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# Innovations in Hospitality Human Resources: Cases from the U.S. Lodging Industry

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## Abstract

[Excerpt] Today's hospitality and tourism companies face complex, dramatically shifting challenges, most notably the need to compete for increasingly sophisticated customers in a global, fluid marketplace. To attract and retain the loyal cadre of customers that will ensure the organization's success, service companies such as hospitality organizations must employ technologically advanced, yet margin sensitive, product and pricing strategies and practices that will differentiate themselves to their intended market. Even more importantly, these service organizations need to devise strategies that will capture and retain the most important yet, from a financial perspective, unrecognized asset on the balance sheet: the employees that design and deliver the service to the customer base. Human resource strategists (i.e. Becker & Gerhart, 1996; Cappelli & Crocker-Hefter, 1996; O'Reilly & Pfeffer, 2000; Pfeffer, 1998; Ulrich, 1997), including those who take a hospitality perspective (i.e. Baumann, 2000; Hume, 2000; Worcester, 1999) advocate a renewed attention to the investment in employees or "human capital" as a source of strategic competitive advantage.

## Keywords

hiring and retention strategies, leadership development, travel and tourism, performance enhancement, human capital

## Disciplines

Hospitality Administration and Management | Human Resources Management

## Comments

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# Innovations in Hospitality Human Resources: Cases from the U.S. Lodging Industry

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## Introduction

Today's hospitality and tourism companies face complex, dramatically shifting challenges, most notably the need to compete for increasingly sophisticated customers in a global, fluid marketplace. To attract and retain the loyal cadre of customers that will ensure the organization's success, service companies such as hospitality organizations must employ technologically advanced, yet margin sensitive, product and pricing strategies and practices that will differentiate themselves to their intended market. Even more importantly, these service organizations need to devise strategies that will capture and retain the most important yet, from a financial perspective, unrecognized asset on the balance sheet: the employees that design and deliver the service to the customer base. Human resource strategists (i.e. Becker & Gerhart, 1996; Cappelli & Crocker-Hefter, 1996; O'Reilly & Pfeffer, 2000; Pfeffer, 1998; Ulrich, 1997), including those who take a hospitality perspective (i.e. Baumann, 2000; Hume, 2000; Worcester, 1999) advocate a renewed attention to the investment in employees or "human capital" as a source of strategic competitive advantage.

Given that hospitality and tourism services are simultaneously produced and consumed in an exchange between employees and customers (Bowen & Cummings, 1990), coupled with the fact that most customers equate the service they consume with the employees who deliver it (Lovelock, 1981), focusing on strategically proactive human resource innovations is critical for long-term success in today's services industry. As Fulford and Enz (1995, p. 161) argue, "the employee is the ingredient to increased service delivery and subsequent profitability." Firms with a greater intensity of HR practices have greater market value per employee according to recent research (Becker and Huselid, 1998). Hence, the evidence suggests quite compellingly that exemplary HR practices improve firm performance. Senior managers in the most innovative firms are giving greater focus to HR issues and more thought to moving the HR function from the role of employee champion to the role of strategic partner.

In this chapter, we identify a bundle of four human resource innovations that, when leveraged by strategically focused HR professionals in a service organization, can enhance operational excellence, customer service, and operating performance. The key areas include: 1) designing and implementing selective hiring and retention strategies, 2) developing extensive competency-based training and

leadership development programs, 3) carefully tailoring benefits and incentive plans to enhance performance and reduce costs, and 4) redesigning work to enhance employee involvement. Taken together, these innovations have the potential to become a source of firm competitive advantage (Barney, 1991, 1992; Lado & Wilson, 1994). A firm has competitive advantage when it has an edge over its rivals in providing customers with superior value and can defend against the initiatives of competitors. HR practices can become a source of competitive advantage when they are competencies that are rare, i.e. (competitors don't have them), valuable, and imperfectly imitable (i.e., others can not copy them or easily acquire them). We discuss these four key areas because they surfaced as fundamental to HR innovation in our research on exemplary practices (Dube, Enz, Renaghan, and Siguaw, 1999). In this chapter we discuss the innovation potential of each key area in the services industry, and demonstrate how they are being implemented in creative ways by both larger, more resourceful and smaller, more entrepreneurial, hospitality organizations. We then explore how, when bundled and leveraged in service organizations, these innovations align HR to the strategic mission and together, can achieve much more than the sum of their parts. We conclude with the advice from successful innovators in lodging on how to introduce employee-focused changes, and the future of strategically proactive HR innovations.

### **Human Resource Innovations as a Source of Competitive Advantage**

Research in human resource strategy examines ways HR innovations act as organizational resources and, if differentially held, a source of competitive advantage (Hall, 1992), Strategic HR requires the development of consistent and aligned practices to accomplish an organization's strategic goals (Mello, 2002). HR innovations serve as a rare and valuable resource which is difficult to imitate, hence leveraging a firm's strategic position (Barney, 1992; Lado & Wilson, 1994; Reed & DeFillippi, 1990). These innovations facilitate the development of complex social relationships, and cultivate tacit organizational knowledge embedded in the organization's culture, and reflected in action, commitment and involvement (Nonaka, 1994). The goal for HR strategists and organizational leaders is to create and implement the bundle of heterogeneous and immobile innovations that serve as a source of competitive advantage. Heterogeneous refers to innovations that are not evenly distributed or used by firms in a given industry. Immobility refers to innovations that are difficult to transfer from one firm to another (Barney, 1991; Lado & Wilson, 1994). All of the innovations we discuss are designed to enhance the organization's ability to capture, retain and develop firm-specific human capital. In addition, these innovations are aimed at developing the organization's ability to synergistically use this capital to transform and renew itself, as it responds to shifting market demands (Lado & Wilson, 1994). Figure 38.1 provides a list of specific hotels in the United States that have successfully developed practices and initiatives to innovate in the four key areas of human resources. Each of these hotels or chains were selected via nominations from their peer organizations (Dube, et al., 1999).

## **Human Resource Innovations**

The overall role and expectations for HR professionals in hospitality has changed dramatically. While many hotel operators around the world are shifting their understanding and appreciation for this area of the organization, others remain content with a more traditional perspective. Figure 38.2 provides a brief characterization of the more traditional view of HR as contrast to a new strategic model for HR managers. Key to our understanding of the innovations to follow is an appreciation that these and future innovations can only be developed or sustained in organizations that are transitioning from a mindset of the HR manager as the administrator of the operational basics of hiring, training, and compensating to the internal champion for proactive strategic innovation through people. We now turn to the first innovation that speaks to the organization's ability to capture the best possible talent for the organization.

### ***Selective Hiring and Retention Strategies***

At first glance, designing and implementing selective hiring and retention strategies seems relatively straightforward. No organization would argue with the goal of attracting and retaining the best possible talent. Yet, the methods by which many hospitality and tourism organizations implement strategies to meet this goal (including for some, adopting no strategy at all) represents a missed opportunity to turn this important HR task into a leverage point.

Research in HR strategy suggests that organizations can gain an intellectual competitive advantage through developing their human capital (Quinn, 1992). More specifically, the organizations that design strategies to exploit opportunities in the labor market will recruit the best available talent (Lado & Wilson, 1994; Quinn, Anderson & Finkelstein, 1996; Sherer, 1995). These strategists define talent in new and different ways. They argue that filling positions through matching applicants against the requirements of the first initial job, specifically using knowledge, skill and ability profiles, screens out potential employees who are smart, conscientious and creative. To build the organization's intellectual capacity, firms should employ a strategy of hiring individuals who demonstrate such important traits as a capacity to learn; think creatively; act as a conscientious, responsible individual; and agree with the values and working culture of the organization (Behling, 1998; Bowen, Ledford & Nathan, 1991; O'Reilly & Pfeffer, 2000).

Hiring by traits and organizational fit works best for organizations that require employees to be able to do such things as make on-the-spot decisions, think autonomously, learn the job quickly, adapt to technological change, and work well with others. These traits which are often difficult to teach, are characteristic of many positions in the service industry (Behling, 1999). By hiring for traits and organizational fit, firms can initiate cross-training and succession planning programs that protect the organization when understaffed, as well as maintain high levels of learning and idea-sharing. Perhaps even more importantly, hiring for traits and organizational fit ensures that organizations attract employees who thrive on transformative innovations, such as empowered work teams and leadership development programs, and who work strongly within the organization's culture as it changes while the days of career

loyalty to one firm are long since gone, researchers argue that smart, creative and conscientious employees will be committed to organizations that offer them opportunities to both learn and contribute, especially if learning and contributing are traits the organization values (Cappelli, 2000, Chatman, 1991). These types of employees will also be confident in their ability to perform well, and will be motivated to take more risks and try new things when managing their careers (Sonnenfeld & Peiperl, 1988).

Some hotel companies are currently practicing hiring by traits and organizational fit. For example, because its management believes a sincere attitude of concern regarding customers' needs is significantly more important than prior hospitality experience, the highly successful Four Seasons and Regent Hotels & Resorts company carefully selects its new recruits based upon the service mind-set they possess (Dube et. al, 1999). Consequently, candidates proceed through several rounds of interviews designed to cull out those candidates who hold and project the proper attitude. The Ritz-Carlton Hotel Company uses similar selection practices. Each applicant submits to a structured interview that is empirically scored to determine the candidate's fit with The Ritz-Carlton credo of "Ladies and Gentlemen Serving Ladies and Gentlemen." If the applicant scores within an acceptable range, the candidate then attends a series of social receptions so management and department heads can observe the applicant's social behaviors and face-to-face communication abilities. Employees also play a role in interviewing and selecting their peers at the Ritz-Carlton. Hiring by traits is not limited to luxury hotel chains, however. Ramada Franchise Systems uses a pre-screening test which asks the candidates to describe themselves by selecting descriptors from a set of words. Although the test requires only five to seven minutes to take, it results in a detailed motivational analysis of the applicant (Dube, et al., 1999).

One innovative way to test for traits and organizational fit is to create real-life, on-the job scenarios. For example, after benchmarking Ritz-Carlton, Dahlmann Properties developed a seven part action plan to modify and adjust several selection and training practices to fit their "three-diamond" hotels. One initiative in particular that helped to improve the work environment and decrease turnover was a realistic job-preview session in which applicants were observed working in a department for half a day prior to a final job offer. This innovation helps applicants decide if they fit the job and organization and it provides the hotel with pre-employment performance information. Determining how well the worker will fit in with other staff and will exhibit the needed skills to handle the job can be discovered before either of the parties make permanent commitments. All of these aforementioned companies indicate that the practice of hiring for traits and carefully screening for organizational fit has increased employee satisfaction and retention, and in turn, has improved guest satisfaction (Enz & Siguaw, 2000).

Some may argue that the industry fails to attract a sufficient labor pool to merit a traits and fit hiring strategy. Tight labor markets, coupled with the industry's reputation for relatively low pay and long hours, make the "warm body syndrome" the norm more than the exception. Yet adopting a satisficing approach to hiring human capital only contributes to revolving-door-turnover and the perpetuation of hospitality firms as undesirable employers. More importantly, this type of approach erodes the success of other human resource innovations and over time, makes them counterproductive to the organization (Pfeffer &

Veiga, 1999).

A far more effective strategy when working in tight labor markets with no foreseeable growth in supply is to offer more flexible work arrangements, design creative apprenticeship programs, and invest in the long-term development of employees. Job sharing and outsourcing are two practices that hoteliers have used to retain or get the most out of experienced and capable individuals. The Sheraton at Denver West devised a system in which two highly qualified sales managers could work half-time and share a full-time position. While changing family circumstances were the catalyst for this innovation, the hotel's ability to devise a flexible and family-friendly approach to retaining two talented employees assured consistent customer service while enhancing both the sense of concern for all workers, and cost saving for recruitment and training of a new employee.

A method for attracting young people and stabilizing the work force often involves building systems that provide special training, apprenticeships, personal development, or academic (college) credits. For example, The Greenbrier, a resort originally located in a remote location, originally devised a culinary apprenticeship program, the first of its kind in the United States over forty years ago. While this practice helped to retain the kitchen staff, it was only recently that the resort partnered with its local high school to provide permanent employment to interested student applicants (Siguaw & Enz, 1999a). The high school culinary arts program has helped establish this resort's community presence while assuring a stable and highly skilled kitchen staff. In a similar vein, Hyatt Regency Scottsdale, in conjunction with the local school district, facilitated the development of a hospitality-training program for high school students that provided exposure to hospitality careers and college credit too (Enz & Siguaw, 2000). The curriculum development took six months, and a great deal of effort to coordinate the diverse needs of the local government, university, and hotel industry; nevertheless, this outreach program benefited many hoteliers in the fast growing tourism sector of Scottsdale, Arizona. While these types of applicants may lack extensive hospitality and tourism experience, careful selection screening devices may demonstrate they hold far more important traits such as honesty, conscientiousness, and the ability to learn quickly that will make them valuable and committed organizational members.

### ***Competency Training and Leadership Development Programs***

When organizations hire based on human potential, they strongly benefit from adopting training and career development programs that develop competencies based on those traits valued by the organization (Lado & Wilson, 1994; Pfeffer & Veiga, 1999). Such programs encourage employees to build the idiosyncratic, tacit knowledge that eventually becomes embedded in organizational routines and ultimately contributes to a high performance work environment (Lepak & Snell, 1999; Nonaka, 1994). The second human resource innovation explores ways competency-based training and leadership development programs act as a source of competitive advantage.

Training and leadership development programs are critical venues for developing firm- specific knowledge, skills and abilities. First, they represent forums for not only amplifying organizational values,

but for sharing and disseminating new knowledge gleaned by organizational members, a process critical to organizational learning and transformation (Lado & Wilson, 1994; Nonaka, 1994; Pfeffer & Veiga, 1999). Second, they act as opportunities for employees to hone competencies such as decision-making ability, team leader skills and creative thinking (Amabile, 1998, Pfeffer & Veiga, 1999). Through refining their competencies, employees not only develop cognitive and advanced level skills (termed know-what and know-how), they also develop an understanding of systems (termed know-why) that enables them to embrace larger and more complex problems and ultimately work from a higher intuitive level (Quinn, Anderson, and Finkelstein, 1996).

To the degree organizations select, nurture and develop highly competent individuals, they set the stage for sharing expertise (Prietula & Simon, 1989). HR strategists argue an important way to share expertise, as well as to simultaneously develop employees' competencies, is to create internal career development paths through such innovations as leadership development programs. These innovative programs teach employees how to uncover and share their complex, tacit expertise with both seasoned and newer co-workers. In a sense, apprenticing is one of the most effective ways of teaching intuitively based knowledge, especially firm-specific knowledge. Some hospitality organizations have made valuable use of this type of knowledge training. In particular, the Chicago-based Coastal Hotel Group loans out skilled department heads within its system to train counterparts in newly acquired properties. The practice provides the trainer with an opportunity for developmental growth and experience at a different property while increasing retention of the material covered (Enz & Siguaw, 2000). Four Seasons uses a similar approach. Line employees who excel in job knowledge, standards adherence, patience, and communication skills are tapped for "designated trainer" positions. Each trainer follows a highly structured, very successful step-by-step, CD-based program to coach new employees on how to achieve the Four Seasons' standards of excellence (Enz & Siguaw, 2000).

Researchers suggest the development of competencies valued by the firm and streamlined through leader development processes, leads to an organization characterized by high levels of human asset specificity (Lado & Wilson, 1994). From an HR strategy perspective, this form of human capital is extremely valuable; it cannot be found in the external labor market and it cannot be easily replaced by other resources (Dierickx & Cool, 1989; Barney, 1991; Williamson, 1981). Moreover, the continual development of human capital within an organization has a self-perpetuating effect: to the degree employees develop their own competencies they contribute to firm processes that encourage the development of competencies in fellow employees (Becker, 1975). In other words, employees simultaneously contribute to and benefit from a high performance work environment.

In acknowledgement of this fact, Choice Hotels created a model which identified the competencies needed at the various executive levels, conducted development training to ensure that the competencies held by executives were the ones needed, and then mapped career paths based on the acquisition of the competencies required for each executive level. The system has increased employee retention because of the model for development and promotion within the firm (Enz & Siguaw, 2000). Marriott International



also wanted to ensure that its managers possessed the competencies required to successfully carry the company forward. Consequently, junior managers\* skills are assessed to determine what competencies they possess and which they lack. Specific development plans and challenging assignments are then constructed to ensure that junior managers develop the core capabilities necessary for the future leaders of a global organization. Marriott believes that establishing leadership excellence at the managerial level will attract top-caliber employees throughout the organization (Dube, et al, 1999; Enz & Siguaw, 2000).

A final innovator in this area is Motel 6, an economy chain owned and operated by Accor. Building competency to move into leadership starts early at Motel 6, which provides an employee-development program that makes every employee eligible for consideration as a general manager. A three phase program that starts with cross-training, moves to manager-on-duty responsibilities and concludes with general manager training was instituted to assure that qualified managers would be available overtime to replace husband and wife teams of managers who were no longer the ideal model for long-term property management. In the first phase of the development every employee of the hotel, whether in housekeeping or front office, or maintenance is made aware of the potential to be a general manager. By showing an interest and becoming cross-trained an employee is on his or her way to becoming a manager.

Training to build skills is not reserved exclusively for large corporations like Accor and Marriott. Simpson House Inn, a small bed and breakfast, and Keswich Hall, a four room hotel in the Ashley House Hotels group, have devised quality, diversity, and communication focused training programs that have enhanced work performance and also improved employee morale.

### ***Benefits and Incentive Plans to Enhance Performance and Reduce Costs***

The third innovation has perhaps the greatest potential precisely because the industry has traditionally viewed compensation as an expense to be managed, rather than as an investment to be parlayed. In addition, because employee performance is directly linked with customer satisfaction, reward structures are all the more critical in service organizations (Banker, Schroeder and Sinha, 1996; Hauser, Simester & Wemerfelt, 1994; Eisenhardt, 1988). Research in HR strategy offers a number of opportunities where carefully crafted compensation programs that serve to recognize and reward the competencies most valued by the organization, can leverage human capital against the organization's goals (Lawler, 1996).

One innovation gaining attention is variable pay or pay for performance plans. In this type of plan, rewards are tightly structured with the employee's skill level or capacity to perform more than one job. Those with higher skill levels are directly rewarded with higher percentages of variable pay (Lawler, 1995; Lawler, Ledford & Lee, 1993). To determine ways to link skills directly with performance, organizations are developing competency-based models, whereby in a process identical to their selection strategy, they identify the traits most valued by the organization and determine ways these traits are embedded in and reflective of specific competencies and performance goals.

Research suggests that service organizations have the potential to strongly benefit from competency-based pay systems. This is because by definition, service organizations must rely on their employees to take initiative and make decisions on behalf of the organization. Competency-based pay systems encourage employees to develop and apply their agility and initiative when servicing customers (Lawler et. al, 1993). Accor North America, for example, defines key sales activities and corresponding performance measures for its sales teams. Performance scores for each sales team are derived from objective internal and external analyses of the customer relationship the team has developed. Twenty-five percent of the sales team's incentive is based on this performance score (Siguaw & Enz, 1999b). The Houstonian, on the other hand, offers a comprehensive bonus program which allows employees to share in the success of the property. If certain goals are achieved *all* employees are rewarded. As a result, employee turnover is exceptionally low, guest retention is extremely high, and profits are up (Dube, et ah, 1999). Similarly, the Inn at Essex in Vermont rewards employees with cash awards each year upon notification that the hotel has maintained its four-star rating (Dube, et al. 1999).

In addition to rewarding performance outcomes, researchers also advocate the value of using reinforcers such as positive feedback and social recognition. Organizations often discount the value of this form of reinforcement, and instead, presume that rewards are the sole motivation behind work. These researchers argue that employees care that what they do matters to the organization. Reinforcement signals back to employees that their work makes a difference (Amabile, 1998; Luthans & Stajkovic, 1999). A number of companies have embraced this reinforcement model. Motel Properties, Inc. routinely recognizes its employees' contributions by presenting free dinners, sending birthday cards, awarding an employee-of-the-month, and providing cash rewards (Enz & Siguaw, 2000). Rodeway Inn International Orlando presents inexpensive gifts to all employees on every holiday, provides special pins for special performance, and gives free passes to Disney World. In addition, employees-of-the-month and employees-of-the-year are selected at an employee luncheon during which radios and TVs are raffled off. The employee-of-the-month winners receive dinner for two, a \$50 cash award, tickets to a local attraction, and an extra's day's salary. Employee-of-the-year recipients receive a \$100 cash award, dinner for four, and a two- or three-night stay at a local hotel in the area. The resulting increase in employee morale has increased performance (Enz & Siguaw, 2000). While these companies have focused on providing rewards of small to moderate monetary value, Day Hospitality Group has chosen to award its general managers of five years tenure with a mandated, 90-day paid sabbatical leave. The purpose of the leave is to retain top managers and help them regenerate their creativity and initiative (Enz & Siguaw, 2000).

Rewards and recognition for performance are important, but they are not the only opportunities to innovate. HR strategists also advocate carefully structuring benefit packages. Benefits represent almost 40% of salary in the United States (Jackson & Schuler, 2000). To manage their escalating costs, HR strategists recommend options such as increasing the direct contribution of employees, self-funding and managing programs in-house, and offering flexible benefit plans, whereby employees construct their own personalized benefits package (Tremblay, Sire & Pelchat, 1998). Research in benefit satisfaction

suggests that employees are pleased to experiment with different benefit innovations, appreciating both the escalating costs of these benefits and the efforts the organization demonstrates to try to simultaneously control costs and meet employees' shifting needs. In fact, two of the most important factors in predicting benefit satisfaction are that employees believe the benefit determination process to be fair and well communicated (Barber, Dunham & Formisano, 1992; Tremblay et. al, 1998), In an innovative move within the benefits packaging arena, Tamar Inns implemented a self-funded health insurance plan, opened its own primary-care office, and negotiated a prescription plan with a national drug store chain for all its employees and their families. The result has been improved and expanded medical coverage for all employees and substantially lower healthcare costs for Tamar Inns. Overall sick time has been reduced and employee retention has been increased (Enz & Siguaw, 2000). Employees of The Houstonian Hotel, Club and Spa receive a strong benefit package at a low cost. They are provided full medical, dental and eye care at an employee cost of only \$32 per month. In addition, Houstonian employees are eligible to make use of the credit union, a 401(k) plan, the health club, and pro shop/spa with employee discounts (Dube, et al., 1999).

### ***Redesigning Work to Enhance Employee Involvement***

The fourth innovation speaks directly to the organization's ability to create a transformative, learning environment that can better align an organization's resources to its goals and objectives and can lead to organizational renewal. Employee involvement refers to a deliberate work design whereby employees are not only involved in the review of the organization's processes, quality concerns, customer feedback and business results, but based on their review, they are encouraged to make specific, thoughtful and ongoing decisions about how to approach their work (Vandenberg, Richardson & Eastman, 1999). As part of their work redesign, some organizations go so far as to design reward systems that foster creative and innovative thinking.

While not a catch-all phrase, employee involvement can mean a number of things: adoption of an empowerment philosophy and practice, participation in decision making, implementation of self-managed work teams or even the reorganization of employees into high performance teams that regulate the team's overall mission, as well as each member's expected and perceived contribution. Regardless of the type of involvement approach used, research suggests that an approach to work whereby employees have increased involvement and decision-making responsibility leads to organizational improvements, specifically higher individual work performance (Banker, Field, Schroeder & Sinha, 1996; Bush & Spangler, 1990), and more positive work attitudes (Steel & Llyod, 1988). Perhaps more importantly, research suggests employee involvement programs better align employees' efforts with the organization's goals (Lawler, 1986). As a result, employee involvement can increase both an organization's agility and capability and potentially can be transformative (Banker et. al., 1996; Vandenberg et, al., 1999).

For service organizations characterized by continuous employee-customer contact, work redesigns focused on high involvement can be leveraged in ways that have dramatic performance results. For

example, creating an environment where employees perceive they are empowered can lead to improved levels of job satisfaction, loyalty, performance and service delivery (Bowen & Lawler, 1995, 1992; Fulford & Enz, 1995; Sparrowe, 1994). In fact, the real innovation in the hospitality industry may be in combining the concept of empowerment and work teams together. Recent studies suggest that empowered work teams have higher levels of job satisfaction, organizational commitment, performance, and of utmost importance for the hospitality and tourism industry, customer service (Bartunek, Greenberg & Davidson, 1999; Kirkman & Rosen, 1999). For example, The Ritz-Carlton Tysons Corner redesigned jobs to give line employees the authority to perform many tasks previously performed by department heads, including work scheduling, budgeting, and interviewing and selecting new employees. All employees were involved from the outset in making these changes. In addition, half of the savings accrued through the elimination of department head positions was reallocated to the salaries of the line employees. The results of this initiative were a substantive decrease in employee turnover and payroll expenses, an increase in employee satisfaction, and growth in the number of employees who have acquired managerial skills (Enz & Siguaw, 2000).

On a smaller scale, but still noteworthy, The Boulders in Carefree, Arizona created self-directed housekeeping teams. Each team is empowered to divide its duties among the members in any manner desired. At the same time, the team is responsible for maintaining the high standards of the resort, and must conduct its own room inspections. All affected employees were involved in implementing and in shaping the practice as it evolved. Outcomes of the practice include improved retention and morale of the housekeeping staff (Enz & Siguaw, 2000).

The Ritz-Carlton Hotel Company is well known for its practice of empowering employees to spend up to \$2,000 to resolve a guest problem (e.g., Dube, et al., 1999), but other individual properties also have instituted similar practices with great success. The Minneapolis-St. Paul Hilton allows employees to take whatever steps are necessary to resolve a guest problem. The goal is to obtain the complete satisfaction of the guest. Positive results from the practice were almost immediate; guest satisfaction increased, occupancy climbed, and the average daily rate jumped from \$89 to \$101 (Dube, et al., 1999; Enz & Siguaw, 2000). The Inn at Essex empowers its employees to make decisions that benefit its guests. Company policy ensures that employees, who make choices in the best interest of the guests, will always be supported by management (Dube, et al., 1999). Promus Hotel Corporation pioneered the practice of guaranteeing 100% guest satisfaction. To implement the guarantee, however, required empowering line employees to fix guest problems on the spot without seeking supervisor approval. The outcome was increased guest retention (Dube, et al., 1999).

We have identified and illustrated the four HR innovations that are utilized to strategically enhance operational success. While several important HR practices have been identified, the key to long-term success of hospitality organizations around the world is building a complementary set of practices that work together to enhance the profitability of organizations and that are continuously improved and radically changed on a regular basis. We turn in the next section to the importance of aligning practices

and suggestions for the management of change.

## **Leveraging Innovative Practices**

### ***Aligning HR Practices for Operational Excellence***

We suggest that the most successful innovations are those composed of a bundle of practices that are customer focused and aligned with each other. To achieve operational success comprehensive HR practices are needed that cover the entire organization not just isolated components such as training, and are integrated rather than fragmented or disconnected. Accor North America for example, designed a bundle of HR innovations that included practices such as 360 degree feedback to enhance performance evaluation, a variable pay for performance bonus system, an empowerment initiative to push decision-making down to the lowest levels, and group-process feedback to enhance the candor and quality of meetings. Assembling HR innovations that complement and support each other is the goal of Ramada's Personal Best hospitality initiatives that include prescreening tests for selection, interactive CD based training, an employee loyalty program and other rewards for performance, and monthly guest satisfaction surveys to provide feedback on employee performance from the guest perspective. These innovations build and sustain the organization's effectiveness by investing in the employees, while remaining mindful of the importance of the customer.

It is not enough to adopt good HR practices and build a portfolio of integrated activities. The very role and objective of HR professionals must also evolve and change. Within the hotel industry, the HR function has often been relegated to an administrative and clerical function, staffed by "nice" people who organize staff parties and handle benefits and assure that legal forms are completed correctly. While these are necessary activities, the HR professional is often excluded from serious conversation on the competitive future of the hotel. We argue that the future of the industry rests on a new perspective towards this functional area, one in which the major responsibility of HR is to develop and implement practices that enhances the employees' abilities to add-value to the customer and the long-term profitability of hospitality organizations.

### ***Implementing Change and the Future***

The HR profession plays a critical role in enabling the introduction of new and innovative practices. The companies we have discussed devised creative and fruitful HR practices, and those who made it happen shared with us many of the same observations and insights about how to successfully implement these changes. The following is a synthesis of their insights.

#### *Obtain the Commitment of Senior Managers and Critical Decision Maker*

Top management must support and embody HR initiatives. The role of top management is crucial in sending the signal that employees are valued. The actions of senior managers as revealed in their resource allocation decisions and active personal involvement are stronger than their words in conveying

the importance of HR innovations. While many HR practices come from managers, innovation also springs from the line and supervisory ranks. Top management support is especially critical in adopting a practice that has been developed by members of the line or supervisory staff. Employees can quickly spot lip service, and ideas that do not have wholehearted management support will quickly wither. Thus, it is up to senior managers to support both the practice and its underlying philosophy; hence fostering an orientation toward innovation.

#### *Act Slow and Go Faster*

Advancing innovation slowly at first gives people a chance to become familiar with and buy-into a new practice. To be successful at introducing change, the pressure and sense of urgency for rapid progress must be balanced with the equally important need to draw people in and minimize resistance based on fear and real loss of comfort. The advice of several innovators is basic — start sooner, go slower and get staff involved early. Use pilot tests, small wins, and a gradual roll out to help spread and develop a new idea. A great deal of time is needed to help employees and managers understand the what's, why's, how's of a practice. It is not easy to understand and accept a new way of thinking and behaving, and the process of introducing change can be time consuming. Participation is an excellent way to gain the support necessary to make a practice succeed, but it is a very time consuming practice. The successful innovators worked hard to assure that the affected departments were involved, as well as those that might not seem to be directly affected. It becomes clear in the process of introducing innovations that implementation takes longer than planned, and managers should expect a lengthy time horizon for changes to be developed and embraced.

#### *Share Information and Communicate Your Intentions*

The need for communication is never stronger than when managers are implementing human resource practices. In fact, many human resource practices are expressly aimed at improving communication, including conducting pre-shift meetings, establishing self-directed work teams, and cross-training employees. Regardless of the nature of the human resource practice, the sharing of information is a key to success

#### *Learn How to Measure Results*

The only way to know whether a practice is effective is to have a measuring scheme. While this advice seems obvious, close inspection reveals that our traditional measurement systems do not capture or enable appropriate measurement of human resource innovations. Only a few of the innovators we have discussed in this chapter directly measured the outcomes of their practices, and fewer still established pre-practice baseline measures. To make a compelling business case for the value of HR innovations, more careful consideration must be given to what will be measured, for whom, how and when. The current state of measurement is clearly inadequate, focusing on information found in financial

statements, which only capture tangible assets and are shared on a periodic basis. Future measurement can be enhanced by devising ways to measure intangibles, such as the benefits of training, from data sources that can be utilized continuously for feedback.

### ***Learning from Others & Moving Forward***

The numerous hotel practices we have discussed reveal both operationally and strategically proactive innovations. Human resource professionals need to continue but also move beyond the operational practices we have discussed here, such as skill training, administering of benefits, and employment screening. The strategically proactive practices, such as building a competency model for future leadership, capture tomorrow's differentiating innovations because they focus on creating future competitive advantage. Building internal capabilities for this advantage is the ultimate goal of the innovative human resources professional.

Figure 1. Examples of Lodging Firms in the Four Areas for innovation

Selective Hiring and Retention Strategies	Competency Training and Leadership Development Programs.	Benefits and Incentive Plans to Enhance Performance and Reduce Costs	Redesigning Work to Enhance Employee Involvement
<p><b>Dahlmar Properties:</b> Job Preview Sessions Orientation with Quizzes and Tests</p> <p><b>Ramada Franchise Systems:</b> Prescreening Tests Interactive CD-Based Training</p> <p><b>Ritz Carlton, Tyson's Corner:</b> Hourly Staff Interview and Selection Team</p> <p><b>Day Hospitality Group</b> Mandatory 90 Day Paid Sabbatical Leave Program for GM's</p> <p><b>Four Seasons and Regent Hotels:???</b></p> <p><b>Greenbrier:</b> Culinary Training</p> <p><b>Hyatt Regency Scottsdale:</b> High School Sponsored Classes</p> <p><b>Sheraton—Denver West:</b> Job Sharing in Sales</p>	<p><b>Coastal Hotel Group:</b> Buddy System to Loan Employees</p> <p><b>Four Seasons:</b> Designated Trainer</p> <p><b>Choice Hotels:</b> Leadership Competency Building</p> <p><b>Marriott International</b> Competency Building</p> <p><b>Ashley Hotels – Keswick Hall:</b> Service Quality Training Guest Stay</p> <p><b>Simpson House Inn:</b> Testing/Training language Skill Building Staff Meetings (pow- wows)</p> <p><b>Motel 6:</b> Employee Development Program Cross- Training Management on Duty General Management Training</p>	<p><b>Accor:</b> 360° Feedback</p> <p><b>The Houstonian:</b> All Employees on a Bonus System</p> <p><b>Roadway Inn—Orlando:</b> Budget of \$100 per Month Awards, Pins and Gifts</p> <p><b>Day Hospitality Group:</b> Mandatory 90 Day Paid Sabbatical Leave Programs for GMs</p> <p><b>Tamar Inns:</b> Cost Controls</p> <p><b>Inn at the Market:</b> Outsourcing Human Resource Director</p>	<p><b>Ritz Carlton—Tyson's Corner:</b> Self-Directed Work Teams</p> <p><b>The Boulders:</b> Self-Directed Three Person Housekeeping Teams Empowered to Choose Work Areas Responsible for Quality Conduct Own Inspections</p> <p><b>Inn at Essex:</b> Empowering employee decision making</p> <p><b>Promise Hotels:</b> Guaranteeing 100% Guest Satisfaction</p> <p><b>Hilton Hotels—Minneapolis:</b> Line Level Employees are Empowered to Make Guest Satisfaction Decisions</p>



**Figure 2. The Role of Hospitality HR Professionals**

<b>Traditional HR Function</b>	<b>Strategic HR Function</b>
Handles employee relations as a staff specialist – administrative & clerical activities	Initiates and leads change as a partner with line managers – proactive strategic planning plus administrative activities
Initiatives are fragmented – ad hoc innovations	Initiatives are integrated – bundled innovations
Short-term focus to practices – fix problems	Medium and long-term focus to practices – anticipate and avoid problems
Rules, programs and policies govern how the function operates	Flexibility and adaptation govern how the function operates.
Treated as an organizational expense	Treated as an organizational asset
Goal to reduce employment costs and champion employee issues	Goal to add-value to the competitive position of the organization

Source: Adapted from Mello (2002).

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