

# HUMAN RESOURCES POLICY MANAGEMENT

## 9.1 INTRODUCTION

In the third edition, this section on human resources (HR) became a different creature than it had been in previous editions. It used to be called “The Management and Processes of Human Resources” and included several how-to articles. I now believe the reader will be better served by contemplating broad strategic policy considerations.

Part of this shift in focus grew out of recent research that strongly suggests the future health of any organization will be based on human resources—that is, of course, if HR is called upon by top management for advice on legally and functionally delivering hotel services. A well-managed hotel HR department will be a competitive advantage.

Among observers and participants on the hotel management scene are those who compare human resources, formerly personnel management, to the weather: Everyone talks

about it, but no one does anything about it. This is a problem faced by a good many managers. If an HR department is to be effective in dealing with the people they recruit, hire, and train, they need a strategic view of the future and strategies to achieve that view.

It has been said we should be very interested in the future, for that is where we are going to spend the rest of our lives. It has also been said, “Predicting is difficult, especially about the future” (Berra, quoted in Woods, 1999). That was the premise of the lead article in this section of the third edition, by Bob Woods. Now a professor in the Harrah College of Hotel Administration at the University of Nevada, Las Vegas, Woods suggested that for this edition he convene a select panel of his colleagues at UNLV and, using a variation of a predictive model, discuss the future based on what these researchers and teachers



know about present and foreseeable trends. Their wide-ranging and instructive discussion of the future challenges to HR is presented in 9.2.

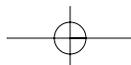
Perhaps the most insidious and pervasive human resource challenge the above-mentioned group addressed was turnover. For whatever reasons, lots of employees leave hotel companies, and whenever they do, it is expensive—not only to the hotel but also to the employees. That is why Riegel’s presentation of a conceptual model of turnover is an important inclusion here. This material updates research he and two colleagues did among foodservice employees, but the conceptual model holds equally well for hotel employees. It is included here because in many ways the strategic concepts of legal environment, HR professionalism, and management respect are avenues to control or reduce turnover.

In a series of guest lectures in my class at Washington State University, Jim Treadway, formerly president of Westin Hotels and Resorts—North America and currently president and CEO of MTM Management L.L.C., outlined how he sees the job of hotel general manager. Among the components of his “job description” is “to keep the owners out of jail,” by which he means the GM must manage the business without incurring legal trouble and must avoid all possible risk of liability. The essay by Murrmann and Becker on the legal environment discusses the realms of risk facing hotels and their human resources departments. Increasingly, hotels are finding themselves at legal risk for hiring “high-risk employees.” The most professional HR departments are aware of and prepared to ad-

vising their internal customers (department heads and the GM) how to employ the best people without running afoul of the ever-increasing regulatory and liability environment. See also the essay by Melissa Dallas in Section 5.

Reinforcing the importance of considering the HR function in a strategic light rather than an enabling one is the article included here by Tracey and Nathan. They argue that because human capital considerations are top-of-mind in research and trade publications, leadership still fails to consider HR when making strategic plans and that many firms are still mired in archaic policies and practices that threaten business activities in the business and regulatory environment. They argue their position cogently and with vigor; see if you agree with them.

There is no lack of research and commentary in hospitality publications, both academic and trade, that deal with human resources. Many of the articles and essays in this book could be and should be looked at with an eye toward their implications for the management of human resources in a hotel. Perhaps second only to marketing, human resources is the most written-about topic in not only the academic but also the trade press. Readers are encouraged to find publications that offer solid, practical, objective, and legally valid advice for aid in determining their individual model of how a human resources philosophy and its resultant practices should be designed. A good place to start is the list of suggested readings and references at the end of the chapter.



## 9.2 DRIVING HOSPITALITY INTO THE FUTURE<sup>1</sup>

Christian Hardigree, Ellis Norman, Gail Sammons, Vince Eade, William Werner, Robert H. Woods<sup>2</sup> and Cheri Young

It has been five years since the publication of “Predicting Is Difficult, Especially About the Future: The Future of Human Resources in Hospitality Management,” the journal article used in the third edition of this book (Woods, 1999). As Yogi Berra would say, since then, the future has changed. Indeed, the future has changed, and it is time to attempt to forecast it once again.

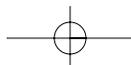
Time flies. Ten years ago, decoding the human genome was a pipe dream (Mack, 2005). Five years ago, terrorism was something that people outside the United States had to worry about. As Mack noted, “Imagine if you could have understood the potential for such monumental changes before they happened” (Mack, 2005). The value of predicting the future is evidenced by the fact that major corporations spend millions of dollars annually on studying the big picture, or macroenvironmental analysis, as most strategic planners call it. Futurists, those who predict the future, often call this a *six-sector analysis*, but it’s the same thing. A six-sector analysis uses trends and forecasts in technology, economics, environment, society, demography, and government to predict the future. One can easily imagine the changes that have occurred in these six sectors since 1999.

In this article, we use what might be called a seven-person analysis—that is, the insight of seven experienced professors from the University of Nevada—Las Vegas to predict the future. These seven professors have experi-

ence in a wide range of areas and were asked to lend their expertise to predicting the future of HR in the hospitality industry. What follows is an edited transcript of a lengthy discussion among these seven professors on this subject. We start with a discussion of the impact of unions in the hospitality HR future and range widely from there.

*Note:* This chapter has seven authors. Each is identified by name, and quotes are associated with each throughout. For instance, the first quote is from William (Bill) Werner, the second from Cheri Young, and so on. Topics are presented in random order.

**Werner:** One of the big issues human resources managers will have to think about in the future is whether health care is or is not a natural right of every employee. Recently there was a merger between the hotel employees union and the restaurant employees union. The resulting merger is a union of about 500,000 members. One of the big discussions between these unions has been about even trying to merge with more unions and to follow the current corporate pattern of merger and acquisition. Employers are going to have to find a way to find a middle ground with the union stance that employees pay nothing for health care benefits, no matter what other bargaining positions the unions might assume. Eventually, this is something with which every employer is going to have to come to terms. Health care among union workers has become an expected normal benefit of



employment, but the cost is rising so fast, basically out of control, and employers are going to have to come to terms with this.

**Young:** Only 8.2 percent of the private sector employees are unionized in the United States. Union membership has steadily declined from its peak decades ago and is at an all-time low. One question to ask of the future is whether this trend will continue. Mergers among unions may be able to counter that decline, or the decline in union membership may continue.

**Werner:** The political power of unions is the one thing that they still have to hang on to, and their political strength in Washington particularly really is the one thing that unions are still able to claim, despite their declining membership. Even if unions do not increase membership, they are likely to be able to hold on to what they have through amalgamation and mergers. The question is, will unions be able to turn declining membership into increasing membership? The only way to do this is through union organizing efforts. Therefore, we are likely to see more of such efforts in the future. Unions are not likely to continue to decline without a fight, and that fight comes through organizing efforts. This means human resources departments and managers are more likely to need to address union issues in the future than they have in many years. Because unions have steadily declined, many human resources managers may not ever have had to address this issue in the past. Since hospitality organizations (and hospitality human resources professionals) today have little experience with unions because they have not played a major role in recent years, they are likely to have to devote time and money to learning how to address such needs in the future.

**Eade:** In the 1940s, unions represented about 30 percent of the workers in the United States. According to the Bureau of Labor Statistics, today unions represent about 12–14 percent of workers in all industries.

**Norman:** According to statistics recently released, unions now represent only about 12.9 percent of the workers in the United States.

**Eade:** While unions have been declining, cooperation between unions and hospitality organizations may not be headed in the same direction. There might be more cooperation in the future. There is significant evidence of this here in Las Vegas, where one can find several models of training and development cooperation between organizations and unions. Such mutually beneficial developments might hinder the growth of union membership in the future, or it might result in more growth. At any rate, such cooperation might mean there are fewer, not more, union organizing efforts in the future.

**Werner:** These cooperative efforts are interesting. The largest hotel and restaurant workers' unions have recently noted that they actually have a dual agenda—that is, working cooperatively with organizations that are good to their employees and fighting like dogs with those which are not. In 2004, for instance, we saw the demise of the Golden Horseshoe hotel and casino in Las Vegas. This demise began with a culinary union strike 11 years ago over health benefits. The union kept up their efforts for 11 years! When unions are pushed to the wall, they will fight.

The interesting part about the mergers we are seeing, however, is that unions with different special skills are merging. In hospitality, we have seen the merger of a union with special skills in organizing with one that has special skills in striking employers.



To me, this means that unions are likely to start going after companies which have been traditionally non-union in the past.

**Young:** It is my understanding that at one time unions fought against open immigration laws because they believed that immigrants would take jobs from union workers. However, in recent years some unions have adopted a policy of welcoming immigrants. For instance, UNITE here in Las Vegas is largely made up of recently immigrated Latinos and Asians. The rapid population growth of these two ethnic groups would seem to indicate that some unions are likely to be able to exert more pressure on hospitality organizations in the future.

**Woods:** Much of the future on this topic might be attributed to the outcome of current political efforts to extend amnesty to illegal immigrants already in the United States. If this is done, are we not more likely to see an increase in hospitality industry union membership?

**Werner:** This does seem likely, doesn't it?

**Eade:** Many recent immigrants working in the hospitality industry have jobs in departments such as housekeeping in hotels. Because of this, some form of amnesty for illegal aliens certainly seems like it might affect how hospitality human resources managers work with employees in such departments.

It seems to me that one of the big issues in the future for hospitality unions will be outsourcing of jobs.

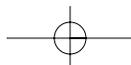
**Young:** Yes, I read recently where some California hotels were sending their laundry to Mexico, having it washed and shipped back, thus outsourcing jobs. When we think of outsourcing we typically think of this happening in manufacturing sector jobs, but this example indicates how it might happen in service industries as well.

**Norman:** There are already hotels that outsource all of their food and beverage operations, not to foreign countries but outside the organization nevertheless. This is a different type of outsourcing, but an important one to unions, as non-union companies are providing the food and beverage operations. This means a net loss in jobs for unions.

**Eade:** The point is that in the future these will be life-and-death issues for unions. We tend to look at issues such as this from the organizational viewpoint. From that perspective, such developments might be relatively small issues. However, for unions they are life-or-death issues.

**Werner:** The bottom line is that unions in the hospitality industry will be forced to attempt to increase membership. Some hospitality unions today have almost as many retirees as members as they have currently employed workers. Some unions seem to have taken the position today that they can get more new members by attempting to decrease the workload of employees. For example, would union efforts to reduce the workload of housekeepers from an average of 16 rooms cleaned daily to an average of 12 rooms lead to increased membership, or would attempting to maintain health care benefits for members be better for increasing membership? The unions deal with strategic issues such as this all of the time; they are always trying to predict what will be important in the future for their members. It may be that more immediately tangible efforts such as reducing workloads would lead to more new members than benefit extensions.

**Sammons:** An issue that concerns unions in the casino industry is the rapid and continuing development of casinos on Native American land. My understanding is that National



Labor Relations Laws do not apply to such locations because they are on Native American land. Interestingly, unions fought against Native American casinos because they believed that such organizations would take away union jobs. Now that this fight is lost and these casinos are growing rapidly, unions would like to be able to organize their workers. Politics breeds strange bedfellows, doesn't it?

**Hardigree:** Actually, some of the casinos that are being built on Native American land may have to adhere to NLRB (National Labor Relations Board) requirements. For instance, they do not if they are wholly owned tribal entities, but they do if they are a partnership with a gaming organization such as Harrah's or MGM.

Actually, I want to make sure that there's a difference between what laws apply to a wholly owned tribal entity versus a partnership with a Caesar's or a Harrah's or something like that. Because if there is that partnership, they do have a requirement to adhere to the NLRB. This also applies if the manager is employed by a non-Native American organization.

This is significant to unions because 5 of the 25 top-grossing casinos in the United States are tribal facilities, but some of them are partnerships with nontribal companies.

**Young:** This brings up a related issue because the human resources skills needed to manage in Native American casinos may be somewhat different than the HR skills needed in other sectors of the industry. Human resources professionals would have to understand the importance of tribal cultural and work ethic issues, for instance. These casinos are providing jobs to some Native Americans who have not worked in years, for instance. The HR challenges that might be

faced in such an environment are new for most managers.

**Hardigree:** Such issues are not limited to Native American casinos. For instance, I did some work on employee training in St. Croix, U.S. Virgin Islands. In the island culture, as many people know, time is not as important as it is here on the mainland. One of the training issues that I faced was training employees that they had to show up for work at a specific time. In some cases I found properties that were not opening on time simply because their workforce had not showed up yet. People unfamiliar with human resources in the islands will have to learn how to address such issues in the future.

**Woods:** The responsibility of human resources departments and managers to address the culture of their workforce seems to be a pervasive issue. This is as true in the United States today as it is in foreign countries. There are many hospitality properties in which the employees are predominantly from another culture and even speak another language. I remember a few years ago talking to a general manager from a hotel in Toronto who said that there were 60 different languages spoken by employees in his hotel. This is certainly a problem that hospitality companies did not have to address 20 years ago.

**Norman:** I agree, we sometimes forget to think about the impact of subcultures here in the United States. Some employees from other cultures do things a certain way before they eat and before they work and they don't show up when you want them to for various reasons. A question for human resources in the future is whether or not the organization can prescribe strict rules and absolutes as they have in the past. First you have to understand the way things work within the subculture, then you can attempt to effect policies that



apply. This means that human resources will become more complicated in the future. This becomes an issue of addressing the diversity of all employees, not simply those who are obviously from another country. In the past employers have been able to say simply, “This is the rule for everyone.” In the future this may not be so easy to do, as it has become incumbent on organizations to think about the individual diversity of its employees, too.

**Hardigree:** This is the issue in many “English-only” cases. English-only refers to organizations that prohibit employees from speaking their native language while at work. To managers this might seem logical—that is, employees speaking a different language might be threatening simply because you don’t know what they are talking about. Whether or not the same rules will be applied for everyone in such cases might lead to significant HR issues in the future as well.

**Woods:** I recently read an article from a futurist who believes that the clash of cultures in organizations—that is, the clash between the cultures of so-called native (or American) employees and managers and foreign cultures—could easily destabilize organizations in the future.

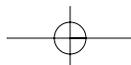
**Young:** It seems obvious that, in the future, hospitality managers will certainly need to be more culturally sensitive and flexible than they have in the past. Hospitality organizations will be challenged to get the most out of their human capital but within the parameters of the cultural values of their employees. This brings up some interesting challenges. For instance, our notions about motivation are based on our model, the American model of motivation. Some might call this the white Anglo-Saxon motivation model because this is who it has applied to in the past. Much has been written about motivation with this set of

employees. However, in the future managers will also need to know how to motivate employees from culturally diverse backgrounds as well. This means that managers and HR professionals will need expertise in areas that they are not today prepared to deliver. This, of course, will mean training in these (and perhaps other) areas will become more important in the future. Whether this means hospitality organizations will have to spend more time and money on training in the future is not clear, but it certainly seems that is the case.

**Werner:** When I was in grade school, we used to hear a lot about America as the melting pot of the world. The American ideal then seemed to be that anyone could come to this country and start over. However, the significant thing about that phrase is that it meant that those people would be gradually melted into the mix and everyone would come out the same. We thought then about a “typical American.” There is much more appreciation today for diversity, and that has been a significant change in American society during my lifetime. Today there is more emphasis on diversity and less on assimilation through melting peoples together.

Corporate cultures appear to have emphasized the melting pot approach for many years. Everyone wanted to create a corporate culture and assimilate everyone into that one culture. Now we see the reverse of that at work. In the future we may see people believing that the best approach is to forget corporate culture. Instead we may see people thinking of corporations simply as legal entities without personality. If so, the emphasis then will be on employee personalities, not corporate personalities.

**Young:** I disagree on that because I think organizations do have a personality. We call it



corporate culture and it ends up being a social organization. There's a whole social system in there and how people relate and get their needs met and power and politics and you name it. Looking at culture as something you created as a corporate control mechanism might have been prevalent at one time but not today or in the future. I believe that we have finally acknowledged this as a myth, that we have finally come to realize that we actually do have all these subcultures in organizations. Today we should think not of a melting pot but of a soup or stew. Now we see all these identifiable pieces floating around in the stew. Now and in the future HR people will have to peer into that soup and figure out how to make things work for all the ingredients.

**Norman:** For instance, in Native American and Latino cultures, family is more important than it is in what has been known as the mainstream culture in the past. Family is the number-one priority in these and other cultures. Family is more important than work. The impact of this on work-based motivation practices in the future will be interesting to see. In the traditional theory of motivation we have understood that certain practices by employers will lead to improved work performance by employees. This is not necessarily true for all cultures.

**Young:** The same thing could be said about Generation X. Much has been written about the failure of Generation X to put work first in their lives. Quality of life appears to be more important to this group than to past generations. Quality of life is a priority over work in some cases. This group wants to believe that quality of life is more important than some work-related issues.

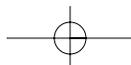
**Woods:** This all seems to tie together for HR in the future, doesn't it? Whether or not employees will be unionized might depend on

organizational approaches to diversity and cultural awareness, or even on how employees are motivated to work. It is a big challenge for HR.

**Norman:** What is interesting to me is that in some organizations training seems to focus on do's and don'ts pretty exclusively. Attempts to match the employee with the organizational culture are not as prevalent as trying to make employees behave in organizationally specific ways. For instance, I recently worked with an organization on casino card-dealer training. In this instance, the organization was spending quite a lot of time training dealers in technical skills that they will seldom use. For example, dealers are taught how to perform card tricks like fancy shuffling and things like that. They will never use these skills in most cases, but this is the emphasis in training. In comparison, orientation for these groups consists primarily of a discussion of what actions will get you fired. In effect, there is no effort to attempt to identify the person with the property and its values.

In the casino industry, most managers came up the old way, the "hard way," as they describe it. This means that they started as an employee, worked their way up to supervisor and then to manager. These people have good technical skills; that is likely why they were promoted. However, they may never have had any experience or training in interpersonal skills—that is, managing people. Yet, how the human capital of the organization will be managed and motivated will likely determine the company's future success. The HR department of the future will likely have to address more managerial training than it has in the past.

**Woods:** For several years we have been seeing and reading about the lack of employee and managerial loyalty in organiza-



tions. Most predictions are that people will bounce from company to company in the future. In the past, of course, managers and employees worked for one organization most of their lives. Predictions are that people will probably follow a pattern of working for one organization for five or six years, then moving on to another. In some cases these people will move from one industry to another, taking time off between the two to retrain. Since most current employees and managers produce at higher levels than new employees and managers, this becomes an issue of how to make work interesting enough for people to stay. Getting people not to quit then will become a focus of HR in the future.

I'm glad you brought up managers, Ellis. I think the human resources department of the future will spend more time on managerial human resource issues that aren't employee human resource issues because of the changing nature of the managerial workforce. All the predictions are, and we see this already, that people will not stay in the same job their entire career. They will probably follow a pattern of working five or six years in one organization, then may take a sabbatical for six months and retrain for another career or retrain for another year. So, I think what we'll see is more people moving from career to career—maybe not in the same industry—and that poses interesting problems for the human resources department.

**Hardigree:** And this might mean that HR personnel will be training older and older workers and managers in the future. It might become more common for HR people to have to know how to recruit, hire, and train employees and managers who are older in the future as a result. As these people bounce from career to career, they will need additional training at ages we are just not used to training.

**Woods:** When you combine this movement between jobs with retirement issues for baby boomers, the problem becomes exacerbated. The baby boom population is starting to retire now and will retire in greater numbers in the future. HR people will need to decide how to address that issue in the future as well. This means not only how to address retirement issues for managers and employees but also how to address replacing that worker. Will it lead to downsized organizations, which cannot find enough employees in the future, or will the employees simply change dramatically as we have discussed earlier—that is, will workers from other cultures predominate? It seems that organizations will have to make a decision about which direction to go and, either way, more training will be required. It could also lead to increased job design changes, too. Will we change how work is done to accomplish it with fewer people, or will we simply employ a different type of worker?

**Young:** I know of one 82-year-old cocktail server at a hotel. Think of the problems associated with working with this type of workforce when you are accustomed to working with a young workforce.

**Norman:** In the past, we read predictions about how baby boomers were going to have such a huge impact on leisure and hospitality industries, and we have certainly seen this. More and more people are taking advantage of leisure activities today than in the past, and this has certainly helped to increase revenues for hospitality companies. However, there are also indications that baby boomers will not necessarily opt to retire for many reasons, from personal to economic. One characteristic of the baby boomer population is the active lifestyle of its members. Some people are working out more, exercising more, and



working later into life. The rapid changes in medical care and life expectancy are affecting this too, of course. Some people simply work longer because they live longer.

**Woods:** This might certainly mean that eldercare issues will become more prevalent for HR, too. We think of eldercare today as how to address the issues of older citizens, but these people may also be employees. HR will have to deal not only with how to address the challenges employees face from taking care of both elderly parents and children, but also the issue of how to make work accessible and meaningful for a more elderly population.

**Hardigree:** HR already has to address the issue of younger workers who believe they are ready for management, or managers who want to move up but can't because the baby boom population is blocking their path. Baby boomers are not leaving these positions as quickly as predicted, and as the next generation is coming of age they feel they are entitled to move up—but those positions are not opening up. I think this also contributes to people moving back and going into different careers and reeducating themselves as they move. This also leads to disgruntled managers and employees, some of whom have come to think of older employees as roadblocks to their own careers.

**Young:** The impact of baby boomers on retirement issues is still four or five years away, but not long. What will happen when this population attains retirement age will certainly impact hospitality.

**Werner:** This issue of moving from job to job and career to career will depend on the rate of unemployment prevalent at the time. People who once enjoyed the opportunities associated with jumping from job to job and telling their employers to take this job and

shove it will be greatly influenced by the impact of unemployment issues. That approach is okay with low unemployment, but what happens with high unemployment? You can't jump from job to job as easily when unemployment is 10 to 12 percent.

In the future, HR people may need to adapt to their organization rather than vice versa. I think of this like coaching basketball. There are coaches who are very well known for their strategy, and they create a program and then they find people to put in it. Then there are other coaches that take whatever talent they have and make the most of it. I think that continues to be just different managerial skills and techniques. It will be interesting to see which type of manager, or coach, prevails in the future. One would think that those who can adapt will succeed more.

**Norman:** I recently read a book about going from good to best. According to this, the enemy of best is good. It reminded me of Steve Wynn, the casino icon in Las Vegas. You ask Steve Wynn if he's got a mission statement; he doesn't have one. What he does do is get the right people on the bus to begin with. His approach is to find the best possible people and go with that instead of attempting to force everyone into one mold.

**Young:** Some people see human capital as an asset worth investing in because they believe that the employee is capable of generating revenues in the future. One thing that organizations must surely do in the future is develop ways of accounting for the value or worth of employees on the balance sheet. Because people in organizations make indirect contributions, most companies do not do this today. The HR people have stomped their feet up and down and said nobody thinks that we're important, nobody thinks we're impor-



tant. The problem is that HR has not been able to equate human capital to dollars, so the people making decisions today in organizations cannot relate. HR people are finally figuring out that if they compute human capital in financial terms, they will get more. One mission of HR in the future is to learn how to do this better.

**Eade:** Work performance will be a more important term in the future. The human performance of people can make a difference in organizations, and HR is finally figuring that out. Organizations need a department of human performance that spends all of its time assessing performance and figuring out how to do things better. This is not just performance for the bottom line but performance for and by people.

Some organizations are doing this through training programs such as how to manage your household, or parenting skills, or how to plan retirement. It comes down to organizations showing that they care about employees. They have to show that they are attempting to improve performance in all areas, not just in the bottom line. These are likely the organizations that will attract and keep the best people in the future.

**Young:** Organizations need to assess and define the benefits of such programs. They need to answer the question of why they should train people in parenting skills, for instance. The answer is in empowerment. As people learn how to better manage their lives, they gain a sense of control over their environment, and that helps them to perform better. Hopefully these same employees will make the connection between what the organization is doing for them and commitment or loyalty to the organization.

**Eade:** It's either this or move to inde-

pendent contractor status with employees, and that seems worse. We seem to be moving toward the independent contractor type of relationship between organizations and employees.

**Woods:** I read recently that the half-life of an engineer's knowledge is now six months. This means that college freshmen will have to renew their knowledge base five or six times during their college careers. Just think how this might affect the workplace. I wonder how true this is for hospitality management education?

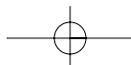
**Young:** Another issue for hospitality is how women are treated. Housekeeping is a female ghetto in many organizations. Let's get a woman to be the director of rooms or the CEO or the VP of finance.

**Norman:** In the 1980s, the executive housekeeper reported not to the GM or the executive committee but to a person three or four rungs below. We have made progress, but it's slow.

**Hardigree:** We still use lots of sexist terms in hospitality. We also have jobs reserved for one gender or another. For instance, we still use cocktail waitresses in most properties, and too often they are still hired on the basis of height and weight. Not everyone is five foot nine and 125 pounds, and hospitality needs to address that in the future. Many customers today want to see a diversity of employees in places they frequent, partially because they, too, are diverse. Customers like to see employees who look and act like they do.

**Christian:** From an Asian standpoint, am I discriminating against Asians because I require all my dancers to be five foot nine or taller?

**Young:** Now are there lawsuits coming up about this?



**Christian:** I've seen a few claims. I don't know if they've resulted in full-blown litigation. Cosmetic practices, such as use of terms like *cocktail models* to avoid the gender-specific term *waitress*, just do not do the trick.

**Werner:** The average hospitality discrimination case results in a judgment of only about \$7,500. As a result, many companies are not too concerned about this issue. Most customers believe that the awards are much higher. This is an example of a fundamental philosophy that needs to change in hospitality.

**Eade:** This issue of segmenting women for certain types of jobs, even specific shifts, needs to change to satisfy the customer base. For years companies got away with saying that women could be security guards, but not at night . . . and things like that. In fact, one case that did go to court resulted in a win by the company, which said they were only thinking about the safety of the female guard in question. Today we have female soldiers dying in war, and this has forced some companies to rethink their position on such issues.

**Hardigree:** In some cases, changes in this type of issue must wait for the courts to catch up. For instance, in one case a man with disabilities wanted to do a job that the company thought was too dangerous for him. He sued, and the company won. The court believed the company was only trying to protect the employee from himself.

I strongly believe that one of the changes we will see in the future is more acceptability of sexual orientation issues. Today, there are only about 12 states that protect employees based on sexual orientation. Some of these may actually repeal their laws on this issue, sensing that the public mood has changed. The public mood may or may not have changed, but what companies need to be

afraid of is using gender discrimination to bootstrap a sexual orientation claim.

**Young:** The whole issue of whether or not to extend benefits to gay partners really raises the larger issue of who should receive benefits. What do you do about two heterosexuals who have lived together for 15 years? Many people today are living together and having children outside marriage. They are going to start screaming for benefits as well, and this may be a significant issue in hospitality.

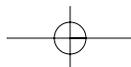
**Woods:** We may find that the more we disenfranchise people, the more viable they become as a political entity. I expect this to happen within hospitality due to the large number of gays and lesbians employed there.

**Sammons:** One of the cultural issues we are likely to deal with in the future is the growth of spirituality in the workplace. I don't mean just religious spirituality, but all kinds. As more and more people serve in overseas positions, they are likely to bring back new and different kinds of spirituality to their workplace.

**Woods:** I read the same thing in a futurist publication recently. Many futurists believe that organizations will be forced to address the spirituality of their employees soon.

**Sammons:** One issue I see being more important in the future is that of training. I mean who and what we train. Some companies are outsourcing training; others are keeping it inside their companies. Organizations will decide which approach they want to pursue. The objective for most companies will be how to acquire needed training at the lowest cost. Sometimes this can be done through third parties.

**Woods:** An issue for hospitality will be what happens to the HR department if you outsource some aspects. Does the department become more or less fundamental to the com-



pany, and, if it becomes less fundamental, who in the corporation will look after the rights and issues of employees that we have been talking about?

Would companies hire human capital agents, or would they simply ignore employees more than they do today?

**Sammons:** In some organizations, HR has been included on the executive committee and is respected as an important strategic partner in the company. Others see HR as functional only and not part of strategic development. Which method a company employs will likely have a major impact on how their employees view the relationship. Hence, it may drastically affect the performance of employees and companies.

**Hardigree:** I wonder what impact outsourced training may have in the future. Few employees view training programs as something that they want to do today; perhaps that is because of how the training is approached. What happens in the future when you have an outsider come in and attempt to conduct training sessions? My guess is that some employees will resent this and others simply won't care.

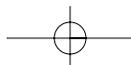
**Sammons:** Some outsourced training may be acceptable and other types may not be. For instance, we have outsourced food processing in hospitality for years. At one time, of course, most food processing occurred on site. Today we commonly see packaged products. Training in how to handle this type of product might be acceptable to employees because the processing is done outside, while training on other issues may not be acceptable. Sometimes the cutting edge of technology is outside the corporation, of course, and organizations need to take advantage of that. This occurred back in the 1980s when point-of-sale technology arrived in hospitality. Or-

ganizations learned that the training from outsiders didn't really stick with employees until they, themselves, understood the processes.

**Young:** What if we think about the outsourcing of the entire HR program? I don't think that's a fantasy; it could be a reality. It kind of follows along the lines that we don't see HR as strategically critical to the organization because HR hasn't been at the executive committee table for that long. What if hospitality companies outsource the entire HR department? I see that as being a bad thing because we know that human capital or human performance and the ability to get the most out of your employees is one of the only sustainable competitive advantages out there. If it's true that HR has a sustainable competitive advantage, then typically you're going to want to do it in-house because you do not want it replicated. Unfortunately, I don't believe many hospitality executives agree with us on this issue. While we see it as bad in the long term, they see it as good in the short run. They also can always bring HR back in-house. We can probably expect those companies on the top, the really great companies in our industry, to never outsource HR because they believe it is too important. Others will outsource.

**Sammons:** Outsourced HR has grown from a \$2.5 billion industry in 2002 to what is expected to be over \$15 billion in 2005. However, I agree that what we are likely to see are outsourcing of some processes, not whole HR departments.

**Young:** Some processes do not have strategic advantage. For instance, everyone does fire safety training, and it is pretty much the same in most companies. This type of HR training does not increase strategic advantage and could, and perhaps should, be outsourced



in the future so that HR departments can concentrate on more important issues.

**Sammons:** The issue is money. Outsourcing saves money. If it didn't, third-party companies would not exist.

**Werner:** I think the future of outsourcing can be anticipated. Ten years ago we didn't have this word in our vocabulary. Today we all use it.

**Eade:** However, we have always outsourced jobs. We called it *subcontracting* for many years, now *outsourcing*. It is the same thing. In the 1970s, many hospitality companies subcontracted many parts of their HR departments. Then they mostly brought the processes back in-house, so it's back to the future for hospitality.

**Young:** Hospitality owners today are expecting more. They expect every department to make money. Food and beverage was, at one time, viewed as a service, an amenity for guests. This is no longer true. Today every department has to make money or it will be outsourced or closed. Hotels learned a long time ago how to turn a food and beverage operation space into retail shops because they make more money. Mean, lean, and flexible, that's what owners expect today.

**Sammons:** How people are trained has an impact on outsourcing. In 2001, for example, using a lead instructor in a classroom-like environment completed 77 percent of training. Two years later this had dropped to 69 percent of training. We are replacing people-led training with Internet and computer training because it is more cost-effective. We may never see the day in hospitality where less than 50 percent of training is done through some means other than instructor-led, but it is likely to be close that percentage. It may well depend on the age of the employees and managers being trained. Some age groups are

more amenable to computerized and Internet training than others.

Another issue of interest to HR in the future might be how part-time workers are used. We now have on-call boards in most hospitality organizations for most revenue-producing positions. We are likely to see that expand to security issues because of the increased criminal and terrorist threat.

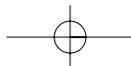
**Eade:** How to address the needs of part-timers and on-call personnel will be a big issue in the future, and we have not even talked about it. What do you do about those on-call steady extras working for you, building loyalty? The question for organizations will be how to keep them on board. This is only one of the many issues that may be important in the future.

## ► CONCLUSION

**S**ome people say the best way to predict the future is to look at the past. Others believe that paying attention to the past simply restricts one's thinking about the future. No one really knows.

"The future" does not spring on us all of a sudden. Instead, it takes its time and eases over us. Today's trends predict tomorrow's events. The problem is knowing which trends are important and will affect the future and which are not. One cannot track all trends, and even if you could, this would not necessarily help predict the future. Some trends become future events and some do not. Sometimes the trends are obvious and sometimes they are not. Thus, predicting is difficult, especially about the future. The past is easier to predict.

What we have done in this chapter is attempt to analyze the current trends and



events we see in hospitality human resources and use them to predict the future. We hope you enjoyed reading our thoughts on this sub-

ject. Remember, the past is history; the future is a mystery; today is a gift. That is why we call today the “present.”

## CHAPTER 9 ■ ENDNOTES

1. The title is based on a quote from Marshall McLuhan, “We drive into the future using only our rearview mirror.”
2. Corresponding author, Harrah College of Hotel Administration, UNLV.

### 9.3 THE CAUSES AND CONSEQUENCES OF TURNOVER IN THE HOSPITALITY INDUSTRY

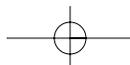
**Carl D. Riegel**

Turnover is and has been a pervasive problem for the hospitality industry. Substantial anecdotal evidence suggests that turnover rates can reach as high as 200 or 300 percent in rank-and-file positions, and management turnover, at least at the operations level, can approach 100 percent in some organizations. While the importance of turnover as a problem for our industry was somewhat obscured by the recession of the early and mid-1990s, it has moved to the forefront with the advent of unprecedented full employment.

A low unemployment rate presents a three-pronged challenge for the industry. First, the number of workers in traditional target markets for hospitality is decreasing. This is likely to remain this way for some years to come. Second, unless the industry can present opportunities for meaningful advancement in pay and responsibility, it will

continue to attract, in large measure, a transient workforce—that is, employees will view working in the industry as something to do while they prepare to do something else or while they wait for “something better” to come along. Unfortunately, at the time of this writing, “something better” can easily be found by talented people who are not happy working in the industry. Finally, despite unprecedented efforts to change its image, the industry is frequently perceived as the employer of last resort rather than the much-touted employer of choice. Although this perception is probably not deserved, it acts to make the current labor shortage much worse for the hospitality industry than for many other fields of employment.

For service industries like hospitality, turnover is a serious problem. It makes an existing workforce shortage worse, and in some



cases it can be argued that turnover is a symptom of an insidious organizational disease. More important, however, is that recent research has established a strong link between employee satisfaction and overall profitability. In this article we examine the concept of turnover in detail—what it is and why we should care. Next, we examine what many believe to be the causes of turnover, and we then turn our attention to emerging areas of concern about the real costs of employee turnover. Finally, we examine what some researchers believe will help stem excessive turnover.

## ▶ WHAT IS TURNOVER, AND WHY SHOULD WE BE CONCERNED?

In general, *turnover* refers to either voluntary or involuntary separation from organizations (Bluedorn, 1982). Involuntary separations (firings) can be a problem if they occur frequently, but the focus of this article is primarily on voluntary separation from organizations—that is, the process by which people quit their jobs.

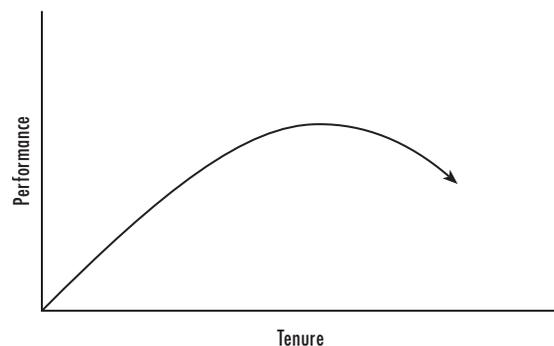
Historically, hospitality organizations have perceived turnover in two ways. First, many companies are concerned that turnover costs the organization money and, because of that, unacceptable levels should be avoided. Turnover costs money for a variety of reasons, including:

1. The actual costs related to separation
2. The cost of replacing employees, such as advertising, interviewing, and moving expenses
3. Learning curve inefficiencies by new employees

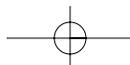
4. Costs associated with the temporary disruption of the work force
5. Nonquantifiable costs due to diminished image, customer loyalties to previous employees, and so forth

Some hospitality firms take the view that turnover is not necessarily undesirable because performance and longevity have an inverse U-shaped relationship. As Figure 9.1 suggests, performance increases over the short to the intermediate term but decreases or stagnates over the long term—that is, the longer employees stay, the less likely they are to demonstrate increases in performance. More importantly, the longer they stay, the more they cost in raises and increased benefits. Firms adopting this tenure/performance position are concerned primarily with the distribution of tenure throughout the organization and more likely to concentrate on *appropriate* rates of turnover rather than *reduced* rates of turnover. For many firms holding this philosophy, turnover control strategies may be viewed as not worth the effort when pay raises are combined with antic-

**Figure 9.1** Tenure/Performance Philosophy



Source: Adapted from Staw.



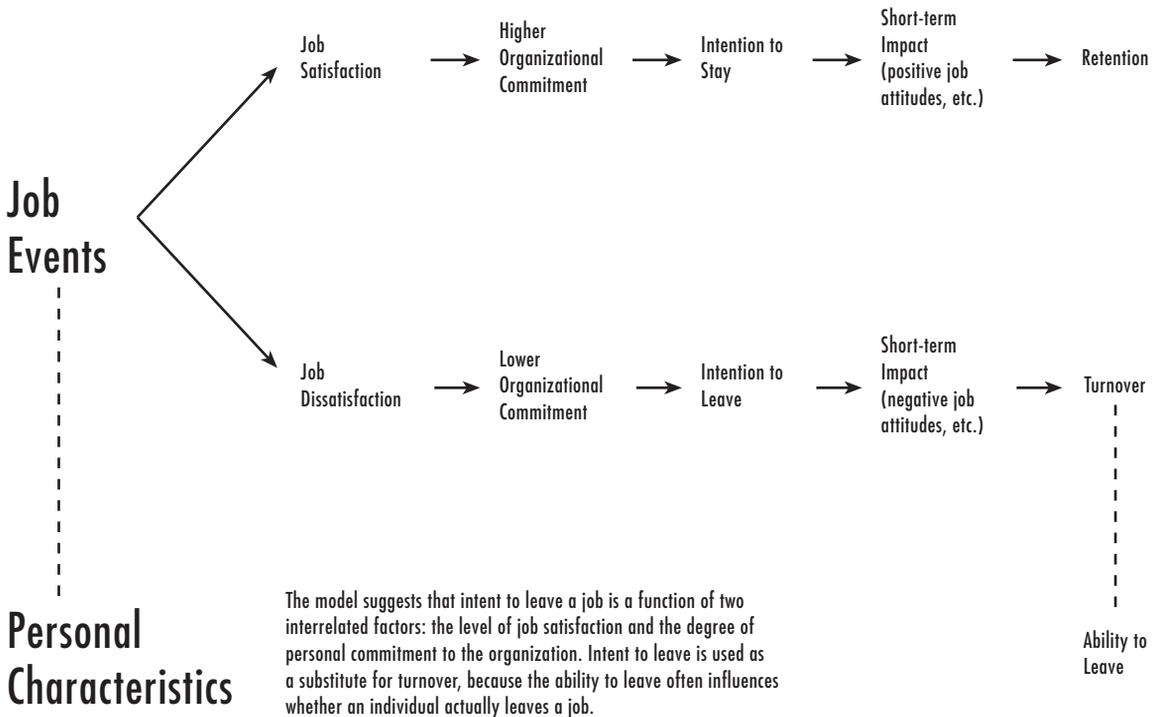
ipated future performance. The problem with both of these philosophies, as we show later in this article, is that they are limited. They view turnover as an event or phenomenon rather than a process. Thus, it is the event that managers must control rather than the process. A more expansive and probably a more effective approach does not focus on the turnover event per se; rather, it comes from a process perspective that views turnover as but one outcome of a sequential chain of events. Before we discuss this notion of phenomenon

versus process, let us turn our attention to the causes of turnover.

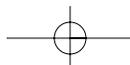
## ► THE CAUSES OF TURNOVER

Many researchers (March and Simon, 1958; Porter and Steers, 1973; Price, 1977; McFillin, Riegel, and Enz, 1986) believe that turnover occurs as a result of a complex series of

**Figure 9.2** Model of Turnover



Source: Adapted from McFillin, Riegel, and Enz, 1986.



factors that influence employee attitudes and eventually affect employee behavior. Models sometimes oversimplify the processes they represent; however, a model is useful to provide a reasonable approximation of reality and is, therefore, useful in assisting our understanding and predicting outcomes.

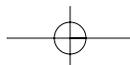
The model shown in Figure 9.2 uses “intent to leave” as a measure for actual departure. Intent to leave is a surrogate or stand-in measure; however, it has been well substantiated in previous research as a proxy for actual departure. As the model suggests, intent to remain in or leave an organization is a function of two related factors: the level of job satisfaction and the degree of an employee’s commitment to the organization. Job satisfaction is also influenced by individual personality traits and specific job events. If the level of job satisfaction is high, then the employee’s commitment to the organization tends to be strong and he or she will hold positive job attitudes and can be expected to stay on the job. On the other hand, if the level of job satisfaction is low, commitment decreases, job attitudes decline, and the employee, if given the opportunity, leaves the organization. This gives rise to new areas of concern.

## ► NEW AREAS OF CONCERN

**W**e previously explored two of the traditional philosophies that describe how hospitality organizations view turnover. While these philosophies point out reasons for organizations to control or reduce turnover, they offer a limited perspective of the potential damage excessive turnover can have. As we discussed earlier, a more comprehensive

model views turnover not as an isolated event but as a process. This process views turnover as a series of related events, and each of these events can have negative consequences for employees as well as for organizations. A closer look at Figure 9.2 demonstrates this. According to the diagram, turnover results from negative attitudes toward the organization and occurs only if an employee has the ability to leave. This means that he or she must have other job options, not need to work, or not care to work. If employees have limited or unacceptable options and do not have the ability to leave the organization, they may adopt other withdrawal behaviors such as complaining, absenteeism, poor performance, or unacceptable customer service behavior. This implies that turnover is only one choice of a variety of withdrawal behaviors available to disaffected employees, and disaffected employees can act out these behaviors either as isolated occurrences or as a set of behaviors. Furthermore, the individual choice of withdrawal behavior depends on a variety of other factors such as degree of unhappiness, perception of self-worth, and, most importantly, the ability to find acceptable alternative employment.

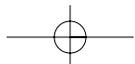
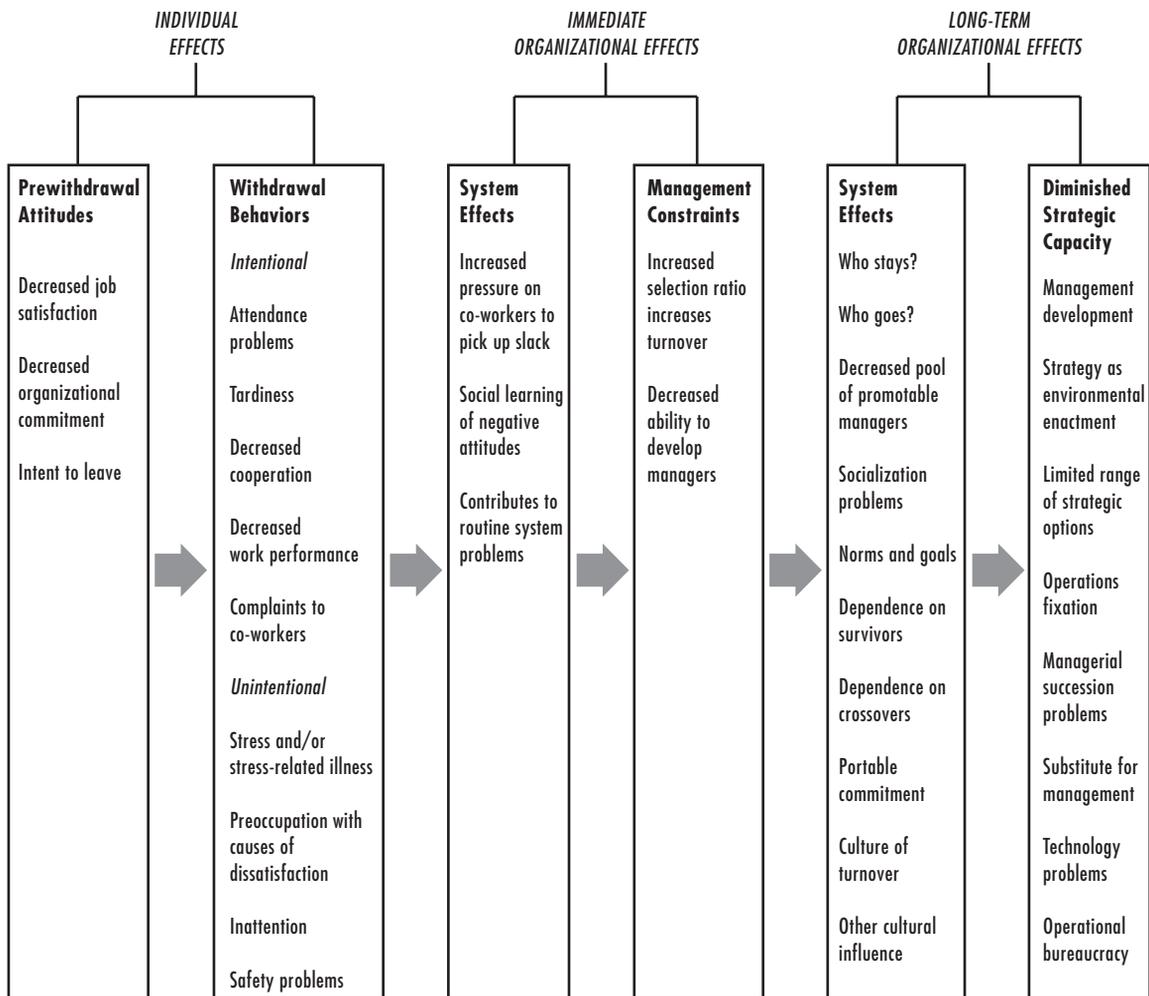
Given this view of turnover, companies with high rates of turnover are likely to experience a variety of negative outcomes. One way to categorize these outcomes is to look at how they affect individual employees as well as how they affect the organization in both the short and the long term. Figure 9.3 indicates that both organizations and individual employees suffer from the effects of high rates of turnover including attendance problems, decreased cooperation, decreased work performance, and even sabotage. In the longer term, however, the effects are more systemic and potentially more devastating.



For example, high rates of turnover can worsen existing turnover rates, contribute to system problems such as poor customer relations, and even eventually limit a firm's ability to develop and implement strategy. The potential dollar cost of this is incalculable but potentially enormous. A question of major

importance for firms with high turnover rates is not only who leaves but also who stays. In some cases, it may be that employees who stay with an organization are not necessarily the ones the organization wants to keep and those who do leave are not necessarily the ones the organization wants to see go. In

**Figure 9.3** Effects of Turnover on Hospitality Organizations



some cases, outstanding employees find the organizational environment so dissatisfying they opt to separate from the company, and those who remain are those who can adapt to a dysfunctional environment or those who have no choice but to stay.

In addition, there is evidence that excessive turnover rates can have a substantial and negative impact on profitability. Recently, a great deal of discussion has centered on customer loyalty and the importance of avoiding customer defections. Simply put, the argument goes something like this. It costs a great deal to

create new customers. The costs associated with advertising, promotion, and other marketing efforts are staggering. Thus it is wiser to try to retain existing guests than to create new ones. Furthermore, the longer customers stay with a company, the more they are worth. Generally, they buy more, buy more frequently, and are less price-sensitive. In fact, one management writer (Reichheld, 1996) suggested that decreasing customer defections by as little as 5 points can double profits. With respect to the monetary value of customer or guest loyalty, several researchers (Heskett et al., 1984) suggested a strong relationship between employee satisfaction, customer loyalty, and profitability. They call this concept the *service-profit chain*. As Figure 9.4 illustrates, employee retention is a key driver in creating customer retention and is therefore a critical factor in determining profitability.

The new concerns about turnover discussed in this section strongly indicate that the conventional thinking about turnover may capture just a small portion of its devastating effects. Now let's look at ways of reducing turnover.

**Figure 9.4** The Service-Profit Chain

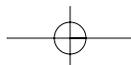


Source: Adapted from Heskett et al., 1994.

## ► WHAT CAN BE DONE?

**A** study of turnover in the hospitality industry (McFillen, Riegel, and Enz, 1986) found that hospitality employees in one organization ranked these reasons as the most likely causes for high turnover rates:

1. Treatment by superiors
2. Amount of work hours
3. Job pressure
4. Scheduling
5. Training



6. Fringe benefit packages
7. Better opportunities elsewhere
8. Physical demands of the job

A short-term strategy would be for managers to focus on these reasons—in other words, working on fair treatment of employees, creating fair and reasonable schedules, and so forth. However, these strategies do not necessarily address the causes of excessive turnover and are likely to have limited effectiveness and to be short-lived. A longer-term solution would take into account the causes of worker dissatisfaction and attempt to deal with these in a comprehensive and continuous manner.

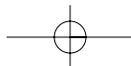
Frederick Herzberg (1976) suggests that dissatisfaction occurs as a result of a lack of what he calls “hygiene factors” and that satisfaction occurs as a result of what he calls “motivators.” While there is not necessarily any linkage in the organizational behavior literature between job satisfaction and job performance, a substantial body of theory does suggest that satisfied employees adopt pro-social and, therefore, committed behaviors toward the organization. Herzberg says hygiene factors that can cause dissatisfaction among employees include salary, working conditions, fringe benefits, and job security. While paying a fair salary or providing job security decreases dissatisfaction, it does not necessarily create satisfaction in employees. Motivators or satisfiers recognized by Herzberg include achievement, recognition, challenging work, responsibility, and advancement. These factors, if provided for by the organization, create satisfaction and therefore commitment. Thus, hospitality managers who are concerned about turnover as an insidious disease process should not only take care of the extrinsic job factors, such as job security and salary, they also must pay a great deal of at-

attention to providing opportunities for advancement, challenging work, and so forth.

In addition to attending to environmental factors in the organization, paying attention to the selection of employees in the first place goes a long way toward quelling dissatisfaction and, therefore, diminishing turnover. An axiom in the human resource field is that the goal of selection is not to hire the best-qualified employee but rather to hire the best employee for the particular job, the point being that it is important to match prospective employees to the organization and the position. Similarly, efforts to select employees who will be successful in a particular job as well as successful in the organizational culture enhance the likelihood of their retention. Selection is an important human resource function that is worthy of substantial effort and care.

## ► SUMMARY

**T**urnover is a problem of longstanding significance for the hospitality industry. The effects of high turnover rates on hospitality businesses are substantially greater than many existing philosophies suggest, and dealing with turnover as an isolated event fails to acknowledge its causes and, therefore, is likely to have limited impact as a turnover control strategy. Comprehensive approaches that attempt, on the one hand, to eliminate sources of dissatisfaction and, on the other hand, to promote employee satisfaction and retention have greater potential to strengthen commitment and, therefore, encourage a wide variety of pro-social behaviors that will strengthen organizational effectiveness, eliminate withdrawal behaviors (of which turnover is one), and, ultimately, contribute to guest loyalty and profitability.



## 9.4 CURRENT ISSUES IN HOSPITALITY EMPLOYMENT LAW

Suzanne K. Murrmann and Cherylynn Becker

Fairness in the workplace is a significant issue affecting the productivity, loyalty, and commitment employees have to their organizations. The treatment an employee receives from his or her supervisor affects the worker's motivation to provide excellent service to customers, ultimately affecting the bottom-line profits of the organization. Many factors influence workplace justice. These include the voluntary human resource management policies that organizations put into place to provide fair and equal employee treatment. In addition, a significant number of federal and state laws and regulations protect employees from various forms of discrimination, provide employees with certain rights, and specify actions employers must take when hiring and managing their workforce. Such laws may vary in their wording and coverage from state to state. However, they generally mirror law at the federal level. These laws, which significantly affect the human resource function in hospitality organizations, fall under four general categories:

- Those governing equal employment and opportunity and nondiscrimination
- Those governing compensation and working hours
- Those governing the health and safety of workers
- Those governing labor relations and collective bargaining (Jackson and Schuler, 2000)

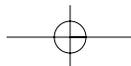
The judicial process is a dynamic one.

Continual changes occur in laws and regulations due to amendments to existing laws, enactment of new laws, and interpretations made by courts and regulatory agencies. It is mandatory for managers to keep up to date with the status of laws that affect their HR activities. Even with appropriate legal counsel, day-to-day activities of supervisors and managers are often where organizations run into legal problems. Therefore, it is necessary that managers be aware of their legal obligations.

Because space does not permit a full discussion of all relevant employment laws, the following text concentrates on federal laws that have seen significant changes in the last decade as well as those that are forecasted to change significantly in the next several years (Flynn, 2000; Goldberg, 1998). They include sexual harassment and employer liability under Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Family and Medical Leave Act, and the Immigration Reform and Control Act. A discussion of these laws and implications for hospitality managers follows.

### ► SEXUAL HARASSMENT

In general, *sexual harassment* is defined as unwelcome sexual conduct in the workplace that is a term or condition of employment. Complaints of sexual harassment fall under two categories: quid pro quo and hostile work environment. Quid pro quo harassment is



said to occur when submission to or rejection of unwelcome sexual conduct by an individual is used as a basis for employment decisions affecting an employee. In other words, when a supervisor demands sexual favors from his or her subordinate and either promises an employment benefit, such as a raise or promotion, or threatens the employee with loss of such benefits, quid pro quo harassment exists. Such activities may be subtle or overt, and the employee must show that he or she belongs to a protected group, was subject to unwelcome harassment that was based on his or her gender, and that acceptance or refusal resulted or could result in tangible changes to the working conditions.

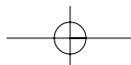
While quid pro quo harassment implies an exchange of sexual favors for work benefits, *hostile work environment harassment* refers to the overall working environment in which employees function. Hostile work environment harassment is conduct that unreasonably interferes with the ability of an employee to perform his or her job properly or creates an intimidating, hostile, or offensive working environment. This may be so even if it does not lead to tangible or economic job consequences. As in quid pro quo harassment, the activities or conduct in question are unwelcome by the employee and are based on gender. The employee must also show that they are sufficiently pervasive and severe as to have caused an abusive working environment and that the employer is liable for these activities. Typical examples of this type of harassment include unwelcome physical touching; whistling, leering, improper gestures, or offensive remarks; unwelcome comments about appearance; sexual jokes; and the use of sexually explicit derogatory or otherwise offensive language.

Sexual harassment in the workplace con-

tinues to be an important discrimination issue, particularly with recent Supreme Court rulings (Goldberg, 1998). Two of particular note, *Burlington Industries v. Ellerth* and *Faragher v. Boca Raton*,<sup>1</sup> have significantly shaped the obligations of hospitality managers. In them, the Court clearly articulated the liability of employers for the actions of their harassing supervisors. First, in cases in which an employee has suffered tangible, detrimental employment actions, such as demotion, termination, or loss of benefits, the employer is strictly liable regardless of fault. Strict liability is premised on the fact that the supervisors are acting for the employer (company), and regardless of whether or not the employer can show it has an antidiscrimination policy, final responsibility rests with the company. In cases, however, where the employee has suffered no loss of tangible job benefits, the employer can avoid liability by showing that reasonable care was taken to prevent and promptly correct any sexually harassing behavior. Documentation that the harassed employee subsequently failed to take advantage of any preventive or corrective opportunities provided by the employer further minimizes the likelihood of employer liability for harassment charges.

For hospitality managers to protect themselves against charges of sexual harassment, they need to focus on three major areas: (1) implementation and dissemination of anti-harassment and complaint policies, (2) training of personnel, and (3) complaint investigation.

Though the Court has not specifically ruled that companies must have policies specifically targeted to sexual harassment, many human resource management professionals feel employers can more easily demonstrate their “reasonable duty of care” by developing separate antiharassment



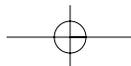
policies. Such policies should explicitly define sexual harassment, both in terms of quid pro quo and hostile environment harassment, and give specific examples of inappropriate conduct. Though this point seems obvious, the policy should also unambiguously prohibit such conduct. It should also indicate protection for employees from retaliation for reporting harassment. Numerous studies have shown that employees are often afraid to report inappropriate activities because of fear of retaliation by their supervisors. Managers should develop and include in their policy multiple avenues for filing harassment complaints. One such avenue would be to start with the employee's immediate supervisor; however, an additional route would be to bypass the supervisor and complain to an individual outside of the supervisor's direct chain of command. Assurance of prompt and thorough investigations and privacy are equally important components of an antiharassment policy.

As necessary as a well-developed and well-written policy is, it is also important that the policy be disseminated in such a way that all personnel in the hospitality organization are aware of it. Merely including it in an employee handbook may not be sufficient. Antiharassment policies should be posted in locations regularly visited by employees as well as discussed with new employees. This is especially important in an industry where a significant part of the labor pool is composed of employees who do not read and speak English as their primary language. The company should also attempt to keep written acknowledgment that each employee understands the policy.

Periodic training in what constitutes sexual harassment is essential for the prevention of misconduct in the workplace and the de-

fense of the employer against liability in court. The purpose of such training is to make supervisors and employees aware of conduct that constitutes harassment and provide them with mechanisms for effectively dealing with it. Training must be tailored to the individual workplace and take into account the diversity of the workforce; however, a number of key components should be common to training in this area. Though all employees should attend training, separate sessions should be held for supervisors and managers to instruct them in their obligations to subordinates and their responsibilities for investigating harassment complaints. The language and the customs of employees should always be taken into account when developing training materials, particularly when such activities as role-playing are used. Training in the hospitality industry should take into account the interaction of employees with third parties such as customers and outside vendors. Managers must be aware that the employer has an additional duty of care in the area of customer harassment of employees, and they should be trained to delicately but effectively deal with such situations. Finally, care must be taken to select an appropriate resource for carrying out training. This may be an in-house trainer or an outside individual or firm. In any case, the individual selected should have recognized expertise in the area of sexual harassment.

The final area of concern for managers is prompt investigation of harassment complaints. The employer who fails to document fair investigation of employee complaints will more than likely be found liable for harassment. All complaints should be investigated as swiftly as possible by an unbiased investigator who is sensitive to the privacy concerns of the complainant. If, during the course of the investigation, there is sufficient reason to



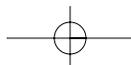
believe the complainant and the accused should be separated, the complainant should not be assigned to a lesser job. Such action could be seen as retaliation for filing a complaint. Relevant material and information should be obtained, in private, from the accused and additional witnesses. Based on this, immediate and appropriate corrective action should be taken by doing whatever is necessary to end the harassment, to make the employee whole by restoring lost employment benefits or opportunities, and to prevent the misconduct from recurring. If appropriate, disciplinary action should be taken against the offending supervisor or employee, ranging from reprimand to discharge. Generally, the corrective action should reflect the severity of the conduct. Document the findings and subsequent steps taken, if any, and place this documentation in a confidential investigation file. The Equal Employment Opportunity Commission policy guidance on sexual harassment suggests that follow-up inquiries be made to ensure that harassment is not resumed and that the employee does not suffer retaliation. Finally, use what was learned from these investigations to streamline or customize future training and policy restatements in this area to more closely align with specific company needs.

## ► AMERICANS WITH DISABILITIES ACT

The Americans with Disabilities Act of 1990 (ADA) prohibits an employer from discriminating against a qualified individual with a disability with respect to job application procedures, hiring, advancement, discharge, compensation, training, and other “terms,

conditions, and privileges of employment.” The Act has undergone almost a decade of interpretation by the courts, which continue to refine and define its coverage and the responsibilities of hospitality managers. As noted by many professionals in human resource management, these rulings at times leave as many unresolved questions as they answer concerning employer responsibilities.

Under the ADA, a qualified individual is defined as “an individual with a disability who, with or without reasonable accommodation, can perform the essential function of the employment position that such individual holds or desires.”<sup>2</sup> There are two questions the manager must ask when determining whether an individual is qualified. First, does the individual satisfy the prerequisites for the position, such as the appropriate educational background, employment experience, skills, or licenses? Second, can he or she perform the “essential functions” of the position with or without reasonable accommodation? The former is answered by comparing the qualifications of the individual to job-related requirements and production standards traditional to the industry—for example, number of rooms cleaned per day. When identifying requirements, employers should use those used for other employees in the position and not those selected to intentionally exclude the disabled person. The latter question may be answered by defining the fundamental job duties of a position in a well-constructed written job description. Factors suggested for identifying essential functions include the amount of time spent performing the function, the number of employees available to perform the task, the work experience of past incumbents and present employees in the position, and the consequence of not performing the function. For



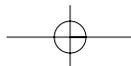
instance, several courts have found attendance to be an essential function of the job because the inability to maintain regular attendance creates an undue hardship upon an employer.<sup>3</sup>

A disability is defined under the Act as (1) “a physical or mental impairment that substantially limits one or more of the major life activities of such individual,” (2) “a record of such an impairment,” or (3) “being regarded as having such an impairment.”<sup>4</sup> Impairments may include physiological disorders or conditions, cosmetic disfigurements, and anatomical loss affecting one or more major body systems. Before 1998, it was generally accepted that for an impairment to be covered under the definition of a disability, it needed to be a permanent condition that, if uncorrected, substantially limited a major life activity such as walking, seeing, hearing, or speaking. Several Supreme Court rulings have limited this definition, stating that “an individual’s corrections, medications, and even subconscious mechanisms for coping with an impairment are to be considered when assessing whether that individual is disabled” and covered under the ADA (Sherwyn, Eigen, and Klausner, 2000). These rulings, though limiting the definition of a disability in one respect, in no way clarify the issue of what is considered a disability, nor may they actually limit the number of individuals claiming discrimination if managers continue to perceive individuals impaired even with corrective devices.

Traditional human resource functions and employment decisions can be considered discriminatory under the ADA. These include such activities as recruiting, advertising, and the processing of applications for employment, hiring, updating, promotion, termination, compensation, job assignment, and the

like. In other words, the ADA mirrors, to a great extent, the rights of protected groups under Title VII of the Civil Rights Act. Hospitality managers should be aware of a number of issues unique to disability law. An employer risks violating the ADA by asking about medical conditions and disabilities in a preemployment situation. Questions at this point should be job-related, with inquiry limited to the applicant’s ability to perform the essential functions of the job as described in the written job description. Preemployment medical examinations and tests, with the exception of testing for illegal drug use, are also seen as discriminatory in the hospitality industry. The ADA also prohibits disparate treatment discrimination—that is, limiting and segregating employees in a way that affects their opportunities because of a disability. A hospitality employer that demonstrated a pattern of hiring disabled job applicants for back-of-the-house, non-customer contact positions, though such applicants were able to perform effectively in customer contact positions, would be demonstrating potentially discriminatory behavior. The use of employment tests or other selection criteria that are not job-related to screen out disabled applicants is prohibited under the ADA. For example, if an employer requires an interview that is job-related and consistent with business necessity as part of the application process, it would not be legal to reject a hearing-impaired applicant solely because he or she could not be interviewed.<sup>5</sup> Finally, failure to reasonably accommodate disabilities of either job applicants or employees constitutes discrimination under the ADA.

Accommodation for individuals with disabilities is at the core of the ADA. By law, *reasonable accommodation* mandates employers to accommodate qualified individuals who



can perform the essential functions of a job, unless this causes significant difficulty or expense—that is, undue hardship.<sup>6</sup> Accommodations can be modifications or adjustments (1) in the job application or testing process that allow a qualified applicant with a disability to be considered for a position equally with other applicants; (2) in the workplace or in the manner or method in which the job is performed that allow the employee to perform the job; or (3) that enable the disabled employee to enjoy the benefits and privileges of the job equally to those without disabilities. Types of accommodations may include but are not necessarily limited to the following:

1. Modifications of existing facilities (ramps and entrances, bathroom facilities, workstations, etc.)
2. Job restructuring
3. Modified work schedules
4. Reassignment to vacant positions
5. Acquisition and modification of equipment or devices
6. Adjustment or modification of examinations or training materials
7. Provision of qualified readers and interpreters (for preemployment activities, etc.)

The EEOC has issued guidelines for employers to follow for compliance. Hospitality managers should follow these procedures. Using the interactive process outlined in the following guidelines should increase the likelihood of employees viewing a manager as reasonable and concerned about their needs.

1. Notify employees and job applicants of the employer's obligation under the Act to make reasonable accommodations.
2. Wait for a request for a reasonable ac-

commodation by a qualified individual with a disability.

3. Analyze the particular job to determine its purpose and essential functions. Communicate to the employee your understanding of the essential functions of the job and the abilities needed to perform them.
4. Consult with the disabled individual to ascertain the precise job-related limitations imposed by the disability and how those limitations can be overcome.
5. With the disabled individual's assistance, identify potential accommodations and assess the effectiveness of each in enabling the individual to perform the essential functions of the job.
6. Consider the disabled individual's accommodation preferences and select and implement the accommodation most appropriate for both the employee and employer. This is a final decision that should be made by the manager.

Given the relative youth of the ADA, it is anticipated that interpretation of even the most basic areas of the law—for example, the definition of a disability—will continue to evolve. There are, however, certain steps that many feel to be appropriate for managers (Sovereign, 1999). Facilities should be made as accessible as possible. This is particularly true of the hospitality industry, given its public accommodation requirement. Because the concept of reasonable accommodation is based on a clear understanding of the essential functions of the job, well-written job descriptions are extremely important in managing liability associated with the ADA. With the exception of drug testing, all preemployment medical inquiries and examinations



should be eliminated. Always attempt to accommodate a qualified disabled individual. A case of undue hardship can be made after accommodation is researched. Finally, in organizations that are large enough to support service staff, an individual should be designated as the ADA resource for other managers and used when accommodations are requested.

## ► FAMILY AND MEDICAL LEAVE ACT OF 1993

All hospitality employers with 50 or more employees are covered by the Family and Medical Leave Act of 1993 (FMLA). The FMLA was passed in an attempt to balance the demands of the workplace with the family and medical needs of employees. Employers both in and outside of the hospitality industry expressed grave concerns over the impact of the law on workplace productivity and employer compliance. Many of these fears proved unfounded; many, however, were not. Compliance with the law has proved cumbersome, given its technical recordkeeping nature. Since the enactment of this act, the Department of Labor (DOL), which oversees the FMLA, has seen thousands of complaints filed and has changed the guidelines and directives to comply with dozens of court rulings.

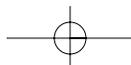
The FMLA allows employees up to 12 weeks of unpaid leave during any 12-month period to deal with family and medical issues. Companies that employ 50 or more people (within a 75-mile radius), including part-time and temporary workers, during each of 20 or more calendar workweeks in a year are covered. In order for an employee to be eligible

for leave, he or she must have worked at least 1,250 hours for the employer. An eligible employee may take unpaid leave for the following reasons;

- The birth of a child
- The placement of a child with the employee for adoption or foster care
- A serious health condition of a spouse, child, or parent
- The employee's own serious health condition

The DOL regulations define *serious health condition* as any illness, injury, impairment, or physical or mental condition that involves:

- Any period of incapacity or treatment involving inpatient care in a hospital, hospice, or residential mental care facility
- Any period of incapacity requiring absences from work, school, or other regular daily activities of more than three calendar days that also involves continuing treatment by a health care provider. (*Continuing treatment* means either treatment two or more times by a health care provider or one treatment that results in a regimen of continuing treatment. A *regimen of continuing treatment* includes only those treatments that cannot be initiated without a visit to a health care provider, such as taking prescription drugs. It does not include taking over-the-counter medication, nor does it include therapy such as bed rest, drinking fluids, and exercise.)
- Continuing treatment by a health care provider for any period of incapacity due to pregnancy or for prenatal care, or for a chronic or long-term health condition that is incurable or so serious that, if not



treated, would likely result in a period of incapacity of more than three calendar days

As a general rule, ailments such as the common cold, the flu, earaches, upset stomach, minor ulcers, headaches other than migraine, routine dental or orthodontia problems, and periodontal diseases are not serious health conditions unless complications arise.

Employers covered by the FMLA must post notice of the Act and their obligations as well as provide additional information to employees concerning their entitlements and obligations through standard mechanisms such as employee handbooks and manuals. An employee requesting leave is required to give 30 days notice to his or her employer, if possible. If such notice is not possible, the employee must provide “such notice as is practical” so that the employer has an opportunity to plan for the employee’s absence. As little as one to two days’ notice (or less) may be sufficient in emergency situations. Employers may require a medical certification, such as a doctor’s statement, from a health care provider to support leave requests. Additional opinions concerning the employee’s condition and periodic reports from the employee on leave regarding his or her status and intent to return may also be required. During the time of the leave, the employer must continue existing health care benefits.

Leave can be taken intermittently or on a schedule that reduces the typical number of hours per workday or workweek when medically necessary. Incremental leave may be taken in increments as short as one hour.

Under the FMLA, the employer is obligated to place the employee, once returned from leave, in the same position he or she left. If this is not possible, the employee must be

placed in a position equivalent in pay, benefits, and other terms and conditions of employment. Based on rulings to date, “equivalent” appears to be construed as “identical” by the DOL.

A number of significant compliance issues cause difficulty for human resource professionals and employment law attorneys. Due to their technical nature, they are not discussed here. However, several issues are worthy of note because they affect hospitality managers and supervisors in general.

While attendance has been successfully defended by several employers under the ADA as an essential function of a job, FMLA leave absences cannot be used in discipline and termination decisions. Therefore, it is particularly important in intermittent leave situations to record the reasons for absences. Supervisors should be encouraged to document “verbatim reasons” for absences. This information allows a manager to conduct an “FMLA audit” of employees who may be undergoing disciplinary action for excessive absenteeism.

Though the FMLA does allow for managers to require medical certification from employers for leave purposes, as well as second opinions, overuse of such information could open up liability under the ADA (Shea, 2000). Managers must be wary of asking for more medical information than is necessary for the purposes of granting FMLA leave. Medical certification is a useful tool to employ if there is doubt about the existence or extent of an employee’s health condition. However, it is not necessary as long as the absence has been noted as FMLA leave.

A “serious” health condition under the Act may include many “minor” illnesses and conditions of short duration. Absences of less than three days may also be considered



legitimate reasons for leave. This is due to the interpretation of the FMLA-specific wording. Indeed, many experts in the area agree that regulations have gone beyond the intent of the legislation in terms of interpreting what a serious illness should be. Managers should be aware that, at this point, a liberal interpretation must be placed on this definition.

## ▶ IMMIGRATION REFORM AND CONTROL ACT OF 1986

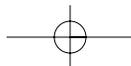
In 1986, Congress enacted the Immigration Reform and Control Act (IRCA) in response to significant increases in undocumented immigration and vocal concerns from unhappy voters. This law was an attempt to control undocumented immigration in a number of ways, including the imposition of sanctions on employers for knowingly hiring undocumented workers. In addition, the law provided for amnesty for undocumented immigrants who could demonstrate a record of continuous residence in the United States for a designated period. These regulations, along with increased support for border patrol activities, were thought to significantly diminish the attractiveness of U.S. jobs for undocumented workers, thereby protecting jobs and wages for legal workers in the United States.

Critics of the IRCA argued that it would encourage employers to engage in greater discrimination against U.S. citizens and legal aliens based on their appearance and cultural background, and safeguards against such discrimination were included in its content. However, several studies to date have shown that even with these safeguards in place, a

pattern of discriminating against individuals based on physical appearance or accent exists (Phillips and Massey, 1999). Such discrimination includes the denial of jobs as well as paying lower wages to undocumented workers. This decrease in pay, below legal minimum, is thought to take place to compensate for the risk involved in being sanctioned under the Act.

The IRCA requires employers to verify the employment eligibility of all employees hired by and working for the organization and to complete and maintain eligibility paperwork. This paperwork, commonly referred to as *I-9 forms*, must be maintained on all employees, U.S. citizens as well as aliens authorized to work in the country. The Immigration and Naturalization Service (INS) is charged with enforcing the IRCA. However, any number of other federal agencies, including the EEOC, the Justice Department, and the Department of Labor, may request a review of the eligibility documentation records of a company. Employers must verify an employee's or applicant's identity and eligibility to work by requesting proof of both within three days of hire. Documents that can be used to verify identity include a state driver's license, state or school I.D. card, and a voter's registration card. Eligibility to work may be established using a number of documents including a Social Security card, birth certificate issued by a U.S. state, county, or municipal authority, or an unexpired INS employment authorization. Some documents, such as a U.S. passport, establish both identity and work eligibility. A complete list of all appropriate documents is provided on the back page of the I-9 form.

As mentioned earlier, the Act contains antidiscrimination provisions that are in addition to and do not change discrimination under Title VII of the Civil Rights Act. The



IRCA bans discrimination against legal aliens or people intending to become U.S. citizens. An alien has employment rights equal to a U.S. citizen, unless citizenship is a bona fide occupational qualification. If an alien is authorized to work in the United States, an employer cannot give preference to a U.S. citizen who is less qualified.

Employers have several responsibilities under the law:

1. Employers cannot request more or different documents than are required under the provisions of the law. Though it is often easier for managers to require specific, approved documentation such as a driver's license or Social Security card, they must accept any qualified document from the I-9 list if it appears to be valid.
2. Employers cannot knowingly use, attempt to use, possess, obtain, accept, or receive any forged, counterfeit, altered, or falsely made documents. It is often extremely difficult to identify counterfeit documents. However, managers should closely scrutinize the documentation of all applicants for obvious falsification—for example, multiple individuals with the same or similar Social Security numbers.
3. Employers cannot backdate or otherwise falsely make I-9 forms appear as if they are or have been in compliance with the IRCA. Individuals responsible for hiring on an ongoing basis should perform eligibility verification. Paperwork should be kept up to date.
4. Employers must have new employees complete Section 1 of the employment verification I-9 at the time of the hire by filling in the correct information, signing, and dating the form.
5. Employers are responsible for reviewing and ensuring that the employees fully and properly complete Section 1 of the employment verification I-9. Applicants who do not fully complete this section should not be hired.
6. Employers must examine the original documents(s) (the only exception is a certified copy of a birth certificate) presented by the employee and then fully complete Section 2 of the employment verification I-9.
7. Employers must keep the employment verification I-9 for three years after the date employment begins or one year after the person's employment is terminated, whichever is later.

In order to avoid penalties under the IRCA, hospitality managers should use the following checklist:

- Verify employment status of every person hired.
- Employ only U.S. citizens and aliens authorized to work in the United States.
- Verify employees' status within three days of their being hired to work.
- Inform each new job applicant, either orally or in writing, that you hire only U.S. citizens and aliens lawfully authorized to work in the United States and that you require all new employees to complete the designated verification for I-9.
- Examine documentation presented by new employees, record the information on the I-9, and sign. Retain these documents for three years.
- Do not ask for proof of citizenship or authorization to work before deciding to hire the applicant.



- Do not refuse to offer employment to anyone on the basis of foreign accent or appearance.
- Do not discharge present employees based on foreign appearance or language.

The above discussion of these key issues only scratches the surface of the legal challenges facing hotel HR managers. When you

consider that the 535 members of Congress and the members of 50 state legislatures are constantly proposing laws that result in regulation, it is easy to see why HR managers can face daunting tasks in assisting the organization and its managers in staying out of legal trouble.

## CHAPTER 9 ■ ENDNOTES

1. *Burlington Industries v. Ellerth*: 524 U.S. 742; 118 S. Ct. 2257 (1998); *Faragher v. Boca Raton*: 524 U.S. 775, 118 S. Ct. 2275 (1998).
2. 42 U.S.C. §1211(8).
3. *Tyndall v. National Education Centers*: 31 F. 3rd 209 (4th Cir. 1994); *Earl v. Mervyns Inc.*: No. 99-4264 (11th Cir. 2000).
4. 42 U.S.C. §12102(2).
5. 29 CFR Part 1630, Appendix § 1630.15(a).
6. Undue hardship is assessed by reviewing the

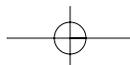
nature and cost of the accommodations needed; the financial resources of the employer; the size of the company and the number of its facilities; the financial resources of the facility itself; and the effect of the accommodation on the expenses or operations of the facility, on other employees' ability to do their jobs, and on the facility's ability to conduct business (ADA Sec. 101[10], 42 U.S.C. 12111[10]; EEOC Sec. 1630.2[p]).

### 9.5 THE STRATEGIC AND OPERATIONAL ROLES OF HUMAN RESOURCES—AN EMERGING MODEL

**J. Bruce Tracey and Arthur E. Nathan**

Effective human-resources management is one of the most important considerations in creating and maintaining a competitive advantage for a hotel (or, for that matter, any hospitality organization). Indeed, human-capital considerations top the list of current managerial concerns in the hospitality industry (Enz, 2001, 38–45). Despite the industry's

concern with human resources, however, the HR function is oddly disconnected from the line function. That disconnect is evident on two primary levels. First, we argue that many business leaders fail to fully consider HR influences when making long-term plans. While most executives acknowledge the importance of HR for implementing strategic plans—



“making it happen”—we have seen few who formally incorporate HR concerns when developing a strategic direction. While the predominant framework requires consideration of HR strengths and weaknesses during the strategy-formulation process, HR is primarily viewed as an “enabling” function, responsible for implementing “the plan,” and thus largely ignored during the initial planning stages.

Second, we argue that many HR departments fail to execute even the most basic functions effectively. Many firms’ policies and practices are archaic, inflexible, and do not directly benefit those who are most keenly affected by HR actions. Based on those concerns, we advocate the need for a new model of HR—one that should be used as a guide for developing vision, values, and goals, and one that creates a more effective and efficient function for attracting, developing, and retaining quality employees.

To explain our model, we will first discuss the manner in which HR can contribute to the strategic-planning process. We then present data that demonstrate the link between HR practices and systems on important business objectives. Finally, we offer some ideas that may change the prevailing paradigm and the operational role of HR in hospitality organizations.

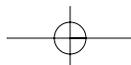
## ► HR AND STRATEGIC PLANNING

Our observations are that HR suffers from a negative image in many hospitality organizations and that, sadly, it has earned that negative image. The following views of HR may be familiar: HR is basically an employee-advocate function and represents the “soft”

side of the business; HR is a cost center since it does not generate revenue; HR serves as an administrative-support office and organizes the company picnic; and HR is responsible for implementing strategy, not developing strategy. We could go on, but the point is made: human resources gets much lip service but no respect.

One of the reasons for this negative image may be the narrow application of the strategic-planning process taken by many business leaders. Too often, the human-resources function is left out of key planning steps. The following comment illustrates our point. A successful hospitality executive and colleague of ours maintains that his primary function is to determine the vision and direction of the firm, and then it’s up to HR and other departments to “make it happen.” This statement summarizes his views:

HR as a function does not *per se* have a dedicated role in the strategic-planning process. Corporate strategic planning begins with an external assessment of opportunities and threats and an internal assessment of firm strengths and weaknesses. This process is not driven by a function or discipline formula, but rather by an evaluation designed to determine the relative importance and veracity of assumptions management has made about the industry and the firm. Management combines its fact-based knowledge with its assumptions and beliefs about the business it is evaluating. Strategic planning, at its core, is the process by which the veracity of these assumptions and the relative importance each has to the overall outcome are revealed. Functional executives confound and corrupt the initial stages of the planning process by becoming caught up in interdisciplinary issues that should be subservient to the strategy process they aspire to influence. As such, the



CEO is forced to pull the process of formulating strategy away from these executives and rely more heavily on his or her own judgment or a formal strategy group of executives without discipline responsibilities.<sup>1</sup>

In this leader's view, HR plays a subservient and reactionary role in the business-planning process. While this is only one individual's perspective, we've encountered many who share similar views. We contend that HR considerations must be taken into account not only during strategy implementation, but also during the process of developing that strategy. Indeed, the prevailing models of business planning support this contention.

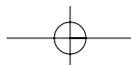
Several approaches can be used to predict a firm's competitive position and develop strategic plans. The traditional SWOT model (i.e., strength, weakness, opportunity, and threat) is based on a matching process such that a firm's strategic direction is based on the fit between external conditions (i.e., opportunities and threats) and internal capabilities (i.e., strengths and weaknesses). Based on this assessment of fit, leaders can then take actions intended to achieve a sustained level of competitiveness—for instance, by using internal strengths to exploit external opportunities and taking advantage of opportunities to motivate change and fix internal weaknesses. Another popular framework, VRIO analysis, extends the SWOT model and maintains that competitive advantage is gained by identifying and exploiting the rare, distinctive competencies of the firm (Barney, 1997). The VRIO explanation considers a firm's resources—understood in terms of value, rarity, imitability, and organization—as keys to long-term effectiveness. In simplified terms, value is characterized by the firm's internal resources that can be used to respond to external threats;

rarity is associated with the scarcity of such resources in the external environment; imitability is based on the ability of competitors to acquire, duplicate, or substitute valued resources; and organization is associated with the firm's structure and systems that are used to extract the greatest degree of value from a given resource.

These and other models (e.g., portfolio assessments, competitor ranking) that can be used to analyze strategic positions and develop plans have at least one thing in common: the human element is central to an analysis of internal strengths, resources, and capabilities. Technology, in contrast, is quite imitable and thus should not be considered as a source of competitive advantage. Human capabilities, and the social context in which such capabilities are applied, are difficult and perhaps impossible to copy or transfer to settings outside the focal context. While access to capital, relative market share, brand image, and service quality are all essential to a hospitality business, such concerns would be largely irrelevant if the appropriate human resources were unavailable. Therefore, while HR may not be the most important consideration during the strategic-planning process, this factor cannot be ignored when developing long-range plans.

### ► EVIDENCE FOR THE STRATEGIC IMPORTANCE OF HR

**D**espite HR's apparent image problem, it remains an essential function. Much has been written about the critical role of HR for achieving business goals and objectives, and there is a growing literature that shows HR policies, practices, and systems are related to a



variety of financial and operational success indicators.<sup>2</sup> Indeed, there is some rather compelling evidence that the proper alignment between HR systems and business strategy will enhance a firm's performance.<sup>3</sup> We will complement this literature by presenting two hospitality-specific examples that support the strategic importance of HR for not only implementing long-range plans, but also developing such plans.

**Example 1: Compensation and turnover.**

The 2000 Lodging Compensation and Benefits Survey, conducted by Realtime Hotel Reports (now part of Smith Travel Research) and sponsored by the American Hotel Foundation, provides direct evidence for the need to consider HR factors throughout the strategic-planning process. In addition to compensation levels and benefits offered by over 2000 hotels, the survey also gathered information about employee turnover. Turnover is a key concern to many hospitality employers. It can be quite costly (Hinkin and Tracey, 2000, 14–21) and has been shown to be related to many important outcomes, including profitability (Simons and Hinkin, 2001, 65–69). As such, understanding HR policies and practices that can contribute to turnover can lead to more insightful strategic and operational decision-making.

An analysis of the relationship between compensation level and total annual employee turnover (Table 9.1) yielded statistically significant results for the following positions.<sup>4</sup>

While the magnitude of the correlations demonstrates that a great deal of variance in the compensation-turnover relationship remains unexplained, the data suggest that compensation does have an effect on intentions to stay or leave—a finding supported by related research (Simons and Enz, 1995, 20–27).

**Table 9.1 Analysis of the Relationship Between Compensation Level and Total Annual Employee Turnover**

Position	N	X
General manager	363	-0.24
Director of sales and marketing	172	-0.20
Sales manager	145	-0.19
Reservations manager	94	-0.19
Controller	125	-0.19
Front-office manager	220	-0.17
Restaurant manager	109	-0.17
Chief engineer	252	-0.11
Executive housekeeper	311	-0.10

**Example 2: Training, turnover, and sales.**

The second example is based on an analysis of training, employee turnover, and sales data gathered from a privately held restaurant company that currently owns and operates approximately 115 restaurants and franchises an additional 70 throughout the United States. Complete data for 96 corporate-owned stores were gathered over a 12-month period beginning in January 2001. The primary proposition was that investments in training and employee turnover would be significant predictors of net sales. The training variable was expressed as the number of hours per month dedicated to skill-based programs (e.g., new employee training) and development-based programs (e.g., interpersonal customer service) for line staff. Employee turnover was also measured on a monthly basis (i.e., number of new hires divided by the total number of employees at the end of the month), as was net sales.

After accounting for store-specific effects (e.g., location, size) and time effects, the results from regression analyses of the panel



data showed that both training and turnover accounted for significant variance in store sales.<sup>5</sup> These results suggest that if sales are influenced by training and employee turnover, then long-range plans for growth must consider the consequences of HR decisions regarding employee development and retention.

These two examples demonstrate the effects that HR can have on strategic and operational goals. Although researchers and practitioners have yet to fully understand the process by which the various HR policies, practices, and systems might influence long-range effectiveness, the data presented here reinforce the need to consider HR throughout the planning process. However, it's not enough simply to incorporate HR influences more broadly—the HR function must also be reconsidered. We contend that a holistic and collaborative approach to HR is required, one in which the HR function is closely integrated within the strategic and operational elements of the firm. Thus, HR plays a critical role in designing structures, facilitating change, and evaluating progress. This objective requires that firms embrace a new model of HR to achieve and sustain a competitive advantage.

## ► A NEW MODEL FOR HUMAN RESOURCES

**T**he traditional role of HR is more appropriately termed “personnel.” In this role, personnel professionals were responsible for recruiting and hiring, compensation- and benefit-program design, negotiating and administering collective-bargaining agreements, policy development, personnel recordkeeping, and serving as a conduit for employee

views and concerns. Over the years, personnel was renamed human resources, and its role in the organization (in addition to its existing functions) became one of integrating people, policies, and cultures. To meet the needs of this role, HR practitioners' responsibilities were expanded to include communications, training, safety, employee relations, and recognition and reward programs. Along with those additional responsibilities the HR department became responsible for the organization's legal compliance in the ever-expanding area of employment law.

The expansion of the HR function resulted from changes in the way businesses were managed. One such change was the explosion of mergers and acquisitions in the hotel and restaurant industry. In the past 20 years mergers and acquisitions have tested HR practitioners' ability to be flexible, detail oriented, and expeditious in both their support of other business functions and in the decisions they make related to HR issues. These increases in responsibility, occurring alongside changes in the business, transformed HR professionals from generalists to specialists. This metamorphosis also fostered the perception—often promoted by HR—that only “specialists” could handle such complicated issues. The HR model that emerged was one based on the centralization of knowledge, responsibility, authority, accountability, and control within the HR department.

Even as all this was taking place, however, business practices were changing. As a colleague of ours succinctly put it:

As organizations began to realize that different businesses needed and could afford different types of HR programs and benefits, even within the same corporation, HR began to decentralize, replicating the centralized HR structure at



division and even business-unit levels. This had the advantage of supporting differentiated HR for each business, but its redundancies cost a lot of money and the specialist jobs got smaller (i.e., they supported smaller groups of employees) and thus attracted less capable or experienced people.<sup>6</sup>

Added to the complexity of this decentralized approach is the fact that business leaders are under extreme pressure to reduce expenses, increase productivity and revenues, and realign their organizations to become focused on core issues. In the last five years, these changes have led to enormous pressures being placed on businesses to reevaluate the HR function, its role and responsibilities, and how these integrate with the rest of the organization. High-performing organizations today are looking for ways to transfer authority, responsibility, and accountability for HR-related transactions and decisions to line managers and, in some instances, employees. The ramifications of this are enormous. Ironically, we see the most resistance to this change often coming from HR itself.

## ► A DECENTRALIZED FOUNDATION

The underlying premise of our model is that all decision-making authority, responsibility, and accountability should be vested in the person who supervises the employee. Thus, decisions related to hiring, promotion or demotion, training, work actions,<sup>7</sup> pay, and scheduling can and should be made by the immediate supervisor of the affected employee. In many cases actions of this kind do require additional approvals from the company's upper echelons. However, the farther away from

the source that these decisions are actually made, the less likely it is that real-time and relevant information about the decision and its outcome will be available for the decision maker. It is also important to note that the time it takes to complete the decision-making process is extended in direct proportion to the distance it has to travel through an organization's bureaucracy.

One key construct in our proposed HR model is that HR practitioners will no longer make operational decisions, but rather act as consultants to other business functions by designing, developing, and delivering programs that give line managers the tools and training they need to effectively perform their responsibilities. The following scenarios represent common decisions made by HR practitioners.

**Scenario 1:** An employee resigns and the manager needs to fill the vacancy. The process will probably include deciding whether the open position can and should be filled, locating and interviewing applicants, determining whom to hire and how much to pay that person, assigning a start date, conducting training, and determining whether to retain the new employee. In the real world the immediate supervisor will know the most about everything relating to those issues and be in the best position to make the most appropriate and timely decisions. The need for direct HR intervention should be minimal.

**Scenario 2:** A service employee is not performing up to expectations in spite of being trained and supervised. The organization has documented policies and practices relating to progressive discipline and the issuance of notification to the employee. The supervisor should have full authority to determine the need, timing, wording, and level of notice to be given. While it's practical to assume that this type of decision might require some



additional approvals, the managers directly related to the employee's performance are best suited to understanding the issues and nuances involved.

In these situations, usually there are policies and processes that require the involvement of the HR department. Yet in most organizations these decisions are best made in a timely manner by the individuals who know the most about the issues. HR specialists should be involved in this decision-making process, but final decisions would ultimately be made by individuals outside of the HR function.

Our model has drawbacks, perhaps, but some of that relates to the fact that HR information is not always shared with line managers. One drawback is line managers' potential ignorance of the fine points of HR practice and law. The centralization of the HR function occurred in part because there was a belief that the legal and organizational issues involved in making HR decisions were so complicated that it would not be prudent to trust non-HR supervisors to make them.

Moreover, the decentralized model's redundancies could be costly. Under the new HR model the power to make decisions is entrusted to line managers. In this model it is the role of the HR practitioners to assist companies in training managers how to make and implement business decisions and then entrust them with the authority to do so. If such decision-making power is not distributed to line managers, they will not gain the necessary skills to be able to effectively perform their duties. In contrast, if line managers are supported in the HR function, the necessary information will be spread throughout the organization.

The examples in Table 9.2 illustrate how HR practitioners can use the constructs of this new model.

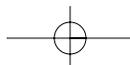
The responsibilities identified in Table 9.2 follow the functions that are traditionally found in HR departments. Organizations with centralized HR functions adopt these "traditional practices" on the theory that they are specialized and should only be conducted by those who are trained and skilled. That approach presupposes that being in HR is the only way to gain that expertise, and further, that this expertise is more important than understanding the operational nuances that exist at the line level. We suggest that HR expertise can be gained by those at the line level more easily than can the nuances of departmental activity be understood by those in HR. The key to transferring these responsibilities to the line level is training the supervisors in how best to perform these duties, providing them with the tools and technology to effectively and efficiently carry out these responsibilities, supporting them with advice, and monitoring their performance. This means that the role of HR changes from gatekeeper and decision maker to trainer and supporter.

Additionally, management should put in place strategies that reinforce the performance of managers who adopt and successfully handle these duties. Indeed, that should be tied to their reviews and total compensation. This is consistent with the goals of (a) the organization to have better-trained and -performing managers, and (b) most HR professionals to be more of an internal consultant and strategic partner than mere arbiters of proper practice. This new construct allows the line managers to achieve new competencies and control, while giving HR professionals the chance to become more of what they want to be—and should be. The organization benefits from using this new model, because decisions are made more quickly and appropriately, allowing the business to be



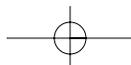
**Table 9.2 Examples of the New HR Model in Operation**

Traditional Practice	Suggested Practice Under the New Model
<p><b>Recruitment</b> HR departments have become gatekeepers for whom and how many to hire.</p>	<p>As part of the strategic planning and budgeting process, departments should be responsible for determining and justifying staffing levels. Once identified, decisions on whether to fill positions, and with whom, should be left to the department. The role of HR should be to establish suggested sources for obtaining applicants (both internal and external), designing methods for communicating with applicants using those sources, and developing an applicant tracking system. HR should also assist line managers in developing appropriate interviewing methods and materials, train the managers to use them, and monitor the process for legal and policy compliance. Information technology now exists to provide managers with self-service capabilities to find and track applicants. At Bellagio, for example, HR designed a self-service system for applicants, which eliminated the need for data input by HR staff and allowed applicants (both internal and external) to update and monitor their application information and status. These systems are always available and can help reduce the workload of the HR staff.</p>
<p><b>Compensation</b> HR departments control both the design and administration of the compensation program.</p>	<p>Salary administration can be managed by line departments through technology, such as the web-based models developed by Melon’s HR Solutions group, that provides managers with the data and analytical tools that they need. This gives the responsibility and accountability for these decisions to the departments; HR’s role is to provide advice and establish proper control mechanisms to prevent the inexpert (non-specialist) manager from making inappropriate decisions. In this role, HR facilitates the gathering of competitive data and then provides it directly to line managers so they can do their own payroll modeling.</p>
<p><b>Job Training</b> New hires attend an orientation conducted by HR, and then they are given some form of on-the-job training.</p>	<p>All new employees attend a general company orientation that is designed by HR and presented by fellow employees. This will give the new hires a peer perspective and help them to develop relationships with other employees. Department and job training should be conducted by a trained trainer from the new employee’s department or job. This trainer should have the added responsibility of evaluating the new employee’s performance and conducting any retraining that may be required. HR’s role should be helping to create the training materials, training the trainers, and implementing a tracking system to allow managers to monitor course attendance and related performance. Park Place Entertainment, for instance, has developed this type of employee development system. The HR department has developed scripts and protocols that serve as templates for all training and development efforts. Line managers are primarily responsible for content, giving them more control over the job- and department-specific training needs. An example of this decentralized approach to development is PricewaterhouseCoopers, which has developed online knowledge management systems that give consultants access to problem solutions that have been identified from prior projects and that may have relevance for current client needs. This type of real-time learning enhances the quality and efficiency of project work.</p>



**Table 9.2 (Continued)**

Traditional Practice	Suggested Practice Under the New Model
<p><b>Record Maintenance</b></p> <p>Managers fill out work-action documents (e.g., wage and job changes, disciplinary notices, and performance reviews) and submit them to HR. These are then checked for accuracy and keyed into a database, and the originals are placed in file folders. Employees also submit information that initiates actions such as vacation requests, address changes, and other general requests. These are routed through MR in a similar manner as the management documents.</p>	<p>Using self-service technology, managers and employees fill out and submit transaction data directly to HR or the database, where they are ultimately stored and used. Starwood’s online “executive dashboard,” for example, provides the corporate office with continuous information about a wide range of property-level data that are directly related to strategic goals—from employee and guest satisfaction data to occupancy and rate information. In addition, operations managers have direct access to the data, thus freeing HR from the responsibility of facilitating access requests and generating reports. HR should learn about technology and actively participate in the development of these self-service tools, and then train managers how to use them. Many organizations today are outsourcing HR, payroll, and benefits administration, and are using Internet connectivity to facilitate transactions and maintain access to their data. Many are also adopting shared-service approaches that are designed to bring more functionality and service capabilities to line managers and employees.</p>
<p><b>Management Policies</b></p> <p>Most companies have handbooks and policy manuals that strictly define legal concerns and consistent policies and processes. These materials are often printed and distributed in hopes that employees will keep them in an accessible place and read them when needed. They seek to cover every conceivable circumstance with carefully written rules, policies, and practices.</p>	<p>Replace companywide rules with concepts that are consistent with local and departmental concerns. Involve line managers in the process of determining these concepts to ensure that they are applicable to the department’s needs and concerns. Base the concepts on values and principles rather than rules. Policies and practices should focus on being fair rather than merely consistent. Workers in the 21st century expect to be treated as individuals, and when presented properly these practices have greater acceptance than those that treat everyone identically in every circumstance. Practices of this kind will be easiest for managers to understand, use, defend, and enforce. For example, Le Parker Meridien in New York City has a long history of focusing on values—from “frank and fearless feedback” to “happy but never satisfied”—which are the primary drivers for individual behavior and set standards for accountability and performance. HR should also monitor competitive practices and provide this information to managers. In some cases, this benchmarking information is also available online.</p>
<p><b>Organizational Structure</b></p> <p>Most companies have a hierarchical design in which decisions are made at the top and then implemented at the bottom of the supervisory structure. While empowerment as a practice has been widely debated, most organizations still maintain practices where authority is vested at the highest levels of this hierarchy.</p>	<p>Companies such as Winegardner &amp; Hammons are flattening their organizational structures and giving line managers the flexibility and authority to make decisions. In other organizations, such as The Boulders in Carefree, Arizona, self-managed work teams are obviating the need for supervisory interventions and allowing trained employees to set the tone and monitor the behavior of their teams. Within both structures, decisions are made in context, with a focus on what is most relevant and important to those involved.</p>



more focused on its core responsibilities of production and service.

## ► ENABLING TECHNOLOGY

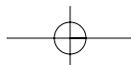
Public and private companies alike are driven to make effective decisions and to improve performance through expense control and revenue improvement. Over the past 20 years, tools have been developed to help organizations achieve these goals. This trend began when financial departments discovered online analytical processing (OLAP) tools that allowed them to collate and query information from all of the disparate files in their databases and develop queries therefrom. This ad hoc interactive querying capability allowed them to conduct complex multidimensional analyses and more rapidly discern issues that needed to be addressed. This practice provided a means for organizations to control expenses more effectively and thus improve their bottom lines.

The next challenge involved improving revenues beyond the normal realm of sales and marketing. Those same OLAP tools, when applied to complex and disparate customer databases, allowed companies to target their efforts and dollars in ways that maximized revenue opportunities. Today, customer-relationship-management (CRM) systems are helping these companies to better use their resources to satisfy their customers and increase revenues. Much has been written about these practices. For example:

The new cross-departmental imperative for companies in virtually all industries is to empower decision makers to obtain quick answers to their business questions by immediately ac-

quiring the information they need. The effective sharing, distillation, and analysis of information among such an array of departments—customer relationship, sales, product planning, marketing, and finance, for example—coalesces into an enterprise-wide intelligence that is greater than the sum of its informational parts (Liautaud and Hammond, 2001, 5).

As these practices become perfected, organizations will look for additional ways to improve performance, and we suggest that HR is the next area to which these might be applied. Adding employee-activity data to the practice of interactive and multidimensional analyses will help organizations to truly get the most out of their human resources. To gain this capability, human-resources departments in highly successful organizations “will understand how to use systems and software to solve business problems and will exploit technologies to achieve their business goals” (Boyett, Boyett, Henson, and Spirgi-Hebert, 2001, 28). The decision makers in this instance are the line managers, and the decisions are related to the management of their employees; giving line managers the use of a system like this will increase their access to data and give them the ability to make better decisions. This technology will assist them in converting those data into intelligence. It is expensive to store and maintain all of these data, and “until it is put in the hands of business users and brings real value to these business users, the value obtained from that information does not compensate for the cost of maintaining that data” (Liautaud and Hammond, 2001, 38). While the initial capital investments required to develop and implement decision-support technology may be high, the operational savings<sup>8</sup> and improved decision quality more than justify the investment.



The appropriate use of technology is critical to the successful transfer of responsibility from HR to the line managers and departments. The use of business-intelligence technology and tools will enhance line managers' skills and decision-making capabilities by giving them the same view that was once reserved for HR staff. Again, the key to this will be the training and support provided by the HR staff.

## ► SOME ADDITIONAL THOUGHTS

**W**e would be remiss if we didn't offer some thoughts related to the tragic events of September 11, 2001, which occurred during the conceptualization and writing of early drafts of this manuscript. The pressure on management to react to the terrorist acts and their effect on the hospitality industry has been intense. The range of responses to the plunge in business levels was varied and is not germane to our discussion. What is important to note is that swift, intelligent, and decisive actions were required in the wake of the attack. That supports the need to adopt new roles for HR and line managers.

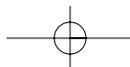
A company's ability to adapt to changing conditions depends not only on its policies, but also on the tools that it provides to those responsible for deciding and implementing its strategies. HR departments worked with their management teams to define the strategies to address issues relevant to the attacks and then helped to implement them. Line managers needed accurate information about business and staffing levels, staff skills and abilities, and financial-modeling capabilities. Having HR and line managers in possession of and

trained to use the most effective tools available will ensure the organization's capacity to meet its needs. This enlightened division of responsibilities will result in the most orderly and informed execution of each group's tasks, and promote teamwork.

It seems to us that the best part of a line manager's job is having the ability to make decisions that are most critical for a department's success. Conversely, the things that managers dislike have to do with the HR department's always telling them what to do. In truth, there are probably times when it would be convenient to pass certain responsibilities to HR, so that line managers don't have to make those decisions or would at least have someone to point to as the culprits. In the end, however, the role of a manager is about responsibility and accountability, and the adage that "the buck stops here" seems to have been written with that in mind. The following requirements will help line managers feel most comfortable in this role:

- a. They have some say in the development of a company's policies and practices;
- b. The company provides them with the tools and training to perform at this level;
- c. There is a clear definition of HR's and line managers' responsibilities;
- d. They are recognized and rewarded for good performance relative to these issues; and
- e. There are programs in place to help when mistakes are made.

If it is true that our future success both at the business level and as HR practitioners lies in the adoption of new ideas and technologies, and that leaner, more focused organizations are the ones that succeed, it is imperative that this transition to a new HR



model occur. To assure that the transition is smooth, we will need to learn from others' errors as well as our own mistakes, and we will

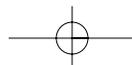
need the steadfast support of the organization in maintaining this new set of roles and responsibilities.

## CHAPTER 9 ■ ENDNOTES

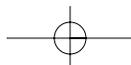
1. Statement made by the CEO and chairman of a medium-size management company of mid-price hotels.
2. For example, Paauwe and Richardson reviewed nine studies that yielded 22 significant empirical relationships between various HR policies, practices, and procedures, and several measures of firm performance. See: J. Paauwe and R. Richardson, "Strategic Human Resource Management and Performance," *International Journal of Human Resource Management*, Introduction to the Special Issue, Vol. 8, No. 3, pp. 257–262.
3. Youndt, Snell, Dean, and Lepak, for instance, found that different types of organizational strategy moderated the relationship between two types of HR systems and firm performance. Specifically, Youndt et al. found that a "human capital enhancing" HR system (e.g., selectivity in hiring) was most effective in organizations that incorporated a quality-based strategy (versus other strategies). They also found that an "administrative" HR system (e.g., policies and procedures training) was most effective in organizations that employed a cost-based strategy. Thus, this study provided convincing evidence that organizational effectiveness is contingent on the proper alignment of HR systems and overall business strategy. See: M.A. Youndt, S.A. Snell, J.W. Dean, and D.P. Lepak, "Human-Resources Management, Manufacturing Strategy, and Firm Performance," *Academy of Management Journal*, Vol. 39, No. 4, pp. 836–866.
4. All significant at  $p < .05$ .
5. Overall  $F = 44.32$ ,  $df_1 = 123$ ,  $df_2 = 1085$ ;  $R^2 = 0.82$ ,  $p < .01$ ; standardized beta weights for training and turnover were 0.031 and 0.032, respectively,  $p < .01$ . These and related results were presented by J. Bruce Tracey and Michael J. Tews at the 2002 Meeting of the Society for Industrial and Organizational Psychology, Toronto, Canada.
6. As related by Andrew Geller, principal, organizational development, Unifi Network, a former subsidiary of PricewaterhouseCoopers LLP, Teaneck, New Jersey, April 26, 2001.
7. These are defined as disciplinary actions, commendations, granting of leaves, and the completion of related paperwork.
8. Alanna Klaussen, senior analyst with Radiant Systems, Inc., has demonstrated that a 2-percent to 10-percent savings in payroll expenses can be realized by adopting decision-support technology.

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## SOURCE NOTES

- Chapter 9.2, "Driving Hospitality Into the Future," by Christian Hardigree, Ellis Norman, Gail Sammons, Vince Eade, William Werner, Robert H. Woods, and Cheri Young.
- Chapter 9.3, "The Causes and Consequences of Turnover in the Hospitality Industry," by Carl D. Riegel.
- Chapter 9.4, "Current Issues in Hospitality Employment Law," by Suzanne K. Murrmann and Cherylynn Becker.

- Chapter 9.5, "The Strategic and Operational Roles of Human Resources—An Emerging Model," by J. Bruce Tracey and Arthur E. Nathan, is reprinted from the August 2002 issue of *Cornell Hotel and Restaurant Administration Quarterly*. © Cornell University. Used by permission. All rights reserved.

