

A Human Resources Road Map For The Hospitality Industry:

Tapping Science to Identify Talent Potential & Drive Profitability

INTRODUCTION

The war on talent in the hospitality industry is decidedly fierce, especially when employee turnover is extremely high, averaging up to 65% - 75%. That esteemed human capital – the right individuals who possess the core talents and motivations that closely align with a particular organization’s values – are the solid foundation on which a thriving, profitable hotel is built for the long-term. A carefully crafted brand promise and distinctly-designed product will only take a hotel’s achievements so far – **the enduring strength and sustainable success of a hotel (whether an independent property or a large hospitality company) is grounded in the individuals who embody the inherent talent potential and drive for excellence that is required to meticulously execute the brand promise that inspires consumers to book (and re-book) a stay.**

This White Paper – *A Human Resources Road Map for the Hospitality Industry: Tapping Science to Identify Talent Potential & Drive Profitability* – presented by Talent Plus, Inc., the industry’s Leading Talent Assessment PartnerSM with companies like the **Capella Hotel Group, KSL Resorts, Dorchester Collection, Baccarat Hotels** and **1 Hotels** among others, will explore key points for C-level hospitality executives and human resources team members to adopt with a focus on cultivating their employees’ intrinsic assets to propel success and profitability in the years ahead.



SERVICE DELIVERY IS KING

Service delivery is king, and it is the team on the front line with guests every day (not the C-level leaders) who drive that engine forward. The level of service execution rises and falls with a company’s employees and can powerfully color the memories (positively or negatively) that guests make while staying on-property, and this impacts loyalty.

“As an industry, we are so focused on the physical experience but the hardest thing to get right is consistent service delivery to guests in a warm, sincere and genuine caring way. Center your operating philosophy around service delivery. The next step is to get the right people to do it,” observed Hans van der Reijden, Managing Director, Hotel Operations & Educational Initiative, **The Hotel at Auburn University**

and Dixon Conference Center – the first property in the Capella collection, and a Talent Plus partner from the company’s beginnings in 2003. Capella was founded by Horst Schulze, former president and Chief Operating Officer of **The Ritz-Carlton Hotel Company** who utilized Talent Plus services when he was at the helm of that luxury brand.

How can hospitality companies master service delivery? By going to the heart of a hotel and tapping the power of human capital – but you can’t leverage the strengths of your great assets until you have the right assets in place. It starts with selection. Identifying the right people for your organization through a customized, scientifically-based assessment tool translates to a positive business outcome, and Lincoln, Nebraska-based **Talent Plus**, with 25 years of experience and a showcase of game-changing results, can effectively guide the process.

“What a customer wants is no defects, timeliness and caring service. How do I know my front office manager is taking great care of my guests? I can ensure this by selecting the right talent. Somebody that has it in them. And that’s where Talent Plus’ science becomes so important. As a leader, I only have to support it,” said Schulze.

“The tools and the training that we received from Talent Plus allowed us to select employees who shared the company’s values and then develop their potential to reach levels of excellence that you cannot attain without natural talent,” noted Kevin Richeson, Vice President, Human Resources for **SH Group**, a hotel management company that manages and opens hotels such as Baccarat and 1 Hotels. “We improved business results, employee retention, employee engagement, guest engagement and world-class HR processes. I continue to use Talent Plus as a selection, development and succession planning tool through my career 22 years later.”



THE ROAD MAP DEFINED

ADVANCING THE ROLE OF HR

Elevate the role and significance of human resources in your organization to bolster employee retention rates, enrich the guest experience and spur company growth.

Embracing the value of your human resources professionals – beyond gate-keepers of policy, compliance and related issues – makes sense for smart, progressive-minded hoteliers. For them, the goal is to move the numbers in the right direction, from reducing employee turnover, boosting customer satisfaction levels and saving millions of dollars on employee training expenses. That monetary savings can be applied to enhancing the on-site guest experience, which is the largest influencer in whether or not consumers will re-book a hotel stay in the future and the type of praise/negativity that will be shared among friends and

family. Properly managing human resources impacts how you manage your reputation.

In the business of hospitality, human resources executives deserve a seat at the leadership table to re-evaluate the strength of a hotel’s human capital and explore how to grow a company from within through highly talented individuals selected through a validated science. An empowered human resources team is an ambitious machine capable of and determined to deliver results.

The human resources team should be viewed as a “real strategic partner who can decisively show the important linkage between human capital and profit and loss as well as what drives revenue,” noted Ed Eynon, Chief Human Resources Officer at **KSL Resorts**. Eynon has been a Talent Plus partner since before coming to KSL; he has been a human resources leader at The Cheesecake Factory and on the Salt Lake City Olympics Committee and believes that one of Talent Plus’ strengths is its “portability” across various industries. Talent Plus has worked with major luxury brands such as Salvatore Ferragamo, Estee Lauder Companies, Mercedes-Benz USA and many more.

Larry Sternberg, president of Talent Plus since 2013, concurs with Eynon’s perspective about the role of human resources. “Your people are your biggest competitive advantage in the hotel business. Since human resource professionals are responsible for recruiting and hiring employees, it’s the HR people who are really in charge of whether or not a hotel meets its goals.”

Engaging hotel leaders at the highest levels is crucial for a long-term cultural change of the view of human resources in a company. CEOs and general managers must understand the importance of people decisions. “People shouldn’t be viewed as commodities to simply fill a hotel role. To get HR executives to the C-suite table, hotels need leaders who share these values,” added Sternberg.

Human resources can help steer the C-level mindset if they connect the dots between employee relations and revenue. **The most effective human resources professionals are those who can advocate strategies based on data collected reflecting employee turnover and how it directly relates to profits earned and lost.** This analytical viewpoint dovetails with Talent Plus’ approach that potential to excel is a key factor in selection of employees, and the impact can be positively felt on the bottom line.

Partnerships to achieve sustainable human resources goals take time; it’s not about a swift transaction. Noted Eynon, Talent Plus “works better than anything else I’ve tried. In my professional roles, I’ve had the obligation to look at other tools to give more of an edge and get more out of the interview process. I couldn’t find anything cheaper, better and faster that delivers so many assessment elements to get a comprehensive view of a person.”



THE ROAD MAP DEFINED REFINING THE HR PROCESS

Continue to shape and re-shape your approach to human resources.

In conceiving (or revamping) an approach to managing human resources, it's important to identify who you are as a company – your core values and brand essence – and what's essential for you to develop a seamless operating team adept at delivering an unrivaled, on-point guest experience.

From there, **target the bigger business objective of building a Talent-Based Organization® by selecting the very best individuals with the greatest potential who match your organization's culture – it's all about the people you welcome into the fold.**

"One of the most important decisions to make is 'Who I would hire next?' because that makes or breaks the fabric of an organization. Hire well and promote carefully. Go further than just an interview and your gut instinct. In the field of assessment tools, Talent Plus has been most successful in predicting if someone is the ideal candidate for a position," shared Eynon.

Knowledge is power so gaining a deeper insight into a hospitality organization's job roles and understanding the behaviors a hotel company wants its employees to exhibit is how the Talent Plus process begins. To initially build its interviews and assessments, Talent Plus' research team goes through a rigorous process to develop items and identify top- and contrast-performing benchmarks. Talent Plus clients may use the industry benchmarks or develop a benchmark of their own that fits their culture. To build the benchmark, Talent Plus goes beyond the job description and digs deeper with observations of current employees in specific jobs and organizes focus groups with people identified as top performers. Through this listening and observing, Talent Plus sees patterns or themes, and attaches those to conceptual names. From there, a customized research tool, or Talent Benchmark®, is then created to measure these concepts, particularly benchmarked against highly-talented (top-performing) and contrast (low-performing) individuals.

A hypothesis is formed, a research interview is developed to test the hypothesis and this interview is administered to a company's existing employees. Talent Plus scientists trained in psychology and statistical analysis cull the data via proprietary TalentBank® software and evaluate the material item by item. This becomes the basis for the assessment that can be used to evaluate prospective new hires.

At the same time, clients are asked to assess the performance of the people being interviewed so that it can correlate to the data collected by Talent Plus. "We work through items with the most differentiation and then conduct advanced statistical analysis to ensure the assessment

doesn't discriminate against race, gender or anything that would create adverse impact," explained Bill Kerrey, Chief Information Officer for Talent Plus who currently oversees the research process.

According to Kerrey, employee turnover typically drops between 30% and 50% in the first two to three years of engagement with Talent Plus' talent-based business solutions. He said the average cost to train an employee is \$31,000 so reducing turnover can save hotels millions of dollars.

When Talent Plus first began partnering with **Loews Hotels** in 1998, only 30% of their service employees demonstrated talent for management. After implementing Talent Plus' science and selecting for talent, they were able to promote from within and increase that number to 52% of individuals who demonstrated an aptitude for management.

"You can't teach somebody to pay attention to the caring details. A lot of the strengths that you want in the hospitality industry, you can't teach – someone who cares about the details, positivity, how they deal with adversity. If you're looking for the right people, you have to look for what they're naturally good at," noted Barbara Vale Quigley, Director of Human Resources, Loews Hotels – Chicago.

Any hesitation about using a scientific process for employee selection can be dismissed by the resulting numbers, which tell a promising story. One Talent Plus client saw a 53% reduction in turnover and a savings of \$1.9 million. Based on a staff of 400, another hospitality organization saved over \$1.25 million due to retention of highly-recommended managers. This is just the tip of the long list of impressive case studies that reflect on how building a Talent-Based Organization based on using Talent Plus' methodology of science for selection makes a real difference.

As a hotel product evolves, it's imperative to re-examine the HR approach to ensure that employees on all levels (from the C-level down to front line team members) align with the crux of your brand and reflect their greatest potential. **Re-shape, refine and revitalize – it's the new mantra of a forward-thinking human resources approach.**



THE ROAD MAP DEFINED CULTIVATING INNATE TALENT

Effectively nurture the inherent nature (i.e. talent) of your employees.

From his previous experience with The Ritz-Carlton Hotel Company, Hyatt Hotels & Resorts, Omni Hotels & Resorts and The Portman Hotel Company, Sternberg had believed that if employees were trained and motivated properly you'd achieve success, but he learned that's not the case – more than motivation is required. "Aptitude matters. You can't train a Shetland pony to win the Kentucky Derby," he said. "If you focus on talent, then you will have a diverse workforce. Talent doesn't know

race, age, gender or other demographics.”

Building a hotel work force is tantamount to establishing a community. **Developing a community based on individuals who have been scientifically vetted for possessing the potential to do a job they love at a high level of excellence separates that property from the competition and allows them to emerge as the leader of the pack in service delivery to customers.**

Capella’s van der Reijden cites that the non-student employee turnover rate at The Hotel at Auburn University is 20% (the hotel is in the unique position of being tied to the Hospitality Management Program in The College of Human Sciences at Auburn University). Particularly noteworthy is that approximately 90% of employees coming onboard have never held a position at a hotel.

“Talent Plus teaches me to look at, accentuate and grow a person’s strengths, but not focus on perceived weaknesses,” explained van der Reijden, who previously worked at The Ritz-Carlton Hotel Company for more than a decade before joining Capella.

To keep the robust employee community thriving, it’s crucial to maximize your human capital’s potential. **Invest in the right people for the long-term health and wealth of your organization. Put resources behind your employees – give them the tools, resources and learning opportunities to further cultivate their talent.** Allocating funds to support employee growth yields a return on investment.

“Continue to invest in top performers and they’ll continue to grow,” said Kerrey. Otherwise, if you hire talented people and don’t invest them, they’ll depart for other opportunities. Furthermore, if a supervisor creates a culture of conflict, then this can also drive the right talent to explore their options.

Occasions for the right type of staff development greatly powers the guest experience, employee productivity and company engagement. One hotel client indicated that after partnering with Talent Plus for only four years and incorporating their science and tools into their selection and development processes, guest satisfaction scores at the property increased from 88% in year one to 99% in year four. Guests saw significant enhancements in service, represented by a striking rise in customer satisfaction measurements, and employees experienced continued improvement in company culture and engagement. The implementation of talent-based human capital development initiatives helped create an atmosphere of highly individualized, world-class service; this property was later nationally recognized as a “Great Place to Work” and top 10 hotel.

A person’s level of experience and education – particularly at the rank and file and supervisory levels – isn’t the best barometer for determining if a candidate will succeed in a hospitality job function. Skills and knowledge of job responsibilities and routines can be taught; however, people naturally high in talent, or more specifically a theme

Talent Plus calls “Individualized Approach,” is a more accurate measure. Individualized approach calculates how “others centered” a person is, how they react to guests’ unexpressed needs and the manner in which they will customize responses to each customer.

In determining if candidates are “built” that way, Sternberg said the ultimate core of Talent Plus’ assessments address two key questions for candidates to answer: “Can I meet guests’ needs? And, do I want to meet those needs?”

“Empathy is the cornerstone of being able to anticipate guests’ needs,” said Sternberg. “Our assessments can predict the depth of someone’s aptitude. Using our assessments for selection ups the odds that you’re selecting the right person and this enhances value.”

The Capella product keeps a purposely-small footprint (between 45 and 110 rooms) so their extremely high service goals can be flawlessly implemented. “Service comes from a warm genuine place. If your employees feel the desire to help people, your guests respond to this – and guests become more loyal and spend more money,” said van der Reijden. “You can teach someone to take an order or how to clean a room, but you can’t teach them how to care. We can spend our time focusing on the technical processes of a job – not how to be nice because it is already embedded in an individual. We select employees heavily on that caring attitude. When employees have pride in their work, they want to achieve excellence.”



THE ROAD MAP DEFINED PRIDE IN PERSONALIZATION

Ensure that the concept of personalization is central to your operating philosophy and is woven throughout every aspect of your company.

Hoteliers are in the business of crafting customized experiences for hotel guests but how many implement this philosophy back “home” with their employees (on the property and management levels and within corporate culture)?

Know thy employee. Understand, talk to and connect with your employees to discover what’s important to them. Once a person has been identified for their talent potential, and if they aren’t performing as expected, their ability to thrive professionally can be as simple as a change in a work shift. But, only through conversation with your employees can those issues – and solutions – be revealed. **Treat employees as if they are as valuable as your hotel guests – the idea of personalization shouldn’t be reserved for your customers.**

“The fewer guest needs you meet, the more likely those guests will stay elsewhere. The same idea goes for employees,” noted Sternberg.

Recognizing the importance of celebrating your employees in

the way that's most encouraging for and appreciated by them is another hallmark of personalization. Some employees might be buoyed by a special ceremony in front of colleagues to salute their accomplishments. Others might prefer a quiet and understated acknowledgement.

According to a recent survey by Kennedy Pearce, a London-based financial services recruiting company, "78% of employees cited recognition as the main motivating factor in their career."

Talent Plus follows the wave of personalization as well. "Talent Plus doesn't present you with a cookie-cutter tool," said van der Reijden. "They tailor the process around the service delivery we're looking for."

Hotel companies that embrace the concrete connection between employees "feeling good" (with personalization being a central element) and positive business results are those apt to realize the financial rewards. **The way in which a company engages with its human capital filters down through the entire organization – and to hotel guests.**

"What gets you to great is the hospitality side of service – not a clean room or hot water, which are expected," said Eynon of KSL Resorts, which takes iconic properties and expands their capabilities in order to significantly enhance their value. "Guests want to be wowed, and you can do magic for people. Even with a problem, service recovery is critical, and how employees handle challenging situations for guests make a huge difference. The real lift is the memories created."

"We've increased revenue by millions of dollars and boosted efficiencies," Eynon added. "We're making guests for life."

IN CLOSING

Embracing the role of human resources in your organization as one that can drive the profit needle in the right direction, decrease staff turnover and ultimately bolster the guest experience is a powerful strategy that

will generate a return on a hotel company's investment of money, time and confidence. As Capella's van de Reijden said, "Leaders can't think you're the one delivering your hotel's brand promise on the front line."

The approach of revealing a person's talent potential through a scientific process fosters heightened company engagement, substantial growth and innovation, and smarter succession planning.

When the right people for a company culture are in place, and when their value is not questioned but rather celebrated, service delivery can run seamlessly. And, it adds an authenticity to a hotel brand's essence.

Attention to every detail in the delivery of the guest experience must start with attention to the details of your employees' individual characters and interests.

You can increase profitability and reduce employee turnover by ensuring your hotels have great supervision and that employees are doing the jobs they are good at and in which they can excel.

"Turnover is down to below 4%. Banquet catering sales have skyrocketed, overall Club usage has risen dramatically. And our employees and members are more engaged," shared Brad Cance, General Manager and COO, **Bethesda Country Club**, who has been a Talent Plus client since 2010.

Within the hospitality industry, Talent Plus not only partners with hotel brands, but also restaurant companies, cruise lines, airlines, country clubs, event centers and more.

Talent Plus doesn't claim to be right 100% of the time but the "science of selection" techniques they use are a platform for growth that indisputably offers a competitive advantage. And, Talent Plus "walks the walk" by utilizing their assessments to create their own workforce in each of their locations around the world.

Industry trends might come and go but the concept of harnessing the right human capital to execute flawless, impeccable service delivery will never go out of style.

Talent+

THE SCIENCE OF TALENT®

To learn more about Talent Plus, contact **Patrick Hodge (phodge@talentplus.com), Director of Hospitality Business Development, at 1.800.VARSITY (8277489).**