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# FOSTERING EMPLOYEE ENGAGEMENT: A CRITICAL COMPETENCY FOR HOSPITALITY INDUSTRY MANAGERS

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## **Abstract**

This conceptual paper explores the need for enterprises in the hospitality industry to have managers who are not only adept at the technical competencies required of them, but have significant capability in people management: more specifically, the ability to foster employee engagement. Employee engagement is characterized as a feeling of commitment, passion and energy, which translates to high levels of effort, persistence with even the most difficult tasks, exceeding expectations, and taking initiative. This literature review demonstrates that the result of engaged employees is profound. From lower turnover rates to higher productivity, the engaged employee is a valuable business asset.

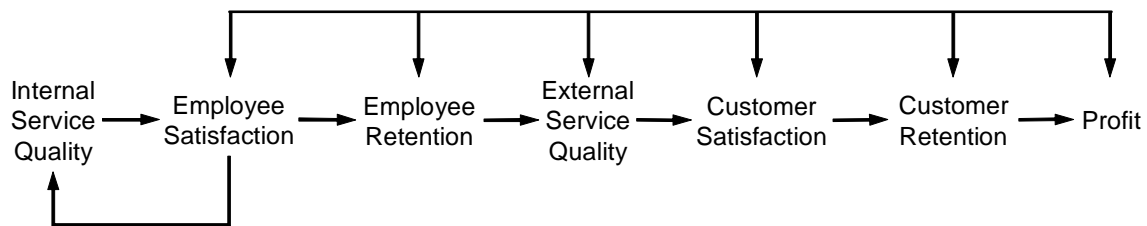
**Key Words:** engagement, satisfaction, employees, onboarding, power, hospitality

## **Introduction**

In the coming years, the most successful enterprises in the hospitality industry will have managers who are not only adept at the technical competencies required of them, but have significant capability in people management: more specifically, the ability to foster employee engagement.

Employee *satisfaction* is characterized as a feeling of gratification and contentment. Studies have demonstrated the link between employee satisfaction and customer satisfaction and profit.

Figure 1: Service Profit Chain (Heskett et al, 1994)



A study of the financial performance of organizations selected by Fortune magazine as the “Best Companies to Work for in America” between 1998 and 2005 found their stock portfolios outperformed industry-matched benchmarks. The author of the study, Alex Edmans of MIT’s Sloan School of Management, concluded that employee satisfaction drives corporate performance (Renk, 2007).

While employee satisfaction is an important point of focus for hospitality managers, these managers must look beyond ensuring employee satisfaction to fostering employee engagement.

Employee *engagement* is characterized as a feeling of commitment, passion and energy, which translates to high levels of effort, persistence with even the most difficult tasks, exceeding expectations, and taking initiative. The result of engaging employees is profound. From lower turnover rates to higher productivity, the engaged employee is a valuable business asset.

## **Methods**

A literature review was conducted of primary sources of research in the topics of a.) employee engagement and b.) challenges to engagement in the hospitality industry, isolating studies completed by independent sources, as well as company-sponsored research. Secondary sources were included in a literature review, to identify best-practice thinking related to employee engagement.

## **Value of Employee Engagement**

In a recent study of employees around the globe, 59 percent of those who reported being engaged at work said they are committed to staying with their current company. Only 24 percent of those who consider themselves disengaged reported an intention to stay with their current employer (O’Neal and Gebauer, 2006). In an industry that reports turnover rates between 78 and 95 percent, any reduction in turnover would result in

significant cost savings, particularly when you consider that the cost associated with replacing the average employee is about 100 to 200 percent of that employee's salary (Renk, 2007).

Twenty-five percent of the employees in an average organization report that they are "entirely turned off" by their job and 50 percent say they "do just enough to get by." That leaves only 25 percent who are enthusiastic (and therefore engaged). Even more eye opening is the fact that the 75 percent who are disengaged say they *want* to go "above and beyond" and help the company succeed (Bates, 2004). This desire to drive company success is based on our powerful and basic human need to connect with and contribute to something significant (Bates, 2004:46).

Karl Fischer, regional Vice President, Human Resources for Marriott International reported that higher employee engagement at Marriott means a 12 percent higher revenue per compensation dollar, and a nine percent higher house profit margin. In addition, says Fischer, employee engagement means nine percent of their guests are less likely to experience a problem and 11 percent are more likely to return to a Marriott property (AH&LA Human Resources Committee, 2007).

"An organization does not succeed because it is big or long established; it succeeds because there are people in it who love it, sleep it, dream it, and build future plans for it." (unknown). "<Companies> are realizing that they've wrung the rag of operational productivity almost dry," says business consultant and author Rick Smith (Bates 2005:47). Increased use of technology, process improvements, and programs like Six Sigma has enhanced employee productivity but the next frontier is employee engagement.

### ***Application of Employee Engagement to the Hospitality Industry***

The problem, say many managers in the hospitality industry, is that since a majority of their employees see their jobs as stepping-stones to more permanent positions, no amount of effort will reduce turnover or fully engage them during their short tenure (Renk, 2007). It is reasonable to ask, therefore, whether fostering employee engagement is a worthwhile effort in an industry known for low paying, often temporary positions. Research conducted by The Incentive Research Foundation found that some businesses in the hospitality industry have dramatically lower retention rates than the average, as low as 53 percent turnover (IRF, 2002). By examining what is happening in these businesses that is unique, the study concluded that *employees who feel valued and supported* are less likely to leave (IRF, 2002). A recent study of employee alienation (synonymous with disengagement) in 595 quick-service restaurants found that employee alienation was not uniform across all those surveyed (DiPietro and Pizam, 2007). The authors of this study concluded that employee disengagement is not necessarily caused by the nature of the work (unpleasant working conditions, inconvenient hours, low pay) but instead, by the *leadership style and practices* in the organization (DiPietro and Pizam, 2007:15).

At a Winning Workforces CEO Panel hosted in the United States, six leaders of successful organizations that employ low-income workers shared their strategies for engaging employees. These leaders attributed their significant business success (lower-than-industry-average turnover rates, decreased recruitment costs, balanced budgets, business growth) to employee engagement practices that include (Clark, n.d.):

- Expressing the value of everyone's contribution to the organization, regardless of role
- Holding high expectations for employee performance in every role
- Helping employees develop new capabilities

The CEOs participating in the panel stressed that low-paying, low-skill jobs need not be experienced as dead-end drudgery for employees and that even the lowest income workers are looking for more than just money—they want to feel valued for the contributions they make (Clark, n.d.).

### ***Engaging Employees***

According to DDI's recent publication, *Creating a High Involvement Culture Through a Value Driven Change Process*, moving to a highly engaged workplace culture requires organizations to find ways to unleash the talent and energy of employees at every level of the organization, while keeping them focused in a common direction (Rogers and Ferketish, 2007).

ISR Consulting conducted an international survey to examine the nature and causes of employee engagement. They concluded that engagement, which they describe as a willingness to work hard and a desire to stay with the company, is a three-dimensional concept comprising (ISR, 2007):

- Cognitive: What do employees think about their company?
  - Is there an intellectual "fit" between each employee and the organization?
  - Do employees believe in the organization's goals and objectives and support the values for which the organization stands?
- Affective: What do employees feel about their company?

- Is there an emotional “bond” between employees and the organization, which makes them proud to be a part of it?
- Would each employee recommend the organization as an employer?
- Behavioral: How do employees act in relation to their company?
  - There are two aspects of this dimension. One is whether employees exert the maximum effort in their work. The second is whether each employee intends to stay with the organization through successes and setbacks.

Each of these three dimensions must be present, to some degree, to achieve high levels of employee engagement and for the company to fully realize the benefits of employee engagement (ISR 2007:3).

Research shows that managers can directly address the cognitive and affective dimensions of this model, leading to the desired behavioral outcome, employee engagement.

One method to influence the way employees think (cognitive) is to provide them with a clear understanding of the goals and values of the company, and to ensure they know what to do to help achieve the organizational goals. Doug Patrick, Vice President, Human Resources for Hyatt Hotels refers to this aspect of engaging employees as, “line of sight.” (AH&LA Human Resources Committee 2007:21). He defines line of sight as understanding the company’s business goals. At Hyatt, managers are encouraged to communicate frequently to their employees about company strategy and what employees have to do to help achieve strategic goals. Patrick reports that, at Hyatt, monthly communication from senior management fuels excitement about the company’s future, increasing employee motivation in their daily efforts (AH&LA Human Resources Committee, 2007). Gallup’s employee engagement survey (Q12) measures the degree to which employees know what is expected of them at work (the cognitive component of ISR’s model). Nancy Sorrells achieved a remarkable turnaround at a Winegardner & Hammons Inc. hotel property in Dallas, Texas by focusing on this aspect of employee engagement. In less than 18 months, employee engagement, inspection scores, and profitability all increased after Sorrells helped the staff link their activities to the primary business goals for the property. These business goals included great guest experience, great work experience, profitability, product quality, and company growth (Wagner, 2005).

Influencing the way employees feel means providing them with a sense of belonging, pride, and attachment to company. Fostering a sense of pride in the company is a cornerstone of Marriott Corporation’s employee engagement strategy (AH&LA Human Resources Committee, 2007).

Stefan Thau of the London Business School collaborated on a research study into the relationship between a sense of belonging in organizations and workplace behaviors. The study found that employees who have a sense of belonging at work behaved with higher levels of cooperation and teamwork than employees who do not have a sense of belonging. When employees do not feel they belong at work, it increases the likelihood of isolation, which leads to reduced productivity and may eventually lead to turnover (Thau et al, 2007).

Interbrand, a UK-based international branding consultancy specializing in brand services and activities, commissioned a study of the role of pride in organizations. Their study found that feeling a sense of pride in where you work makes it more likely you will recommend the organization as an employer, recommend the products and services of the organization, and put in extra effort (Interbrand 2007). Their findings indicate that organizations that focus on producing the best products and services, set high standards for quality, make customers a priority, and treat employees respectfully were most likely to stimulate a sense of pride among their employees (Interbrand 2007:9).

In an “experience economy,” where frontline employees play a significant role in delivering the experience promised by the company's brand marketing (VersantWorks, 2007), building a sense of pride among employees may be even more vital in the hospitality industry than in other industries.

#### ***Using employee onboarding strategies to describe goals and ensure employee fit***

Unlike traditional new employee orientation programs, onboarding focuses on all of the activities and experiences a new employee is exposed to in the first three to six months of employment.

Employees should be introduced to the business strategy on their first day of employment according to Michael Murphy, an executive at the Marriott Corporation, which was voted among the 100 Best Companies to Work For in 2008 by Fortune magazine. Most managers are so focused on making sure their new employees understand the tasks they were hired to perform that they forget to teach other important things like how each employee’s role contributes to business success, or what behaviors are in support of the brand promise. By explaining information such as the objectives and priorities of each department, managers can have a positive impact on new employee productivity and morale (Lawton, 2007).

According to Lawton, a consultant with Cubiks, an international assessment and development consultancy firm, the critical messages managers should share with new employees, even if informally, during the onboarding process include (Lawton, 2007):

- What is the ultimate goal of the organization?
- What does the company deliver?
- How does this company differ from the competition?
- What is our brand strategy and how can you deliver on the brand promise?
- How do each of the units in the company interact to ensure the service is created and the customer is satisfied?
- What values does the company promote above all others and how are employees expected to embody these values?
- Where does your role fit in the delivery chain?
- What do the people upstream and downstream in the delivery chain need?
- How does what you do or fail to do affect our ability to achieve business success?

Lawton also suggests appointing a mentor for every new employee: a trusted, experienced employee who can answer questions and reinforce the key messages (Lawton, 2007).

The Human Capital Institute maintains that the onboarding process can engage new employees if it addresses two things (Jones 2006:2):

1. Emotional take-aways
  - Does it leave new employees confused and frustrated or confident and excited?
2. Perceptual take-aways
  - Is the process so disorganized and boring that new employees are left with the perception that the organization is second-rate? Or is the perception that of a high quality, well-managed company with clear goals that new employees can take pride in?

Research in the field of employee engagement indicates efforts on the part of managers will pay off to the organization. According to Hunter Douglass, which cut their six-month turnover rate from 70 percent to 16 percent, the answer is yes. They instituted a more formal onboarding process and saw improved attendance and productivity as well as reduced turnover. Designed Blinds had similar results after improving their approach to new employee orientation. Their annual turnover rate went from a staggering 200 percent to just 8 percent (Jones, 2006).

***Appropriate use of power to positively impact how employees feel about the company***

The Road to an Engaged Workforce defines eight drivers of employee satisfaction and engagement, including effective utilization of power by managers. Oakley, one of the authors of the study, asserts that employees are more likely to be engaged if they perceive their manager has technical expertise (expert power) and managerial competence (referent power) (Oakley and Cozzani, 2004).

“We haven’t changed how we manage employees in 100 years,” says Curt Coffman, the employee engagement global practice leader for the Gallup organization. “The premise has been: I, as the manager, have all the power. Just do it. For many employees today, it is a turnoff.” (Bates 2004:47).

A study of employee alienation (*disengagement*) in the quick-service restaurant sector determined, “that despite the monotonous and unchallenging nature of many hospitality jobs, employees do not have to feel alienated from their work.” (DiPietro and Pizam, 2007:15). According to the authors of the study, “proper leadership style leads to employee engagement.” (DiPietro and Pizam, 2007:15). This style, the authors describe, is characterized as transformational leadership, or one in which the leader exercises referent power instead of coercive or reward power.

Alan Momeyer, Vice President, Human Resources for Loews Corporation quoted a survey completed by Career Systems International that showed pride in the organization, its mission, and product, *as well as* a great boss leads people to stay with a company (AH&LA Human Resources Committee, 2007).

While it is appropriate to use different types of managerial power in different situations, employee engagement is most likely the result when a manager exercises expert or referent power.

Figure 2. Types of power and their likely outcome (Yukl, 1989)

<b>Power Type</b>	<b>Definition</b>	<b>Likely Outcome</b>
<b>Authority</b>	Managers make legitimate requests as necessary because, in accepting employment, followers have agreed to be led.	Resistance <b><i>Compliance</i></b>

		Engagement
<b>Coercive power</b>	Managers affect others by punishing or withholding resources.	<b>Resistance</b> Compliance Engagement
<b>Expert power</b>	People are willing to follow because they believe that the manager knows what is best.	Resistance Compliance <b>Engagement</b>
<b>Reward power</b>	Managers influence others by using formal incentives and reinforcements.	Resistance <b>Compliance</b> Engagement
<b>Referent power</b>	A manager's values, integrity and vision create loyalty, a natural followership, and a desire to please.	Resistance Compliance <b>Engagement</b>

### **Conclusions**

Efforts by hospitality industry managers to engage their employees are likely to result in measurable improvements to the bottom line. Devoting time and energy to acquaint new employees with the company goals, brand strategy, and the ways in which their role directly affects business success will focus them in a common direction and increase motivation in their daily efforts. Building expert and referent power, by demonstrating integrity and earning the respect of their employees, will create a work environment where employees feel a sense of belonging, and the level of engagement increases.

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