

# HUMAN RESOURCES: Mind the gap

## Theory and practice points of view...

**In hospitality, as in so much else, narrowing the gap between theory and practice is central to further progress.**

Over the last decade, there has been increasing interest in a greater application of scientific knowledge to improve performance in the hospitality industry. In this context, bringing academic researchers and professionals from the industry together to debate the issue may be risky, for whereas the former tend to claim that "a good theory is the best practice", the latter often say the opposite. But what better way could there be to move the dialogue between theory and practice forward?

As the two parties, the professionals and the researchers, face off, EHLITE magazine invited Alain Schauder, Vice President of Human Resources EAME at Hyatt International and Pascal Gauthier, Director of Human Resources EAME at Hyatt International, representing the industry team, and Professors Steffen Raub and Alain Salamin, representing EHL faculty, to get into the starting blocks. We hope that will be just one winner, namely the reader! – as the teams address some of the issues considered central to Human Resource Management (HRM) in hospitality: recruitment, leadership, performance appraisal, remuneration, staff turnover and other potentially problematic areas in the relationship between employee and organization.

The widespread interest in HRM has led to innovative ways of re-engineering organizations, to new software solutions designed to help hotels and restaurants make better use of their staff, and

to new business models intended for existing and new players in the industry. At the same time, research interest in HRM has also been increasing. Practice in the field has attracted the attention of the research community, resulting in an explosive growth of research into the theories and methods of HRM. Some of the new developments prompted by research have found their way into practice, as a number of hotel chains have begun to experiment. Implementation and experimentation naturally lead, in turn, to new ideas and the practice-research-practice-research cycle continues, ideally creating a virtuous circle. This is an exciting time for HRM practitioners as well as researchers. Hence the need to go back, once more, to basics and to ask some fundamental questions.

For example: (with Steffen Raub and Alain Salamin):

- "Is it true that HR practitioners spend little or no time reading or keeping informed about research results? Why is this so?"
- How should research be conducted and communicated so as to be more effective, and so as to increase its chances of being noticed and adopted by practitioners?"

For reasons of space, such major issues cannot be comprehensively addressed here, but we hope at least to trigger the debate: it is expected the next HRM Conference at EHL will address it and advance understanding. Moreover, the EHL International Advisory Board is ready to sustain the School's research activity and so contribute to knowledge transfer towards the industry in this field.

## Theory and practice a tale of misunderstanding

### The researchers said...

In a recent article in the supposedly "practitioner-oriented" Academy of Management Executive, Rynes et al. (2002) identify a significant gap between research findings and the beliefs of experienced HR practitioners on seven key issues in HRM. These results confirm what many - researchers and practitioners alike - have suspected for a long time: the knowledge transfer between researchers and practitioners is far from perfect.

The reasons for this communication gap are manifold and our purpose here is not to blame one side or the other. It may be that

academic research is too specific, too irrelevant or presented in an exceedingly technical way so that it becomes inaccessible for the non-academic reader. It may also be that practitioners are stuck in their habits, are too overwhelmed or too indifferent to keep abreast with current knowledge or lack the courage to face up to the possibility that some of the things they do may simply not be very effective.

Wherever the truth may lie - and it is likely that both sides contribute to the communication breakdown - the fact that



research knowledge does not inform practice is unfortunate. Research clearly shows that effective HRM practices can have a huge impact on organizational performance (Welbourne and Andrews, 1996; Huselid, 1995). Research also suggests that the use of academic sources of information by HR managers is linked to profitability of their organizations (Terpstra and Rozell, 1997). Interestingly, this link was strongest in the more labor-intensive service industries.

The key issues on which research findings and practitioner beliefs diverge are in the areas of selection, leadership, performance appraisal and remuneration. Some key ideas are highlighted below:

### 1. Selection criteria

Practitioners tend to favor conscientiousness (a personality trait) over intelligence in terms of their selection criteria. While both are important predictors of performance, research shows that intelligence is clearly the more important predictor of the two - in particular as jobs get more complex. In a similar vein, practitioners tend to favor screening for personal values rather than for intelligence. While "value fit" predicts satisfaction and retention there is no clear link to job performance.

## The practitioners said...

We can state that the misunderstanding between research and practitioner is real; it has always existed and will not soon disappear.

From the practitioner point of view, the main reason is that research is sometimes far removed from reality. We need to keep in mind that in several companies or within units of a larger company, the educational level of the HR Director might not be the highest; they were trained into the job and developed into the position rather than having a theoretical study background. HR specialists are often requested to look for solutions to very operational issues. It is only in companies investing in human capital that HR is taken much more as a strategic function, stepping back and looking at various alternatives. In such companies, internal communication and company intranet play an important role in sharing reading material, best practises, etc., and it is not possible for any HR specialist to properly work and be efficient without keeping up to date with the latest trends in the profession.

Keeping up to date does not mean accepting the theoretical point of view. On various occasions, the theory, though it is very clear paper, might be impossible to apply in practical instances. Looking at the four points raised in the article, we feel that at least for three of them, theoretical approach has its limits and cannot be implemented as such. Let's quickly go through each point:

**1. Selection criteria:** It is very difficult to split the selection criteria between "intelligence" and "conscientiousness". Intelligence has many different faces and one facet would fit one company and not another. In the past recruitment within our industry was simply based on personality traits, behaviours, and communication skills. Today, most companies base those activities on core and

### 2. Leadership

Practitioners tend to overestimate the effectiveness of participation. Research shows that setting challenging goals is a more effective strategy for increasing employee performance than participative decision-making.

### 3. Performance appraisal

Practitioners continue to train line managers in performance appraisal techniques. Research shows that training is unlikely to eliminate systematic errors in performance appraisal committed by most managers. Obtaining a higher quality of performance appraisals may require more fundamental measures, above all top-management commitment.

### 4. Remuneration

Practitioners overestimate the value of attitude surveys when it comes to the importance of pay. In fact, research shows that employees systematically underestimate the importance of pay when asked directly what it means to them. Actions may speak louder than words when it comes to money.

leadership competencies. As competencies are linked to the philosophy of a company and its structure, what is good for one, might not be good for the other. Additionally, adopting the theory approach would mean that successful recruitment should only be based on an objective criteria, which at this level could be considered as the competency model of the recruiting company. This would mean that there is no place for subjective criteria, (do I like the candidate or does he present the way I expect him/her to present?). We, for example, have implemented a selection interviewing sheet based only on competency. The result has been very disappointing: we found candidates that had the required competencies but for whom the human relation was not there. As a result, the candidate did not work out. Hotels were not using the interview evaluation documents as they were not highlighting vital factors, simply because these factors were subjective. A blended approach was taken where not only objective factors were graded but also subjective ones. At the end of the day the subjective relation has to be taken into account to get an optimum result.

**2. Leadership:** A second factor of disagreement for practitioners... The first thing to look at when looking to increase employee performance is to create and cultivate a working environment where both employee and employer will be at ease, developing a win-win situation. Setting individually tailored challenges and goals to an employee is vital. Management needs to be careful not to set the bar too high as this would have a detrimental impact which would counteract the desired outcome. In order to correctly do this, following the strictly theoretical approach laid out, managers need to know exactly up to what point their employees can go. Additionally, outside factors like budget or hierarchical pressure will often influence managers in goal-setting, and distract them from concentrating on an employee's potential. Having a participative approach will help in



balancing the vision of the manager with the vision of the employee and therefore set proper goals that are explained, understood and agreed to by both sides and therefore easier to accept, defend and reach. The culture of a company will tremendously impact this point as it is the single factor that will allow the employee to effectively be a part of all decision-making progress. A style of management such as this will allow the individual to progress and will assist in his/her development from the very early stages.

**3. Performance appraisal:** We fully agree with the theory approach. Simply implementing a training session before the yearly appraisal will not guarantee a suitable return on investment. The training on how to conduct an appraisal needs to be part of the HR strategy of the company and therefore should be fully backed-up by top management of the company. If the appraisal system is not used between two evaluation processes, in order to follow up on employee's performance plan, if promotion is done without checking last performance appraisal simply because the promoted employee has good relations with management, then the system will not work and any training implemented will not be effective. Once the back-up from management is obtained, and once the appraisal process forms an integral part of employee development and evolution, then the material in itself needs to be carefully prepared: all appraisals should be competency based, and should help the employee setting SMART objectives to his appraisal. Training can then occur but not only at management level to show how to appraise; the employee should also undergo training, as he will fulfil one part of the evaluation himself, making a thorough self examination of his performance.

**4. Remuneration:** We believe that nowadays, because of an evolution of mentalities (newcomers to the market have less company loyalty as they have been raised with lower employment security, competition is harder, starts earlier and is present everywhere, not only for candidates but for companies as well), people are no longer afraid of saying what they really think. The experience we got by employee response to opinion surveys has shown us that, even in countries where employees are traditionally loyal to their company (Asia or emerging countries) there is no longer the approach of saying what we think management wants to hear!!!

Salary is not everything and other components of the remuneration package, such as benefits, gratuity, possibilities of evolution or possibilities of choosing ones own working time based on personal factors, are taking more and more importance in the package equation. Obviously the importance of these factors kicks in only as long as the salary level is sufficient and overpasses the minimum required for the considered position.

Therefore, when asked, we genuinely believe that the employees are stating their true perception, and therefore do not agree that employees understate the importance of salary in surveys; they simply consider it as a single element within a total package.

Additionally, companies are working more and more on salary scales, and those having well implemented salary scales with a proper structure, have a much easier task, as salary structures are more transparent and fair.

## "Realistic recruitment"

# Sell your company, but not too much...

### The researchers said...

The HRM literature describes two rather different approaches to recruitment. The "traditional" approach is often compared to the work of a salesperson. From this viewpoint, the ultimate goal of recruitment is to attract a maximum number of applicants to the recruiting organization. Providing incomplete or even biased information about the job and/or the organization may be seen as an acceptable means for reaching this goal.

Beginning in the mid-1970s, researchers started to criticize this approach and hypothesized that its benefits in terms of attracting large numbers of candidates may be more than outweighed by its negative consequences for the selection and retention of those candidates. Following the lead of Wanous (1975), many HRM scholars pointed out that an unrealistic presentation of job-related information may lead to a "rude awakening" when newly hired employees discover the reality of the job. The larger the gap between what has been promised during recruitment and what the employees experience during their first weeks and months on the job, so they argue, the higher the likelihood that they will be

frustrated, dissatisfied, and unproductive. In the end, many of them may quit rapidly.

As an alternative to "traditional" recruitment, Wanous (1975, 1992) proposed that recruiters engage in a "realistic" approach. The key idea of a "realistic job preview" is that recruiters provide balanced and honest information about both the negative and positive aspects of the job and the organization. While this is likely to lead to a decrease in the number of applicants, it would also have a number of beneficial consequences (Meglino and DeNisi, 1987; Wanous, 1978, 1992). For instance, those who are not seriously interested in and/or qualified for the job may decide not to apply. Moreover, candidates may expect less from the job and therefore be less likely to be disappointed or to feel misled by the organization. They may also develop effective strategies for coping with the negative sides of the job. As a result, so the argument of "realistic recruitment" goes, candidates will be more satisfied in their jobs and turnover will decrease.



A large number of empirical studies have confirmed that realistic recruitment does indeed lead to reduced turnover (e.g. Dean and Wanous, 1984; Meglino, DeNisi and Ravlin, 1993; Philips, 1998 for a meta-analysis). In addition, other research results are worth noting: 1. While the long-term effect of realistic recruitment is generally positive, the approach may be dangerous during the period immediately after joining the organization. During this "critical period", employers have to find contractual or other means of preventing employees from leaving. 2. Realistic recruitment does not mean that recruiters should communicate negative information only. Indeed, a combination of both "reduction" (i.e. negative) and "enhancement" (i.e. positive)

previews seems to work best (Meglino, DeNisi, Youngblood and Williams, 1988). 3. The message source seems to play an important role in the process. Information received from job incumbents is perceived as more credible than information from other sources (Colarelli, 1984). 4. The medium also has an impact on the effectiveness of realistic recruitment. In general, audio-visual previews are more effective than written documentation (Premack and Wanous, 1985; Philips, 1998). Thus, empirical research indicates that successful realistic recruitment requires: a) an appropriate selection of information to be communicated to candidates and b) an appropriate choice of message sources and media used to convey this information.

## The practitioners said...

As described in the article, there exists two principal methods for recruiting employees currently used by companies: the traditional method, which focuses on selling the company to the best and presenting only the positive aspects, and the realistic method, which presents a blended mixture of both advantages and drawbacks. Giving equal weight to both positive and negative aspects of a company may seem to some to be a risky approach to recruitment. However, as we hope to show, giving an honest description of your company is far from being a negative influence and can in fact prove very beneficial in your recruitment process. Indeed, in the current working climate, we strongly feel that, as presented by Wanous, the only method we can follow is the realistic recruitment approach.

The principal reason for a company to be as honest as possible when recruiting would be to avoid the possibility of making false promises and losing potentially excellent employees soon after they start. Making false promises can lead to incorrectly recruiting a person for an unsuitable position which, in turn, would lead to unnecessary expenditure in the period before the newcomer leaves, i.e. loss of money on training programmes, cost of time spent with the person, cost for re-training with a replacement candidate and, in the worst-case scenario, starting the recruiting process all over again.

Newcomers leaving could also be seen as a failure for both the employee and the employer which could produce a psychologically negative effect on both parties. From the employee's point of view, if they thought that they had found the 'perfect job', only to discover that this was based on false claims on the part of the employer. This could engender a negative response which could in turn lead to negative publicity for the employer. With the expanding influence of the Internet, employers should not underestimate the impact that chat forums, online surveys and word-of-mouth recommendations can have on the image of a company: it is very difficult to refute the negative claims of an anonymous source. In addition to this the employer may also feel the negative effects of self doubt; concern that they themselves are in some way to blame and not doing their job correctly.

Showing both sides of a position to a potential candidate may well attract less applicants, but those who will apply will be willing to do the job as it is, and be less likely to leave in the first few months. In

addition, the person that will apply will have a profile that better suits both the position and the company.

A second, and equally important reason for taking the honest approach, would be that showing only positive points of the company would surely develop an over-cautious reaction from an applicant. It would be naïve to assume that a candidate would believe that a company can have only good sides and a strong applicant would certainly ask themselves certain questions; if the company is already hiding things before I start then what will it be like when I am working for them? What do they want to hide? What is so bad that they feel they need to hide it?

In raising the company's potential weaknesses, a recruiter is also offering the opportunity for 'the right person' to participate in overcoming these shortcomings, something that could be seen as an excellent professional challenge for a potential employee. It could provide a strong source of motivation for them to take the job.

This approach does have a downside. Too much emphasis on the negative side could discourage people from applying. The recruiter has to find the best balance to attract the best applicants.

A final issue in recruiting that practitioners are faced with is that they are often not good marketers and find it difficult to sell the position to the right person. There is however a simple solution to this. As we ask potential candidates to do a SWOT analysis of themselves, the recruiter should do the same for his company. It would then be easier for the recruiter to present a true description of the company based on clearly identified strengths and weaknesses of the company. It would also ensure that the recruiter will enter the negotiations holding all the aces.



# The roles of HRM

## Trends in the hospitality industry

### The researchers said...

The most widely accepted framework of HR roles has been proposed by Ulrich (1997). He suggests that the HR function in an organization consists of four distinct but related roles which differ in terms of their time frame (long term/strategic vs. short term/operational) and their focus (managing processes vs. managing people). The four roles are defined as follows

**"Administrative expert"** This role concerns management of the firm infrastructure: HR managers design and deliver efficient HR processes for staffing, training, appraising, rewarding, promoting and managing the flow of employees through the organization. The deliverable is administrative efficiency.

**"Employee champion"** This role focuses on managing employee contributions. HR managers address day-to-day problems, concerns and needs of employees. They understand employees' needs and ensure that those needs are met. The deliverable is increased employee commitment.

**"Change agent"** In this role, the focus is on managing transformation and change. HR managers help identify and implement transformation processes. The deliverable is the organizations capacity for change.

**"Strategic partner"** In this role, HR managers contribute to the management of strategic human resources. They help the organization by aligning HR practices with business strategy. The deliverable is strategy execution.

Ulrich points out that while HR managers are ultimately accountable for the deliverables, the actual execution of the various roles is a shared responsibility. Line managers, external service

providers, consultants and even technology play a key role in complementing the work of the HR manager.

Ulrich suggests that there is a strong trend in current HRM practices to pull out of the more operational/short term roles and to compete for more strategic influence. HRM either wants to "get a seat at the boardroom table" or if it has that seat already is keen on enhancing its influence.

A recent study carried out at EHL (Raub, Alvarez and Khanna, in press) highlights a number of interesting findings. Above all, there is a marked difference in terms of responses gathered from HR managers at the corporate level vs. those from their colleagues at the unit level. HR managers in our unit level sample spend on average a substantially larger amount of their time on operational activities than HR managers in our corporate level sample. In terms of decision-making, HR managers at the corporate level are more likely to be involved in early stages of decision-making processes whereas their counterparts at the unit level tend to be seen more as implementers.

Both groups of HR managers express the same desire to reduce operational work load and get more strongly involved in strategic HR roles. The desired reallocation of work time, however, reveals important differences. At the corporate level, HR managers would like above all to increase their weight as "strategic partners". For them, getting a "seat at the table" is still the dominant motive when asked about required changes. As far as their counterparts at the unit level are concerned, their main desire is a stronger involvement in the "change agent" role. This may be an indicator for the fact that unit level HR managers perceive the need to interact more productively with line managers.

### The practitioners said...

We believe that the Ulrich model presented in the article is indeed a very interesting way of describing Human Resources. This model can clearly be seen to work in large hotels with over 200 to 300 employees. However, we would challenge the statement that 'only the corporate HR partner' is taking a strategic approach to HR.

It is our experience that it is becoming more and more prevalent, especially at hotel level, for the HR function to assume a strategic aspect. Within Hyatt, for example, the Director of HR at hotel level is required to act very strategically in terms of payroll control. Payroll in Europe is the highest expenditure within a hotel. To ensure that this expenditure is correctly managed, HR needs to act strategically when planning hires, accepting extras, placing ads or planning holidays. It is no longer the case that general strategies are set only within the corporate environment. It is now

common practise that, on an individual unit basis, the Director of HR will set their local strategies at the time of preparation for the business plan, and that globally, all HR strategies will be set as part of a common effort with the whole management team. The time when the HR function lay solely with the DHR is long gone. It is now much more prevalent for each manager to have an integral role within the HR structure and be accountable for it.

The Hyatt company philosophy has certainly had an impact in ensuring that key players with HR functions within the hotel are fully involved. This has had the effect of moving the primary function of the HR department more towards a role of consultant to the field; a change that has meant bringing the DHR to the negotiating table very early.



Additionally, having adopted a culture of decentralisation, Hyatt has always given greater freedom and responsibility to its Executives (including the Dir. of DHR). In terms of selection and recruitment, this has influenced the profile of the Dir. of HR moving forward to find entrepreneurs and strategic partners. Therefore, seeing the DHR as a simple 'change agent' is, in this environment, rather erroneous - there are of course exceptions to this rule where, for historical reasons, the HR function is still seen as a simple Administrative function, however these exceptions are rare. In general, HR at hotel level sits at the table and is part of strategic decisions. Within Hyatt, this is fully understood by all key players and, as a result, HR has received full back up from

Corporate Office and been a major department for the last 20 years.

It is obvious that HR at hotel level cannot have the same important strategic responsibility as HR at corporate level. If corporate HR within Hyatt now spends roughly 60% of its time in a strategic role, it is important to realise that at hotel level, a DHR may actually only spend a quarter of their time in this same function.

This should not detract from the growing strategic role that hotel DHRs are now playing: maybe the time has come to stop seeing them as a simple doer!

## Employee-organization relationships: Is the mutual commitment model fading away?

### The researchers said...

Much of the interest of researchers in Strategic Human Resource Management has focused on commitment-based HR systems that emphasize enhancing organizations performance by winning employees' hearts and minds. Identification with the firm induces workers to invest in firm-specific skills and to enhance firm performance through their discretionary behaviours in addition to performing their formally defined responsibilities. This approach is commonly referred to as "mutual investment" or "mutual commitment".

This paradigm is based on a combined economic and social exchange model and attempts to create flexibility by developing and encouraging employees to adopt permeable and expandable work roles. In exchange, the employer offers some degree of employment security to the employees.

But not all employers pursue commitment-based approaches to HRM, and there has been a lively debate, as to which human resource systems best help organizations face increasing international competition and the rapid pace of technological change. What HRM system is best helping organizations to be lean, fast, and flexible?

In recent years, external factors are forcing some firms to alter their "mutual commitment" approach to HRM. Flexibility and fragmentation of the workforce is accelerated by the pervasiveness and urgency of change and adaptation to technology advances and internationalization of competition. Specific changes include large-scale reduction of managerial and professional jobs, flattening of organizational levels, externalization of work, and development of new management structures, and employee governance systems (different patterns of working hours, growing number of sub-contractors, greater variety of forms of employment contract, more dispersal of work sites, including use of the home as a workplace).

These types of changes have consequently spawn new employment relationships designed to maximize organizational

flexibility while at the same time maintaining or increasing employee performance. This alternative approaches relies on labour market practices such as the use of part-time and contingent work, layoffs, and hiring to adjust the size and composition of the workforce to changing organizational demand. This system is commonly referred to as "market-like" HRM where the employer is "free" to hire and fire workers and offers short-term, purely economic inducements in exchange for well-specified contributions by the employee.

Most of the debate has focused on enhancing competitiveness through flexibility and on the relative merits of two distinct approaches to achieving that goal. Conventional wisdom would suggest that the active involvement of a highly skilled workforce is crucial to the achievement of such outcomes as productivity and quality and that discretionary efforts by employees are thought to be vital to work requiring flexibility and adaptation to changing conditions.

The research point of view is confirming this judgement. Overall results provides significant support for what we have termed the mutual investment approach, where open-ended inducements provided by employers are balanced by open-ended contributions from employees. Employees under "mutual investment" relationships have the highest levels of task performance, had more favourable attitudes, higher productivity and quality output rates, and lower employee turnover than companies with "market-like" human resource systems.

Based on those undisputed results, we can legitimately ask if the short-term advantages of market-like approach to HRM (flexibility, cost-reduction, impact on EPS and stock-market) are not a very high price to pay for a company? How is the hospitality industry positioning itself in this debate? How far do hospitality companies buy in the new model? What are the long-term consequences of this approach?



## The practitioners said...

In the current business environment, a company needs to be as efficient as possible if it wants to survive: it needs to be better, faster, and have lower costs than its competitor. The question that needs answering is "which is the best way to achieve this? Is it by using the 'mutual investment' model or the 'market-like' model?"

There are numerous benefits in adopting a mutual commitment approach, including greater productivity ratios, lower turn over and higher motivation to name just three. However, nowadays it is no longer possible to function optimally without fully understanding the market-like approach. It has become essential for a company to be able to adjust its functioning to suit a rapidly changing environment (whether it has a direct impact on employees when we modernise the logo to better fit the image the company projects, or whether it doesn't when we explore newest and innovative HR operating system to be able to act more efficiently). The ideal solution would therefore seem to lie within finding the right balance between these two models: combining the two to ensure that the company could fully achieve its set objectives.

In a business such as the hotel industry, much of the work is based on the contact between personnel and the customers, where people are working with people, and by doing so, an employee will be confronted by problems that require solutions personalised to each individual: a one-solution approach to a problem cannot and will not satisfy everyone. Working with different people in a workforce means working with different experience, history, values and culture, which make this person unique. Even in a fast-changing environment this will continue to be a very important point. Employers should therefore become more flexible in their approach to handling their employees, be willing to explore different processes even if that means finding new ways that have not been used before and not simply persist with traditional thinking.

However, like in every approach where trying new ideas is the main concept, there is a high probability to make mistakes. The important thing is to learn from them. Outsourcing is a very good example of this. In the mid-90s we all felt that the best way to reduce payroll and to avoid union issues was to outsource employees, no longer considering them as part of the total staffing of the hotel. A lot of hotel companies outsourced their entire housekeeping, laundry, stewarding, security and engineering departments to external companies. We all learned the same lessons:

- It is very difficult to outsource an entire department as it is then very easy to lose immediately in this department your core philosophy: the corporate culture. It is difficult to teach corporate culture to employees that are not your own.
- Managing outsourced employees isn't easy as, in a lot of countries, legal restrictions leave the hotel using outsourcing with no rights to manage directly the employees of a different company. Management is therefore forced to go through a representative of the outsourcing company to communicate to the working employees.
- The outsourcing contracts have to be carefully scrutinised in order to determine specific issues such as; duration of the contract, who finances training, who provides uniforms, what is the entitlement for staff restaurants, etc.

The lesson we learnt is that we need to keep a market-like approach, thinking out of the box and looking for better ways of working, but we need to soften a too radical approach to meet our employees' needs if we want to keep them motivated, productive and keep the core philosophy of our company.

In summary, the key to success lies in the adequate blending of the two approaches! Once again, reality shows us that a too radical approach might not pay off.

## Self-management: A concept that has been overlooked?

### The researchers said...

The concept of self-regulation was introduced to the management literature by suggesting that individual-level control can serve as a substitute for leadership. This concept was further refined by describing self-management and self-leadership as processes through which individuals control their own behavior. Self-direction is defined as behavior that demonstrates internal control such that desirable acts occur in the absence of external constraints such as supervision and procedural controls. Individuals who manage and lead themselves practice self-observation, goal setting, and self-reinforcement, and establish self-direction, build natural rewards

into work, and engage in constructive thought patterns. Interestingly enough, self-leadership is also conceptualized in the literature as learned behaviour, i.e. that can be acquired via awareness and training.

Knowing that contemporary organizations are more and more replacing hierarchical control with empowering settings, where matrix structures, remote management and distance working are gaining more and more visibility, self-directing employees should be seen as the key to success. Hence, do modern organizations



recognize the importance of self-management characteristics? Are training programs enough shaped to develop self-management capabilities? Is this concept applicable to the service and hospitality industry?

At the same time, a recent but considerable body of research indicates that a particular personality trait, conscientiousness (a broad trait that is summarized as a stable tendency to be organized, efficient, goal-oriented, and persistent), is capable of

predicting self-discipline, achievement striving, and dutifulness. Recent studies based on the five-factor structure of personality strongly suggest that conscientiousness is a valid predictor of job performance.

Given the importance of productivity and therefore performance in any company today, is conscientiousness receiving enough attention? Does it play enough of a role in recruiting? How relevant is the concept for the hospitality industry?

## The practitioners said...

In looking at the concept of self-management and in passing judgement on whether this is a good or bad thing highlights again how theory can often prove very extreme in its findings. Can we be sure that the reality is as black or white as the theory suggests or is there not a case for perhaps taking these findings with a pinch of salt?

The concept of self-management can be an excellent work concept, though clearly it will not be suitable for every type of company as it has to be linked directly to their corporate philosophy and corporate culture; a company with centralised management will be looking for a different profile for its executives and managers than a decentralised one.

In a decentralised environment such as the one found at Hyatt, executives and managers are expected to manage themselves. A candidate that feels comfortable within a structured environment, one where everything is scheduled, every action prepared, explained and taught as per policy, would not be effective in this type of environment.

Decentralised management can be easily achieved if the organisation as a whole follows the same scheme, and if the

framework for self-management is clearly defined. Potential employees are informed of what will be expected from them early in the recruitment process and a major requirement of the selection criteria includes the potential for self-management. This is explained through the leadership competencies criteria which have been set by the company and which are considered as a fundamental basis of the company culture and recruitment strategy. These criteria are applied in each and every decision taken at corporate level: from selection processes to training activities or development.

Looking at the set competencies currently used in Hyatt, we would see that traits that we have defined as being critical in the profile of our managers i.e. being organised, entrepreneurs, innovative, goal-oriented, efficient, persistent, etc., are all very similar to what the article refers to as conscientiousness.

As has already been mentioned, self-management is a vital factor for Hyatt due to its structure, but this might not be the key to success in other companies. For this reason alone, when recruiting, stating that one approach is the best for all companies is far from the reality: it might be the best for one, but potentially a nightmare for another!

# Turnover and high performers: How rewards shape the relationship?

## The researchers said...

Dalton et al. (1982) pioneered the idea of turnover functionality, disputing traditional assumptions that job separations are always detrimental to organizations. Their insight that a leaver's value to an employer determines whether or not turnover is dysfunctional initiated a long research stream over whether good or bad performers most often quit.

From labour economics to organizational psychology, diverse disciplines have sought to identify *who* quits, reaching a consensus that turnover is dysfunctional for companies when leavers are profitable, possess proprietary knowledge, or have

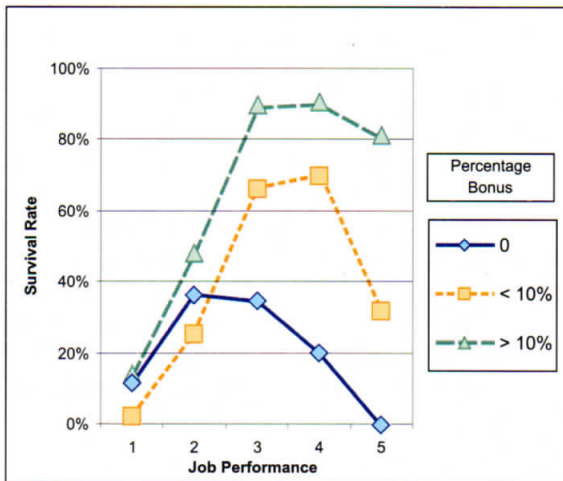
extensive customer networks. Industrial psychologists have long studied this so-called *turnover functionality* by probing how performance relates to quits. Meta-analyses have consistently estimated negative, linear performance-turnover relationships, i.e. the best performers are the least likely to quit.

Employers basing retention practices on such findings may assume that their best performers are loyal and that they need not expend special resources toward retaining them

Despite this consensus, several scholars have deemed such



conclusions premature or oversimplified. Newer findings suggest that superior performers have much greater movement ease than anticipated, that is, high performers' visibility is significantly enhanced in the market place. Given the swift rivalry between firms within and across industries, competitors try to hire productive incumbents away from their current workplace and the best performers are specifically targeted. The question then arises how to retain high performing individuals, and more specifically, how can rewards be instrumental in retention strategies?



Surprisingly enough, in the most recent international study on the topic with a sample of more than 11'000 employees, salary increases do *not* entice better performers to stay. It clearly shows that pay increase rates were not enough coupled with performance and therefore supposedly failed to act a retention factor. After all, aren't pay raises in practice very often linked with other issues than performance?

The most prominent results however are about bonuses: interestingly, after controlling for other factors, strong contingent rewards, such as bonus pay, most inhibited resignations among superior performers (see figure below). Hence, the impact of such variable compensation systems is going far beyond the original objective which most often is to increase performance levels and productivity.

Because merit pay escalates labour costs over time, this finding further confirms that one-time bonuses are the more cost-effective ways to combat attrition. Despite greater quit propensity, superior performers will stay if amply rewarded.

Based on these results, are performance contingent variable rewards seen as a true retention tool? How widespread are these compensation vehicles in the Hospitality Industry? For what purpose and what results are they used?

## The practitioners said...

It seems clear that the principal question raised by this particular article can be summarised as follows: do retention programmes need to be result oriented to be effective? The response to this is partially yes. However, simply talking about bonus as a means to retention may be to over-simplify the question.

Firstly, when referring to remuneration, it is too simplistic to talk about a single element such as salary. Rather, it is actually a question of the total package offered, a package which can be made up of several different components, including amongst others:

- Basic salary
- Local benefits (car, parking, food, mobile phone, etc.)
- End-of-year bonus
- Incentive compensation programmes
- Company benefits (complimentary rooms for the family when going on vacation, discounts, etc.)
- Special contributions to insurances and retirement plans.

Acting simply on one aspect, particularly the basic salary, would have a very short-lived motivational effect: like children with a new toy, once they have it they are very quick to start looking for something else!

This is also true in regards to bonuses. While the effect of a bonus is more motivating, especially if it is result oriented, there will still be employees who wait to receive their bonus before moving on. Indeed, some companies are now putting in place rules governing bonus distribution: asking employee's to stay for a clearly defined time period after distribution or paying bonuses in instalments.

It would seem that monetary incentives do not have a long impact on retention and the challenge is to find new incentives to keep staff.

In our experience, the key to a successful retention programme often lies in thinking 'outside the box' to find new solutions. Addressing employee needs is of course crucial, and it is often the case that the most important employee needs are not financially based. Being proactive in seeking out the 'basic needs' of employees can greatly help reduce the risk of high turnover. One particularly good example of this is becoming more flexible in employment conditions. More and more employees (predominantly women) are interested in working part-time in order to enable them to devote more time to their families. A company should be flexible enough to envisage the possibility of having two Directors of HR in one property, sharing the workload between them. Alternatively, and largely thanks to recent advances in communications technology, working from home has become more and more a viable option, providing another solution to this same issue, and one that could more effectively impact upon retention.

A second, equally important question raised by the article is the following: is turnover positive or negative?

It is again overly simple and even outdated to blindly state that turnover is bad. Historically, it has always been considered as a negative influence, mainly due to cost reasons. However, modern thinking on this issue has witnessed a sea change in the way that turnover is viewed. Rather than seeing it as negative, healthy turnover is now considered as a positive strategy in that:



- It creates opportunities for promotion.
- It helps in maintaining payroll at a certain level.
- It encourages staff to seek improvement elsewhere, thus fostering a good employee/employer relationship. This in turn allows the option for staff to re-join the company at a later stage, after having gained broader experience.

Looking at the various reasons why turnover occurs can assist in defining whether it is positive or negative. For example, if turnover occurs as a result of a bad working atmosphere or relationship within a department, then this is clearly negative and something that needs action on the part of the employer.

In addition, we know that there are plenty of other reasons for employee turnover, and often junior employees are not leaving simply because of salary issues. Through our yearly employee

opinion survey we discovered that working conditions, the possibilities for personal development, promotion and transferral and the general spirit and atmosphere of working in a team within the hotel are all factors that are considered as more important to our employees than their salary.

In regards to turnover within management, the decision of a manager or an executive committee member to leave is often based on opportunities for promotion, experience and, particularly in the hotel industry, to the fact that they may wish to stay in a location and not be transferred out. Today, outside activities (sport, political, social) are becoming more and more important.

A healthy turnover is definitely a strategic decision a Director of HR would have to consider.

## Where Theory and Application Converge?

At the end of the day, on one side, the HR manager will be judged by his superior - who is often not very interested in listening to the problems of HR because he is focusing overwhelmingly on the delicate financial situation: he forgets that the financial figures are mainly the result, and not the cause, of the poor performance of his staff. On the other side, the researcher is judged by his peers, who are also academics and often more in love with the methodology than with the practical results of the application.

We may suppose that real progress will come when the practitioners judge the usefulness of each theory and when the researchers judge how the theory is applied in the industry. HRM has, alas, a major snag: the laboratory is the real world. Fail in the laboratory and you may correct things without causing too much damage, but fail in the real world and it's too late: nobody can help you! People are therefore very averse to experimenting in HRM - indeed, just as they are often averse to any change. Many more managers "talk" HRM than actually practice it. Why

is that? In some cases, those who don't walk the talk do not really believe the talk in the first place. They merely go through the motions. All too often we hear leaders say that "Our staff are the greatest single resource of the company", but in practice this beautiful axiom is very difficult to apply! Other managers, saddled with organizations having a "merely good" strategic vision of HRM and unfocused policies and practices for reaching it, do not have the willpower or patience to manage the transition needed to achieve outstanding performance. Still other leaders do not have the long "levers" they need to institute change. Applied research benchmarks, however, can provide such levers, can provide the basis for establishing priorities, and can suggest opportunities for improvement. Where, then, is the inevitable gap between research and practice? If the researcher's approach is professional, and if the practitioner's management represents a continual search for better practice, then there should be no gap, just as there is no gap between the brain and the body. Indeed, it's worth remembering that, as the saying has it, "a good theory is the best practice"!

### Practitioners said...



**Alain Schauder** is Vice President Human Resources for Hyatt International, overseeing Europe, Africa and the Middle East. He joined Hyatt International 23 years ago as Director of Human Resources for the opening of the hotel in Montreux, and was promoted shortly afterwards as Area Director of Human Resources and Vice president. Prior to this, Alain graduated from the Lausanne Hotel School and worked for 4 years for Sheraton in Frankfurt, Paris, Cotonou and Djibouti always in the field of Human Resources.



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### Researchers said...



**Dr. Steffen Raub** is Professor of Organizational Behaviour at the Ecole hôtelière de Lausanne. He holds Master's degrees in business administration from University of Mannheim, Germany and ESSEC, Paris and a Ph.D. in management from University of Geneva. Dr. Raub has published extensively in the areas of knowledge management, organizational behaviour and human resources management. His current research interests include realistic recruitment, organizational citizenship behaviour in the service industry and flexibility management.



**Alain Salamin** is Professor of Human Resources Management at EHL. He has graduated in Economics and Psychology and received his PhD in Management at HEC Lausanne. Alain is bringing 20 years of practice in the HR field with international experiences in the textile industry, banking sector and fine chemical industry. Alain teaches and conducts research in the area of turnover, reward systems and Compensation & Benefits. He has published articles in the Journal of Applied Psychology and Strategic Management Journal.