



Impact of Employees' Turnover on the Performance of Five Star Hotels of Kathmandu

Bijaya Shrestha^{1,*}, Roshan Thapa²

¹Gateway College of Professional Studies, Kathmandu, Nepal

²Department of Management, Kathford International College of Engineering and Management (Affiliated to Tribhuvan University), Balkumari, Lalitpur, Nepal

*Corresponding author: bijaya@gatewaycollege.edu.np

Abstract— This study examined the Impact of Employee Turnover on the Performance of Five five-star hotels. Data was collected from the 120 hotel employees from six hotels in Kathmandu using the questionnaire. The employees were randomly sampled. Jamovi was used to run the analysis. While collecting the data among the respondents, 91 (75.8%) were Male, and 29 (24.2%) were female. Likewise, 64 (53.3%) were staff, 36 (30.0%) were supervisors, and 20 (16.7%) were heads of departments. Out of 120 respondents, 51 respondents (42.5%) had worked in the respective hotel for <5 years, followed by those who had worked for 6–10 years were 22 respondents (18.3%), while 12 respondents (10.0%) had worked for 11–15 years and 35 respondents (29.2%) had worked for more than 16 years. Employee turnover has highly affected the Organizational performance of the hotel. So, for that reason, the hotel has used various strategies related to employee retention. Likely examining employee turnover and its impact on organizational performance, the researcher uses correlation and regression, which shows the negative impact on organizational performance.

KEYWORDS—*Impact, Employee Turnover, Performance of Five Star Hotel, Hotels of Kathmandu*

1. INTRODUCTION

In an increasingly globalized world, the societies in which people live and organizations operate are facing increasing changes and challenges. Increasing changes and challenges are also occurring within the labor organizations themselves. These changes and challenges affect, on the one hand, the management of employees within work organizations and the performance of these organizations, and, on the other hand, the environment in which work organizations must exist (Ngirwa, 2005; Taye & Getnet, 2020). Labor force turnover is one of the challenges that work organizations face and which impacts the productivity of these organizations. Employee turnover represents one of the topics of analysis of the world of work in the areas of management, organizational

behavior, and human psychology. It refers to the process of employees leaving an organization. It can also be referred to as the degree of individual movement across the boundaries of membership in a social system (Hamermesh & Rees, 1973). Employee turnover in an organization is one of the major issues that has a significant impact on the overall performance of an organization (Ubagu et al., 2020). To identify and resolve employee turnover issues within an organization, it is often recommended to establish clear standard operating procedures (SOPs) to reduce the gap between top and middle management (Tariq et al., 2013; Taye & Getnet, 2020). The hospitality sector has firmly held its ground as an industry at the global level. One can find its customers in all regions,



religions, states, and countries. According to Mohajerani and Miremadi (2012) the hospitality sector is considered one of the most important economic sectors in many countries. Furthermore, the hotel industry is emerging as a sector of the industry that provides not only business but also employment. Hospitality workers face a variety of challenges, some of which are common to all service industries (Ratewal, 2019). The current research focus is on investigating the reasons for the high turnover rate in the hotel industry. Various studies have shown that employee turnover is not a one-country problem but affects the hotel industry all over the world (Dasilveira et al., 2019). A similar observation was made by Rehman and Mubashar (2017) employee turnover is the biggest obstacle to growth in the hotel industry. Analysis shows that high employee turnover often has negative effects on companies, such as lowering the morale of other employees and making them less attractive to attract talented employees. Further, high turnover not only affects employee recruitment but also reduces productivity due to gaps

1.1 REVIEW OF LITERATURE

Recently, companies have also been researching to investigate the causes of employee turnover. When hiring new employees, there are costs to introduce and train them. Hiring new employees is often more expensive than retaining older, experienced employees. An employee's intention to retire is called turnover intention. Such intentions may arise if an employee is dissatisfied with his or her position or position within the company or if his or her role within the company is limited or restricted (Karatepe, 2013).

Change intention refers to an employee's intention to retire. From an employer's point of view, the departure of experienced and capable personnel is a loss for the

created by employees leaving (Holston-Okae & Mushi, 2018). Thus, employee turnover is a critical matter for the human resource department (Alonso & O'Neill, 2009). The question is raised to measure the impact of employee's turnover on the performance of 5-star hotels in Kathmandu. With such research stated objective as to analyze the Impact of employee turnover on the performance of 5 star hotels in Kathmandu. The issue of employee attrition presents a significant obstacle for businesses, especially in the context of the hospitality sector. Managers must formulate and execute resilient retention strategies to adequately confront and alleviate this concern. Numerous elements contribute to the hospitality industry's high employee turnover rate, including but not restricted to inadequate remuneration and benefits, arduous work environments, prolonged work schedules, ineffective supervisor cooperation, diminished employee commitment, and constrained avenues for professional growth (Ratewal, 2019).

company. However, instead of complaining about an incompetent employee, a company may be able to hire a new, better employee (Ratewal, 2019). According to O'Fallon and Rutherford (2010) it is the most likely cause of high employee turnover in the hospitality industry. The most likely causes are long working hours, lack of respect from superiors, high work pressure and work load, fewer fringe benefits, lower wages, more manual labor, and better opportunities in other industries. Furthermore, sales intent can be divided into two categories. These are avoidable and unavoidable fluctuating intentions of employees. Avoidable intentions can be avoided if appropriate measures are taken promptly. These may be due to



administrator error. Avoidable intentions are due to low wages, job stress, relationships with supervisors, working hours, transportation options, and especially late shifts. However, there may be unavoidable circumstances due to the employee's reasons. These intentions can arise from illness, death in the family, family problems, pregnancy, or leaving the community (Ratewal, 2019). To reduce employee turnover, managers must develop appropriate retention strategies. But first, we need to address why employees leave the organization. The reasons for employee turnover vary from organization to

organization. The most common reasons for high turnover in the hospitality industry include low pay and compensation, harsh working conditions, long working hours, poor collaboration with supervisors, low work engagement, and fewer opportunities for advancement (Ratewal, 2019). Hence, the hypothesis was developed as,

1. There is significant negative impact of employee turnover on organizational performance.
2. The employee turnover retention strategy aspect has a significant positive impact on organizational performance.

1.2 METHODOLOGY

For the research approach, the researcher used a descriptive and casual comparative research design and a self-administered questionnaire to collect primary data. Questionnaires were distributed physically. Jamovi 2.3.21.0 was used to run the analysis of data. The Researcher included 36 related questions to collect primary data from the staff of different five-

star hotels. The six hotels were selected in terms of their high turnover in last year. The sample size was calculated by taking 20 percent of the total population, and a convenience sample technique was used. The ordinary least square (OLS) method was used to analyze to measure impact analysis and correlation for relationship.

2. RESULTS AND DISCUSSIONS

Table 1. Gender Distribution of Respondents in Various Hotel Level[#]

Gender	Frequency	Percent
Male	91	75.8
Female	29	24.2
Total	120	100.0

[#]The table illustrates the distribution of respondents based on gender across different levels of hotels in the study.

Table 2. Age Distribution of Respondents^{*}

Age	Frequency	Percent
<25 Yrs	37	30.8
26 Yrs - 35 Yrs	40	33.3
36 Yrs - 45 Yrs	35	29.2
46 Yrs - 55 Yrs	8	6.7
Total	120	100.0



*The table provides an overview of the age distribution among respondents from different hotel levels, illustrating the percentage and frequency within each age range.

Table 3. Job Level Distribution of Respondents in Various Hotels[§]

	Frequency	Percent
Staff	64	53.3
Supervisor	36	30.0
Head of Department	20	16.7
Total	120	100.0

[§]The table presents the distribution of respondents based on their job levels across different hotels, indicating the percentage and frequency within each specified position.

Table 4. Years of Experience Distribution of Respondents in Various Hotels[¶]

Experience	Frequency	Percent
<5 Yrs	51	42.5
6 Yrs - 10 Yrs	22	18.3
11 Yrs -15 Yrs	12	10.0
16 yrs<	35	29.2
Total	120	100.0

[¶]The table illustrates the distribution of respondents based on their years of experience in different hotels, presenting the percentage and frequency within each specified experience range.

Table 5. First Job Status of Respondents[¶]

Is this hotel your first Employer?		
First Job Status	Frequency	Percent
Yes	65	54.2
No	55	45.8
Total	120	100.0

[¶]The table presents the distribution of respondents based on whether their current job in the hotel their first employment is, indicating the percentage and frequency within each category.

Descriptive Statistic Test of Items

Table 6. Item Statistics of Employee Turnover (ET)

Code	Item Statistics	Mean	Std. Deviation	N
ET1	There are high labor demand and job opportunities in the market.	3.933	0.96783	120



ET2	In my organization there in no opportunity for career advancement.	2.450	1.11408	120
ET3	I am satisfied with working condition.	3.183	1.02066	120
ET4	I involved in decision making.	3.168	1.48569	120
ET5	Work burden is the cause of staff turnover.	3.033	1.5661	120
Chronbach's Alpha: 0.715				

The table presents item statistics for the Employee Turnover (ET) scale, including the mean, standard deviation, and the number of respondents (N) for each item. The mean values provide an indication of the respondents' average agreement or disagreement with each statement. A mean value greater than three indicates a tendency towards agreement, while a value less than three suggests a tendency towards disagreement. The standard deviation reflects the degree of variability in responses.

In analyzing the survey responses, several key findings emerged regarding employees' perceptions on factors influencing turnover. Firstly, concerning High Labor Demand and Job Opportunities (ET 1), the respondents exhibited an average agreement, as reflected by a mean score of 3.933 and a standard deviation of 0.96783. This suggests that, on average, respondents acknowledge the existence of high labor demand and ample job opportunities in the market. Secondly, in relation to Opportunity for Career Advancement (ET 2), the mean value of 2.450, coupled with a standard deviation of 1.11408, indicates a

2.1 Reliability Analysis

In evaluating the internal consistency of the Employee Turnover scale, the

tendency towards disagreement among respondents. This implies that employees perceive limited opportunities for career advancement within their respective organizations. Thirdly, regarding Satisfaction with Working Conditions (ET 3), the respondents expressed a moderate level of satisfaction, as evidenced by a mean score of 3.183 and a standard deviation of 1.02066. This suggests an overall positive sentiment among employees regarding their working conditions.

Fourthly, on the dimension of Involvement in Decision-Making (ET 4), the mean value of 3.168, accompanied by a standard deviation of 1.48569, indicates that, on average, respondents feel reasonably involved in decision-making processes within their organizations. Lastly, in considering Work Burden and Staff Turnover (ET 5), the average respondents recognized work burden as a potential cause of staff turnover, as reflected by a mean score of 3.033 and a standard deviation of 1.5661. This underscores the significance of workload in influencing employee turnover within the surveyed population.

computed Chronbach's Alpha value of 0.715 demonstrates an acceptable level



of reliability among the scale items. This finding supports the assertion that the scale is a dependable tool for measuring the construct of employee turnover within the studied context. Notably, the reliability coefficient is essential for gauging the overall

consistency of the scale. The observed reliability of the Employee Turnover scale fortifies its suitability for capturing and assessing the nuances associated with employee turnover, adding robustness to the research methodology employed in this study.

Table 7. Item Statistics of Employee Turnover Retention Strategy Aspect (ETRSA)

Code	Item Statistics	Mean	Std. Deviation	N
ETRSA1	Employees must be recognized when they achieve goals.	3.900	1.1910	120
ETRSA2	Establish a reward system for long term services.	4.183	0.9073	120
ETRSA3	Develop specific competencies, provide performance feedback and design an individualized career development plan.	4.150	0.6817	120
ETRSA4	Employees feel valued	3.959	0.9562	120
ETRSA5	Work relationship between employees must be improved.	4.233	0.8863	120
ETRSA6	Provide employees with a way to balance the professional and personal aspects of their lives.	4.117	0.8999	120
Chronbach's Alpha: 0.89				

The table provides item statistics for the Employee Turnover Retention Strategy Aspect (ETRSA), including the mean, standard deviation, and the number of respondents (N) for each item. The mean values offer insights into the respondents' average agreement or disagreement with each statement related to employee turnover retention strategies.

Several noteworthy insights have emerged in exploring key findings related to the Employee Turnover Retention Strategy Aspect. First, concerning Recognition for Achieving Goals (ETRSA1), respondents, on average, agreed (Mean: 3.9000, Standard Deviation: 1.1910) that

employees should be acknowledged when they achieve goals. Secondly, the findings related to the Reward System for Long-Term Services (ETRSA2) revealed a robust agreement among respondents (Mean: 4.183, Standard Deviation: 0.9073) with establishing a reward system for long-term services within the organization. Thirdly, in Competency Development and Career Plans (ETRSA3), respondents demonstrated average support (Mean: 4.150, Standard Deviation: 0.6817) for initiatives aimed at developing specific competencies, providing performance feedback, and crafting individualized career development plans. Additionally, findings related to Employees Feeling Valued (ETRSA4) indicated agreement



among respondents (Mean: 3.959, Standard Deviation: 0.9562) regarding the perception that employees feel valued within the organizational context.

Furthermore, in considering Improving Work Relationship (ETRSA5), respondents, on average, expressed agreement (Mean: 4.233, Standard Deviation: 0.8863) with the idea that work relationships between employees should be enhanced. Lastly, in the dimension of Balancing Professional and Personal Aspects (ETRSA6), the mean value of 4.117, coupled with a standard deviation of 0.8999, suggests agreement among respondents with providing mechanisms to enable employees to balance their professional and personal aspects. Conducting a

reliability analysis, the computed Chronbach's Alpha value of 0.89 indicates a high level of internal consistency among the items in the Employee Turnover Retention Strategy Aspect. This finding affirms the scale's reliability for effectively measuring the construct of employee turnover retention strategies. The reliability coefficient has been appropriately integrated into the methodology section, aligning with the comprehensive assessment of the scale's consistency within the research framework. This robust reliability underscores the suitability of the scale for capturing the complexities associated with employee turnover retention strategies, contributing to the overall rigor and validity of the study.

Table 8. Item Statistics of Organizational Performance (OP)

Code	Item Statistics	Mean	Std. Deviation	N
OP1	Staff turnover disrupts service delivery.	3.875	1.05768	120
OP2	Staff turnover causes a decline in services provision.	3.875	0.9399	120
OP3	High staff turnover increases work load for each employee.	3.950	1.01956	120
OP4	Staff turnover results in loss of customers.	4.100	0.99071	120
Chronbach's Alpha: 0.895				

The table provides item statistics for the Organizational Performance (OP) scale, including the mean, standard deviation, and the number of respondents (N) for each item. The mean values offer insights into the respondents' average agreement or disagreement with each statement related to organizational performance.

This research has yielded significant findings regarding the impact of staff turnover on organizational performance. Firstly, about the Disruption of Service Delivery (OP1), respondents, on average, expressed agreement (Mean: 3.875, Standard Deviation: 1.05768) with the idea that staff turnover disrupts service delivery within the organization. Secondly, the



findings related to the Decline in Service Provision (OP2) indicated agreement among respondents (Mean: 3.875, Standard Deviation: 0.9399) with the perception that staff turnover leads to a decline in the provision of services. Thirdly, in examining Increased Workload due to High Turnover (OP3), respondents, on average, concurred (Mean: 3.950, Standard Deviation: 1.01956) that high staff turnover contributes to an increased workload for each employee within the organization. Additionally, the fourth key finding explored the Loss of Customers due to Turnover (OP4), where the mean value of 4.1, coupled with a standard deviation of 0.99071, indicated strong agreement among

respondents that staff turnover results in the loss of customers. Conducting a reliability analysis, the computed Chronbach's Alpha value of 0.895 suggests a high level of internal consistency among the items in the Organizational Performance scale. This finding underscores the scale's reliability for effectively measuring the construct of organizational performance within the research context. This robust reliability enhances the credibility and validity of the study's findings, contributing to a comprehensive understanding of the intricate relationship between staff turnover and organizational performance.

Table 9. Correlation test between Employee Turnover, Employees Turnover Retention Strategy Aspect and Organizational Performance~

Correlation			
LVs	ET	ETRSA	OP
ET	1.000	0.304**	-0.826**
ETRSA	0.304**	1.000	0.408**
OP	-0.826**	0.408**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

~ET: Employee Turnover, ETRSA: Employee Turnover Retention Strategy, OP: Organizational Performance

Results of Pearson correlation indicated a negative correlation between Employee Turnover and organizational performance, ($r = -0.826, n=120, p < 0.01$). It implies a reverse relationship between employee turnover and organizational performance. Hence, to increase organizational performance, the tendency to reduce employee

turnover must decline. Furthermore, the Pearson correlation indicated a positive correlation between employee turnover retention strategies and organizational performance ($r = 0.408, n = 120, p < 0.01$). It means that an organization needs to make a strategy to retain strategy to enhance organizational performance.

Table 10. Impact Analysis between Employee Turnover, Employees Turnover Retention Strategy Aspect and Organizational Performance



Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.842 ^a	0.709	0.704	1.90264

a. Predictors: (Constant), ETRSA, ET

The model summary of the Ordinary Least Square Technique shows the R, and R Square values. The two variables employee turnover and employee

turnover retention strategy aspect were able to explain around 70.9 percent of the total variation in organizational performance.

Table 11. Analysis of Variance ANOVA^a

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1033.656	2	516.828	142.769	.000 ^b
Residual	423.544	117	3.620		
Total	1457.200	119			

a. Dependent Variable: OP

b. Predictors: (Constant), ETRSA, ET

^aANOVA table shows that the estimated model was statistically significant and fit ($F_{(2,117)}=142.769$, $n=120$, $p < 0.001$).

Table 12. Estimated Coefficients table^a

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	18.325	1.194		15.349	0.000		
ET	-0.631	0.043	-0.774	-14.784	0.000	0.908	1.102
ETRSA	0.135	0.041	0.173	3.301	0.001	0.908	1.102

^a Dependent Variable: OP

The estimated coefficient table shows that there are no issues of multi collinearity as VIF is less than 3. The estimated coefficient of employee turnover is negative and its value was -0.631 which means that if one employee quit an organization then organizational performance decreased by 0.631 units on average. It indicates that an increase in employee turnover decreases organizational performance. The coefficient was statistically significant at 95 percent confidence level with t-statistics of 14.784 and a p-value less than 0.001. It proves the hypothesis that there is a significant

negative impact of employee turnover on organizational performance.

Likely, the estimated coefficient of the employee turnover retention strategy aspect is positive and its value was 0.135 which means that if an organization made a strategy to retain one employee then the organization's performance increased by 0.135 units on average. It indicates that the retention strategy of an employee will increase organizational performance. The coefficient was statistically significant at a 95 percent confidence level with t-statistics of 3.301 and a p-



value was 0.001. It proves the hypothesis that there is a significant positive impact of the employee turnover retention strategy aspect on organizational performance.

3. CONCLUSION

In summary, this study investigated employee turnover and its impact on organizational performance in six five-star hotels. With 120 respondents, predominantly male, aged 26 to 35, and mainly at the staff level, the findings indicated limited career advancement opportunities. The measurement scales showed good reliability.

Pearson correlation analysis revealed a negative correlation between employee turnover and organizational performance, as well as a negative correlation between turnover retention strategies and performance. Regression analysis demonstrated that both factors

While analyzing the impact of employee turnover and employee turnover retention strategy aspect, the impact of employee turnover (0.774) was higher than the employee turnover retention strategy aspect.

explained 70.9% of organizational performance variation. The positive coefficient for retention strategies suggests a beneficial impact.

Statistical analysis confirmed a significant positive relationship between retention strategies and organizational performance at a 95% confidence level. In conclusion, addressing turnover and implementing effective retention strategies is crucial for improving organizational performance in the hospitality industry, emphasizing the need for career advancement opportunities and robust retention strategies.

4. REFERENCES

1. Alonso, A. D., & O'Neill, M. A. (2009). Staffing issues among small hospitality businesses: A college town case. *International Journal of Hospitality Management*, 28(4), 573-578.
2. Dasilveira, I. K., Yang, J., Mensah, I. A., & Quarcoo, A. (2019). Human Resource Management Practices and Employee Turnover Intentions Nexus: Does the Mediating Role of Job Satisfaction Matter? *Open Journal of Business and Management*, 8(1), 1.
3. Hamermesh, D., & Rees, A. (1973). The economics of work and pay. *Industrial and Labor Relations Review*, 27(4), 643.
4. Holston-Okae, B. L., & Mushi, R. J. (2018). Employee turnover in the hospitality industry using Herzberg's two-factor motivation-hygiene theory. *International Journal of Academic Research in Business and Social Sciences*, 8(1), 218-248.
5. Karatepe, O. M. (2013). High-performance work practices, work social support and their effects on job embeddedness and turnover intentions. *International Journal of Contemporary Hospitality Management*, 25(6), 903-921.
6. Mohajerani, P., & Miremadi, A. (2012). Customer satisfaction modeling in hotel industry: A case study of Kish Island in Iran. *International Journal of Marketing Studies*, 4(3), 134.
7. Ngirwa, C. (2005). *HRM in African*



- Work Organisations. 1*, 19–36.
8. O'Fallon, M. J., & Rutherford, D. G. (2010). *Hotel management and operations*. John Wiley & Sons.
 9. Ratewal, M. A. (2019). HIGH EMPLOYEE TURNOVER IN HOSPITALITY INDUSTRY: A CRITICAL OVERVIEW. *Print) International Journal of Social Science and Humanities Research*, 7(4), 149–154.
 10. Rehman, N., & Mubashar, T. (2017). Job stress, psychological capital and turnover intentions in employees of hospitality industry. *Journal of Behavioural Sciences*, 27(2), 59–79.
 11. Tariq, M., Ramzan, M., & Riaz, A. (2013). The impact of employee turnover on the efficiency of the organization. *Interdisciplinary Journal of Contemporary Research in Business*, 4(9), 700–711.
 12. Taye, D., & Getnet, B. (2020). The Impact of Employee Turnover on Organizational Performance: A Case Study of Mada Walabu University, Bale Robe, Ethiopia. *American Journal of Pure and Applied Biosciences*, 2(3), 51–63.
 13. Ubagu, M. M., Achia, U. S., & Gbuushi, J. A. (2020). Perceived effect of motivational strategies of promotion and work environment on the job performance of library personnel of universities in Benue State, Nigeria. *Journal of Library Services and Technologies*, 2(1), 79–89.