

Study on the Impact of Non -Financial Rewards on Turnover Intention: Mediating Role of Intrinsic Motivation (with Special Reference to the Hotel Industry of Sri Lanka)

A.G.N.K.Fernando*, R.A.A.K.Ranaweera**

* Department of Management Sciences, Uva Wellassa University of Sri Lanka, nipuniferp93.nf@gmail.com

** Department of Tourism Studies, Uva Wellassa University of Sri Lanka, amayakaumadi7@gmail.com

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Abstract- Employee Turnover Intention is recognized as one of the strategic and critical issue in competition among organizations especially in the hotel industry in Sri Lanka. Therefore, organizations try to minimize their turnover ratio in order to save their cost, consists of hiring, recruiting and selecting the employees. Thus the study mainly focuses about two objectives as to identify the impact of the non-financial rewards on employee turnover intention as well as to identify the mediating effect of intrinsic motivation on the relationship between non-financial rewards and the turnover intention. The sample consisted of two hundred operational level employees working in Sri Lanka Tourism Development Authority (SLTDA) resisted five star hotels. The data were gathered by self-administrated questionnaire and the data were analyzed by using simple regression analysis as well as Baron and Kenny mediation analysis method. The analysis exposes that there is a strong negative relationship between the employee non-financial rewards and turnover intention. Mediating analysis results goes to show that intrinsic motivation partially mediate the relationship between non-financial rewards and employee turnover intension. The results help top managers to formulate effective strategies to retain their employees in the long run.

Index Terms- Non-Financial Incentives, Intrinsic Motivation, Turnover Intention, Hotel Industry, Sri Lanka Tourism Development Authority

I. INTRODUCTION

Human Resource is one of the most important and a valuable resource in any organization. They are the source of achieving organizational major goals and competitive advantage because of it has the capability to convert the organizational input into output. The terms of human resources refer to the tangible assets, but they are capabilities take intangible (knowledge, skills, creative abilities, talents, values and beliefs) of an organization's work force environment. The competitors can create other resources like physical materials, technological methods, practices and strategies while the human resources are unique to each and every organization.

Hospitality is a rapidly expanding industry world-wide. It is expected to remain a leading contributor to the global economy by generating desired foreign exchange reserves to the country and same time creating employment opportunities. Development of human resources (HR) remains the most important and significant factor for the success of the hospitality industry of the country. According to the Nankervis & Deborah (1995) Human resources in the hospitality sector require not just a human touch and "service with a smile" but also yearn for individuals who are multi skilled, cross-trained, forward looking in terms of perspective and mindset, and embody strategic creative and systematic thinking. Employees often resist change and prefer to adhere to the traditional values and practices. Many organizations have come forward, and are doing remarkably well in the development of human resources to meet international standards in the hospitality field Tourism Industry.

According to Whetten and Cameron (2007) highlighted that non-financial rewards effectively engage in motivating employees. In 2004 Brown et al. suggested that labour turnover affects both workers and firms. Most researchers proved that employee turnover is one of the major issue related to the hospitality industry. Therefore According to the Khan et al in 2013 suggested that Organization tries to reduce turnover intention through reward climate in the workplace. Simultaneously non-financial rewards establish the linkage with intrinsically motivated behaviour.

Tourism income is one of the important segments that contribute to the Sri Lankan economy. Recent trends of Sri Lankan Gross Domestic Production (GDP) shows a significant role which played by the service sector indicating over 60 percent contribution. According to annual research statistics of 2017, tourism' total contribution to GDP was recorded as 13.5percent. And also tourism' total contribution to employment was increased by 2.8percent with comparing 2016. It is proved that high number of

employment opportunities can be seen in the context of hotel industry. Under the research area researcher selected 5 star categorical hotels in Sri Lanka. According to the Sri Lanka tourism development authority (SLTDA) annual report in 2019, there are 23 registered 5 star hotels can be identified. his article guides a stepwise walkthrough by Experts for writing a successful journal or a research paper starting from inception of ideas till their publications. Research papers are highly recognized in scholar fraternity and form a core part of PhD curriculum. Research scholars publish their research work in leading journals to complete their grades. In addition, the published research work also provides a big weight-age to get admissions in reputed varsity. Now, here we enlist the proven steps to publish the research paper in a journal.

Problem Statement

According to the Ranasinghe & Sugandhika (2018) Tourism income is one of the important segments that contribute to the Sri Lankan economy. Recent trends of Sri Lankan Gross Domestic Production (GDP) shows a significant role which played by the service sector indicating over 60 percent contribution. But Hotel industry faces the problems in developing and maintaining the required manpower. Number of researchers highlighted that, comparing with others hotel industry have considerable employee turnover ratio. Since because of that firm growth and productivity can be reduced.

Barney & Wright (1997) stated that the firm's people are its most important asset. The large number of human contributions can identify in the Hotels, but Labour turnover is the major human side problem. Employee turnover, as defined by Him and Griffith (1994), is 'voluntary terminations of members from organizations'. According to Khatri et al. (1999), turnover intention is occurring when an employee willing to switch their existing job to another, based on their individual desire. One of the major issues which have been part of tourism industry in past is to row out itself from the problem of employee turnover rate. It is said that employee turnover is one silent part of human resource management which can have a negative impact for the organization if managed inadequately.

According to Whetten and Cameron (2007) suggested in the literature of human resource management and organizational behavior that non-financial incentives act effectively in motivating employees .In 2004 Brown et al. suggested that labour turnover affects both workers and firms. Similarly, Khatri et al., (1999) mentioned and Barnett (1995), Chang (1996) Syrett (1994) suggest that employee turnover is a major problem for companies in many Asian countries include Sri Lanka. Every organization tries to reduce turnover intention regarding the reward climate in the workplace (Khan et al., 2013).

In the Sri Lankan context, considerable number of researchers explains the only turnover intention. There is no combination turnover intention, non-financial rewards and also intrinsically motivated behaviour. There is a deficiency of researches related to a particular research area and could find contradictory ideas between variables. It provides knowledge and empirical gap for relevant research problem.

Research Problem

- What is the impact of non -financial rewards on turnover intention of Operational levels employees in Hotel industry?
- What is the impact of non -financial rewards on turnover intention through intrinsic motivation of Operational levels employees in Hotel industry?

Research Objectives

- To identify the impact of non -financial rewards on turnover intention of Operational levels employees in Hotel industry?
- To identify the impact of non -financial rewards on turnover intention through intrinsic motivation of Operational levels employees in Hotel industry?

II. LITERATURE REVIEW

This is important especially when countering the other factor of turnover intentions in the long run. It is a known fact that employees desire a compensation system that they perceived as being fair and commensurate with their skills, experiences and knowledge. Therefore HRM must take note that pay is the main consideration because it provides the tangible rewards for the employees for their services as well as a source for recognition and livelihood. Employee compensation and benefits includes all form of pay, rewards, bonuses, commissions, leaves, recognition programs, flexi work hours and medical insurance (Sherman et al., 1998).

Human resources in the hospitality sector require not just a human touch. Because it is encompasses with the “service with a smile”. But also desire for individuals who are multi skilled, cross-trained, forward looking in terms of perspective and mindset, and embody strategic creative and systematic thinking. According to the Nankervis & Deborah (1995) identified that to encourage tourists to choose a specific hotel, the hoteliers must meet or exceed the guests’ expectations of service quality

Turnover intention

Turnover intention is a high degree of problem for each and every organization. Most of the organizations always concerns about their turnover intention deeply. It is a serious human side problem for the organization. A huge number of employee turnover may be harmful to both the organization performs as well as the employees work life. If the organization turnover intention is high, they want to spend extra expenses for recruiting and training new workers. It will be negatively impacted to the organizational cost function and work environment. According to Abassi & Hollman (2000) identified Employee turnover is the rotation of workers around the labor market, between firms, jobs and occupations, and between the states of employment and unemployment. Simultaneously Turnover Intention is defined by Lee (2008) as the subjective perception of an organizational member to quit the current job for other opportunities.

In 2006 Carmeli and Weisberg used the term turnover intentions to refer to three particular elements in the withdrawal cognition process (i.e., thoughts of quitting the job, the intention to search for a different job, and then intention to quit. Sousa-Poza & Henneberger (2002) defined turnover intent as the reflection of the probability that an individual will change his or her job within a certain time period. Although, there is no standard framework for understanding the employee’s turnover process as whole, a wide range of factors has been found useful in interpreting employee turnover Kevin et al. (2004).

Non-Financial Rewards

Rewards are imperative factors that illuminate certain job aspects that contribute significantly to the organization such as job satisfaction (Maqsood Haider, 2015). Rewards are basically categorized into two parts as financial rewards and non-financial rewards. In classifying the non-monetary incentives, the breakdown of on-the-job rewards proposed by Meacham and Wiesen (1969). Non-monetary incentives are the tangible rewards, social practices or job related factors that are used in an organization to motivate employees without direct payment of cash. According to the Depedri (2010) suggested rewards, therefore, involve all economic benefits that are being supplied by the organization-pay, promotion, verbal recognition and responsibilities whether they are financial or not. Non-monetary incentives are rewards that an individual experiences and it is highly and directly effect on the organization itself. (Falola, et al, 2014; Kinicki and Williams, 2003). According to Whetten and Cameron (2007) mentioned about the essence of incentives is to establish linkage with desired behavior and the outcome that makes the employee feel appreciated.

Non-Financial Rewards & Employee turnover

According to Henry Ongori (2007) mntioned about the organization should pay employees based on their performance and in addition they should give employees Rewards like individual bonus, lump sum bonus, sharing of profits and other benefits. Hence, if these are put in place they would minimize employee turnover. Employee turnover can often be conceptualized in terms of different factors. A number of scholars given their own idea about the turnover intention according to their different point of view. Therefore many researchers suggested that there is a link between non-financial rewards & employee turnover.

Non-Financial rewards & Intrinsic Motivation

According to the previous researchers, relationship between non-Financial rewards & Intrinsic Motivation can be identified. In 2013 Khan et al. suggested non-financial rewards play a significant role in the perception of the employee regarding the reward climate in the workplace. Bob Nelson (2001) also supports the view that there is a strong link between non-financial rewards and improved job motivation. Scott Jeffrey’s paper (2002) implies that the use of tangible non-financial rewards might accomplish the objective of motivating employees in a lowest cost better than the market value of that incentive in cash. Brain processes information affects tangible non-financial incentives having a greater impact on people than cash rewards (Alonzo, 2004). Bob Nelson (2001) also

highlighted the view that there is a strong relationship between non-cash incentives and improved job motivation. Stark (2007) regards non-financial rewards as crucial in helping an organization stand out as a top employer, and also have the dual impact of increasing engagement among employees. The essence of incentives is to establish linkage with desired behavior and the outcome that makes the employee feel appreciated in the psychology literature, intrinsically motivated behavior is stated to arise from innate psychological needs, such as needs for competence and autonomy (Deci & Ryan, 1985; Kasser & Ryan, 1996).

III. RESEARCH METHODOLOGY

The research study depended on the survey technique because, according to the nature of the research, the investigator presumed it to be the most suitable technique. The research sample is consisting with 200 operational level employees who are employed in five star category hotels in Sri Lanka registered with the Sri Lanka Tourism Development Authority. The data were collected by using self-administrated questionnaire with five-point Likert scale statements by using convenience sampling method. To assess the reliability engaged in the study constructs, reliability testing was conducted to guarantee measurement reliability. Hence, the reliability of the research constructs in the acceptable level as 0.743 in all the dimensions of the questionnaire.

In order to assess the impact of the non- financial rewards on employee turnover intention of the employees Karl Pearson Correlation coefficient as well as the simple regression analysis was utilized. Moreover, to identify the mediating effect of the intrinsic motivation between the dependent and the independent variable Baron and Kenny four step mediator analysis model was employed. To identify the indirect effect of the mediator researcher used Sobel test analysis.

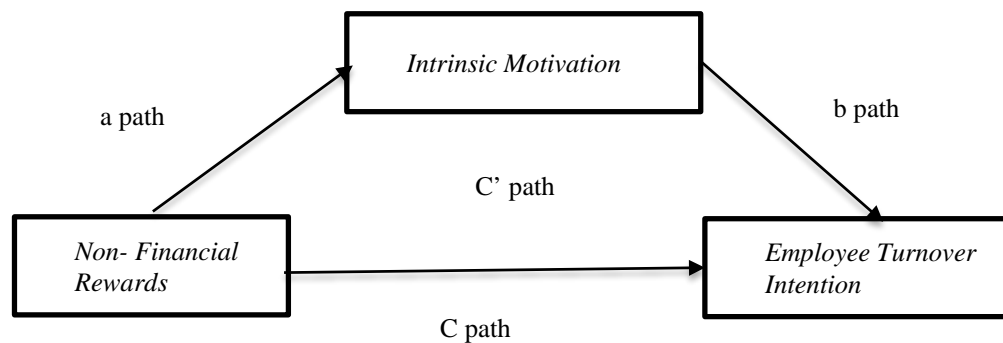


Figure 1-Conceptual Model of the Study
Source: Based on the Review of the Literature

Hypothesis One: There is a relationship between Non-Financial Rewards and employee Turnover Intention.

Hypothesis Two: There is a relationship between Non-Financial Rewards and Intrinsic Motivation.

Hypothesis Three: There is a relationship between Intrinsic Motivation and employee Turnover Intention.

Hypothesis Four: Non-Financial Rewards influence employee Turnover Intention through Intrinsic Motivation.

IV. DADA ANALYSIS AND INTERPRETATION

Descriptive statistical Analysis used in order to analyze the existing situation of the non-financial rewards, intrinsic motivation and turnover intention dimensions. Descriptive analysis provides a clear summary regarding the sample of the study. The majority of the executive level employees in this research sample were male employees (86%) and the age group 25 to 35 was the most frequent age category who is working in the five star category hotels in Sri Lanka (77.3%). Significant numbers of employees who are employed in this industry have 5-10 years of service experience and it is identified as 76.7% of the sample.

Mean value with non-financial rewards of employees was 3.74 and it implied that employees were moderately agreed with non-financial incentives. The standard deviation and coefficient of variance was 0.66 and 45.62% respectively. Furthermore, the mean value of the intrinsic motivation variable was 3.79 and therefore the employees were moderately agreed with intrinsic motivation. The standard deviation and coefficient of variance is 0.76 and 57.7% respectively. The mean value of the employee turnover intention was 1.73. It implied that employees were disagreed with turnover intention. The standard deviation and coefficient of variance is 0.79 and 70% respectively. When considering the overall mean values, it can be clearly recognized that there was not higher variation between those values.

Based on the analyzed data the correlation value between independent and dependent variable was negative 0.62 which implied that there was a strong negative relationship. Furthermore, p-value of the results was 0.02 which emphasizes that there was a significant

negative relationship between independent and dependent variables at 0.05 significant level. This illustrate when non-financial rewards increase, turnover intention would be decrease.

In order to identify the impact of the non- financial rewards on employee turnover intention simple regression analysis was conducted and the results are summarized as follows.

Table 1-Regression Output

| Model | B | Standard error | t value | P value |
|------------------------|--------|----------------|---------|---------|
| Constant | 3.166 | 0.392 | 9.266 | 0.000 |
| Non- Financial Rewards | -0.569 | 0.167 | -6.549 | 0.000 |

Dependent variable: Turnover Intention

Source: Based on analyzed data

Based on the analyzed data the constant value is +3.166. It implies that the value of turnover intention, when the non-financial reward is equals to the zero level. Moreover, the coefficient of non-financial incentives is -0.569. It is the average change in turnover intention due to the one unit change in non-financial rewards. It explained about that when non-financial rewards were increase by one unit, turnover intention decrease by the 0.586 times. In addition to that it's also implies that the negative relationship between non-financial incentives and turnover intention at 0.05 significance level ($p < 0.05$).

In accordance with the significance of the model the p value is 0.000, therefore, the regression model is significant at 0.05 significant level. When consider about the linear regression model summery the R2 value was 0.27. In accordance with that it can be concluded 27% of total variation of Employee Turnover Intention is explained by the Non- Financial Rewards. On the other hand, 73% of total variance in the dependent variable is unexplained by the linear regression model. Therefore, it appears that the model was fitted in unfair manner. Because of, the unexplained variation is higher than the explained variation.

Mediator analysis

In order to identify the mediating role of the Intrinsic Motivation with the relationship with independent and the dependent variable, Baron and Kenny mediator analysis was conducted. The result of the mediating analysis is summarized as follows;

Table 2- SPSS Output of mediator analysis

| Path | B (unstandardized coefficient) | Standard error | B (standardized coefficient) | P value |
|---------|--------------------------------------|----------------|------------------------------------|---------|
| C path | -0.569 | 0.054 | 0.565 | 0.000 |
| A path | 0.564 | 0.072 | 0.563 | 0.000 |
| B path | -0.516 | 0.053 | -0.513 | 0.000 |
| C' path | -0.373 | 0.060 | -0.365 | 0.000 |

Source; Based on analyzed data

The above table revealed that the all four paths are significant with the coefficients of 0.569,0.564,-0.516,-0.373 at the 0.05 significant levels. In accordance with the coefficient between Non- financial rewards and Employee Turnover Intention it can be clearly identified that there is a strong negative relationship between both variables. Because of it implied value as -0.569. In addition to that p value denotes 0.000. Therefore, it is significance at 0.05 level. Hence it can be concluded that there is a strong negative relationship between independent and dependent variable without having any mediator. Additionally, according to the Baron and Kenny mediation model c path is significant.

Moreover, the coefficient between Non-Financial Rewards and Intrinsic motivation was 0.564. It suggested that strong positive relationship between independent and the mediating variable. With reference to the Baron and Kenny a path also significant at 0.05 level because the p value is 0.000.

Similarly, the coefficient between intrinsic motivation and Employee Turnover Intention was negative 0.516. It illustrates that there is a strong negative relationship between the mediating variable and the dependent variable. With reference to the Baron and Kenny mediator Analysis, b path also significant at 0.05 level because the p value is 0.000.

As per the table, the data support for a statistically significant relationship ($P < 0.05$) between the variables when analyze the independent variable and Mediating variable in predicting dependent variable. It implied coefficient value as negative 0.373. Hence there is weak negative relationship between variables when mediator is in the model. Therefore, the c' path also significant and When compare the c path and c' path there is a significant difference between the coefficients of the two paths.

$$C \text{ path} - c' \text{ path} = -0.569 - (-0.373) = -0.196$$

Based on the above difference, when mediator is in the model, the effect of independent variable on dependent variable is reduced. Coefficient difference is negative 0.196 and it implied that intrinsic motivation partially mediates the relationship between Non-Financial Rewards and Employee Turnover Intention at 0.05 significant level.

Moreover, Sobel calculation illustrates the portion of Non-Financial Rewards on Employee Turnover Intention due to the mediating effect of Intrinsic Motivation and it is 41.33% at the 0.05 significant level. Thus, the Mediator analysis and Sobel test identified that intrinsic motivation partially mediates the relationship between the Non-Financial Rewards and Employee Turnover Intention.

V. CONCLUSION

Overall summary of the research study mentions about the most important idea about the influence of non-financial rewards on turnover intention for operational level employees in the hotel industry. Based on the results of the regression analysis there is a strong negative relationship between Non-Financial Rewards and Employee Turnover Intention. These findings are agreed with results of the study previous literature and Stark (2007) regards nonfinancial rewards as crucial in helping an organization stand out as a top employer, and also have the dual impact of increasing engagement among employees. Moreover, the study identified Intrinsic Motivation as a mediator in between Non-Financial Rewards and employee Turnover Intention. Intrinsic Motivation partially mediates the relationship between Non-Financial rewards and Turnover Intention of the employee. This research discovered that non-financial rewards for staff are the most significant driver of reducing the intention of operational level employee turnover in the hotel industry, it is stated that businesses should give high priority to improving their non-financial incentive package. Despite the fact that hotel industry employees work under tight schedules, additional non-financial incentives are not given. Thus, Organizational management can properly improve employee enrichment and it will help to improve the quality of work life for the worker. It can produce a better working atmosphere. In addition top management should allocate adequate funds to employ employees to carry out their jobs in effective manner as well as they can design appropriate rewarding system based on their performance. Finally, based on the findings of the study top management of the hotel industry in Sri Lanka can formulate effective strategies to identify the factors to reduce the turnover intention of their organizations.

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