Fall 2011

Attracting and Retaining Quality Managers: The Critical Factors

Ketan Shah
University of Nevada, Las Vegas

Attracting and Retaining Quality Managers: The Critical Factors

by

Ketan Shah

Bachelor's of Music
University of Denver
2006

A professional paper submitted in partial fulfillment of the requirements for the

Master of Hospitality Administration
William F. Harrah College of Hotel Administration

Graduate College
University of Nevada, Las Vegas
December 2011
Chair: Dr. Robert Woods

Part One

Introduction

Hawkeye Hotels is a hotel company in the Midwest that owns and operates all of its hotels with their own management company and through partnerships with other hotel companies. The main objective of my marketing plan is to develop the brand name of Hawkeye Hotels. While all of its hotels are well-known franchised names from companies like Hilton, IHG and Marriott, guests and even employees may not be aware of common ownership amongst all of the company's hotels. With the development of the brand name Hawkeye Hotels, the company will grow bigger and stronger while creating more recognition in all of the hotel's communities as well as in the hospitality industry as a whole.

The problem that any hotel or restaurant suffers from is finding quality employees and managers and retaining them. For a management company like Hawkeye Hotels that is based primarily in the Midwest and in smaller, rural towns and cities, it's very hard to attract quality general managers to come work for their hotels. For employees looking at job opportunities, the Midwest may not have as much attraction as other more metropolitan areas of the country. Cities and towns are smaller with less entertainment and dining options. Typically the starting salary for a general manager is also not as competitive as in a larger market. What kinds of incentives can owners and management companies in the Midwest offer to attract and retain quality general managers while keeping salaries at a reasonable wage to the market area and the hotel's performance?

Purpose

The purpose of this professional paper is to develop options and a plan of action for what it takes to obtain and retain quality hotel management in the Midwest. Typically when we find quality general managers, they don’t want to move to the Midwest and don’t like smaller towns. More specifically, I hope to come up with a plan of action that I can present to my father and his partner to help the company obtain and retain quality general managers.

Statement of Objective

The problem that occurs regularly in Hawkeye Hotels is in keeping quality management in our properties. Hawkeye Hotels has top notch properties from Hilton, IHG and Marriott. However, these top notch properties are all in the Midwest and are mostly in smaller communities. Once we’ve hired a great general manager, it’s hard to keep them in the area. They typically want to move to bigger more metropolitan areas where they can work for the same type of property and make a higher salary while having more options in terms of the social aspects of their life.

The objective will measure why current GMs and Directors of Operation at Hawkeye Hotels are with the company. It will find out why they chose to work in smaller towns and cities and what they like and dislike about their jobs and the company.

Justification

The study will be justified by looking at employment history from the past 10 years of the company for General Managers. There will be face-to-face interviews and phone interviews. The interviews will be conducted on current general managers and directors of operation. The executive team at Hawkeye Hotels will call any of the general managers or directors of operation who have negative feedback and complaints from the interviews and discuss the issues with them. The interviews will hopefully help executives within the company determine areas of focus for attracting new quality managers and also give them ideas on how to retain the current managers they have.

Part Two

Introduction

This literature review reviews some samples from textbooks used throughout the Master of Hospitality degree, magazine and journal articles from experts in the hospitality industry, academic journal articles and reliable sources from the internet. This review is intended to share ideas on retention from experts in the field of hospitality as well as provide some numerical facts on retention. It also provides opinions on hiring, firing and retention of experts in the hospitality industry.

Literature Review

The dictionary defines the word engage as "*employ, hire; to attract and hold especially by interesting; to cause to participate; to take part in a venture*." (Mish, 2004) An engaged employee is one that wants to come to work every day and shows up awake and alert. These employees typically are happy with their jobs, enthusiastic and enjoy what they do. When they get to work they are fully involved and give 100% effort all the time to make sure their work gets done and that they help in the company's success. Engaged employees typically have high moral standards, good work ethics and simply love what they do and take pride in their job.

According to Woods, *"Employee turnover in the hospitality industry often averages as much as 200-300% per year. Statistically speaking, this means that the entire staff of a hospitality operation turns over two to three times per year!"* (Woods, 2006) Woods continues stating that these statistics are not completely accurate. Typically there is a high turnover rate in the first 30 days of employment in a hospitality operation and that is why the industry suffers from such a high employee turnover rate. When employees are still working at a hotel or restaurant after the first 90 days, they're going to be in for the long haul. After the first 90, benefits usually kick in and most employees get a raise. This time period usually lets management know if the employee is an asset to the company or not and they can look at them as someone to potentially move up to a higher position down the road. With the high turnover rate in the hospitality industry, it is essential to the success of any hospitality operation to have managers that are strong leaders and engaged employees that are great with the guests.

The most common reasons individuals give for leaving are that they have been offered more money, better benefits, or an opportunity for career advancement elsewhere. The Society for Human Resource Management estimated that it costs $3,500.00 to replace one $8.00 per hour employee when all costs are factored in. This includes everything from recruiting and interviewing to hiring and training. Perkins recommends the following to decrease employee turnover in your company:

Salary

Ensure your pay rates are comparable to those of other companies in your industry. If you are at the low end of the compensation scale, you will always be scraping the bottom of the barrel for talented and committed people.

Benefits

Make a point of helping your staff take advantage of all benefits that are available to them. Many employees are not aware of the full value of their compensation package. Reduce red tape as much as possible so accessing benefits is not stressful and difficult.

Opportunity

Have a clear structure in place for evaluation and advancement. Recruit for senior positions from within the existing workforce whenever possible.

Training

Provide comprehensive initial training and follow up with ongoing sessions throughout the employee’s term of service. If an individual has learned everything there is to know about a job, recruit him/her to help you improve your existing training program.

Raises

Always complete reviews and implement pay raises on schedule. Delaying reviews because you “don’t have time” is rightly perceived as an insult to the value of your employee’s time.

Favoritism

Train your HR department to handle legitimate employee complaints promptly and decisively. Your workforce must be able to trust Personnel to take them seriously. If not, employees will just give up on the prospect of things getting better where they are and start looking for another job.

Safety & Health

Comply with OSHA regulations at all times. Hiring a consultant is a good way to get this started, but you will need to have a team on staff that is responsible for ongoing review and implementation.

Harassment

Enforce your zero tolerance policy for workplace harassment and provide training so everyone knows what is considered unacceptable. Your HR staff should be instructed on how to gather effective evidence and testimony so that terminations for violation of this policy can actually take place.

Morale

Recognize and reward good job performance publicly and frequently. Sincere verbal praise is a no-cost way to improve morale and keep your employees coming back for more.

Schedule

Review your shift and departmental quotas frequently to ensure mandatory overtime is not excessive. Consider hiring a few part-time employees who can be on-call for emergencies.

Stress

Rotate employees into and out of particularly stressful work assignments to avoid burnout. This will also provide cross training and the opportunity to learn new skills. (Perkins, 2011)

When Henry Ford opened his first automobile plant he had extremely high turnover. Some people were not used to working every day, others only wanted to work long enough to get money to move on and some simply were not reliable. His production line was failing because everyone on it was new. The turnover was killing his operation. He took one action that solved all of his problems. He doubled the pay. Turnover went to zero, productivity, pride and quality went up. That’s why pay has always been high in the auto industry. Ford was the most desirable auto worker for almost 100 years, and the most profitable.

Employee satisfaction is a measure of how pleased employees are with their position in a company as well as their work environment. Happy workers will more likely be more productive on the job, take off fewer days and stay loyal to the company. Employees are typically happy when they feel appreciated for their work performance and are compensated fairly. According to Alex Edmans, finance professor at Wharton College of Business, firms cited as good places to work earn more than double the return of the overall market. “Companies on *Fortune* magazine's annual list of the "100 Best Companies to Work for in America" between 1998 and 2005 returned 14% per year, compared to 6% a year for the overall market, according to Edmans. The results also hold up using an earlier version of the survey that dates back to 1984. "One might think this is an obvious relationship -- that you don't need to do a study showing that if workers are happy, the company performs better. But actually, it's not that obvious," says Edmans. "Traditional management theory treats workers like any other input -- get as much out of them as possible and pay them as little as you can get away with." (Anonymous, 2008)

The University of Western Ontario's Richard Ivey School of Business reported on a study on what engages employees the most. This information is reported in the school's Ivey Business Journal publication. The article is entitled "What engages employees the most or The Ten C's of employee engagement." (Crim & Seijts, 2006) The article begins by defining employee engagement as "*An engaged employee is a person who is fully involved in, and enthusiastic about, his or her work."* (Crim & Seijts, 2006) The article also addresses the often-quoted problem of whether or not there is a crisis in employee engagement today. Much has been written about this topic. However, the authors stated that they do believe there is a crisis and provide some facts from the Gallup Management Journal which publishes a semi-annual Employment Engagement Index as justification. This is cited below:

"Only 29 percent of employees are actively engaged in their jobs. These employees work with passion and feel a profound connection to their company. People that are actively engaged help move the organization forward. Fifty-four percent of employees are not engaged. These employees have essentially "checked out," sleepwalking through their workday and putting time – but not passion – into their work. These people embody what Jack Welch said several years ago. To paraphrase him: "Never mistake activity for accomplishment." Seventeen percent of employees are actively disengaged. These employees are busy acting out their unhappiness, undermining what their engaged co-workers are trying to accomplish." (Crim & Seijts, 2006) After these facts the article goes on to question whether engagement really makes a difference and then talks about leading the turnaround. Lastly, Seijts and Crim break down the ten C's of employee engagement and give stories and examples of all ten.

A review of Seijts and Crim's story condensed the article into the 10 C's. The author, George Ambler pulled the facts and highlights from the full story in the Ivey Business Journal and also condensed the explanation of the 10 C's. Below is a basic summary of each of the 10 C's in my own words:

1. **Connect:** Leaders should always show and make known that they value employees. Good employee engagement is only going to happen if employees feel positive and strong about their relationship with their boss. If they have a negative attitude towards their boss or feel that the boss has a negative attitude towards them, employee engagement is not going to happen.
2. **Career:** Management and leaders should provide work for their employees that's not only challenging but also meaningful work. They should also provide opportunities for career advancement. Most people want to look forward to a new challenge or job title. For example, management should establish goals that lead to career advancement and high rewards. If there are no such opportunities for some positions, they should be created. A simply visual description of a career ladder would illuminate this as well.
3. **Clarity:** Leaders must communicate a clear vision. Communication is always important in any relationship. The clearer a leader or manager is about what they want from the employee as well as the overall picture of how that job affects the company, the better. If

the employee doesn't have a clear vision of not only their job but also the goal of the company and its entire picture, there will be tension between employees and management as well as frustration.

4. **Convey:** Leaders need to clarify their expectations about employees and provide constructive feedback on their functioning in the organization and how that fits into the entire picture of the company.
5. **Congratulate:** Always make sure to give recognition to a job well done by an employee. Too often management and leaders focus on the negatives and mistakes of an employee and forget to congratulate them on a job well done.
6. **Contribute:** Leaders should make their employees feel important. An employee is going to be much more engaged if their manager asks their input on a job or function of the company. Let the employees feel like they are contributing to the company's success and its future.
7. **Control:** Employees need and value control over the flow and pace of their jobs. Leaders can create opportunities for employees to exercise this control. A feeling of "being in on things," and of being given opportunities to participate in decision making often reduces stress; it also creates trust and a culture where people want to take ownership of problems and their solutions.
8. **Collaborate:** Employees that work in teams typically have the trust and cooperation of their team members. These individuals will be overall better employees and outperform individuals and teams that don't have the trust and strength in work relationships. Team builders end up being great leaders because they bring everyone together and build a good team that has trust in each other. Team building should be stressed.

9. **Credibility:** Leaders should always strive to maintain a company's reputation and demonstrate high ethical standards. Once there is a lack of credibility or it gets out that a leader has been involved in some sketchy business, there is no order in the company. Employees and clients will not trust that manager and it will affect the image of the company severely.
10. **Confidence:** Excellent leaders help create and spread confidence throughout their company by being exemplars of high ethical and performance standards. If employees see their leader as a confident and ethical person, they will strive to be like their leader. (Ambler, 2007)

Throughout The 10 C's a common thread is that almost every one of the 10 C's has to do with leadership or management. Employee Engagement cannot happen without dedication, passion and good leadership skills from the top flowing down through management and on to the employees. Good leaders set the morale of their company and spread that positive morale and good ethical standards to all employees in the company. A hotel cannot survive with just an owner and a general manager. The backbone of a hotel is its employees these people generally respond in manners that resemble their management. Therefore, strong and stable management would lead to the same among employees.

As H. Norman Schwartzkopf, retired U.S. Army General once stated: "*I have seen competent leaders who stood in front of a platoon and all they saw was a platoon. But great leaders stand in front of a platoon and see it as 44 individuals, each of whom has aspirations, each of whom wants to live, each of whom wants to do good.*" (Crim & Seijts, 2006)

"A new global employee engagement study shows that companies with highly engaged employees demonstrate significantly stronger bottom-line results over a 12-month period than

companies with low employee engagement scores. The study – conducted by ISR, a leading global employee research and consulting firm – examined surveys of more than 664,000 employees from around the world and analyzed three traditional financial performance measures over a 12-month period, including operating income, net income and earnings per share (EPS)." (Anonymous, 2006) The study goes on to talk in numbers about how much more successful companies with highly engaged employees are than companies with low engaged employees. The operating income over the study period resulted in high engagement companies improving by 19% while low engagement companies had an almost 33% decline! Another shocking fact from the study was that companies with highly engaged employees had a 13% improvement in net income growth over a one year period compared to a 4% decline over the same time period by companies with employees who are not highly engaged. The case study closed with a quote from Patrick Kulesa, ISR global research director, *"Our research continues to show that a well-substantiated relationship exists between employee engagement – the extent to which employees are committed, believe in the values of the company, feel pride in working for their employer and are motivated to go the extra mile – and business results,"* said Patrick Kulesa, ISR global research director. *"This data reaffirms the remarkable ability of an engaged workforce to impact a company's bottom line."*(Anonymous, 2006)

Conclusion

These readings all seem to offer the same basic recommendations. That advice, based on experiences the investigators have observed concludes that employee engagement affects the bottom line profit of a company. Employee engagement requires leadership with a vision. Vision leads to the start to a successful hotel or restaurant business. Each of these articles also argues the importance of employee engagement to customer satisfaction. In effect, the argument is made clearly that: 1) customers respond to good service, a positive attitude and obvious continuous improvements, 2) employees are able to deliver what the guests need if their management and ownership team has encouraged and taught them to do so, and 3) without great visionary leadership the whole operation will fail.

During difficult times like the lingering 2007- recession having engaged employees could be factor that determines whether a business succeeds or fails.

Part Three

Introduction

Part three of this professional paper provides interviews of three directors of operation at Hawkeye Hotels. Two of the three started with the company as general managers and moved up to director positions where they oversee multiple properties now. This section also has some comments made by CEO/President of Hawkeye Hotels.

Interviews

Three current directors of operation at Hawkeye Hotels were interviewed for this professional paper. For the purpose of this paper and to keep their identity and opinions confidential, they will be addressed as Director A, Director B and Director C.

Director A has been with Hawkeye Hotels for 3.5 years. This director is 37 years old and has 2 children. Director A started out with the company as general manager of the Fairfield Inn & Suites in Burlington, IA. This director now oversees 1 Holiday Inn Express, 2 Fairfield Inns and 1 Hampton Inn. Their salary range is from $45,000-$55,000.

Director B has been with Hawkeye Hotels for 3.5 years. This director is 29 years old and has 2 children with a third on the way. Director B started out with the company as general manager of the Hampton Inn & Suites in Davenport, IA. This director now oversees 4 Hampton Inns, 1 Fairfield Inn & Suites, 1 Red Roof Inn, 1 La Quinta and 1 Motel 6. Their salary range is from $45,000-$55,000.

Director C has been with Hawkeye Hotels only 6 months. This director is 34 years old and has 1 child. Director C came into this company as a Director of Operations. This director oversees 1 Wingate Inn, 1 Candlewood Suites, 1 Comfort Suites, 2 Quality Inns, 2 Super 8s, 1 Country Inn & Suites, 1 Hampton Inn, 3 Fairfield Inns and 1 Courtyard. Their salary range is from $55,000-$65,000.

1. Why did you decide to move to Iowa when you could be working in a more metropolitan area for a bigger property making more money?

Director A	Came to Iowa because spouse has 2 kids here and wanted to be closer.
Director B	IA wasn't on radar. Liked Midwest, not too big or too small and close to big cities like Chicago, St. Louis and Minneapolis.
Director C	Single parent, wanted to be closer to child's grandparents.

2. What attracted you to Hawkeye Hotels?

Director A	Liked the idea of a family-owned company, the executives were very personable.
Director B	Liked that it is family-owned and not a large hotel company. Large hotel companies don't care about employees, it's "numbers or nothing."
Director C	Growing company and could gain experience with Hilton and Marriott while opening new hotels for first time in career.

3. Do you feel as though you are appreciated by your superiors at Hawkeye Hotels?

Director A	Yes, absolutely.
Director B	Yes, I am appreciated, respected and trusted with their hotels.
Director C	Yes although it is showed differently than in other companies.

4. Do you feel as though you are compensated appropriately for the amount of time you spend performing your job?

Director A	No, not at all. I took a $25,000 pay cut when I came to Hawkeye Hotels.
Director B	Yes and no. Money isn't everything. Likes job security and the fact that if a mistake is made, things will be okay and will not be fired.
Director C	No.

5. What are some of the things you would like to see change about Hawkeye Hotels salary compensation package or your job in particular?

Director A	Benefits Package, currently not even 401K. More vacation time.
Director B	Benefits, benefits, benefits. Health Insurance , more vacation time and cell phones for all GMS, not just certain ones.
Director C	Take an educated approach to where they are in the marketplace. Who are their competitors and what benefits are they offering? It would be

	nice to have benefits offered and taken directly out of paycheck.

6. What would you say to a potential candidate for a management position at a Hawkeye Hotels property to persuade them to join the company?

Director A	Hawkeye Hotels has a great work ethic, philosophy and passion. Not as structured as large companies and great room to grow.
Director B	Huge opportunity for growth, company believes in hiring from within. Family run company, always a ton of support.
Director C	Close-knit values, good work ethic, everyone is open and honest. Bills are paid on time and there is a lot of integrity within the company.

7. Do you have any additional comments or remarks that you'd like to share about your position or the company in general?

Director A	There's a lot of potential to grow and there's no fighting to get to the top or above and beyond.
Director B	Few companies are still growing in this economy. Hawkeye Hotels is a smaller company yet has purchased 3 hotels and built 4 in the past 10 months.
Director C	Hiring is a give and take relationship. Turnover is too high and Hawkeye Hotels needs to do their homework and check references better when hiring managers.

Bob Patel, CEO/President of Hawkeye Hotels, Iowa tells all of his general managers and directors of operation that they are not just managers of his hotels. He tells them that they need to have the attitude of an owner and he gives them the confidence and authority to act as owners of his properties. This lets the directors and managers experience the hotel business not only from an operational point of view but also from that of an owner/investor. Having strong leaders in the management team makes it easier to hire and keep engaged employees in a hotel.

Conclusion

Hawkeye Hotels is a successful Midwestern United States company. The company is growing through both acquisitions and new construction. The Directors are happy with the performance of the company. Leadership in the company appears to be both strong and visionary. Management enjoys working for Hawkeye and feels a strong attachment to the family environment the company portrays. However, there are problems. All three directors of operation interviewed for this study pointed out the same problems, primarily low pay and lack of adequate benefits. According to those interviewed, these problems lead to unwanted turnover among both managers and employees, which costs the company money and results in reduced service to customers.

Three directors of operation in the company offered information that contains common threads. All three of them like the fact that Hawkeye Hotels is a family run company which gives employees a huge opportunity for growth. All three directors complained about their salaries and don't feel as though they are compensated fairly for the amount of work put into the job. All three directors emphasized the importance of benefits, particularly health insurance. This has been an issue that has come up for years within the company and as one director stated, the leadership at Hawkeye Hotels needs to decide where they fit in the market place. They need to determine who their competitors are and see what kind of salaries and benefits they are offering potential candidates. This director also noted that they have lost several very qualified candidates that they loved due to the lower salaries and lack of benefits. Another director mentioned the need for company cell phones for all people in management positions, not just certain people.

Overall, it seems as though Hawkeye Hotels is a rapidly growing company in a tough economy where larger hotel companies are managing what they have and definitely not growing.

Some competitors are even selling off properties. All of the directors interviewed were happy with the company and spoke very highly of the leadership at Hawkeye Hotels. They all have a strong want for a benefits package and feel like this could help the company attract more quality potential candidates.

Studies on engaged employees show that profits increase in properties where employees try harder and work toward a common goal. It seems likely that employees become engaged when more satisfied. Therefore, worker (manager and employee) satisfaction leads to engagement and this leads to profits.

Recommendations

This is a small study of one company in the Midwest. While there is evidence from this company to suggest that higher employee engagement might lead to more profits and less turnover, the study is very limited. In order to generalize as to whether engagement in this type of hotel company would lead to higher profits, others need to examine a larger sample of hotels, from more diverse geographic locations. This is beyond the scope of this paper.

A second recommendation is to Hawkeye Hotels. The recommendation is to re-evaluate the salary scales for all general managers at Hawkeye Hotels properties and make sure they are adequately compensated. This should also be done for all employees of the company. The company should investigate opportunities for purchasing benefits for employees and managers. It appears that this, too, would lead to higher employee and manager satisfaction. Ultimately, this satisfaction would translate into high bottom line profits.

References

Allen, J. (August, 2008). A positive culture attracts the right kind of employees. *Houston Business Journal*.

Ambler, G. (2007). *The ten C's of employee engagement*. The Practice of Leadership. Retrieved from www.thepracticeofleadership.net

Anonymous. (2008). How investing in intangibles-like employee satisfaction-translates into financial returns. Knowledge@Wharton. Retrieved from www.knowledge.wharton.upenn.edu

Anonymous. (2006). *The bottom line benefits from engaged workforce, study confirms*. Internal Comms Hub. Retrieved from www.theinternalcommshub.com

Attridge, M. (2009). Measuring and Managing Employee Work Engagement: A Review of the Research and Business Literature. *Journal of Workplace Behavioral Health*.

Bitner, M., Gremler, D., & Zeithaml, V. (2009). *Services marketing-integrating customer focus across the firm*. New York, NY: McGraw-Hill Irwin.

Bowen, J., Kottler, P., & Makens, J. (2006), *Marketing for hospitality and tourism*. Upper Saddle River, NJ: Pearson Education, Inc.

Cran, C. Employee Retention Strategy: How to Attract and Retain Top Performers. *The Sideroad*.

Crim, D., & Seijts, G. (2006). *What engages employees the most or, the ten C's of employee engagement*. London, Ontario: Ivey Business Journal.

Frauenheim, E. (2010). The Manager Question. *Workforce Management.89* (4).

Garlick, R. (April, 2004). Stand by your brand: promoting strong image attracts and retains employees and customers. *Nations Restaurant News*.

Martin, J. & Schmidt C. (2010). How to Keep Your Top Talent. *Harvard Business Review*. *88*(5).

Morse, J. (2004). *The Merriam-Webster dictionary*. Springfield, MA: Merriam-Webster, Inc.

Perkins, B. (2009, March). What causes employee turnover? *HR Brainbank*. Retrieved from www.resources.hrbrainbank.com

Sonnett, B. & Zerbarini, S. (2001, January). Attracting and retaining top talent in a tight labor market. *Tampa Bay Magazine*, 177.

Stott, P. (2010, September). What Employees Want. *Vault*.

Todor, W. (2006). *Engaged employee-capturing the full potential*. Retrieved from http://engagedemployee.com/

Woods, R. (2006). *Managing hospitality human resources*. Lansing, MI: American Hotel & Lodging Educational Institute.