

Best Practices in Human Resources

by Cathy A. Enz and
Judy A. Siguaw

No hotel can have excellent operations without excellent employees—and that requires excellent human-resources practices.

Designing integrated human-resources systems is one of the most powerful ways to ensure the creation of value for customers and profitability for owners. In today's competitive environment, high-performing organizations have learned how to deploy human-resources (HR) practices to enhance competitive advantage. The most successful firms create a bundle of employee practices that are customer focused, are aligned with each other, and reinforce the organization's strategic position. Innovative hotel companies are developing their human-resources practices to help build and sustain organizational effectiveness.

In a comprehensive study on best practices in the lodging industry conducted by professors affiliated with Cornell University's hotel school, a select group of companies was identified as being notable for their human-resources efforts.¹ In

¹ The full study is available in: Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Siguaw, *American Lodging Excellence: The Key to Best Practices in the U.S. Lodging Industry* (Washington, DC: American Express and the American Hotel Foundation, 1999).

this article we examine five categories of HR best practices, focusing on the specific practices adopted by champions selected from this study (see Exhibit 1). The five categories of best practices are:

- (1) leader development,
- (2) training and knowledge building,
- (3) employee empowerment,
- (4) employee recognition, and
- (5) cost management.

In addition, we present the practices of three champions who devised comprehensive practices that incorporated many different types of HR practices. We provide an overview of the human-resources champions and their practices and discuss the practices' benefits and then conclude with the insights and

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Exhibit 1
Overview of human-resources (HR) best-practice champions

HR champions	Practice initiated, developed	Measure of success
Accor North America	Combination of numerous integrated HR initiatives including work design, rewards, feedback, and group process.	Lower employee turnover, higher employee-satisfaction scores, and "significantly" better performance; better career development and increased responsibility; customers report greater consistency and a higher level of service.
The Boulders Resort	Created three-person housekeeping teams responsible for determining their own work patterns.	Retention and morale of room attendants improved; rooms are readied faster; guests have fewer intrusions on their privacy.
Cendant Corporation	Developed a comprehensive group of diversity initiatives.	Executed franchise agreements for more than 50 hotels with minority franchisees; contributed over \$1 million to minority-supportive organizations; received a B (highest grade awarded to any hotel company) in the NAACP's 1998 grading of minority progress in the hotel industry.
Choice Hotels International	Management training and development program using a competency model.	Has competent leaders in the pipeline and a reduction in employee attrition; expects to save money by relying less on external hiring. Tighter brand standards and a stronger emphasis on maintaining brand equity are directly attributed to the building of critical competencies.
Coastal Hotel Group	Created a buddy system of loaning employees to acquired properties to help train new personnel.	Profits are up, turnover is down, and operations improved; customers enjoy a better experience.
Day Hospitality Group	Mandates a sabbatical leave for GMs with five years' tenure.	Used as a recruiting tool; anticipates reduced management turnover and enhanced morale (first sabbaticals occurred in 1999).
Disney's Polynesian Resort	Trains employees using a values-based three-module training program, entitled "Magic of Polynesia."	Noted improved performance, morale, and teamwork; received fourth diamond 14 months ahead of plan; received WDW's RAVE award and the 1998 Diversity Spirit award.
Four Seasons & Regent Hotels and Resorts	Developed a designated-trainer program for the front-line employees complemented by on-line training materials.	Employees applaud the consistency of standards and access to informed and experienced trainers; seventy-five percent of all promoted employees were designated trainers; independent rating systems have recognized the company for its service standards; helps support rate leadership and high RevPAR.
Hyatt Regency Scottsdale	Created a community-based hospitality-training program for local high-school students.	Provided the Scottsdale hospitality industry with qualified and skilled workers; customers have better trained service providers.
Inn at the Market	Outsourced HR needs to a part-time professional.	Employees have access to a full range of HR services at modest cost; managers are informed and trained; provides employees with a confidential and impartial representative and additional guidance for self-improvement.
Marriott International	Develops future leaders through a management-development program.	Established consistent framework for developing leaders; increased rigor of filling senior positions; customer should experience improved service.
Minneapolis-St. Paul Hilton Airport	Line-level employees are empowered to make guest-satisfaction decisions.	Dramatic improvement in guest-comment cards; increased occupancy and ADR on the executive level; cost savings in training, advertising, and other expenses; boosted morale; guests expect immediate solutions to problems.

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Exhibit 1

Overview of human-resources (HR) best-practice champions (concluded)

HR champions	Practice initiated, developed	Measure of success
Motel 6	Employees are groomed for general-manager positions.	Created an internal pool for management positions; reduced the costs of recruiting managers; reduced employee turnover by 10 percent; boosted guest satisfaction by 50 percent.
Motel Properties, Inc.	Employee-recognition program	Increased employee retention; boosted revenues and improved profits; improved customer satisfaction.
Ramada Franchise Systems, Inc.	Employee selection, training, and satisfaction initiatives	Increased retention and job satisfaction. Better-trained staff. Franchisees are happy with the guest-survey results.
Ritz-Carlton Tysons Corner	Self-directed work teams	Cut employee turnover in half from 1993 to 1994, falling to 25 percent in 1998; reduced payroll costs; reduced manager-to-staff ratio (from 1:15 to 1:50); greatly improved employee-satisfaction ratings.
Rodeway Inn International—Orlando	Developed employee-satisfaction and -rewards program.	Improved job performance and morale; became first Rodeway to receive Choice Hotels President's Award for guest service.
Sheraton—Denver West	Two sales managers share one job.	Ability to keep strong management talent and tap the energy and skill of two employees for the price of one.
Simpson House Inn	Focused a training curriculum on diversity.	Increased morale; became first B&B to achieve AAA five diamonds.
Sonesta Hotels	Created a wholly owned training subsidiary and unique training materials.	Turned HR from a cost center into a revenue center.
Tamar Inns	Created a self-funded health-insurance plan by developing a clinic and making alliances with local health providers.	Kept cost per covered employee below the national average (saving over \$37 million in ten years); provides enhanced medical service and expanded coverage to employees; reduced sick time and turnover.
Towneplace Suites by Marriott	Cross-trained employees.	Employees have high job satisfaction; guest service improved.
White Lodging Services	Conducts pre-shift meetings for all departments.	Improved communication and employee retention; received Radisson's Presidential Award for four years running.

advice of the practice champions to assist those who may want to adapt and improve a practice for the benefit of their own firms.

In the best-practices study the largest number of champions was in the area of human resources. This finding is not surprising given the central role that employees play in successful hotel operations. The champions in human resources identified by peer organizations and managers are listed in Exhibit 2, with a brief description of the prac-

tice and the name and address of a contact person.

The effort to improve performance usually requires organizations to change their model of managing people and, hence, to alter their management systems and augment their leaders' skills. To develop their best practices, the champions expanded employee involvement and authority, boosted skill building and information sharing, and implemented cost-containment strategies and performance-based rewards.

Leadership-development Practices

The goals of the management-development practices of Choice Hotels, Marriott International, Motel 6, and Day Hospitality are to ensure that their future leaders develop essential skills and competencies and, furthermore, that the pipeline of future leaders remains full. Two of these champions—Choice Hotels and Marriott International—developed comprehensive, chain-wide leadership-development programs.

Exhibit 2
Human-resources (HR) best-practices cases, descriptions, implementation, contact people

HR champion, Title of case	Description of case	Method of implementation	Contact person
Accor North America <i>Internal Customer Satisfaction</i>	Created multiple practices, such as empowerment, bonuses, 270-degree feedback, and employee roundtables to achieve high levels of motivation and retention.	New practices involve the establishment of a task force with one member typically being an outside consultant. Trials are conducted for each practice before full implementation.	Dale S. Wielgus, <i>vice president of human relations</i> 914-725-5055 Fax: 914-725-6147
The Boulders <i>Self-directed Housekeeping Teams</i>	Creates self-directed, three-person housekeeping teams. Each team divides and interchanges all room duties, chooses its own work areas, assumes responsibility for quality, and self inspects.	First met with housekeeping supervisors and staff, followed by training. Two test teams were used for three months. Modifications were made based on team feedback.	Linda Heyman, <i>director of housekeeping</i> 602-488-7369 Fax: 602-488-6767
Cendant Corporation <i>Comprehensive Diversity Initiative</i>	Launched comprehensive diversity initiative: (1) Franchise development among minorities, (2) Supplier development, (3) Career development, (4) Philanthropic giving, and (5) Target marketing.	Convened a series of meetings with leaders in the African-American community. Senior management developed the initiatives with a strong commitment to a new approach for conducting business.	Donna Dozier Gordon, <i>(former) director of diversity development</i> 973-496-8543 Fax: 973-496-7307
Choice Hotels International <i>In-house Executive Training and Development</i>	Created an integrated executive-training and -development system using a competency model that targets the core competencies required for effective performance.	Identified business challenges and competencies that would be critical. Conducted focus groups with director-level managers. Ranked competencies and obtained executive feedback. Created a composite model and integrated the model into the staffing and development process.	Robert Barner, <i>VP of organizational development and learning</i> 301-592-6278 Fax: 301-592-6161
Coastal Hotel Group <i>Employees on Loan for Training with the Buddy System</i>	Skilled employees are loaned to newly acquired properties to help with training. The practice allows new hotels to benefit from well-trained workers, existing hotels to lower their payroll costs, and the skilled buddy employees to broaden their experiences with different operations.	Corporate managers determine the buddy-needs-training timetable of acquired properties. The practice took three to six months for implementation. The HR director works with general managers to identify the best buddies.	Steven Brewster, <i>public-relations manager</i> 312-654-2962; and Susan Evans, <i>corporate human-relations director</i> 312-988-9017 Fax: 312-988-9017
Day Hospitality Group <i>Sabbatical Leave Program for General Managers with Experience</i>	A 90-day paid sabbatical leave is mandated for every general manager with five years' tenure.	The president and his partner agreed to establish this practice based on the president's personal experience.	Frederick Cerrone, <i>president</i> 770-446-1500 Fax: 770-604-9682
Disney's Polynesian Resort <i>A Value-based Process of Training and Selection</i>	A training program, "Magic of Polynesia," was designed to facilitate employee understanding and commitment to the business and values.	Key individuals, including an outside consultant, developed three modules for training. These modules have been integrated into an eight-hour orientation and training class attended by all cast members in their first 30 days.	Clyde Min, <i>general manager</i> 407-824-1232 Fax: 407-824-3174

Note: The case titles correspond to the cases written on each champion in: Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Siguaw, *American Lodging Excellence: The Key to Best Practices in the U.S. Lodging Industry* (Washington, D.C.: American Express and the American Hotel Foundation, 1999).

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Choice's change. Choice assessed the core competencies needed by its future leaders and created an integrated executive-training and -development system. In particular, when Choice shifted its business direction to become strictly a franchisor, the company realized that its future managers would need a set of competencies different from those required when the company also operated a portfolio of hotels. To identify competencies critical to achieving its goals Choice relied on the competency-models research of the Corporate Leadership Council (a non-profit group in Washington, D.C.) and the Career Architect Portfolio sort cards developed by Lominger Limited. After ranking competencies and gaining the input of numerous executives via personal interviews, Choice devised a composite model of competencies for the four senior-most levels of the organization (senior vice president, vice president, senior director, and director). Then the company assessed the competencies held by top executives and compared those competencies to the ones needed for the future. The next steps were development planning, coaching, and career-path mapping. Choice now uses its competency database for annual readiness assessments, which are used in determining current leaders' capabilities and forms the basis for selection, promotion, and succession planning.

Marriott's bench. Marriott calls its system-wide leadership-development initiative the "Benchmark Management System." This set of tools and measures assists senior managers in identifying potential leaders and ensuring that those managers develop the skills and competencies needed to carry the company forward. Using targeted development plans, senior managers give critical positions to high-potential managers as "stretch"

assignments. The Benchmark Management System provides the firm with a consistent approach to evaluating leadership potential and ensures that the company focuses on core capabilities that are key to future success.

A day in the sun. In a departure from traditional leadership development, Day Hospitality Group (which operates a group of hotels mostly under Marriott flags) devised the unusual practice of *requiring* a sabbatical leave for general managers when they achieve five years of tenure in the company. The idea, says Day Hospitality president Frederick Cerrone, is to stress the importance of a balanced life and to demonstrate that there is "more to life than just work." Cerrone instituted the mandatory 90-day paid sabbatical leave after he took time off from his own job for a trip to India. His experience and reflection helped him return to his business with the idea for a sabbatical leave program that would permit managers to "unplug" and spend time with family. Cerrone believes that the development of this program for the company's relatively young GMs will inspire them to return to work refreshed and replenished with a new frame of mind and their creative juices flowing.

Turning on the lights. While all the leadership-development best-practice champions designed systems in anticipation of the needs for future leaders, Motel 6's approach comprises the development needs of both employees and managers. Motel 6 created a three-step program that makes every employee eligible for eventual consideration as a general manager. The three phases of the development program are cross-training of employees, manager-on-duty (MOD) responsibilities, and a general-manager assignment that includes training. In the first phase every hotel employee is made aware of his or her potential

to become a general manager and is provided with opportunities for cross-training. Successful cross-training qualifies employees as candidates for the manager-on-duty program. In this second phase of the program, employees use self-training manuals to prepare for the MOD role. A general manager from another Motel 6 property then tests the employee, who becomes a certified MOD once he or she passes. Finally, those employees who have completed phases one and two can be appointed to full-time general-manager positions. Once this level is achieved the new general manager receives a five week in-depth training program in one of the regional offices. By spring 1998 some 300 Motel 6 employees had moved up the ranks to become GMs. Thus, this employee-to-manager development program has helped fill a need for qualified managers and serves as a practice that combines both employee training and a path toward leadership development.

Best Training and Knowledge-building Practices

Employee training and skill building have become increasingly critical areas of HR management for firms working to enhance service quality, reduce labor costs, and increase productivity. Five best-practice champions—Coastal Hotel Group, Disney's Polynesian Resort, Four Seasons & Regent Hotels and Resorts, Hyatt Regency Scottsdale, and Simpson House Inn—devised approaches to training consistent with their specific circumstances and challenges.

Simpson House Inn, a bed and breakfast located in Santa Barbara, California, devised the "Simpson House University" as part of its training curriculum. The general manager, Dixie Budke, developed training modules using a variety of innovative activities that promote understanding, improve staff com-

Exhibit 2

Human-resources (HR) best-practices cases, descriptions, implementation, contact people (continued)

HR champion, Title of case	Description of case	Method of implementation	Contact person
Four Seasons & Regent Hotels & Resorts <i>"Designated Trainer" Program for Front-line Employees</i>	Created designated-trainer positions within each department of the hotel, aided by an on-line training program in CD form. Materials are used to make front-line employee training as effective and consistent as possible.	A task force of corporate and field managers developed the on-line training program. The training manager developed the content and structure of the program with operating management in the Seattle hotel. After the training was fully evolved it was launched throughout the company.	John Young, <i>executive vice president</i> 416-449-1750 Fax: 416-441-4341
Hyatt Regency Scottsdale <i>A Community-based Hospitality Training Program for High- school Students</i>	The hotel's training manager designed and conducts classes in hotel management for junior- and senior-level students at the local high school.	The Hyatt formed a partnership with the City of Scottsdale, the local school district, and academic institutions. The Hyatt worked closely with the school district to develop the curriculum. The program required six to seven months to plan. The partners meet quarterly to discuss changes and projections for the future.	Denise Pruitt, <i>training manager</i> 480-991-3388 Fax: 480-483-5573
Inn at the Market <i>Outsource Human Resources to Profes- sional HR Consultant</i>	The inn retained a part-time consultant to manage its HR activities.	The HR consultant was hired and then began to work with the GM who defined her job activities.	Joyce Woodward, <i>general manager</i> 206-443-3600 Fax: 206-728-1955
Marriott International <i>Leveraging Leadership Capacity and Building Future Leaders</i>	This corporate-wide leadership-development initiative uses various assessment tools to ensure that future leaders develop the requisite skills and competencies.	Marriott developed a system for identifying and developing leaders using external and internal research and best practices. Senior management evaluations are used to construct development plans and guide staffing.	David Rodriguez, <i>senior vice president, staffing and development</i> 301-380-8886 Fax: 301-380-4229
Minneapolis-St. Paul Hilton Airport <i>Line-employee Empowerment</i>	Empowers line employees to make any decision involving guest satisfaction.	First implemented at the front desk, without trial or test period. The practice was unconditionally adopted and has spread to all of the guest-contact areas.	Patrick Simpson, <i>director of front-office operations</i> (800) 637-7453 (612) 854-2100 Fax: (612) 854-8002
Motel 6 <i>Training Employees for General Management</i>	Created an employee-development program that makes every employee eligible for consideration as a general manager. The practice includes three different training programs: cross-training, manager on duty, and general manager.	The HR team obtained support from the Motel 6 president and executives first. Implementation was gradual (over a five-year period) and based on natural management attrition. Access to and expertise at the regional offices was a major factor in implementation success at the property level.	Joe Eulberg, <i>senior vice president</i> 972-702-6801 Fax: 972-702-5996
Motel Properties, Inc. <i>Employee Recognition Program</i>	Instituted a variety of recognition programs for employees beginning from the time of the initial interview.	A management team developed the recognition concept, which is implemented and revised by the HR department.	Janice Cook, <i>director of human resources</i> 912-635-4715 Fax: 912-635-3230

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munication and self-understanding, and enhance self-esteem. Budke also developed all staff meetings and other HR policies to enhance communication and reduce conflict. She explains the property's philosophy as follows: "Seamless, flawless, gracious service can be given only by people who feel good about themselves and what they are doing, and who are motivated intrinsically by their own competence and sense of personal mission."

Kinaole. A similar philosophy was the basis for the training program at Disney's Polynesian Resort, "Magic of Polynesia," which was designed to facilitate employee understanding of and commitment to the business. The resort created three training modules to assist employees in learning about Polynesia and to foster an alignment of personal and resort values. The first module provides three hours of instruction on the business of hospitality and the cultural elements of Polynesian hospitality and entertainment. Recognition and coaching are also used to help cast members (employees) become "perfect hosts" in sharing aloha with the guests. Module two seeks to align employees' personal values with those of the resort. Cast members are asked questions that evoke personal reflection, such as, What are the key drivers in your life?; What do you think you are all about?; Who are you?; and What are the things that are important to you? The final module focuses on delivering *kinaole* (flawless excellence in the highest degree) product and service to the guest. In this portion of the training, values and service standards are integrated. All cast members attend the three training modules within 30 days of their being hired. In addition, the values that guide the training are reinforced and integrated into the hotel's reward, accountability, and coaching programs.

The rapid growth of Arizona tourism and the accompanying shortage of qualified hospitality employees caused the Hyatt Regency Scottsdale to embark on a community-outreach program. In cooperation with the Scottsdale School District, the city, and local colleges and universities, the Hyatt's training manager developed and taught educational programs at the local high school. Intended to develop students' interest in the industry, the program includes college-level courses, field trips, and guest speakers from local hotels. The curriculum leads directly into the two-year degree program at Scottsdale Community College or into the four-year program at the School of Hotel and Restaurant Management at Northern Arizona University. One challenge of this training initiative was coordinating an alliance among corporate, governmental, and educational organizations. The results have thus far been positive, and the practice has provided the Scottsdale hospitality industry with qualified and skilled workers, many of whom have worked for Hyatt.

Coastal Hotel Group and Four Seasons & Regent Hotels and Resorts both use skilled employees to train newcomers. Coastal devised a buddy system for training employees in newly acquired properties. The buddy system was developed when Coastal, being a small management company, could not afford the cost of a corporate training center. Instead, corporate managers determine the needs of an acquired property and provide employee trainers with the requisite knowledge and skills from existing hotels. All parties benefit from this practice because the employees at the receiving hotel gain knowledge, the lending hotel reduces payroll costs, and the trainer is given an opportunity for personal growth. This simple and effective practice resulted in lower labor

costs, increased productivity, and improved employee retention. While Coastal is no longer a small hotel group, it continues to use this practice, although its economic benefit will most likely be greatest for small organizations.

A different training issue—consistency—drove the development of the designated-trainer position at Four Seasons & Regent. A period of rapid growth caused inconsistent communication and training regarding service standards. To address this issue, the company created designated-trainer positions within each hotel department. This is a joint effort between the properties that invest in the designated trainers and the corporate HR department, which devised the on-line training materials. The designated trainer, who holds a regular job assignment, follows a carefully structured program of teaching and coaching with the help of an on-line training program (OLTP). The OLTP comprises more than 100 job-specific training manuals on CD. Regional training coordinators helped implement the program hotel by hotel, and local managers and training employees customize the materials to suit local job descriptions and operating structures.

Employee-empowerment Practices

Enhancing customer service and motivating employees were the driving forces behind the self-directed work teams at the Ritz-Carlton Tysons Corner and the Boulders, the cross-training at Towneplace Suites by Marriott, and the autonomous line-level decision making at the Minneapolis-St. Paul Hilton. Similarly, the pre-shift meetings developed by White Lodging Services were developed to share information and keep employees fully aware of the overall operation. Each of these five champions altered the way in which em-

Exhibit 2

Human-resources (HR) best-practices cases, descriptions, implementation, contact people (concluded)

HR champion, Title of case	Description of case	Method of Implementation	Contact person
Ramada Franchise Systems, Inc. <i>Employee Selection, Motivation, Training, and Satisfaction</i>	Developed an integrated and comprehensive set of employee initiatives called Personal Best Hospitality. Programs include prescreening for selection, training via interactive CDs, employee-loyalty program, and monthly guest-satisfaction surveys.	After managers were trained, training segments were installed in local hotels. Thirty days after training, the employee-motivation component was put in place. After six-month shake-down, the guest survey was put in place.	Tim Pigsley, <i>corporate director of personal-best hospitality</i> 973-496-1568 Fax: 973-496-0322
Ritz-Carlton Tysons Corner <i>Self-directed Work Teams, Job Redesign, and Employee Empowerment</i>	Shifted decision-making responsibility to hourly staff and eliminated management positions.	With employees' participation, identified tasks to transfer to staff members. Developed a trial at the front desk. Success of trial led to full adoption.	Marie Minarich, <i>director of human resources</i> 703-506-4300 Fax: 703-917-6509
Rodeway Inn International-Orlando <i>Rewarding Employee Performance in an Economy Hotel</i>	Developed an employee-satisfaction program that rewards excellent performance.	A monthly budget of \$100 to \$150 was established to provide awards, pins, and inexpensive gifts to deserving employees.	Nick La Falce, <i>general manager</i> 407-996-4444 Fax: 407-352-5806
Sheraton-Denver West <i>Job Sharing Between Sales Managers</i>	Two people share one full-time sales-manager position.	Located talented staff and agreed on an hourly pay rate. Conducted a 90-day trial.	William Walp, <i>director of sales and marketing</i> 303-987-2000 Fax: 303-985-7545
Simpson House Inn <i>Hospitality Training Curriculum with an Emphasis on Respecting Diversity</i>	Simpson House University is a training curriculum that includes testing, communication, language-skill building, and staff powwows.	General manager developed training modules.	Dixie Adair Budke, <i>general manager</i> 805-963-7067 Fax: 805-564-4811
Sonesta Hotels <i>Creating A Profit-center Training Operation</i>	Created a wholly owned training subsidiary called Training by Design. Also devised a service-training game.	Former operations managers are used for training. Training budget for Sonesta is placed in HR, not operating departments' budgets, to encourage training.	Jackie Sonnabend, <i>executive vice president hotels</i> 617-421-5400 Fax: 617-421-5402
Tamar Inns <i>Implementation of Self-funded Health Insurance</i>	Operates its own self-funded health-care program, including operating a primary-care facility and contracts with hospitals and specialists.	Researched health-care options, obtained agreements with hospitals. Opened own medical office. Negotiated prescription plans with drugstore.	Bob Cox, <i>risk manager</i> 407-370-0776 Fax: 407-370-0931
Towneplace Suites by Marriott <i>Cross-trained Staffing Model as Driver of Revenue</i>	Built a lean staffing model on cross-training and efficient training approaches.	Benchmarked other Marriott facilities. Devised a service-needs matrix. Cross-trained managers and then new employees. Continues to revise and adjust training.	Erica Alexander 301-380-3019 Fax: 301-380-3802
White Lodging Services <i>Pre-shift Meetings for All Departments</i>	Fifteen-minute pre-shift meetings for all line employees in all departments.	Introduced concept and provided important printed materials to all employees covering mission, steps to service, and standards of operation. Celebrated the advent of the new meetings with a big party.	Mary Jo Dolasinski, <i>director of training and development</i> 219-769-3267, ext. 4347 Fax: 219-756-2902

**Employees' sharing expertise
and training with each other
helps to increase the overall
skill level of employee teams
and spread responsibility
for the total operation.**

employees perform their jobs and work with each other, with the results of improving guest service and boosting employee retention.

After winning the Malcolm Baldrige Award in 1992, the Ritz-Carlton Company determined that greater employee empowerment would appeal to the staff and deliver even more-outstanding customer service. To those ends, the Tysons Corner hotel's executive committee decided to conduct an empowerment project, starting by changing its name to "guidance team" to set the tone for what was to come. After a detailed examination of current practices in each department, the guidance team identified a number of management tasks for possible transfer to hourly employees. These included setting work schedules, compiling payroll information, interviewing and selecting team members, and forecasting budgets. *The hotel called this effort the "Tysons Corner Project,"* and developed a mission statement that all employees signed. Front-office employees were the first to experiment with self-management by taking over the tasks of the front-office manager for a year-long trial run. As an incentive the hotel offered the employees half of the savings that accrued from eliminating the position—an amount that worked out to about \$1.00 more per hour for each one. The project was successful, and the hotel eventually rolled the practice out to the entire hotel in June 1995. Although management positions were eliminated, no one was fired, and new titles were devised for the remaining executives and the empowered hourly staff. Throughout the implementation the managers made an effort to consult employees and keep them fully informed.

Late in 1998 managers at the Boulders devised and implemented

self-directed housekeeping teams to improve the work environment and decrease the number of guest-room entries. As was the case at the Ritz-Carlton, managers at the Boulders wanted to enhance customer service and staff motivation. The resort empowered three-person, self-directed housekeeping teams to assign all room duties in a given block of rooms—in which they would choose their own work areas, evaluate room quality, and conduct room inspections. After a training program for supervisors and team leaders, the team leaders created two trial teams of housekeepers composed of the most enthusiastic employees. The program was modified considerably after a three-month test period. At this writing, the Boulders has four teams functioning with more being planned. The resort's managers view this practice as being both more efficient than previous operations and a better way to retain and motivate room attendants.

Towneplace Suites by Marriott has developed a model for staffing that empowers employees and also supports the low cost structure that makes possible the brand's core concept. To maintain its strategic position as an affordable extended-stay brand, Towneplace needs to operate with low staffing costs. To accomplish this goal the company developed a model for staffing and training that provides a high degree of accountability and responsibility for all employees. The typical Towneplace hotel of 95 suites operates with a service team of just 10 to 12 associates. Examining activities at Residence Inn and Courtyard by Marriott, the brand's managers developed a matrix of some 20 typical service encounters. That matrix became the basis for cross-training the chain's general managers and employees. After hiring and

training general managers (using careful screening that employs assessment tools), the company trained a regional leader, the new GM, and the new employees together for three days. Finally, the company empowered employees to train each other in the skill areas for which they were highly rated. Employees' sharing expertise and training with each other helps to increase the overall skill level of the team and spread responsibility for the total operation. The cross-training model is strengthened with various role-playing activities and sharing service stories in daily meetings.

White Lodging Services also uses meetings to share information and build a strong community. The pre-shift meetings for line employees in all departments helped increase productivity, according to Mary Jo Dolasinski, the company's director of training and development. While some employees initially resisted this practice, the meetings have proven to be an effective mechanism for improving communication, goal-setting, training, and employee recognition.²

Just do it. An interesting approach to employee empowerment is that of the Minneapolis-St. Paul Hilton, which allows its line employees to do whatever is necessary to satisfy guests. This practice was developed originally for the front-office employees, who were frustrated by the delays in resolving guest concerns that occur as a result of using the traditional chain of command. Some supervisors were hesitant to embrace this practice

because they felt their authority might be compromised, and employees were also cautious because they feared being criticized for their decisions. The practice was implemented, however, without a trial. Instead, the managers held a meeting with the front-office staff and assured them that they would not be condemned for solving a problem right away. Critical to the success of the practice was the endorsement of the general manager. The hotel began seeing dramatic improvements in guest-comment cards within two months of implementation. As Patrick Simpson, the manager who championed the practice, observed, "The confidence of the employee so empowered radiates in his or her guest-contact ability, which in turn gives the guest confidence that his or her stay will be a rewarding experience."

Employee Recognition

Compensation is a powerful communicator of organizational priorities and a key component of successful performance improvements. While employees' base pay usually reflects local competitive labor markets, variable pay has emerged as a way to reward employees when performance leads to organizational success.³ The strategic use of variable pay is still in its infancy in the hospitality industry, and we found only a few champions that offered any practices related to employee compensation. One example is the Houstonian Hotel, our overall property-level champion in employee satisfaction, which pays a standard rate to all employees but offers quarterly bonuses to all employees based on the hotel's suc-

Variable pay has emerged as a way to reward employees when performance leads to organizational success.

² For a discussion of the application of a balanced management scorecard at White Lodging Services, see Gregory A. Denton and Bruce White, "Implementing a Balanced-scorecard Approach to Managing Hotel Operations: The Case of White Lodging Services," on pages 94-107 of this issue of *Cornell Quarterly*.

³ For more information on the strategic use of pay, the reader should consult: Jay R. Schuster and Patricia K. Zingheim, *The New Pay* (New York: Jossey-Bass, 1996).

Exhibit 3

Self-funded health-insurance costs for Tamar Inns

Year	Number of covered lives	Tamar cost per covered life	National cost per covered life	Tamar total cumulative savings	Savings percentage
1989	436	\$ 936	\$2,700	\$ 769,104	65%
1990	435	1,720	3,040	574,200	43%
1991	524	2,223	3,425	629,848	35%
1992	1,014	745	3,710	3,006,510	80%
1993	1,240	871	3,784	3,612,703	77%
1994	1,382	1,384	3,383	2,762,894	59%
1995	1,513	1,256	3,533	3,445,752	64%
1996	2,301	913	3,897	6,865,632	77%
1997	2,471	1,033	3,924	7,143,760	74%
1998	2,830	1,080	4,315	9,155,050	75%
Total	14,146	12,161	35,711	37,965,453	70%

cess.⁴ Two champions, the Rodeway Inn International Orlando and Motel Properties, Inc., have developed a variety of ways to reward and acknowledge line-level employees beyond a base salary.

Faced with a low local unemployment rate and a shortage of job applicants, Motel Properties developed an employee-recognition program that provides rewards from the time of the initial interview throughout the employment contract. The recognition program is sustained by continuous evaluation and modification of the rewards and by integrating recognition with the company's operations and culture. Another economy-segment program designed to enhance employee morale, efficiency, performance, and satisfaction was developed by the Rodeway Inn in Orlando. This reward program includes traditional recognition practices (e.g., employee

of the month and year), along with such other rewards as special gifts and star award pins. While the monetary cost of such recognition is modest, the benefits in employee satisfaction and retention are notable. Perhaps the best indication is the motel's 99-percent occupancy, which can be sustained only with the support of satisfied employees.

Cost-management Practices

Many of the practices we have discussed are motivated by efforts to create competitive advantage through differentiated service delivery made possible by better-trained and empowered employees. Another approach to establishing competitive advantage is through cost-efficient human-resources practices. That is the tack taken by three best-practice champions—Seattle's Inn at the Market, Sheraton-Denver West, and Tamar Inns. In an intriguing twist, a fourth champion, Sonesta Hotels, converted its human-resources training from a cost center into a revenue-producing department.

For the small Inn at the Market, the cost of hiring a full-time HR

professional was out of the question. Instead, the property contracted with a human-resources professional who provides the inn's 57 employees the expertise and counsel that they require. For this consulting service, the hotel incurs a cost of \$1,000 per month.

Work sharing. At the Sheraton-Denver West two experienced sales managers share one full-time sales position, permitting the company to get the energy and expertise of two seasoned managers for the price of one. The hotel instituted this job-sharing arrangement to accommodate one sales manager's need to work part-time. This practice responds creatively to the employees' evolving work-and-family needs, is cost effective, and produces a positive outcome for the customer.

The arrangement works chiefly because the two part-time sales managers are in continual contact. We believe that the advent of sophisticated information-sharing tools will make job-sharing arrangements like this even more viable in the future, because customer information can be carefully documented and transmitted in a timely fashion.

On its own. Ten years ago the escalating costs of medical care inspired Tamar Inns to implement a self-funded health-insurance plan for employees at six of its properties in Orlando. After careful study, the president, CFO, and risk manager decided that the key areas in which to achieve cost controls were primary care, in-hospital care, and specialist care. To handle primary care Tamar opened its own medical office, staffed with a doctor, nurse practitioners, and medical assistants in an operation that had a 1999 budget of \$550,000. The company also put in place dental, prescription, and psychiatric counseling plans. To control in-patient costs Tamar approached Orlando hospitals with

⁴ For a discussion of this practice champion, see: Laurette Dubé and Leo M. Renaghan, "Strategic Approaches to Lodging Excellence: A Look at the Industry's Overall Best-practice Champions," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 40, No. 6 (December 1999), pp. 16-26.

the following offer. Since most hospitals in the area were running an average occupancy of 65 percent, Tamar proposed "renting" the rooms that no one else was using by offering a capitated rate for inpatient care based on the average 35-percent unused beds. The offer also guaranteed payment on the tenth of every month for the agreed-upon capitated rate—thus giving the hospital a known cash flow. Finally, to manage the costs of specialists, the company devised two approaches. It worked out a flat rate with four local dentists, with a guaranteed monthly minimum fee. For other special care, such as gynecology and pediatrics, Tamar made an arrangement with its selected hospital to set up capitated specialists' rates. As illustrated in Exhibit 3, Tamar's cost per covered employee has remained below the national average, resulting in a ten-year cost savings of over \$37 million.

In the 1980s Sonesta Hotels began designing and delivering customized service-training classes for hourly employees. The training program eventually expanded to include managers, supervisors, and upper-level executives. The training programs, customized to the specific needs of each hotel, are taught by former operations managers who have credibility with the staff. As part of its training program, for instance, Sonesta created a board game, "Personal Service," that provides an innovative and engaging platform for instruction on service. What makes this HR activity unusual is that, after a decade of fine-tuning, Sonesta converted the program into a wholly owned subsidiary, Training by Design, that provides line, management, and executive training for Sonesta and about 50 other companies. Currently, 60 percent of Training by Design's clients are outside the hos-

pitality industry, and the training activity has become a revenue-producing operation.

Comprehensive HR Initiatives

At the beginning of this paper we noted that one of the overriding goals of good HR practice is to assemble HR initiatives that complement each other and are driven by strategic objectives. While many of our champions have followed this path, we feature three here because of the broad scope of their HR initiatives. They are Accor North America, Cendant, and Ramada Franchise Systems.

Managing well. Accor's founders believe that what leads to growth and profitability is managing people well. Accor North America designed a group of HR initiatives, including empowerment, compensation, performance evaluation, and group-process feedback, to complement each other. The elements worked as follows. The empowerment program pushed decision making down to line levels. General managers' bonuses were tied to success on three measures: employee satisfaction (30 percent), customer satisfaction (30 percent), and profitability (40 percent). Managers' performance appraisals used a 270-degree review process that included evaluations by peers, subordinates, and superiors. The company also has an approach to new practices that involves developing a task force, typically with an outside consultant as a member, and implementing new practices in one or two pilot hotels.

Finally, the company established employee roundtables so that all employees can discuss issues. Those feedback sessions are particularly productive because they consistently use a model that assigns the employees certain group-process roles. At each meeting designated individuals

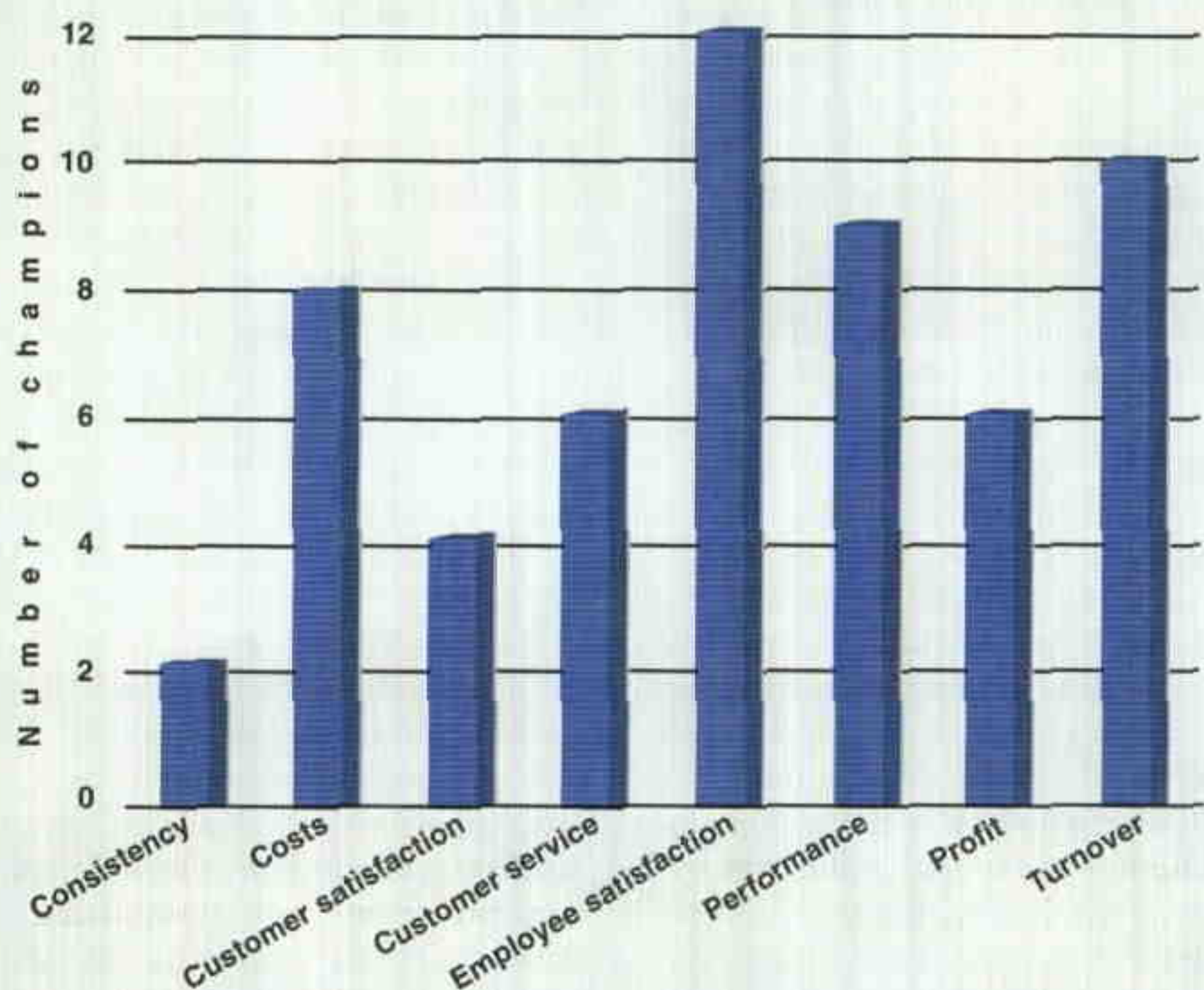
perform the following roles: moderator, scribe, timekeeper, and conscience. Responsibility for a particular role is rotated among employees from meeting to meeting.

Personal best. Ramada Franchise Systems is another best-practice champion that provides an integrated set of HR activities, which is praised by licensees as one of the best things ever to come from a franchisor. Ramada's Personal Best hospitality initiatives have the following four major components: (1) a predictive prescreening test for selecting employees, (2) a training program that uses an interactive CD, (3) an employee-reward program, and (4) an independently administered monthly survey of guests' satisfaction with employee service. The first component, selection, is facilitated by a pre-screening test called the Predictive Index. This selection instrument, designed by Arizona-based Praendex, helps Ramada get the right people into the right jobs. The subsequent interactive CD-based training is available in both English and Spanish. The company supports formal education through a tuition-reimbursement program for employees. The third component is a loyalty program for employees in which points can be earned for participating in training and performing special services. The points earned can then be redeemed for gift certificates. Each month managers nominate an employee "star" of the month, who receives extra points and special recognition from the president of the company. Three of the stars are picked for the Ramada USA Today advertising campaign. The final component of this program is a guest survey that provides feedback results monthly on employee guest service.

Upgrades. Cendant's comprehensive diversity initiatives, launched in 1997, illustrate the

Exhibit 4

Perceived practice outcomes



way in which a firm can develop integrated HR activities around a specific corporate goal. Motivated by the NAACP's report card on minority progress in the hotel industry, Cendant's senior managers felt they should take proactive steps to enhance opportunities for African-Americans and other minorities. Cendant started by convening a series of meetings with key opinion leaders in the African-American community. What emerged were the following five key diversity initiatives: (1) franchise development among minorities via financial incentives, (2) supplier development with minority vendors using the assistance of the National Minority Supplier Development Council, (3) philanthropic giving (more than \$1 million in 1998) to a variety of organizations that benefit minorities, (4) career development

and mentoring, and (5) target marketing to reach minority customers. In the area of career development and mentoring, the company opened a reservation center in Orangeburg, South Carolina, a city that is home to two historically black colleges, creating opportunities to recruit minority students. In addition to hiring some 200 employees from the schools, it also established an ongoing mentoring program between the schools and the reservation center. Cendant further developed a corporate-intern program in conjunction with Inroads, an organization that places talented minority students in internships in Fortune-500 companies. The company's franchise-development efforts produced more than 50 hotel franchise agreements with minority entrepreneurs. As a first measure of Cendant's success, the

NAACP's 1998 report card on minority progress in the hotel industry brought the company's grade from a C- to a B, the highest grade for any hotel company.

Success of the Practices

As we indicated above, all of the best-practice champions reported positive outcomes from the adoption of their initiatives. A pattern of results is evident, as illustrated in Exhibit 4. As the exhibit suggests, employees were the primary beneficiaries of the HR practices.

Employee satisfaction and improved morale were the most-frequently cited outcomes of the champions (mentioned by 52 percent of the champions), followed by the reduction of turnover (44 percent), and increased productivity (35 percent). Employee opinion surveys at the Four Seasons before and after the introduction of its designated-trainer program show higher levels of satisfaction and a clear appreciation for the improved clarity of standards in the wake of the training program. Four Seasons has also found that 75 percent of all line employees promoted to supervisory positions have successfully filled designated-trainer positions. The Ritz-Carlton Tysons Corner experienced a 22-percent drop in employee turnover after introducing self-directed work teams, while Motel 6 reported a 10-percent decrease in turnover after it established its training program.

Thirty-five percent of the champions cited reduced costs as an outcome of their HR practices and 26 percent mentioned increased profits as a favorable result. Motel 6 reasons that the \$6,000 to \$10,000 it typically spends in hiring a new manager is saved through its policy of promotion from within. Increases in occupancy and ADR were cited as outcomes from the employee-

empowerment activities in the Minneapolis-St. Paul Hilton, and the training program of the Simpson House Inn.

Customers also experienced the value of these HR champions' practices, if sometimes indirectly. As the general manager of the Rodeway Inn International Orlando, Nicholas La Falce, stated, "have a satisfied employee and you have a satisfied guest." Increased satisfaction and overall service quality were often cited as important customer benefits from the best practices. Disney's Polynesian Resort, for example, noted that its success is reinforced by guests' letters and comments. The benefit to the customer of the Scottsdale Hyatt's community-based student training was invisible, because it helped keep up service standards, according to the Hyatt's manager who developed and taught the course.

Efficiency, consistency, career enhancement, fulfilling individuals' potential, and customer retention were also listed as outcomes of implementing these HR practices. One indicator of efficiency is the significantly reduced manager-to-employee ratio that resulted from the Ritz-Carlton's empowerment efforts. The managerial staff went from one for every 15 employees to one for every 50 employees.

Curiously, many of the champions noted that the positive outcomes were not directly measured, and few had established pre-practice baseline measures of either customer or employee outcomes. For example, Coastal Hotel Group's buddy system for employee training is not directly tracked, but its managers believe that it has contributed to increased profits, decreased employee turnover, and overall improved operations. Many of our champions spoke of the unseen, unmeasured, and yet strongly felt

changes in attitude or work culture once their practices were put in place.

Finally, a philosophy expressed by many champions involved a sequence of events that began with the design and implementation of an HR practice. Practices typically resulted in satisfied employees and reduced employee turnover. These changes in employee morale and retention would then translate into improved customer service. Satisfied customers would become loyal and increased profits would be the ultimate outcome. David Rodriguez, senior vice president of staffing and development for Marriott International, was one of many champions who observed that profitability and loyal relationships with customers are the results of the customer's experiencing improved service. The front-office manager of the Minneapolis-St. Paul Hilton, Patrick Simpson, echoed this sentiment by observing, "The confidence of the employee so empowered radiates in his or her guest-contact ability, which in turn gives the guest confidence that his or her stay will be a rewarding experience."

Insights

For those managers who are considering implementing similar practices, the single most consistently offered insight was to obtain the commitment of senior managers and critical decision makers. Individuals in large companies, such as Accor, Cendant, Choice, Marriott, and Ritz-Carlton, stressed the need for senior-level support. Much of the success at Choice Hotels and Ritz-Carlton, for instance, was the result of initial sponsorship and encouragement by top executives. Marriott's contacts offer the advice that the most important thing you can do is get senior managers involved and working together.

Based on their own efforts, the best-practice champions also offer the following words of wisdom. First, start sooner and go slower. Several champions wished they had begun the practice sooner and had been slower in the implementation process. For others, "sooner" meant getting staff involved earlier in the process. When developing self-directed teams, for instance, the director of housekeeping at the Boulders wished she had implemented her efforts at a slower pace with more realistic goals to help reduce the resistance initially experienced from room attendants.

Second, managers emphasized the importance of communication. "Communicate like crazy" was suggested by Choice Hotels's expert for organization development. Many of our champions noted the power and impact of sharing information with superiors, peers, and subordinates. Often under-appreciated is the importance of listening to those whom you wish to change and adjusting programs based on their feedback. By using pilot tests and trials based on feedback, many of our champions were able to modify their practices. In the case of Accor, the process for communication was a best practice in and of itself.

Finally, managers should remember that their projects are not likely to be simple, quick, or easy. Good HR practice is long-term and requires on-going adjustments and tenacity. While frequently labeled as programs, the champions realized that their initiatives were often new approaches to doing business and sometimes radical departures from how the work was done and how people were treated previously. Through hard work, good research, careful measurement, pilot testing, top management buy-in, and continuous feedback, successful implementation is possible. **CQ**