

Turnover and retention topics have lost their appeal with the recession, but not their relevance. Even in high turnover environments like leisure and hospitality, most employees do indeed elect to stay on average a minimum of 2.5 years, with greater tenure found in the management and professional ranks, as well as with workers over age 35ⁱ. Exploring what compels staff to stay with a company offers employers the unique opportunity to understand what is actually working well. A review of retention and turnover drivers provides further insight as to what existing programs – or investment in new ones – are likely to drive a better return on investment and retention of the right employees.

The Great Recession has contributed to a quick change in the talent arena from one that is candidate-driven to an employer’s “buyer’s market”. With a sluggish global economy ahead of us, why should anyone be concerned with turnover? The answer is simple: whether we are in a good or a poor economy, it costs a lot of money to replace personnel. Even when the labor market is soft and the candidate pool is plentiful, it still is expensive to recruit, train and manage new hires, with cost estimates ranging from 30% to as high as 200% per hireⁱⁱ. Perhaps more important is the impact of turnover on quality and consistency of customer service due to the poor motivation of job leavers, and the lack of job knowledge by new additions.

It comes as no surprise to anyone in the industry that turnover is a systemic challenge. Studies have shown that the average turnover level for line hotel employees in the US ranges from 60%, up to 300%, according to research conducted by the American Hotel and Motel Associationⁱⁱⁱ. There have been many studies as to the reasons for turnover, but for industry professionals suffering through tighter than usual budgets, perhaps the question we should be asking is what is working *right* to retain employees? As field practitioners, understanding what factors are effectively keeping employees, other than a poor economy and limited prospects, may be an easier approach to driving retention than reactively assessing why people have left. Exit interviews are helpful, but this is a discussion with someone who has made the decision to leave, not with someone who remains actively engaged and contributing. Getting to these employees, and understanding their motivation, provides information useful in making decisions about current and future people investments.

When we look at what keeps employees at a company, regardless of other opportunities at greater pay, we find that good employment conditions, positive views about working in the business, and realistic opportunities for advancement seem to be the most common drivers^{iv}. Perhaps a short cut for hotel executives is to take a closer look at these areas within their own operations, assess effectiveness, and more effectively market and engage employees to increase retention. Likewise, as budgets remain tight and prioritization of spend key to sustainability,

understanding employee priorities and what they value most about current programs really matters.

Work rules, pay, benefits, and the general work environment address most areas of employment conditions. A good indicator of satisfaction with employment conditions is the level of employee complaints, both formal and informal. In this instance, “no news” is often “good news”, but be sure to ask and to pay attention to warning signs that will show up in the form of employee appeals to corrective action, frequent infractions under a particular policy statement, and employee comments on performance appraisals. Employment conditions are often seen as the most important in retention by managers, and are often pointed to as the primary reason for voluntary turnover. However, employers competing in a particular labor market for similar talent typically offer similar employment conditions. Work rules and culture are usually the real differentiators, and these can often come without any additional cost. Best practices in working conditions usually include opportunities for employees to interact with management during open discussion forums, competitive compensation programs, reward-for-performance pay, and work rules that allow for a certain level of personal flexibility, like flextime. For example, Stew Leonard’s, a family-owned regional grocery store chain in the Northeast, provides flexible hours and a “Moms Program” that lets mothers schedule their work around their children’s activities^v.

Job satisfaction reflects how content an employee feels towards their job, and is also tied to engagement, the “holy grail” of retention and job performance. Job satisfaction is measured mostly through employee surveys, but absenteeism, safety, stress-related disabilities, service levels and work quality, and workplace sabotage and violence are all indicators of poor job satisfaction. Examples of environments with high levels of job satisfaction typically have jobs that are well defined, designed to be challenging, and include recognition and reward programs. Engagement, which continues to be a hot topic among HR professionals, is the emotional and rational commitment level of an employee. High levels of engagement have been tied to greater effort, and subsequently stronger performance results^{vi}. Communication, career advancement, recognition, equitable treatment, and culture reflecting employee interests are all drivers of engagement. Bill Marriott of Marriott International effectively relays these values and creates a connection to employees through a blog. Kimpton Hotels reinforces their employee values through the ‘Kimpton Spirit’ described as genuine happiness, caring, and optimism. As employees receive positive feedback from one another and their managers, this behavior is cascaded to the customer, translating directly into the service model.

The final driver of employee retention is the perceived (and real) opportunities for advancement. Investments in training, tuition reimbursement programs, credible performance management systems, career development and succession programs, and demonstrated evidence of internally developed and promoted staff success are all components of advancement. Well defined roles, a clear path for advancement

and good honest feedback are critical, but getting employees socialized as new hires is perhaps one of the most important investments. Although not everyone can make as material an investment, the new employee orientation program at Four Seasons provides a good example of how to socialize a new hire to the business, operations, personnel and customers. The program lasts twelve weeks and includes a wide variety of experiential activities, including a visible level of involvement by senior managers. The program includes: thirty hours of classroom training; work experiences in other departments; formal testing; and a twenty-four-hour stay at the hotel as a guest^{vii}.

A struggling economy may provide employers with a wide selection of candidates to hire, but the replacement costs of turnover are not materially lower in a downturn and the implications for customer service and operations remain significant. A company’s ability to focus on what is working well at retaining employees – especially top performers – depends on their ability to listen and act on employee feedback. According to a recent survey completed by JobVite, almost two-thirds of employees are passively looking for a job, suggesting we will likely see a real spike in turnover as the economy heats up. The hospitality industry is particularly at risk given the industries endemic turnover rates, and the inconsistent application of good human capital practice. Smart companies can get ahead of the pending talent wars by focusing on what they do well, and reinforcing these efforts with other best practices from employers within and external to the industry. The hospitality industry is seeing signs of recovery, and communication, a bit of creativity and a commitment to employees is likely to be a critical differentiator in who thrives and who fails to survive over the next few years.

As E.M. Statler famously said, "The customer is always right". Now if we can only apply that to the voice of our internal customers, our employees.

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ⁱ Bureau of Labor Statistics, Employee Tenure Summary. September 14, 2010.

ⁱⁱ “The Costs of Employee Turnover: When the Devil is in the Details”, J. Bruce Tracey and Timothy R. Hinkin, CHR Reports, December 2006, Center for Hospitality Research Cornell University Vo. 6, No. 15

ⁱⁱⁱ 2004, AH&LA and the Hospitality Industry Diversity Institute, “Turnover and Diversity in the Lodging Industry”

^{iv} Walker, J. (2006). *Introduction to hospitality* (4th ed). New Jersey: Pearson Prentice Hall, pp. 5 and 8.

^v What Makes It So Great?: An Analysis of Human Resources Practices among Fortune’s Best Companies to Work For, Timothy R. Hinkin and J. Bruce Tracey. Cornell Hospitality Quarterly 2010; 51; 158 originally published online Mar 8, 2010.

^{vi} Corporate Leadership Council, Driving Employee Performance and Retention Through Engagement 2004, Corporate Executive Board.

^{vii} What Makes It So Great?: An Analysis of Human Resources Practices among Fortune’s Best Companies to Work For, Timothy R. Hinkin and J. Bruce Tracey. Cornell Hospitality Quarterly 2010; 51; 158 originally published online Mar 8, 2010.