Sales motivation & morale during extreme times of change

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SALES MOTIVATION & MORALE DURING EXTREME TIMES OF CHANGE

by

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ABSTRACT

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by

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According to the National Bureau of Economic Research, the United States entered a recession in December 2007. (Woodworth, 2010). The hospitality industry has been hit extremely hard by this economic downturn. With clients cutting costs, there is less business to be had by the same, and in many cases, a growing number of hotels. At the same time, hotels are forced to cut costs in any number of ways to remain viable. This may mean scaling back services, staffing reductions and cuts in employee benefits. However, there is a point where a company simply cannot cut anymore without doing more harm than good. Once cuts start to affect the service provided to the guest they can actually cause a decrease in revenues rather than help the business be profitable. Ultimately, at some point, cost cuts and operational streamlining is just not enough and a hospitality organization must find a way to drive additional revenue.

The sales department is the natural place to start since this department is a profit center with a direct impact on revenues. So how does a company drive the sales team to produce in an environment, which in its very nature, is one where there is less business to be had? Motivation is the key. Much has been written about motivation in the workplace and sales motivation in particular, but little about the hospitality industry, specifically hotels. And even less about motivating in extreme environments or times of economic stress. The current state of our economy and the effect it has had on the hospitality industry exemplifies how important it is to take the study of sales motivation to the next level.

Through several case studies of hotel companies weathering the current economic environment, this paper will seek to discover the best practices of motivating a hotel sales team in difficult circumstances. The study examines what strategies property owners,
management companies and brands are taking to motivate their sales teams and ultimately drive revenues. Specific areas of concentration are sales organization structure, target markets, compensation, benefits, sales process and new tactics implemented as a result of the economic environment.

PART TWO – Literature Review

PART TWO

To thoroughly examine what it takes to drive the sales team to produce in times of difficulty one must first understand the very basic theories of motivation and how they relate specifically to employee engagement, production and ultimately organization success. Numerous individuals have developed theories on what motivates human beings. Probably the most commonly known and studied theories of motivation are those developed by Maslow, Herzberg and Vroom.

*Maslow’s Hierarchy of Needs*

Probably the most widely known theory is a needs based theory developed by Abraham Maslow. In 1943, Maslow published his motivational theory which centered on a hierarchal scale of five categories of basic needs. These are psychological, safety, love, esteem and self actualization with psychological needs being the lowest and most basic level and self actualization being the highest level. According the Maslow, before an
individual can satisfy a higher level need they just first satisfy the more basic needs from levels below. (Maslow, 1943).

Two-Factor Theory

Frederick Herzberg first developed his Two Factor theory on motivation during the 50’s and 60’s. This theory is also referred to as the “Hygiene-Motivation Theory” and “The Dual Structure Theory”. (Wikipedia, 2010). Herzberg sought to explore what motivates employees to perform. Through interviews with over 200 professional employees, Herzberg found that two factors affected motivation in the workplace. One set of factors resulted in dissatisfaction if they were absence or available in short supply and were extrinsic to the job itself, related to the environment in which the job look place. These are the “hygiene” or “maintenance” factors. The second set of factors related to the content of the job itself and led to satisfaction if present. Herzberg terms these the “Motivators” or “Growth Factors”. (ExamsTutor.com, n.d.).

Herzberg argues that both his original and corresponding studies suggest that the factors that produce an engaged, motivated employee are very different from the factors that simply prevent job dissatisfaction. In other words, what motivates employees is not the same as what de-motivators them but both factors are critical. Good hygiene factors, such as salary, job security, and relationships with co-workers and supervisor, while important, result only in an employee that is not dissatisfied and has average performance. In order to create on highly satisfied, high performing employee motivators such as recognition, opportunity for advancement, and growth must be present. (Herzberg, 2003).
Expectancy Theory

Victor H. Vroom, a professor at the Yale School of Management, proposed the Expectancy Theory of motivation in 1969. The essence of this motivational theory is that people are motivated by their expectations of the outcome of each of their actions. Under this theory, there are three variables that determine the level of motivation an individual will have: 1. Force, the effort they will put into a particular course of action, 2. Valence, the appeal, or lack thereof, of the course of action and 3. Expectancy, the perceived probably that a certain outcome will be achieved by a particular course of action. (ExamTutor.com, n.d.).

Impact of Employee Motivation

Limitless books and articles have been written about employee motivation, engagement and organizational morale, many of which reference the motivational theories above. It is a topic discussed in almost every piece of management literature printed. So why is this topic so prevalent? The overwhelming consensus is that an employee who is happy, motivated and engaged in the organization will provide the customer with better service. Indeed, numerous studies have shown the correlation between employee job satisfaction, organization culture and morale and their overall affect on the quality of service given to the guest and/or the resulting guest perception of the level of service they received.

The hospitality industry is one defined by service and customer satisfaction. The higher a customer’s level of satisfaction with their experience, the more loyal they are to
an organization, producing more revenue. In addition, there is a great deal less cost associated with keeping a loyal customer than there is with continuously finding new customers resulting in higher profit margins. And like any business, a hospitality organization exists to make a profit.

An organization might not be able to ask every single customer what how they define good customer service and be able to carry through on each of these individual expectations, however, it can focus on the factors that positively affect a customer’s perception of the service received. A customer’s perception of organizational service quality is defined through five specific dimensions: reliability, responsiveness, assurance, empathy and tangibles (Performance Research Associates, 2006). Each employee that comes in contact with the customer impacts one or more of these five service dimensions in some way, thereby affecting the customer perception of service quality.

Managing Knock Your Socks Off Service is a piece of literature designed about eight service imperatives, the first of which is to hire and keep quality employees. Just as important as hiring the right service employee is retention. Too often companies focus on the rehiring, training and cost of replacing a front-line employee and overlook potentially the most important cost of turnover: the impact on customer perceptions of quality service. This impact is illustrated by a Marriott Hotels study in the Harvard Business review that found a correlation between a ten percent decrease in turnover and a one to three percent decrease in lost customers, resulting in a fifty to one hundred million dollar increase in revenue. The authors attribute this to the reliability service dimension, a customer’s desire for consistency of service. To keep a good employee the organization
needs to celebrate them through reward, development and recognition. (Bell, Zemke and Zielinski, 2007)

Part of service imperative two, “Know Your Customers Intimately”, is the key point of “the binding power of trust.” Trust is part of the assurance service dimension. It is the customers’ faith that the organization cares about them, has a genuine concern for their happiness and satisfaction and will make good on its promises. Loyalty results from a customer’s trust in an organization and loyal guests are the backbone of a profitable organization. An organization’s front-line employees play a key role in building customer trust. Employee retention is a part of it because the customer has built a relationship with the employee, developing a personal bond that strengthens their overall feeling of trust in the organization. Another important part of trust is service recovery. How the organization handles service recovery can make or break the customer’s trust in the company. The desire of the front-line employee to make it right for the customer is paramount here, illustrating the importance of a strong service culture and engaged employees. (Bell, Zemke and Zielinski, 2007)

Just as trust is important to the hotel-customer relationship, so it is vitally important in the hotel-employee relationship

In the book, The Essential Guide to Employee Engagement: Better Business Performance Through Staff Satisfaction, responsiveness, empathy and assurance are the most important service quality dimensions affecting the customer’s perception of the organization. The author states, “…employees’ willingness to help and provide responsive and prompt service, the empathy they demonstrate towards customers by showing a personal interest and the trust and confidence that they generate” are key
behaviors within the service encounter to build guest satisfaction and ultimately guest loyalty. This is used to illustrate the importance of an employee engagement program. (Cook, 2008).

Cook writes: “Employee engagement is personified by the passion and energy employees have to give of their best to the organization to serve the customer. It is all about the willingness and ability of employees to give sustained discretionary effort to help their organization succeed…is characterized by employees being committed to the organization, believing in what it stands for and being prepared to go above and beyond what is expected of them to deliver outstanding service to the customer. Engaged employees feel inspired by their work, they are customer focused in their approach, they care about the future of the company and are prepared to invest their own effort to see that the organization succeeds”. Cook says that measurement of engagement is the degree to which an employee performs that job in a “positive and proactive manner”. (Cook, 2008)

In a study of service workers in a chain of 25 casual dining restaurants, Susskind, Kacmar and Borchgrevink found that there is a clear connection between employee job satisfaction and guest satisfaction. Factors that influence the success of a service encounter can be defined in mainly three categories: Guest Variables (demographics, behavior, mood, and attitude), Service Provider Variables (demographics, behavior, mood, and attitude) and Contextual Variables (organizational structures, coworkers, leadership). In many ways these three variables are interwoven with one affecting the other in a chain reaction. For example, a co-worker (contextual variable) makes a comment in the daily stand up that angers an employee and puts them in a bad mood
(service provider variable). As a result the employee, is frowning at the front desk and a little short with the guest at check-in, which makes the guest feel unwelcome and out of sorts. Later in the restaurant, when the is a small delay for a table, the guest who already feels unimportant due to the check-in experience (guest variable) makes a scene at the hostess stand. As you can imagine, the ripple effect can continue to spread and spread until some action takes place to otherwise control it. As the example above illustrates, there is a significant link between the employees’ commitment to the guest and the guests' perception of the overall service quality of the organization. (Susskind, Kacmar, Borchgrevink, 2007).

In 2008, a study was conducted by Associate Professor Michael Sturman and Assistant Professor Sean Way of Cornell University to examine the relationship between food and beverage employee job satisfaction, service climate and the employees’ performance. Since a customer’s overall perception of an organization’s service level is affected by numerous employee’s throughout the total service experience, the study particularly sought to focus on performance and satisfaction within work groups rather than just on individuals.

Through a three-page survey of forty properties within an Asian hotel chain, 563 Food and Beverage Managers within a total of 92 groups were asked to rank their group’s service climate, their individual and group’s job satisfaction levels and their individual task performance. Responses from each manager on the group questions were then averaged to created an overall group response. In addition, each of the groups’ direct supervisors were surveyed about the group’s actual job performance. The study found that managers with high job satisfaction ranked themselves as better performing
employees however, this did not necessarily match with actual performance as ranked by supervisors. From the data, the researchers concluded that job satisfaction does not play a significant role in performance and that the service climate of the organization is what affects performance in a significant. (Sturman and Way, 2008).

While some may see the results of this study as proof that the commonly held belief that employee job satisfaction has a significant impact on customer service is inaccurate, that is not the case. First of all the study findings are that service climate as the greatest impact on performance. In other words, it is the overall culture and focus on the guest with the operation that has a significant impact. This was also illustrated in the previously reviewed study conducted by Sussking, Kacmar and Borchgrevink, where culture was shown as a contextual variable that affects the service experience. (Susskind, Kacmar, Borchgrevink, 2007). The study focuses on job satisfaction and job performance and in no way measures actual customer satisfaction. Job performance is rates only on supervisor evaluation which can be very different from actual customer perceptions. A way to expand on the study and take it to the next level so that direct relationship between job satisfaction and customer satisfaction could be examined would be to gather customer satisfaction data on each individual and work groups to be used in comparison to the individual and group job satisfaction and service climate results.

There are several other areas of opportunity that this study has to be improved upon. Individual performance was a self-measure only so some bias certainly plays in. In addition, while conclusions were drawn from comparisons between individual job performance and supervisor job performance evaluations, individual evaluations focused on individual performance whereas supervisor evaluations focused only on the overall
group performance not that of each manager so it is not really comparing apples to apples. (Sturman and Way, 2008).

This study also surveys only food and beverage manager’s and not line several employees. As the study by Canina, Enz and Walsh illustrates, it is the front-line service worker that was the most impact on the organization’s bottom line. (Canina, Enz, Walsh, 2006). Therefore, this study may be better served to survey wait staff, hostesses and bartenders instead of or in addition to the managers and other line employees within the work group to get the best and most accurate results.

The resounding message from these pieces of literature review is that a happy employee who is not only satisfied with their job but is thoroughly engaged in the organization focuses more on the customer and providing exceptional service. This positively affects the customers’ perceptions of the organization which in turn has a positive impact on the organizations financials.

Studies like the one on intellectual capital done by Canina, Enz and Walsh for the Center for Hospitality Research did attempt to illustrate this connection; however it focused on just the wage cost of human capital investment and only as part of a larger overall investment study. (Canina, Enz and Walsh, 2006). More studies need be conducted that measure the direct, revenue-generating correlation between investment in employee morale, engagement and motivation and the organization’s bottom line. These studies could measure not only wage investments but all the expenditure for training, team building, bonus programs and incentive trips as well as other creative practices.

From each of these studies, articles and theories we can conclude that basic or hygiene factors (Herzberg, 2003), just are job security, salary and the job environment
are important building blocks for the job satisfaction and motivation of employees. However, they are not the distinguishing element. Like baking a dessert, the flour is an essential part of the recipe but it is not what gives the dessert its flavor. It is the higher level factors, coming later in the recipe, like recognition, growth and opportunity for advancement that keep an individual motivated to work hard and earn a second helping. And all too often it is these flavor-generating ingredients that disappear first in times of difficulty and hardship.
PART THREE – Case Studies

Motivational theories and their practical applications are best understood through the use of real world examples. The following case studies illustrate how sales motivation was affected in both an ownership group of independent hotels as well as a franchised single property hotel during the recent recession.

*The Kessler Collection*

The Kessler Collection is a portfolio of independent AAA Four Diamond boutique hotel properties situated throughout the country. These unique, one-of-a-kind hotels are concentrated primarily in the southeastern United States. The hotel collection was founded by Richard C. Kessler. (Kessler Collection, n.d.).

With the economic downturn, like many hotels, the Kessler Collection found themselves in precarious financial situation. The company had a total of four hotels under development, two of which were scheduled to open in 2009 that were just too far along to put on hold. Leisure travel was down and group cancellations and block reductions had increased dramatically. Every forecast brought sharp reductions in revenues.

Strong cost cuts were put into place last during the third quarter of 2008 to try and contain the bleeding. These cost containment measures included downsizing throughout the properties and the sales teams were not left unscathed. Most properties lost at least one sales manager in addition to support staff. The first quarter of 2009 found many members of the company’s sales teams “in the hole” with little to no hope of achieving
their goals due to a flood of cancellations. Sales confidence was low as was job security. (Claire Whitlock, personal interview, March 2009).

In August 2009, executives in the Kessler Collection’s corporate office announced their decision to make a radical change in their sales organization. Instead of keeping sales teams at each of their 12 properties, the company announced that sales would be reorganized into three regional sales offices, consolidating the total sales force of twenty individuals into sixteen, selling for all twelve hotel locations. With this move, property Directors of Sales were given severance packages, with a select few retaining positions within the company as regional sales managers.

In the excitement of the moment, the announcement of this change was made before all of the details were hammered out. It was a major time of transition and turmoil for the company and the sales team. Over a period of four weeks, sales professionals in the organization continued on in their property level rolls unsure as to whether or not they would have a job the next week. No one knew if they would be expected to move. And due to the loss of leadership the teams had no one to turn to for support and encouragement. This time was one of these least productive within the company from a sales prospective. Sales managers did the minimum to “keep off the radar screen” but didn’t have the focus to dig deep and actively prospect for business.

In early October 2009, the new sales territories were and incentive plan was rolled out to the sales team during a meeting in Savannah, GA. Kessler took a unique approach to the division of markets, placing two plus sales managers in most markets. Instead of giving one sales manager a specific territory, in nearly every major feeder market, territories were designed to effectively have two sales managers in each market thereby
creating competition within the market and sales team for the same business. This was
designed to create competition and as a result drive revenues. However, many within the
sales team were not happy with the result. (Claire Whitlock, Haley Batsel and Judy P.,
personal interviews, October 2009).

With the sales reorganization came the roll out of a new sales incentive program
designed to motivate the team to produce. The program was based solely on individual
production with no cap on earnings. In addition, sales managers did not have individual
sales goals. A minimum production of $200,000 per quarter for each individual was
established to qualify for bonus payment. When sales managers within the organization
were asked their thoughts on the new incentive plan there seemed to be cautious
optimism. A comment by one sales manager can best sum up the feelings of the team: “I
think there is great earning potential, based upon salary. However all sales managers
have the same goal and minimum threshold essentially making is slightly unfairly
distributed when taking into account divided and assigned territories”. (Haley Batsel,
personal interview, April 2010).

While excited about the potential of the new incentive plan, many members of the
sales team questioned how likely it was that they could achieve the lucrative payments
given the economic condition, their new territories (some of which was completely new
to the sales manager) and the competition with their colleagues within the territories. In
addition, some wondered if earned, what the likelihood was of actually receiving the
payouts. The perception was that Kessler did not have a very good track record in
regards to taking care of their sales team. In fact, at the end of 2008, Kessler had
announced that all 2009 bonuses would be accrued by not paid out until 2010. Then at
the beginning of 2009, the company changed their position on this again and said that bonuses would be paid out, however many payouts were delayed months despite a company policy that said payouts would be made within 30 days of the close of the quarter. This made many sales team members hesitate towards the likelihood of payouts under the new incentive plan and they adopted an “I’ll believe it when I see it” view of the plan. Some thought “why bust my butt in hopes of a big payout that may not ever actually happen?” (Personal interviews, October 2009).

In the case of the Kessler Collection, the Vroom Expectancy theory of motivation is supported. Perception played a key factor in the motivation of the sales team.

Sugar Land Marriott Town Square

The Sugar Land Marriott Town Square is a 300-room, full service Marriott franchise owned by the High Land Group and managed by Crestline Hotels and Resorts. This landmark property is located in a suburb of Houston, TX. It opened as a ground up build in the fall of 2003 and was immediately a “shining star” as the only full service hotel in a suburban county of Houston. Named Marriott Hotel Opening of the Year in 2003 and Crestline Hotels and Resorts Hotel of the Year in 2006, the hotel was the heart of growth in the area. (Interview with Kim Brooks, April 29, 2010).

The property has a highly decorated sales team of eight individuals. In 2005 and 2007, the team received Crestline Hotels and Resorts Sales Team of the Year. In addition, the property’s Director of Sales and Marketing was named the Crestline Hotels and Resorts Outstanding Sales Leader in 2005, 2006 and 2007.
The Sugar Land Marriott was dealt a one-two punch starting with the advent of Hurricane Ike in the September 2008. Currently ranked as the third costliest hurricane in United States history, damages from Ike were estimated to be $27 billion. (StormPulse, 2010). This devastating storm was followed by a swift economic collapse, occurring almost overnight in the Houston Area, which has a heavy concentration of oil and gas companies. By the end of the first quarter of 2009, three of the hotel’s to account meeting planners had been downsized and by the end of the year this number had grown to eleven. Prior to this collapse, team goals were in excess of three million dollars annually and team members consistently achieved 100% or greater of their individual goals prior yet in 2010 the property will be extremely lucky to hit three million in direct sales revenue.

With the economic downturn, this property experienced a paradigm shift. The greater Houston area as a market traditionally had an 80% transient business mix. And the Sugar Land Marriott followed this example. Despite having 26,000 square feet of meeting space with a main ballroom of 16,000 square feet, the business travel market was number one at this hotel, with catering serving as the number two market and group was a distant third. In fact, there was a 100 room limit to group per week and groups were often turned away in favor of business travel and event catering pieces of business. In 2009 and now 2010 the property has seen a complete role reversal with group business now their main source of business and growth.

This meant a lot of added pressure for the group sales managers, who in many cases were really starting from scratch building a group business base from the ground up. The team has a solid support structure in place. Since opening, the Director of Sales
and Marketing holds two large sales meetings per year, reintroducing each member of the
team to their individual role within the organization and rolling out the sales philosophy
of the property and their focus for the next six months. These meetings are designed to
give the team clear direction and a solid foundation. To help deal with the added stress of
the economic conditions and new pressures on the team, the team began an “Afternoon
Group Therapy” program where they gathered to support, console and encourage one
another on a daily basis.

Perhaps the most telling measure of success of motivational efforts throughout
this collapse of business is that the Sugar Land Marriott did not lose a single sales
manager and in fact, added someone in the Executive Meeting Manager role, handling
group and catering business of 78 individuals or less. Every sales manager interviewed
has a positive outlook on the property management, management company, ownership
and their future with the hotel.

Conclusions

Extreme times of change add additional pressures and new dimensions to sales
motivation. Both of the cases presented demonstrate these facts in a number of ways.

First of all, no matter how successful a sales person has been in the past, they can
quickly lose confidence and, like a balloon, need to be pumped up to keep them rising
high. This is exhibited in both of the cases presented. At the Sugar Land Marriott, the
team was extremely successful, both as individuals and as a team, winning awards and
recognition on a regular basis but even they needed a confidence boost and some time to
commiserate with their colleagues to help them manage the added pressure of completely
shifting focus and the heavy responsibility they felt for not only the management and ownership of the hotel but also for job security of every employee.

Motivation is not just about the high level needs and incentives to cater to them. Lower level needs like safety and security and trust and confidence in an organization are just as important. Fulfilling these needs keep the sales team from being unmotivated and help them to have positive perceptions of the organization and their role within it. With Kessler, the sales team became de-motivated by the uncertainly of their role within the changing sales organization. This resulted in a four week period that was one of the least productive for the company.

Communication is a big piece of the motivation puzzle. While poor communication may not motivate a team, it can certainly cause them to be unmotivated and make motivating them that much more difficult.

The makeup of each sales team is different. Sales manager’s often have big personalities. Just as there is not a one-size-fits-all sales team, there really is not a one-size-fits all motivational strategy. The key is to maintain sales confidence in the organization. The above case studies clearly demonstrate that when trust and confidence are negatively affected, effectiveness of motivational tactics diminishes.

Recommendations

The most important thing a hospitality organization can do to motivate a sales team during extreme circumstances and times of change is to build a strong foundation. Motivation is not simply something that a company should focus on when it is obvious that the sales team is not motivated or when the company has the money to spend on
motivation and team building practices, it is a constant process, ever ongoing. If a strong base of structure and support is in affect during the stable, successful times, a team can more easily transition and be motivated to do so during times of extreme change.

Be as open and honest as possible with the sales team. This will help retain trust in the leadership and the company. Once a sales team losses confidence in the organization the ability to motivate these individuals becomes increasingly difficult. Like Vroom said in his expectancy theory, motivation is a combination of the effort, appear and expectation of occurrence. Once this happens sales team are affected more by lower level needs (security, etc) which are factors that the hotel doesn’t necessarily control and as demonstrated by Herzberg really maintenance factors that keep the team from being unhappy but do not directly make them happy or truly motivated to push harder.
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