improvements in work practices and hence engage with them on health and safety issues to gain staff commitment to safe working practices. Effective communication is essential for a motivated workforce. High involvement organizational cultures are pivotal to the retention process (Guthrie, 2001) and the extent to which employees feel their contributions are valued is inversely related to their turnover rates (Boxall, Macky & Rasmussen, 2003).

Clear standards and good information empowers staff in their work, so managers have realised the importance of collecting and sharing data that is about the effectiveness of the work performed. Reporting systems at the James Cook Hotel provide staff with clear benchmarks for performance and improvement. Linking rewards and incentives to performance has cultivated a better understanding amongst staff of what determines business performance and how they as individuals contribute to this. Offering rewards and incentives to staff is a proactive approach to investing in staff retention, as opposed to simply reacting to turnover, which leaves little opportunity to recover the significant return on their investment in recruitment, orientation, and training of prematurely departing staff (Allen, 2006).

Although there is no single accepted definition of culture, this paper views culture in accordance with Ogbonna and Harris's (2002) definition of culture 'as the collective sum of beliefs, values, meanings and assumptions that are shared by a social group and that help to shape the ways in which they respond to each other and to their external environment' (p.34). The fact the General Manager and other managers will perform front-line work demonstrates a culture of 'walking the talk' in regard to customer service and elevates the status of the work tasks in the eyes of the staff and also shows that no one is above performing them. Teams work best with a shared sense of purpose and people develop cohesion when they can have fun and feel valued. *"Over the last five years, alongside the physical refurbishment of the hardware, we have put lots of effort into building our software - our people, to get them excited about the hotel being the best again"* (General Manager). A positive organisational culture also builds the organisation's reputation as an employer, which can reduce recruitment costs as potential

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employees approach the hotel in a proactive manner and/or staff become active recruiters amongst their own network.

One way that the hotel's workplace culture has been measured has been through the unlimited/JRA Best Places to Work Survey, used by firms wanting to benchmark their performance. This survey allows staff satisfaction to be analysed to determine current levels of workplace climate and employee engagement within the hotel. The survey uses a three-component model, assessing cognitive, emotional and behavioural engagement. To participate in a national competition against other firms using the survey, all employees must be given the chance to participate, and an organisational response rate of at least 60% is required for eligibility. It was the first time that the James Cook Hotel entered, and they were delighted with their performance, which internally demonstrated the positive organisational climate, as judged by their own staff. They are also proud that they benchmarked incredibly well against other large sized organisations from a variety of sectors. This is quite a feat given the negativity of the 'turnover culture' label haunting hospitality organisations. The performance of the James Cook Hotel in the Best Places to Work Survey demonstrates that employees do see congruence according to the 'dual matching process' (Wanous, 1992) between their own specifically wanted job outcomes and the capacity of organisational climates to reinforce those wants.

**CONCLUSION**

Fostering strong levels of engagement amongst employees at the James Cook Hotel produces the benefits of improved productivity, excellent levels of customer satisfaction, and good profitability. Productivity has been increased and employee turnover reduced through employee commitment gained through positive workplace culture, attention to the job satisfaction and reward of employees, and through clearly communicating performance expectations and actual results with all staff, thus unifying staff towards organisational goals that they understand their role in achieving. In the case study, several initiatives described have been designed to engender staff commitment to the hotel. Instead of acting reactively to analyse the reasons departing staff leave the hotel, managers at the hotel have taken a proactive approach to give staff reasons to stay, hence diminishing the risk of productivity-related problems caused by high staff turnover.

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