Looking Beyond Turnover: Strategic Training and Development in the Macau Hotel Industry

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ABSTRACT

Foreign Direct Investment (FDI) surge has a significant impact on Macau hotel industry. Hotel industry is a labour intensive industry, thus strategic human resource management (HRM) approach is crucial for success particularly in Macau’s growing hotel industry. This study explores linkages between an aspect of HRM - “strategic training and development management” and staff turnover in the hotel industry in Macau. The findings of the two case studies show that the multinational hotel, which implemented strategic international human resource approach on the area of training and development, was able to retain their managerial level staff. However, the local hotel which did not carry out training and development strategically has suffered from severe employee turnover. Discussions and implications are also addressed.

Keywords:

Foreign direct investment; Strategic Human Resource Management, Comparative Human Resource Management, Learning and Development
Hotel industry traditionally is a labour-intensive industry (Ball, Keith, & Slattery, 1986; Brown & Dev, 2000) and labour expenses account for 40% of all the hotel operating costs (Shaw 1988). The notion of “being there” operation style (Ingram & Fraenkel, 2006), and human interaction is necessary during the process of service provisions. Excessive employee turnover is costly. It also dampens employee morale and affects service quality for hotel guests (Lam, Lo, & Chan, 2002: 217). The issue of how to retain an effective workforce is of fundamental importance to the hotel industry. Yet, surprisingly, research is rarely found particularly for the hotel industry in Macau. This research aimed to address this research gap and examined the relationship between strategic training and development programmes and staff turnover with two case studies (a multinational hotel and a local hotel). The paper first reveals the phenomenal economic changes in Macau. Second, literature review on staff turnover and its potential antecedents are examined. Third, the methodology used for the study and a brief synopsis of the two case studies are given. Then, we discuss how and why strategic training and development programme can help the firm retain employee turnover. Finally, implications, limitations as well as recommendations for future study are then addressed.

**LITERATURE REVIEW**

The liberalization of the gaming industry of Macau in 2002 draws the inflow of Foreign Direct Investment (FDI) up to MOP41.37 billion (approximately equals to US$5 billion) by the end of 2005 (Statistics and Census Service of Macau SAR, 2007). In particular, FDI in the Macau hotel industry has increased dramatically over the past few years. Thus, a considerable number of new hotel and gaming halls have been built since 2005. Subsequently, the hotel industry workforce increased to 14,158 persons in 2006. Vacancies in the hotel industry have increased significantly from 443 in 2000 to 1,751 in the first quarter of 2007 due to new hotel establishments. As a result, there will be an increased demand for human resources trail in the years ahead. Despite the rapid development of the hotel industry in Macau, serious shortage of hotel staff is anticipated. With respect to labour mobility, there were 25,100 job-changers in 2005. Along with the shortage of human resources, the employee turnover rate has increased to 45.7%. Employee turnover is costly and disruptive. Unwanted turnover drains valuable resources and often
generates inefficient operations (Buck & Watson, 2002: 180). Staw (1980: 255-257) examined the consequences of staff turnover and discussed both its positive and negative consequences. Staw (1980) indicates that the most obvious consequences of staff turnover are the energy and expense spent on finding replacement personnel. Furthermore, having people leave an organization may involve costs beyond replacement and operational disruption. Since people typically leave one organization for another, staff resignations may undermine the morale of those remaining behind who may question their own motivation for staying. A variety of factors affecting employee turnover was also discussed in prior studies. The factors being investigated include, for example, economic climate (e.g., Terborg & Lee, 1984), demographic background (e.g., Boles, Ross, & Johnson, 1995; Tsai, Bernacki, & Lucas, 1989), and socialization tactics (e.g., Allen, 2006). More recently, extensive empirical research has been conducted to establish the linkage between human resource management and employee turnover. For instance, Huselid (1995) studied the impact of human resource management (HRM) practices on staff turnover, productivity and corporate financial performance. The results indicate that the HRM practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance. In addition, Hartman and Yrie (1996) revealed that some employees change jobs due to the lack of opportunities for advancement and training, rather than lack of job satisfaction. In order to compete successfully in a global market, human resource management is crucial to gain competitive advantage as well as contribute to a firm’s core competence (Dowling, Welch, & Schuler 1999: 154). Firms that take “people” as a competitive advantage are often able to successfully outmanoeuvre and outperform their rivals (Pfeffer, 2005).

**METHODOLOGY**

The present study employed a qualitative research method – a case study approach. Case studies are particularly suitable for the present research because it is the best strategy to study the “how” and “why” of a matter. As indicated by Yin (2003: 6), the exploratory case study is good in dealing with proposition development and tracing links between concepts or incidence (ibid.: 13). In addition, case
studies provide insight into new issues, theories and management situations in little-researched areas (Ghauri, 2004: 109). In a pilot study conducted by the authors in January 2007, interviews were held with senior managers working in the hotel industry in Macau. Ten interviews were carried out with managers from seven four- and five-star hotels including local and multinational hotels. The findings indicate that the hotel industry has suffered from a high staff turnover especially over the past two years. The turnover rate fluctuated dramatically on a monthly basis because employee turnover is highly impacted by new hotel openings. The interview data also reveal that the turnover of frontline employees is seemingly unavoidable; however, multinational hotels seem to be able to control the turnover of their senior and middle managerial employees due to the implementation of strategic training and development programmes.

In order to compare the features of the training and development programmes being implemented by local and multinational firms, two hotels were selected which are owned by two local entrepreneurs. One hotel is managed by the owner (local management) while another one is operated and managed under a licensed international hotel management company. The two case hotels are addressed as Case A and Case B hereafter. Case A hotel is owned and managed by a local entrepreneur. Local people hold all senior management positions, for example, general manager, deputy general manager, director of sales and marketing, and financial controller. The hotel operation opened in 1988. Case B hotel is owned by a local entrepreneur and managed by world-leading Multinational Corporation (MNC) in the hotel industry. The MNCs manage nine different brand hotels around the world, with approximately 266,000 rooms in approximately 100 countries. All brands target upscale and luxury market segments. Senior management positions of Case B are held by both expatriates and locals. Two positions among the seven in the executive committee are held by local people, while the others are all expatriates. Hotel operations started in 1992. Table 1 shows background information on the two selected case hotels.

Insert Table 1 about here

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It is crucial to access hotels without casinos, because human resource strategies employed by a casino hotel differ significantly from a conventional hotel especially in terms of remuneration package. Since remuneration package is perceived as one of the possible factors affecting employee turnover, we did not include hotels with casinos in our study in order to avoid any potential biases. Company names are not mentioned for reasons of confidentiality. Permissions of hotels’ access were obtained with the two hotel general managers. Anonymity to all interviewees and confidential data management were ensured with all interviewees. Informed consent was achieved prior each interview taking place. A total of twenty interviews, excluding the ten pilot interviews, were conducted between August and September 2007. The data consisted of interviews with one general manager, one deputy general manager, four directors, eight managers and six supervisors. Respondents’ years of industry experience ranged from one to twenty years. The length of interviews lasted from 30 to 90 minutes and all interviews were conducted at the hotel premises. Interviews were conducted in English with foreigners, and Mandarin or Cantonese with Chinese from mainland China or Macau. All interviews were translated into English to facilitate data comparison and transcribed and supplemented with field notes in order to enhance data triangulation (Yin, 2003:99). Individual names are not revealed as the employees (interviewees) were assured of confidentiality.

FINDINGS AND DISCUSSIONS

Both local and multinational managed hotels were found having a shortage of human resources. It verified the common phenomenon of the Macau hotel industry due to the extensive foreign investment surge in the past few years. The top management of both Case A and B indicated that the staff level of those resigning is not completely reflected in the turnover figures. As recalled by senior management from both Case A and B, approximately half or more of the staff turnover originated from rank and file staff (junior staff). Concrete figures were not provided due to the turnover record mechanism. The managers were able to provide only the monthly turnover rate. Turnover of the junior staff in both hotels appears to be connected to one of the HR practices associated with “compensation.” These results are not surprising that people would switch to another company with better pay. Even if they stay at the same
hotel, they will not be given any promotion or career development like most middle-management employees. The only way to get an immediate return is to change their job. In contrast, it was found that managers’ commitment to Case B is associated with satisfaction from the training and development programmes provided. However, their commitment is also significantly linked to their interest in internal and external career opportunities in the future. In the next section, we discuss some interesting findings drawn from these results. We concentrated on questions in relation to the content of the training and development programme, perceptions placed on the programme and the turnover problem with both top- and middle-management employees.

Training Programme

Although training is offered both in local and multinational hotels, the training given by the two case companies differs considerably. It was found that little training is provided in Case A. New staff is assigned to work solo one week after coming onboard. On-the-job training is the major training that they received. However, most of the time, senior staff and mentors are not around due to the shortage of human resources. Thus, new staffs in Case A simply learn on the job. Off-the-job training is impossible according to supervisors and middle managers from the local hotel. As a front office supervisor stated:

_I try my best to coach new staff; however, we do not have enough manpower to cover all the shifts (front office operation). They have no choice but to perform their duty on their own._ [Front Office Supervisor, Case A]

However, innovative on-the-spot training materials are improvised in order to supplement the lack of off-the-job training. As explained by a front office manager:

_We have a checklist, which list down all the steps to check-in or check-out a guest, to be placed in the front desk. If new staff is not sure what to do, they can refer to the checklist…_ [Front Office Manager, Local Hotel, Case A]

Training provided for new staff is completely different in the multinational hotel (Case B). Managers and supervisors emphasized that training is very crucial, and they must follow the corporate standard. Off-the-job training is provided. New employees perform their duty after attending all the necessary off-the-job training, such as hotel orientation, and front and back of house training. In addition,
each frontline staff is coached by one senior in their job area for two weeks. Job evaluation will be conducted afterwards in order to ensure the standard of service quality is met before the new staff member performs their duty alone. Despite the effort spent in training by the multinational hotel, the management is mostly concerned about the quality of service to their customers. Training is costly; however, they perceived training as an important tool in maintaining their service level and quality, which strongly affect firm performance. As explained by the training director of Case B:

*Interviewee: We conduct training frequently in order to refresh our existing staff... Of course, new staff is a must... about the importance of service in the hotel industry. [Training Director, Case B]*
*Researcher: How do you find the time for staff to attend training when there is shortage of manpower?*
*Interviewee: It is tough at the beginning. However, staff learned that training is not only beneficial for their job but their daily lives as well. [Training Director, Case B]*

The multinational hotel (Case B) focuses more attention on training their new staff, especially frontline employees while the local hotel provides only “unstructured” on-the-job training. Managers from the multinational hotel considered training, especially for new staff, is crucial to maintain service to be provided to their guests. Middle management members of Case B receive not only in-house and overseas training, but also opportunities and financial support to enrol in online executive and professional development programmes. An annual training programme is also provided for senior management. Training offered to management-level staff includes leadership skills, service quality management, and corporate branding as mentioned below:

*Our hotel chain provides various management training courses like leadership skills and also management programmes tailored for specific departments, for example, food and beverage, front office. I, need to attend the annual GM meeting as well. We (GMs) learn from different hotels. [General Manager, Case B]*

Little training is offered to management level staff of the local hotel. Senior management of local hotels revealed that their managers are responsible for conducting on-the-job training, and that lack of manpower is the major reason for being not able to provide training for management-level staff. Negative impacts on service level are expected, due to insufficient training, in particular to new staff.
Staff Development Programmes

The concept of a staff development programme seems vague and unstructured in the local hotel. Cross-departmental training is perceived as a staff development programme. Overseas training is rare but some vocational staff development courses are offered by local tourism and hospitality institutes. The general manager from Case A identified the types of staff development provided for their management-level staff as “vocational training courses and short seminars”. Meanwhile, staff development programmes are considered unrealistic due to the high employee turnover rate. In contrast, a staff development programme is well established at the multinational hotel for potential managerial employees. Structured staff career development programme exist. Human resource planning often incorporate staff career development for middle and senior management level of staff. The staff development programme offered by the multinational hotel is not limited to the Macau hotel itself. Managerial-level employees are free to apply for positions available in the entire hotel chain, as explained by several assistant managers and managers. Due to the firm structure between local and multinational hotels, affiliated properties of multinational hotels are capable of further enhancing the quality of their staff development programme by offering various career development opportunities. Employees from Case A perceive that there is little training provided in their hotel. They think that development as a self-attained task. “I am very eager to learn. I know that training is very limited here, and I always learn as much as possible. I sometimes borrow good practices from other hotels…” was expressed by a Banquet Service Manager from Case A hotel. Moreover, mentoring is not available due to tight human resources. However, the training and development programme offered by Case B is well appreciated. A few quotes below illustrate employees’ perceptions towards training and development in the multinational hotel.

* I am sure that the training and development that I received here are valuable for my whole career in the hotel industry. Training and different exposures are given here that have strengthened my food and beverage knowledge. [Banquet Service Manager, Case B]

* I really treasure the training and development opportunities here…I don’t want to leave because of the training and development. [Director of Engineering, Case B]

* The development programme here is perfect, no discrimination, no matter you are local, a foreigner or from the Mainland…we all receive the same opportunities if anyone performs well…
there are several executive committee members who are local. My crucial team leaders are locals as well. [Resident Manager, Case B]

I really enjoyed the Internet training provided here. I can learn at my own pace. Even though I am very busy, I can still advance my skills through this type of online learning. [Assistant Food and Beverage Manager, Case B]

Relationships between Training and Development and Employee Turnover

Training provided by the multinational hotel (Case A) is far more structured and systematic than the local hotel. In addition, the development programme of the multinational hotel is dynamic because employees are also sent to various training and development programmes offered by their overseas affiliates. It is not comparable with the loose and vague development programme implemented by the local hotel. This may well explain why the multinational hotel had lower rate of employee turnover within their middle-management level. Kinnie, Hutchinson, Purcell, Rayton and Swart (2005) have shown that satisfaction with some HR practices appears to be linked to the commitment of all employees, while the link for others varies between different employee groups. In particular, their findings show that managers’ commitment is associated with satisfaction concerning HR practices, but is distinctively linked to their interest in internal career opportunities. The study conducted by Walsh and Taylor (2007) also indicates that hospitality managers are taking charge of their careers, so challenging jobs with growth opportunities are crucial in reducing their likelihood of leaving their companies. Worsfold (1999) also suggests that there is strong correlation between organisational performance, human resource management and service quality in the hotel industry. The study reveals that when hotel managers were aware of the consequences of structured human resource management, training and development, employee commitment could be enhanced while impact directly on service quality. Sequentially, better quality also significantly contributes to firm performance. Other researchers also point out that quality improvements can lead to increased productivity, performance and profits (Groves, Gregoire, and Downey, 1995; Powell 1995; Voss, Blackman, Chase, Rose, and Roth, 1996).

Junior employee turnover seems to be inevitable for both local and multinational hotels particularly due to the competitive labour market in Macau. However, we argue that implementation of a
strategic training and development programme has a positive impact not only on employee retention but also on firm performance. This study raises a critical question to local hotels – “How do those local hotels remain competitive in the long-run without providing guaranteed quality of service?” It can be foreseen that competition within the hotel industry in Macau will become fiercer due to massive FDI, and that quality of service will always linked to employee turnover as discussed earlier. Strategic training and development programmes become a crucial strategy to sustain competitiveness in the hotel industry because “quality” is of prime importance in all service industries. Under the rapid changing economic environment characterized by globalization and deregulation of markets, companies must continually improve their performance by improving quality, productivity and speed to market (Becker & Gerhart, 1996: 779). More importantly, service quality also provides sustainable competitive advantage to a service firm (Worsfold 1999: 343). However, there is a trade-off between the investment in training and development, and the high mobility of junior staff in the Macau hotel industry. Since today’s investment in the workforce secures the innovation and competitiveness of tomorrow, company training and development should therefore be viewed as an important management task (Muhlemeyer & Clarke, 1997: 4). Although the multinational hotel reported a lower employee turnover rate when compared with their local counterpart, the turnover rate is still high at 38%. We note that the investment given to training for frontline staff is enormous. This raises a challenge for those multinational hotels. How can multinational hotels stop themselves from being a training ground for casino hotels given that hotels will become more competitive in the near future and most casino hotels offer more attractive compensation packages? To survive in the ever-changing marketplace, companies will need comprehensive strategies not only just in terms of quality of service but also to “reduce costs”.

LIMITATIONS

Certain limitations apply to the study. First, the study relied on information reported by two hotels. The reliability could be improved if data could be obtained from a larger sample size. Second, the results of this study are limited by the use of a single method of data collection. Future research may advance the scope of potential antecedents of turnover intention or organizational commitment by
employing quantitative method research. In addition, more extensive statistical analysis would strengthen understanding of the employee turnover problem within the hotel industry.

**IMPLICATIONS AND CONCLUSION**

This qualitative research was conducted by interviewing employees from different levels (i.e., supervisors to senior management). Thus, the findings may provide some practical ideas for both local and multinational hotels. Different groups of employees are exposed to different combination of HR practices. It is because different levels of staff, such as middle-management and frontline employees appear to have different needs (i.e., better career development vs. good pay). This raises an important implication for practitioners both in local and multinational hotels. Since employees’ perceptions of HR practices can strongly influence their commitment level (Bambacas, 2004), HR managers or senior management should consider implementing more comprehensive HRM practices and policies in accordance with the needs and expectation of their staff at different levels in order to improve the turnover problem. As revealed by van Baalen and Hoogendoorn (1998: 178) training and development often takes place without considering the real needs of the organization and employees. It is suggested that learning needs shall be identified through the application of comprehensive survey systems (Adamson & Caple, 1996: 10). In the long run, local hotels shall pay more attention to their HR practices not only in terms of better remuneration packages but other HR aspects such as training and development in order to reduce employee turnover rate while improving service quality as service quality continues to be a vital characteristic distinguishing one company from another (Nolan, 2002: 95). This requires an efficient ways to identify, recruit, measure, and improve the training and education of the workforce (Berg, Verneil, Berge, Davis, & Smith, 2002: 43). This “philosophy” or learning atmosphere should be first introduced at the management level and then disseminate to the frontline level. The creation of a learning environment or a “learning organization” (see Heraty & Morley, 1997) can promote learning at individual, work group and organizational levels. Simultaneously, it can also provide better development for performance improvement and competitiveness (Horwitz, 1999: 188). For multinational hotels, they need to put more effort in order to avoid becoming the training ground for other hotels. HR managers may
use flexible pay systems such as extra bonuses or contract-based gratuities to retain their frontline staff. Implementation of employee empowerment and job rotation may also help to increase employees’ autonomy and give them multiple skills so as enhance their involvement and sense of ownership in the hotel (Lam et al., 2002: 229). This study has made a preliminary contribution to knowledge about the Macau hotel industry. In general, the findings of the study sheds, perhaps for the first time, new light on recent developments in Macau’s hotel industry after the liberalization of its gaming industry in 2002. We hope that our study provides a foundation for future research. Any research that helps to enhance employee commitment is worthwhile and crucial to the Macau hotel industry.
REFERENCES


Table 1

Background characteristics of the two case hotels

<table>
<thead>
<tr>
<th>Hotel Owner</th>
<th>Hotel Management</th>
<th>Star</th>
<th>Number of Rooms</th>
<th>Number of Staff</th>
<th>Staff to room ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Entrepreneur (Case A)</td>
<td>Owner self</td>
<td>5</td>
<td>380</td>
<td>190 +/-</td>
<td>0.5 per room</td>
</tr>
<tr>
<td>Hong Kong-based Macau entrepreneur (Case B)</td>
<td>International hotel management company</td>
<td>5</td>
<td>208</td>
<td>250 +/-</td>
<td>1.2 per room</td>
</tr>
</tbody>
</table>

Source: Authors’ Data