

**STRATEGIES USED BY HOTELS IN TALENT RETENTION: A STUDY OF STAR  
RATED HOTELS IN NAIROBI**

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**ABSTRACT**

The hotel industry in Kenya has been experiencing turnover crises over the years. Studies have been conducted on employee turnover and retention but further investigation is needed on talent retention strategies. This study adopted the descriptive research design whose purpose was to look into talent retention strategies as well as the reasons for adoption of these strategies other than turnover. The findings indicated that there is a mix of strategies that have been adopted in the hotel industry in Kenya; the most used being competitive remuneration. In addition, the major reason for the adoption of the strategies, other than turnover, is the stiff competition experienced in the industry. Further studies could be useful to try and look into solutions to high level of job insecurity in the industry.

**Key words:** Talent retention, Strategies, Hotel industry

**Introduction**

Organizations cannot ignore the importance of retaining talent, during the present time when skills and knowledge of staff are the most desired requirements. With today's competition for talent supply that has been witnessed among organizations, they are getting a harder time in searching for, managing and growing talent in the company (Cheese *et al.*, 2007). Economic growth has been threatened by being rendered rather unsustainable in organizations because they have failed to execute talent strategies, which is the consequence of talent shortage hindering company's efforts Human resource departments in organizations are striving at emphasizing on employer brand as a critical success factor for companies seeking competitive advantage in the war for talent (Cheese *et al.*, 2007).

## What is Talent

Some authors have defined talent as personnel in an organization with unique characteristics, while there are some who perceive talent as the special gifts, knowledge and aptitude, that are possessed by people, which enable them to perform effectively. A difference exists between the person who has the talent and the talent itself. Authors agree that these special abilities are used by people in order to reach certain organizational objectives (Stuart-Kotze and Dunn 2008 & Cheese *et al*, 2007) Talent is people that make sound decisions to solve problems; they pull together and believe in one thing. Organizations get an advantage over competitors as a result of the talented staff that they employ and not their market share or their end products (Reuff and Stringer, 2006). Talents are employees that possess required skills and knowledge to meet current and future needs of an organization (Kontoghiorghes and Frangou, 2009). Cheese *et al*, (2007) say that talent is the most productive resource compared to no other.

A turnover research carried out recently in 64 four to five star Australian hotels s indicated a turnover rate of 50.74% for operational employees and 39.19% for managerial employees; in addition, the average cost of replacing an operational employee is A\$9,591, with higher costs for replacing a managerial employee (Davidson, Timo and Wang, 2009). Turnover costs cannot only be measured in monetary terms; it can also lead to customer dissatisfaction, decreased employee morale, decreased productivity, low service quality, negative business acumen and organizational performance (Cho, Johanson and Guchait, 2009). Hotel employee turnover, job satisfaction, organizational commitment and retention strategies are frequently researched areas (Tracey and Hinkin, 2008).

In Africa, traditional hotel industry has undergone many changes over the years. In South Africa and other West African countries, changes have taken place with the emergence of a large number of hotels and this is as a result of increase in tourist numbers that has seen growth yearly (Wellman, Kruger and Mitchell, 2007). Today, hotel industry is by far the largest component of the tourism market (Sharpley, 2005). Without talent, the hotel industry in Africa will not survive. While the industry gives many well suited individuals the desired and rewarding opportunities, it also requires many operational staff. The need for talent attraction and retention is important and this has been a great challenge to the human resource department because reasons such as low entry level and high turnover (Haven-Tang and Jones, 2006).

## The Scenario in Kenya

The hotel industry in Kenya has not been spared in the war for talent either. Hotel industry, being a labour intensive industry, needs staff with various skill levels, from the unskilled positions to those that require employees with high levels of skills. The industry however relies mainly on employees and high turnover rates and the costs that come with turnover and low retention level of skilled employees are some of the problems that are encountered by the hotel industry (Deloitte Consulting, 2011). Research carried out by Kuria, Peter and Alice, (2011) on factors influencing labour turnover in three and five star rated hotels in Nairobi, Kenya indicated that labour turnover was higher by 68% in three star rated hotels compared to 13% of five star rated hotels. Today, the industry is confronted with the continuously evolving challenge of demand for retention of appropriate talent. This study therefore aims at looking at the specific strategies that the hotels in Kenya have adopted in order to retain their valuable employees. It also seeks to

find out other reasons, apart from turnover, why the employers have come up with their retention strategies.

### **Literature Review**

In today's ever changing work environment talent is considered crucial for the sustainability and future profitability of any business organization. Retention of talent in an era where employees are more mobile and quicker to pursue new career opportunities forward thinking companies have refreshed their talent priorities for the economic recovery and have clearly identified and focused on the most important attraction & retention, employee and leader issues (Delloite Consulting, 2011).

### **Talent Retention Strategies**

#### **Employer of Choice**

A number of factors have encouraged employers to become interested in the attraction and retention of employees. These include ageing workforce, the recognition that in knowledge industries, the organization's competitive advantage comes from people, increasing turnover rates, the increasing cost of turnover, the globalization of business and shortage of skilled labour in many areas (CCH Australia, 2010).

According to Armstrong and Murlis, (2007), the overall strategy should be to become an employer of choice. Phillips and Connell, (2003), Kerr-Phillips and Thomas, (2009) and Lockwood, (2006) support this view, as they all look at the role of employer branding and an organization's status as an employer of choice in the attraction and retention of talent. A strong argument exists for an attractive employer brand that will be a striking force for both external and internal top talent. Lockwood, (2006) suggests that employer of choice should be viewed as an outcome of corporate culture rather than ad-hoc programmes. Phillips and Connell, (2003) emphasize the dominant role that an organization's status as an employer of choice plays in the management of talent and claims that it translates directly into lower rates of turnover.

Policies that are used to attract and retain people can be used to label the organization as an employer of choice. An organization that is an employer of choice is one of which people want to work and stay. Organizations with employer of choice status are able to compete effectively for talent because they are able to meet their needs and the organization needs simultaneously (Armstrong and Murlis, 2007).

Phillips and Connell, (2003), suggest that becoming an employer of choice often involves the issue of acquiring the best talent for the organization, motivating employees to improve performance, keeping them satisfied and loyal, developing employees so they can grow and contribute skills and ultimately retaining those employees. These views suggest a strong argument by researchers for organizations to move towards becoming an employer of choice as a strategy to attract and retain talent. To become an employer of choice, interesting and rewarding work, opportunities for learning, development and career progression and a reasonable degree of security should be incorporated (Armstrong, 2006). These views are shared by Phillips and Connell, (2003), who say that development as well as high performance levels. An employer of choice also subscribes to work-life balance and a competitive pay system for its employees

(Armstrong, 2006). The literature reviewed, however, does not present studies where these strategies have been tested and applied successfully in real-life situations.

Armstrong, (2006) suggests that a retention strategy should be based on an understanding of the factors that affect it. Moorthygari and Kirshna, (2009) list a number of best retention strategies in practice whereas Kerr-Phillips and Thomas (2009) cite the creation of an environment for talented employees to perform. Horwitz, *et al*, (2003) make a distinction between most popular, highly effective and least effective retention strategies. The following are the most significant retention strategies.

### Competitive Pay

One of the most popular and highly effective retention strategies that any organization can use is the competitive pay packages. (Horwitz *et al*, 2003). Competitive pay can hinder one from achieving many organizational objectives. Two objectives of particular relevance to compensation are attracting and retaining the talent required for suitable competitive advantage and maximizing productivity (Hellriegel, Jackson and Slocum, 2007). Organizations should deal with uncompetitive, inequitable and unfair pay systems and ensure that salary criteria are fair and consistent. In order to counter poaching from competitors, organizations should therefore ensure that the salaries of top performers are considerably higher than average performers (O'Neal and Gebauer, 2006). A fair compensation alone does not, however, guarantee employee loyalty (Moorthygari and Kirshna, 2009).

### Challenging Work

The study of Horwitz *et al*, (2003) considers challenging work as another most popular and highly effective retention strategy. Jobs should be designed to maximize skill variety, task significance, autonomy and control (Armstrong, 2006). Talented employees are stimulated by challenging work that matches their abilities and skills. Sluis and Bunt-Kokhuis, (2009) say that challenging work is appealing to the talent of today. Employers should not be resistant towards providing new workers with a high level of responsibility from the beginning (Sluis and Bunt-Kokhuis, 2009). Oehley, (2007) concurs that challenging assignments are perceived to be attractive to talented employees if they require the achievement of results through influencing others, have increased responsibility, involve problem solving or taking on assignments that will stretch their abilities. Since employees are moving away from lifelong employment relationships towards a less bounded work-life, employability is essential to them. Employers should act on this shift by offering developmental opportunities that maintain and increase an employee's employability (Sluis and Bunt-Kokhuis, 2009).

### Work-Life Balance

Stress can be reduced by a balance between work and personal life which contributes towards employee retention (Armstrong, 2006). A work- life balance program is not just a good thing to do, but it is one way of trying to manage the stress employees feel as a result of their experience at work. Workplace stress is widespread and increasing with employees reporting more stress each year (Morehead *et al*, 2004), one in ten workers are suffering from depression, anxiety, stress and burnout and mental health caused by work issues. There is agreement amongst researchers that employers need to take steps to improve work-life balance by developing policies that recognize the needs of employees outside work (Moorthygari and Kirshna,

2009). Strategies to increase work-life balance include flexible working hours, flexible leave practices, work from home, compressed work weeks, employee assistance programmes, childcare facilities, fitness centers, sport facilities and cafeterias.

### Reasons for Talent Retention Strategies

Organizations have been talking about the connection between great employees and superior organizational performance for decades. There are several drivers fueling this emphasis. There is a demonstrated relationship between better talent and better business performance. Increasingly, organizations seek to quantify the return on their investment in talent (Cho *et al*, 2009). The result is a body of proof that paints a compelling picture of the impact talent has on business performance. Some studies done on this include a 2007 study from the Hackett Group which found companies that excel at retaining talent post earnings that are 15 percent higher than peers (Teng, 2007). For an average Fortune 500 company, such an improvement in performance means hundreds of millions of dollars.

Another study from International Business Machines found public companies that are more effective at talent retention had higher percentages of financial outperformers than groups of similar sized companies with less effective talent strategies (IBM, 2008). Similarly, a 2006 research study from McBassi & Company revealed that high scorers in five categories of human capital management (leadership practices, employee engagement, knowledge accountability, workforce organization, and learning capacity) posted higher stock market returns and better safety records—two common business goals that are top of mind for today's senior leadership (Bassi and McMurrer, 2006).

As a source of value creation, talent is a rapidly increasing. The financial value of companies often depends upon the quality of talent. In fact, the Brookings Institution found that in 1982, 62 percent of an average company's value was attributed to its physical assets (including equipment and facilities) and only 38 percent to intangible assets (patents, intellectual property, brand, and, most of all, people). By 2003, these percentages nearly flip-flopped, with 80 percent of value attributable to intangible assets and 20 percent to tangible assets (Kaplan and Norton 2000).

Business is done in a more complex and dynamic context. Competition among similar organizations makes it more difficult than ever to remain on the competitive edge in the long term. New products in organizations today have shorter life cycles, demanding constant innovation. Technology enables greater access to information and forces us to move at the speed of business. Global expansion adds to these challenges. A company may, for example, have its headquarters in Japan, its research and development function in China, and its worldwide sales operations based in California (Cho *et al*, 2009). The recent economic downturn following years of rapid economic growth adds a whole new dimension to how we manage talent attraction and retention. Record layoffs, lower engagement, and less opportunity for advancement all present additional challenges to managing talent.

Also changing are employee expectations. This forces organizations to place a greater emphasis on talent retention strategies and practices. Employees today are increasingly interested in having challenging and meaningful work, and are more loyal to their profession than to the employer, less accommodating of traditional structures and authority, more concerned about work-life

balance and prepared to take ownership of their careers and development. Responding to these myriad challenges makes it difficult to capture both the hearts and minds of today's workforce.

### Methodology

The study used purposive sampling to sample all the star rated hotels in Nairobi where one human resource manager and one human resource officer were picked as the respondents from each hotel. A total of 7 five star hotels, 10 four star hotels and 9 three star hotels in Nairobi were issued with questionnaires Data was then analyzed by use of frequencies and percentages and presented in tables. This study was carried out between the months of February and June, 2013.

### Results

#### Strategies Adopted

This study sought to find out the specific strategies used by the respondents in talent retention and the results of their responses showed that the use of competitive remuneration as strategy for retention stood out as the most used, this was indicated by 100% of the respondents, 98% for career advancement opportunities and 97% for learning and development opportunities as strategies for talent retention. 92% of the respondents also depend on the good employer reputation that they have acquired overtime in order to retain their talent. 92% of the respondents also indicated that they develop internal talent. 90% offer interesting and challenging work and also the same percentage give attractive benefits or packages as strategies for them to retain talent. 51% of the respondents said that they give bonuses to their employees as a retention strategy. However, the respondents further added that only employees from selected departments in the organizations enjoy these bonuses. Respondents who said that they offer secure contract or permanent work are only 43%. This is presented in table 1:

**Table 1: Strategies Adopted**

Strategy	Frequency	Percent
Competitive remuneration	52	100
Salary increases linked to individual performance	49	95
Developing internal talent	48	92
Career advancement opportunities	51	98
Learning and development opportunities	50	97
Good employer reputation	48	92
Interesting/challenging work	47	90
Attractive benefits/packages	47	90
Bonuses	27	51
Secure contract/permanent work	22	43

### Reasons for Adoption of the Retention Strategies

This study sought to find out the reasons for the need for talent retention in the respondent organizations and from the analysis 96% of the respondents strongly agreed that competition that they face from other hotels is the main reason that they seek to retain their talent, while only 4% agreed to this statement. Further, 30% strongly agreed that they seek to reduce the cost of hiring and training as compared to 70% who agreed to this statement. To the statement that one of the reason for talent retention was to enhance image and position in the employment market, 37% strongly agreed, with 63% agreeing to this statement. Another reason was to build high performance workplace in which 25% strongly agreed, 65% agreed and only 10% neither agreed nor disagreed. Question was posed if effective succession planning was one of the reasons for talent retention and 30% strongly agreed while 55% agreed to this. However, 15% neither agreed nor disagreed with this statement. 82% of the respondents strongly agreed that shortage of talent was the reason for adoption of talent retention strategies while 18 % agreed.15% strongly agreed that one of the reasons was to curb high turnover while 85% agreed to this. This information has been summarized in table 2:

**Table 2: Reasons for Adoption of Talent Retention Strategies**

Response	Reason						
	1	2	3	4	5	6	7
	<b>Frequency/Percent</b>						
Strongly Agree	50 96%	16 30%	19 37%	13 25%	16 30%	43 82%	8 15%
Agree	2 4%	36 70%	33 63%	34 65%	28 55%	9 18%	44 85%
Neither	0 0	0 0	0 0	5 10%	8 15%	0 0	0 0
Disagree	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Strongly Disagree	0 0	0 0	0 0	0 0	0 0	0 0	0 0

**Key:**

- |   |  |
|---|--|
| 1. Competition from other hotels                          | 4. To build high performance workplace |
| 2. To reduce cost of hiring and training                  | 5. For effective succession planning   |
| 3. To enhance image and position in the employment market | 6. Talent shortage                     |
|   | 7. To curb high turnover               |

## Discussion

According to the findings of the study, the results indicated that indeed that the hotel industry has gone a step further in putting into use talent retention strategies. This research revealed employers prefer to use competitive remuneration as a strategy to retain their employees and this motivates them, thus increasing satisfaction and productivity. A strong relationship between employee satisfaction and employee retention will directly affect customer satisfaction and the quality of services (Richardson & Butler 2011). Well paid staff cannot leave their employer for an offer with lesser pay. Career advancement opportunities, encouraging learning and development is very important in talent retention as it equips their employees with sufficient skills and knowledge to perform and also updates them on the latest trends in the industry. Effective learning and development arguably improves the personal characters and professional abilities. Not only employees, management and organization would benefit from staff training, customers and guests benefit as well, because of the received quality products and services (Sommerville, 2007). This further helps to curb stagnation in the job as this often causes distress and therefore encourages turnover.

The overall strategy that an organization should implement to retain talent should be to become the employer of choice (Armstrong 2006). From the study, 92% of the respondents used good employer reputation as a strategy to retain talent, by branding themselves as the employer of choice which acts to attract talent in the market to the hotels. However in Kenya, there are no specific criteria for branding or labeling an organization as the employer of choice and this largely depends on the public opinion about that particular organization. From this study, most hotels do not offer secured contract or permanent employment to its employees and this is because of the seasonal nature of the hotel industry, thus, during low seasons, they may not be able to sustain wages of the employees at the same time maintain profitability. However, a high level of job insecurity is expected to produce low organizational efficiency (Kinnunen *et al.*, 2000) and have a negative impact on the employee's performance due to their not putting much effort into performing their duties (Reisel *et al.*, 2007). This lack of secure contract or permanent employment may partly be the contributor of high turnover in the hotel industry.

There is stiff competition for clients in the hotel industry and this has extended to the competition of top talent in order to attract clients, therefore, headhunting or poaching is not uncommon in the hotel industry in Kenya. This was cited in this study as one of the major reasons for the adoption of the talent retention strategies, which seek to safeguard their valuable employees as they are an asset to the organizations. The cost of hiring and training is also high and when an employee departs from an organization, he leaves with all the knowledge and the clients may also follow suit, this presents a challenge as getting an employee with the same performance levels as the one that left is time consuming and costly and this is one of the reasons indicated by the respondents as the reason for retention strategies. Other reasons as noted in this study are talent shortage in the market and high turnover.

## Conclusions and Recommendations

In conclusion, it is evident that the hotel industry acknowledges the challenge of employee turnover and much effort has been put in place in order to retain their valuable employees. It is also evident that many strategies have been put in place to address this, because for effective retention, not one strategy can be said to be effective at all times but there has to be a mix of



strategies that are adjusted overtime to fit into the changing expectations of the employees. However, in as much as the retention strategies are in place, there is the challenge of job security and as a result, employee turnover will still be a recurring problem, therefore, it would be necessary that further studies be conducted to look into this and propose workable solutions for both the organization and the employee.

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