

Business Management

Internal Assessment

Higher Level

RESEARCH QUESTION:

What strategies can Jing Si Wan Massage Leisure Center Co. Ltd use to reduce their employee turnover?

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Executive Summary: 100 words

Research Proposal: 499 words

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ACKNOWLEDGEMENT

I would like to give special thanks to the Chairman, _____ for allowing me to investigate his company - Jing Si Wan Massage Leisure Center Co. Ltd, as well as all the employees and senior managers, for completing the surveys and participating in the interviews.

I would also like to thank my supervisor, Ms _____ for giving me support and advice during my investigation.

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1. Executive Summary

Jing Si Wan Massage Leisure Center Co. Ltd is a small private limited company which faces a high employee turnover. The research proposal outlined the reasons for this investigation, methodologies, theoretical framework and possible difficulties I might face during constructing this report.

Overall, this report provided JSW with some recommendations on how to reduce employee turnover using Maslow's and Adam's motivation theories, and to improve HR management in terms of leadership style and organisational structure.

However, their theories might not be 100% workable in Chinese culture. Also, the failure in accessing secondary data might make the recommendations biased and limited.

Word count: 100

2. Research Proposal

Research Question:

What strategies can Jing Si Wan Massage Leisure Center Co. Ltd use to reduce their employee turnover?

Rationale

Human resource is considered to be one of the most essential assets in a service business, as they are the direct contact to the customers. They directly contribute to the revenue and growth of the company. The skills, attitudes and abilities of people highly determine corporate performance and productivity.

During my early research and interview with JSW's chairman , I found out that there were several reasons indicating the company had problems in their HR department. Firstly, the company experienced high employee turnover rate in 2014, to highlight that the turnover rate for management was 100% ¹ . Secondly, the sales trend showed a decrease since 2013. Thirdly, looking at the external environment, there were more than five similar massage centers entering the market, new-startup competitors poached some senior executives and many well-trained massagists from JSW, which had a huge negative impact on employee turnover rate

Therefore, I decide to use questionnaires and interviews to identify the causes of high employee turnover in JSW. Theories and concepts that I have learnt in the IB Business Management course would help me to recommend appropriate strategies to improve its employee turnover rate.

Theoretical framework

- Evaluate the current leadership style, identify sources of conflict in this company and suggest a suitable approach for conflict resolution.
- Analysis the strengths and weakness of current organizational structure and suggest suitable changes.
- Apply *Abraham Maslow's hierarchy of needs theories* and *John Adam's equity theories* to suggest ways to improve motivation.

Key areas of the syllabus

- Leadership Style
- Organizational Structure
- Motivation Theories

¹ Appendix III. Employee Turnover Rate (2014.1.1 - 2014.12.31)

Methodology

Primary Research:

- Collect questionnaires (27 responses)
- Interview with two senior managers
- Interview with the chairman

Secondary Research:

- Organisational structure of the company
- Employee turnover
- Human resource record

Anticipated Limitations:

	<u>Limitations</u>	<u>Reason</u>
1.	Inaccurate in results	<ul style="list-style-type: none"> ● Education levels of some cleaners or massagists are limited, therefore they might ask friends or colleagues to complete the surveys for them, which might not be their real thoughts.
2.	Results contains bias	<ul style="list-style-type: none"> ● Answers to the questionnaires contain personal opinions which can be biased. ● Interviews with managers might be subjective and different from employees' points of view.
3.	Limited numbers of responses	<ul style="list-style-type: none"> ● Only 27 responses and those opinions may not apply to the rest of the employees.
4.	Dishonesty in answering the questions	<ul style="list-style-type: none"> ● Employees might worry that their answers might not be confidential. ● They might answer those questions in a way to please managers but against their will.
5.	Motivation models might not apply to JSW	<ul style="list-style-type: none"> ● Both Maslow and Adam are American scholars, their motivation theories might not be 100% suitable in Chinese culture

Action Plan

Tasks / Dates	June		July - August		September		October		November - December		January - February	
	1-15	16-30	1-31	1-31	1-15	16-30	1-15	16-31	1-30	1-31	1-30	1-31
Identify the issue and write up research proposal	■	■										
Primary Research (Questionnaires and interviews)			■									
Secondary Research (HR record)				■								
Introduction					■							
Objectives and Methodology					■							
Main Findings						■						
Analysis (Tables & graphs)							■	■				
Recommendations									■	■		
Abstract										■		
Acknowledgement										■		
First Draft										■	■	
Final Draft											■	■

3. Introduction

Jing Si Wan Massage Leisure Center is a private limited company, which was found by its chairman Jingwei Chen in 2011. The company locates in Gaoming District, Foshan City, Guangdong Province, China.

The company belongs to the tertiary sector. Its main target customers are male, mostly between the age 30 to 60. The mission statement of JSW is to “provide five-star service, professional technique and luxurious environment to customers”. The company has approximately 75 employees of which 92 % are female.

However, high employee turnover has been an obstacle for JSW to maintain a competitive market position. Employee turnover rate continued to increase since 2012, which has had negative impact on revenue.

The main goal of this investigation is to find out the reasons of high employee turnover, evaluating the performance of current HRM² in terms of leadership style and organizational structure, searching for the answers of :

“What strategies can Jing Si Wan Massage Leisure Center Co. Ltd use to reduce their employee turnover?”

4. Methodologies

This study was mainly carried out by primary research consisting of questionnaires and interviews with managers and chairman. However, the responses might be biased and dishonest, therefore the data can be limited.

Secondary research including recruitment record, organizational structure and HR information were used to identify problems in HRM. Motivation theories are used to give recommendations on improving turnover.

² HRM: Human Resource Management

5. Main findings - causes of employee turnover

5.1 Negative Customer Arrivals Growth

There was a significant fall in customer arrival in 2014. There were two main reasons: first, due to the increase in competition in Gaoming district in recent years. Second, due to President Xi's campaign against corruption and extravagant spending, which banned the use of luxury cars, eliminated lavish gifts for government officials, and limited the scope of galas, official dinners and leisure activities.³ That is the biggest reason for a significant drop in customer arrivals as the main consumer group is government official. The fall in customer arrivals directly caused an decrease in massagists' wages as they are paid by time rate. As a result, it caused job insecurity and dissatisfaction with salary levels.

5.2 Employee Demotivation⁴

Many employees were not satisfied with salary. They complained about the meals and accommodation provided by the company. There were a lack of promotion opportunities and social activities within this company.

5.3 Flat but Unfocused Organizational Structure

The organizational structure was flat but confusing. Both managers admitted that they had difficulties dealing with too many subordinates, while employees said they were confused with the organizational structure.

5.4 Lack of Training and Teamwork

There were no up-to-date and continuous training opportunities for massagists, accountants and managers. There were few bonding activities held by the company.

5.5 Confusing Leadership Style

The Chairman believed he had delegated some authority to managers and encouraged them to explore their ideas to run this company, but managers said they still needed to discuss all the decision making with the chairman. Senior managers' leadership styles were laissez-faire, they had no strategic objectives and were not driven to work. Both the Chairman and senior managers' leadership styles were not clearly identified and not consistent.

³ Donovan, Tim. "China's Crackdown on Corruption and Government Spending: A Timeline." *China Business Review*. N.p. 23 Jan. 2014. Web. 18 Feb. 2016.

⁴ *Graph 1 (page 12)*

6. Analysis and discussion

6.1 Leadership style

JSW has a confusing leadership style mix. On the one hand, the chairman had been using autocratic leadership style for the past few years and been changing to democratic leadership style in recent years, with more authorities delegated to senior managers. He encourage them to explore new ideas and strategies to increase revenue. On the other hand, both senior managers use laissez-faire leadership style, rarely introduce new business strategies, lack of strategic objectives and are not driven to work. Moreover, most of the promotional strategies managers suggest, were often rejected by the chairman, therefore in time, they became demotivated.

This confusing leadership style mix demotivates employees because:

1. Lack of supervision, guidance and advice of business strategies and objectives given to employees; they don't know what to expect or what should be achieved. Especially since most of the employees are not highly-educated, they are not capable of making decisions on their own.
2. The chairman and senior managers adopt different leadership styles. It may lead to clashes and communication problems. There is only one way communication between junior employees and the chairman. Therefore they might feel they are not recognised in the company.
3. Roles within the group are poorly defined since team members receive little guidance. Employees who are not good at self-control might be indolent in their duty.

Solutions:

First of all, the chairman should clearly inform senior managers what leadership style he expects for them, as well as his vision and mission of the company. Secondly, senior managers should change their leadership styles because laissez-faire is not suitable in a low-educated workforce. They should adapt autocratic leadership styles - setting strict rules and giving clear guidance to employees. As the revenue is decreasing, employees tend to feel insecure and panic. An autocratic leadership style is suitable when business is going through a crisis and is also able to give employees a sense of purpose.

6.2 Organisational structure

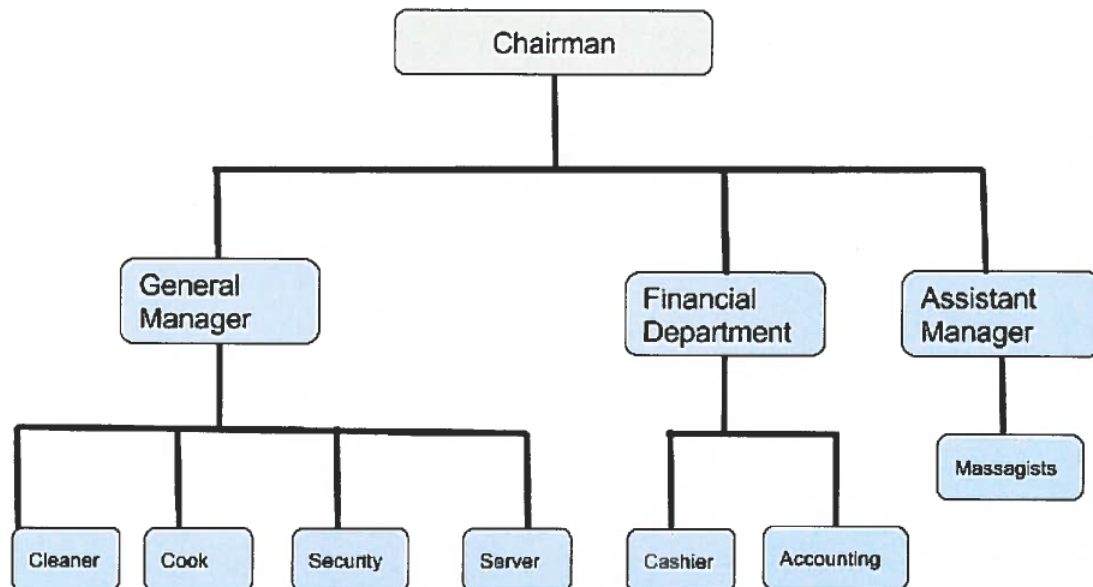


Figure 1: JSW Organization Chart

With a changing leadership style of the company, its organisational structure might also have to change to achieve its new autocratic leadership style. Currently, JSW has a flat organizational structure with only three levels of hierarchy and wide spans of control. Subordinates can approach supervisors very easily. However, it is also ineffective in some ways. There are about 45 massagists, who are directly managed by one manager. Moreover, another manager need to in charge of 6 cleaners, 8 servers, 3 securities, 3 cooks and 3 cashiers. Both managers complained that they had difficulties dealing with too many subordinates during the interviews. However, the chairman insisted that keeping this three-level organizational structure is reasonable as this is a small company.

Solution:

To keep employees motivated, firstly the company should make sure everyone has a clear role in the organizational structure. A flat organizational structure can be useful if everybody know their role and the communication should be efficient. However, JSW can also use some non-financial reward to increase employees' motivation, for example teamwork. Teamwork refers to a workforce is divided as several groups and employees who work in the group work collaboratively and cooperatively to achieve a goal. A good teamwork ethic can effectively create a sense of group cohesion and group honor, therefore lead to higher productivity and greater performance.

6.3 Employee motivation and Maslow's motivation theories

Abraham Maslow argues that people have a number of needs and it can be arranged as a triangle according to their importance. This motivation theory helps to identify employees' current needs and higher level of need to motivate them.

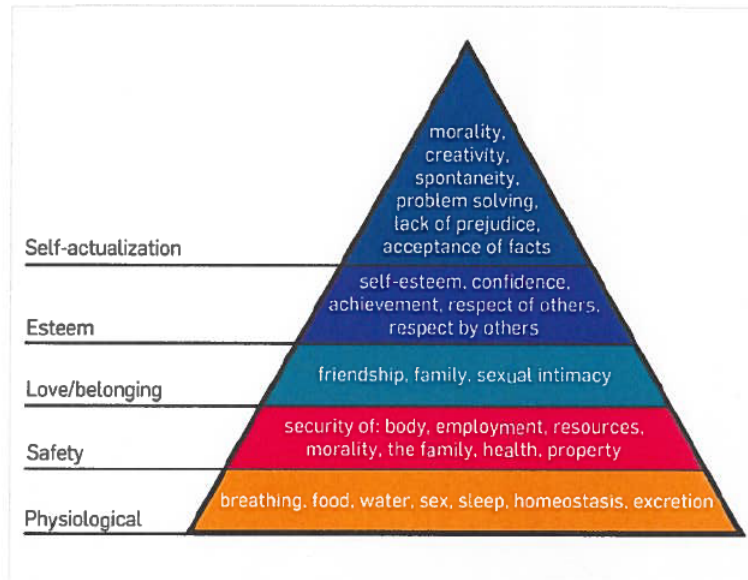
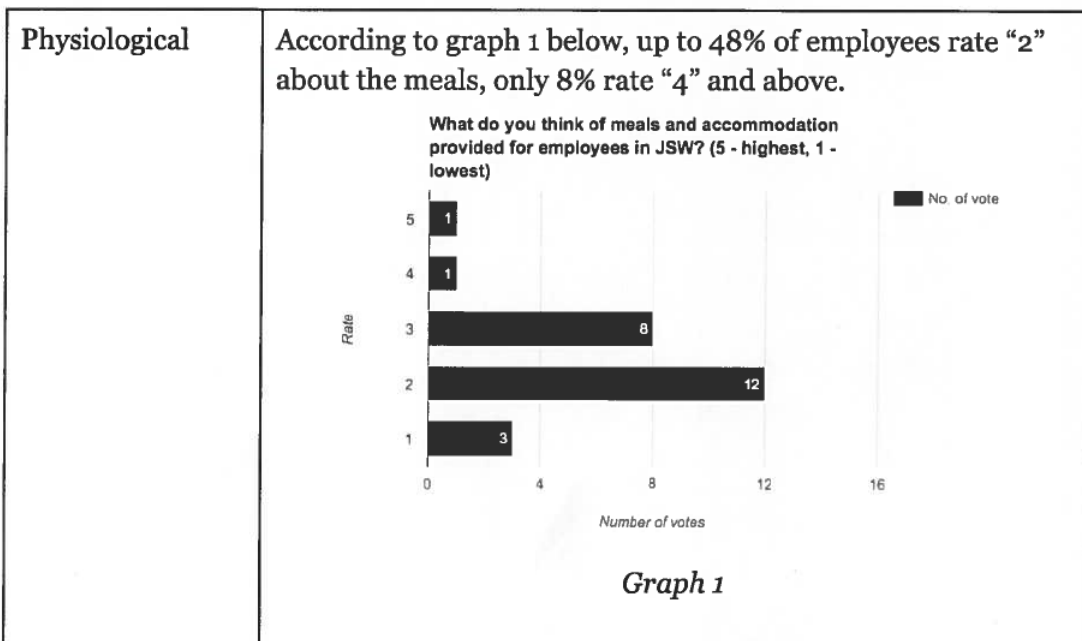
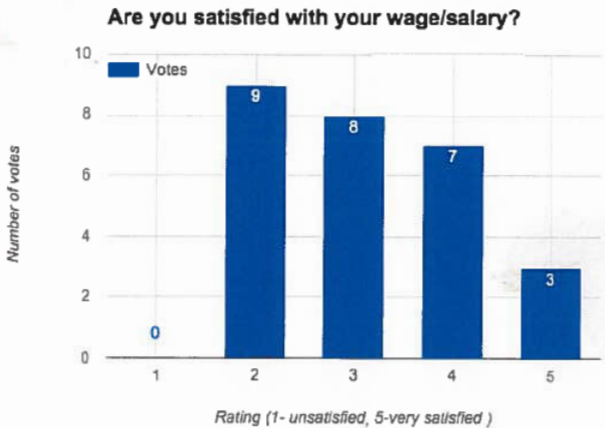


Figure 2: Maslow's Hierarchy Of Needs⁵



⁵ Maslow's Hierarchy Of Needs." *IB Islamic Forum RSS*. Web. 10 Aug. 2015. www.islamicboard.com/health-and-science/134317750-maslows-hierarchy.html

	<p>It suggests that almost of the employees are not satisfied with the meals provided. However, the chairman doesn't seem to care about this and he believes that nobody will resign due to poor canteen meals.</p>
Safety & Security	<p>In this company, economic security seems to be the primary concern. Due to the fact that massagists do not receive basic salaries, they are paid according to their work performance — how many hours they have done per month. Sales fell in 2014 due to intensive competition had caused a significant decrease in massagists' wages. Graph 2 showed that up to 63% employees are not satisfy with their current payment.</p> <p style="text-align: center;">  </p> <p style="text-align: center;"><i>Graph 2</i></p>
Love	<p>Maslow argues that people are seeking for companionship and overcoming feelings of loneliness. Employees complained that there were a lack of bonding activities held in the company and expressed that they would love to get involved in some social activities.</p>
Self-esteem	<p>Publicity of this industry is not very promising as there are many other massage centers which offer sexual services. However, JSW has a good reputation of being a legal and standard leisure center in this district. It has become an unique selling point of this company and graph 3 below has shown that being legal is the biggest reason why employees choose to work there.</p>

	<p style="text-align: center;">Why do you choose to work in JSW?(multiple options)</p> <table border="1"> <caption>Data for Graph 3</caption> <thead> <tr> <th>Reasons</th> <th>Number of votes</th> </tr> </thead> <tbody> <tr><td>Legal and sta...</td><td>17</td></tr> <tr><td>Luxurious dec...</td><td>9</td></tr> <tr><td>Liberal benefit</td><td>6</td></tr> <tr><td>Well pay</td><td>2</td></tr> <tr><td>Fulfilment</td><td>3</td></tr> <tr><td>Can learn new...</td><td>2</td></tr> <tr><td>Can play my s...</td><td>6</td></tr> <tr><td>I feel happy here</td><td>5</td></tr> <tr><td>Too troubleso...</td><td>2</td></tr> <tr><td>Friend's reco...</td><td>6</td></tr> <tr><td>Good relations...</td><td>5</td></tr> </tbody> </table> <p style="text-align: center;"><i>Graph 3</i></p>	Reasons	Number of votes	Legal and sta...	17	Luxurious dec...	9	Liberal benefit	6	Well pay	2	Fulfilment	3	Can learn new...	2	Can play my s...	6	I feel happy here	5	Too troubleso...	2	Friend's reco...	6	Good relations...	5
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<p>Self-actualization</p>	<p>Self-Actualisation refers to the needs of achievement and fulfilment. It can be achieved by giving employees training, providing challenges and encourage innovation and creativity. Graph 4 has shown that up to 67% of employees are keen to receive training.</p> <p style="text-align: center;">Would you like to receive training ?</p> <table border="1"> <caption>Data for Graph 4</caption> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>Yes</td><td>66.7%</td></tr> <tr><td>Doesn't matter, reconcile to arrangement</td><td>22.2%</td></tr> <tr><td>No</td><td>11.1%</td></tr> </tbody> </table> <p style="text-align: center;"><i>Graph 4</i></p>	Response	Percentage	Yes	66.7%	Doesn't matter, reconcile to arrangement	22.2%	No	11.1%																
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6.4 Employee motivation and John Adam's motivation theories

John Adam's equity theory suggests that employees will be motivated when they perceive that a balance exists between their input into the company and output from it. And they will be more motivated if they think the positive output they gain are more than their inputs. This theory helps me to identify the reasons for lack of motivation of employees and also provides a view that what kind of strategies that JSW can use to increase motivation.

Input	ability, adaptability, attitude, dedication, effort, hard work, loyalty, skill, time, trust in superiors
Output (positive)	fringe benefits, job security, praise, reputation, recognition, responsibility, reward, salary, sense of achievement, thanks

Table 1: John Adam's equity theory

Solutions:

Improve meals

The chairman should realize that meals may not be the direct cause of high employee turnover, but good quality meals definitely increase satisfaction of employees. A good quality meal is seen as an reward for their hard work and effort, therefore they will be more motivated, although it might increase overheads.

Increase sense of job security

To increase employees' faith of the company, first of all is to increase sales revenue. Marketing department should develop marketing strategies to attract more customers coming in, such as discount promotions and free trials. However, the external environment is unpredictable.

Training

Up to 67% of employees are keen to receive training.⁶ Training can help employees learn new skills and satisfy their personal objectives, it might motivate employees and reduce labour turnover. However, training can be costly and time-consuming.

⁶ Graph 4: Would you like to receive training?

A Day Off

Giving out a few days off for employees as a reward. One of the biggest disadvantage of a service industry is that, most of employees still need to work even in public holidays, they don't have weekends and they work for long hours (up to 9 hours). Holiday is seen to be a suitable reward without a direct cost.

Teamwork

Dividing employees into several groups, people who work in the same group share common interest and responsibility to achieve their set targets. It's a good way to build close relationships and create a sense of group cohesion. Employees might be more motivated because they feel love and friendship.

Conclusion

Jing Si Wan Massage Leisure Center Co. Ltd has many flaws in its HRM in terms of leadership style and organisational structure. Chairman's inconsistent and confusing leadership style has caused inefficient communication between managers and himself, which creates a communication loophole in management. The laissez-faire leadership style that managers use has negative impacts on employee motivation due to the lack of clear guidance and purpose.

Flat and unfocused organisational structure causes communication problems as one manager cannot deal with many subordinates at the same time. Managers seem to have limited knowledge on employee motivation and they are not driven to work. These internal problems are the reasons that cause a high employee turnover.

External threats — increasing intensive competition and a decrease in customer base also impact on employee turnover. Massagists who are paid by time rate tend to have less job security due to current external economic environment, therefore many of them quit and seek jobs in different industries.

Data collected from interviews and questionnaires, combined with analysis of current organizational structure, leadership style and reference of two different motivation theories, help me to make recommendations on how JSW can reduce its employee turnover. However, both Maslow and Adam were American scholars, their motivation theories might not be 100% suitable in Chinese culture and a small local company like JSW. Moreover, due to the insufficient of my secondary data such as financial reports and employees' reasons for resignation, my recommendations might be biased and limited.

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Appendix I - Questionnaires
Happiness Questionnaire for Jin Si Wan Employees

1. Your age group
 - a. born after 1990(including 1990)
 - b. born between 1980 and 1989
 - c. born after 1970 and onwards

2. How long have you been working here?
 - a. less than one year
 - b. between 1 to 2 years
 - c. between 2 to 3 years
 - d. 3 years onwards

3. Which department are you working in?
 - a. Finance Department
 - b. Massagist
 - c. Waiter/ Waitress
 - d. Cleaners
 - e. Security

4. What do you think of the working conditions in JSW? Please rate from 1 to 5 (1 is the worst, 5 is the best)
 - a. 5
 - b. 4
 - c. 3
 - d. 2
 - e. 1

If you have any complains or suggestions, please note down:

5. What do you think of the meals provided in JSW? Please rate from 1 to 5 (1 is the worst, 5 is the best)

- a. 5
- b. 4
- c. 3
- d. 2
- e. 1

If you have any complains or suggestions, please note down:

6. What do you think of the accommodation provided in JSW? Please rate from 1 to 5 (1 is the worst, 5 is the best)

- a. 5
- b. 4
- c. 3
- d. 2
- e. 1

If you have any complains or suggestions, please note down:

7. i) If there are group activities organized by JSW, are you willing to take part in?

- a. very willing to take part in
- b. doesn't matter
- c. don't want to take part in/lack of time/lack of interest

ii) Which activities you prefer to take part in? (Multiple options)

- a. Social games (e.g badminton, football, basketball, table tennis, volleyball)
- b. Karaoke
- c. Dining out together
- d. Sport (e.g cycling)
- e. Trip within Gaoming district
- f. Trip within Guangdong Province
- g. Trip outside of Guangdong Province
- h. Others: _____

iii) How much you are willing to pay for those activities?

- a. ¥501-800
- b. ¥301-500
- c. ¥101-300
- d. ¥100 below
- e. I am not willing to pay any

8. Would you like JSW and your colleagues celebrate your birthday with you?

- a. I would like to
- b. doesn't matter
- c. I don't want

9. i) Would you like to receive higher level of training?

- a. I would like to
- b. doesn't matter

-
- c. I don't want
- ii) Which training you prefer? (Ignore if you choose "I don't want" above)
- On-the job training
 - Visit similar types of companies (Observations and experience)
 - Train in professional organizations or schools
10. Do you get on well with your colleagues?
- Yes, quite well
 - Okay
 - No, not so well
11. What do you think of the relationship between management and general staff?
- Very good
 - Okay
 - Not good
 - I don't know
12. Why you choose JSW?
- Legal and standard
 - Luxurious decoration
 - Liberal benefit
 - Well pay
 - Fulfilment
 - Can learn new things
 - Can play my specialty
 - I feel happy here
 - Too troublesome to find another job
 - Friend's recommendation
 - Good relationship with colleague
13. Are you satisfied with the wages? Please rate from 1 to 5 (1 is the worst, 5 is the best)
- 5
 - 4
 - 3
 - 2
 - 1

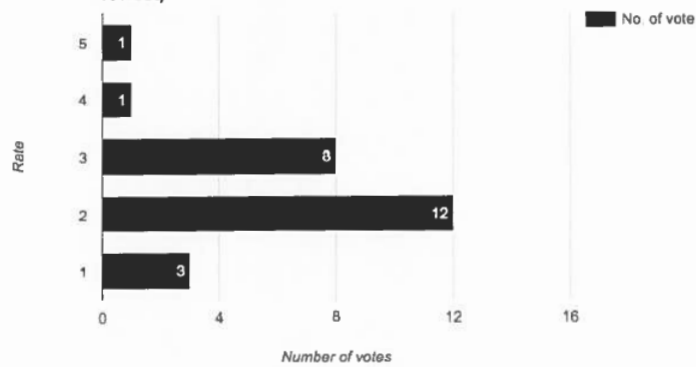
14. Are you satisfied with benefits provided in JSW? Please rate from 1 to 5 (1 is the worst, 5 is the best)

- a. 5
- b. 4
- c. 3
- d. 2
- e. 1

15. What do you think JSW can become better? Please leave down your valuable suggestions and comments:

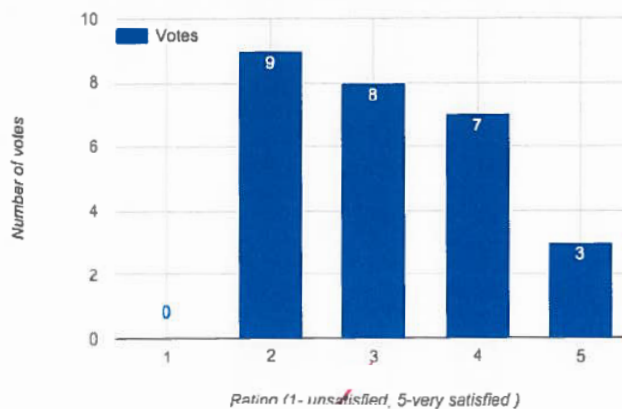
Appendix II - Graphs from the questionnaires

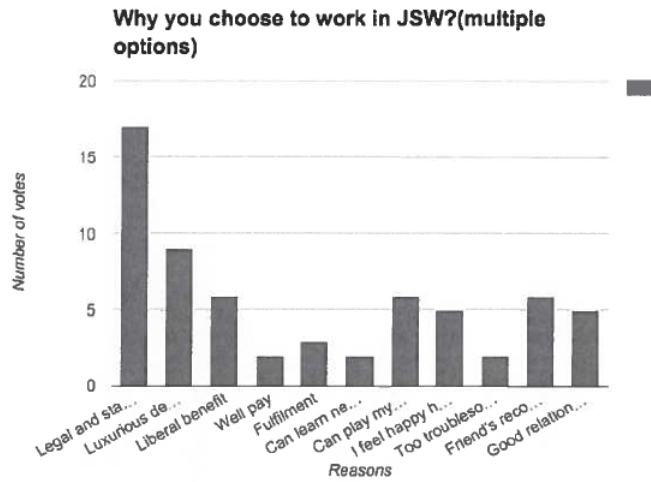
What do you think of meals and accommodation provided for employees in JSW? (5 - highest, 1 - lowest)



Graph 1

Do you satisfy with your current payment?



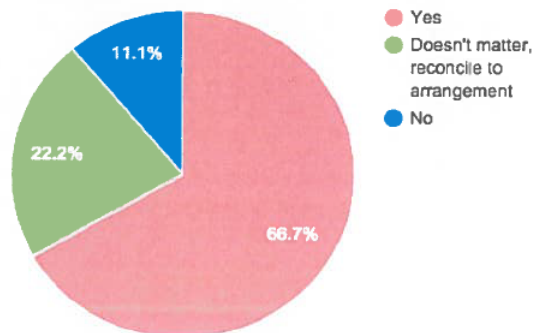


Graph 3

Key according to order:

- Legal and standard
- Luxurious decoration
- Liberal benefit
- Well pay
- Fulfilment
- Can learn new things
- Can play my specialty
- I feel happy here
- Too troublesome to find another job
- Friend's recommendation
- Good relationship with colleague

Would you like to receive training ?



Graph 4

Appendix III - Employee Turnover Rate
Employee Turnover Rate (2014.1.1 - 2014.12.31)

Job position	Number of departure	Total amount of employees	Turnover Rate⁷
Management	5	15	33%
Foot massagist	19	57	33%
Cleaner	5	16	33%
Waiter/Waitress	2	7	29%
Receptionist	3	3	100%

⁷ *Employee turnover formula:
number of staff leave per year/ total number of staff employed *100*