Hospitality Review

Volume 4
Issue 1 *Hospitality Review Volume 4/Issue 1*

Article 5

1-1-1986

Productivity: A Review For The Hospitality Manager

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Abstract
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Keywords
Alan T. Stutts, Productivity: A Review for the Hospitality Manager, Accountability, Time/Motion Analysis, Work Sampling, Training, Improshare

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Hospitality managers have a number of methods available to them to enhance employee productivity. The author discusses five major concepts that can lead to successful results in the hospitality industry.

The Bureau of Labor Statistics of the U.S. Department of Labor reported that the productivity of hotel/restaurant employees declined from 1978 to 1983.[1] Although such statistics should be utilized cautiously in that the extent to which productivity has declined might be argued, there is considerable consensus that employee productivity in U.S. hotels and restaurants has declined in recent years.[2]

Unfortunately, there are numerous concepts as to the most appropriate strategy for improving productivity in hotels and restaurants. A recent index of periodicals listed over 100 different articles that were published in a one-year period of time that addressed different approaches to improve productivity.[3] The majority concur that productivity increases are a blend of labor and capital with neither more important than the other. It is generally accepted that neither the most advanced mechanical device nor the most motivated worker will alone completely overcome a serious lack of the other.

There are five variables that have been successfully controlled within the organization to enhance increased employee productivity:[4]

- managerial objectives
- training
- monetary rewards
- qualitative rewards
- union relations

Managerial Objectives Must Be Meaningful

Previous analysis suggests that productivity increases begin with a belief that low productivity need not be accepted as a "fact of life" or a "product of our time." Statements like "Young kids today don't work as hard as we used to" are seldom heard in those firms that are realizing productivity increases. Productivity is definitely considered an organiza-

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tionally controllable variable capable of being very high if properly managed.[5]

However, top management and/or the board of directors must agree on a set of company objectives designed to encourage or require departmental accountability. The importance of establishing meaningful and workable objectives cannot be overemphasized. All too frequently they are based on wishful thinking or superficial data. Key to the development of credible objectives with respect to productivity is the extent to which they can be measured. For example, to increase the number of rooms serviced per employee day or to increase the total covers served are fuzzy concepts at best. Increasing the number of rooms serviced per employee day by two and increasing the number of covers served by five are unmistakable and suited to subsequent measurement.

Data to support the initial development of workable objectives are critical. It is estimated that over 60 percent of U.S. companies do not have any formalized standards of accountability for employees.[6] In essence, these companies operate on a day-work basis with little or no record of what their employees should produce or how a service should be provided. One author has argued that simple, formalized work measurement can generally guarantee any company a minimum 15 percent direct labor cost reduction.[7]

The process of developing a labor standard involves an understanding about the work that is being done, who is doing it, the specific procedures/tools/equipment used, and the environment in which the work is performed. The elements of work measurement include

- observation
- evaluation
- improvement
- set standard

Work sampling is frequently utilized to develop this familiarity. In work sampling, estimates of the time devoted to performing a certain activity based upon random observations over a period of time are developed, along with an understanding of the equipment/procedures utilized. For example, Burger King Restaurants calculates and readjusts the movement of every employee through time/motion analysis.[8] However, because what is going on may not be what should be going on due to turnover and improper training, current methods should be evaluated in terms of deviation from prescribed procedures or industry data. Holiday Inns, for example, has developed systematic job measures for every position from general manager to maid.[9]

Methods improvement usually focuses on those that generate the greatest benefit for guests. Improvements might start with customer/guest complaints and extend to those potential weaknesses which have not as yet been presented as complaints.

Training Accounts For Most Productivity Increases

According to most productivity analysis, growth in on-the-job knowhow and the re-allocation of labor through education and training has consistently accounted for more than three-quarters of the productivity increases in the U.S. since 1929.[10] A recent report to the President of the United States from the Business-Higher Education Forum of the American Council On Education[11] stated that, in this decade and the next, most workers will need additional education and training if they are to keep pace with the changing demands of the economy. Sportservice reported two seasons of training which cost $400,000 increased the bottom line by $1,650,000.[12]

The success of the learning experience contained in any training depends upon a systematic and planned approach. Unplanned, uncoordinated, and haphazard training efforts significantly reduce positive learning effects. Training that has improved employee productivity includes assessment, training and development, and evaluation.

There are six methods of assessing training needs:

- observation and analysis of job performance
- management and staff conferences
- analysis of job requirements
- current and projected changes in job
- surveys and reports
- interviews

The assessment should result in a training objective that is behaviorally specific; therefore, specific criteria can be developed to evaluate how much the employee learned.

The key to the training and development phase is selecting a method that is appropriate for the training objective. Table 1 identifies advantages and disadvantages of several typical training and development methods.

The evaluative phase of training measures the extent to which the training has a demonstrated impact on the productivity of the employees. Previous analysis suggests that training programs which ultimately improve productivity are evaluating the following: employee reaction to the training method; learning, or how well the employee has grasped facts, ideas, concepts, and attitudes; and behavior, or the employees' ability to apply the concepts learned to practical situations. Table 2 identifies those methods that might be utilized to evaluate various aspects of training.

Monetary Rewards Result In High Productivity

Today's bankruptcy courts are loaded with businesses that rigidly adhered to the principle of cheap labor. Previous analysis has indicated that strict adherence to minimum wage scales invariably results in less than minimum performance. In essence, "for average wages you get average productivity and for high wages one would think you'd get high productivity. But you don't. You get unusually high productivity."[13] Interestingly, estimates place payroll costs as a considerable expense to the hospitality industry. For example, some available data placed

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Table 1
Advantages and Disadvantages of Typical Training Methods

Method	Advantage	Disadvantage
On-The-Job	No extra equipment	Damage to expensive equipment
	Some productive work while learning	Accident/injury rate could increase
	Active participation and maximum motivation	Haphazard unless special trainers are designed and prepared
	Minimal transfer problems to actual job	Pressures of workplace may reduce actual opportunity for training
Computer-Assisted	Rate of learning easily adapted to individual differences in ability	Preparations cost can be high
	Flexibility in the amount of information that can be introduced	Impersonal
	Immediate analysis and suggested remedial actions	
Group Sessions	Emphasis on cooperative efforts similar to those required in the workplace	Expensive because exercises invariably require role behavior for only a few while others act as observers
	Easy to discuss	
	Total team performance	Difficult to sustain group motivation
		Difficult to identify individual errors

Table 2
Methods Of Evaluation

Level Of Training	Method
Reaction	Interview Questionnaire
Learning	Test on training material
Behavior	Interview Observation of job performance
Results	Company records before and after, or turnover, complaints, waste reduction, etc.

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payroll cost as high as $6100/room in some lodging establishments.[14] However, as others report, wages of hotel and restaurant employees are relatively low contrasted to employees in other business.[15]

The design and management of compensation systems constitute a most difficult task. Organizations go through cycles of great innovation and hope as compensation systems are developed, followed by disillusionment as those systems fail to deliver.[16] Despite the considerable amounts expended on payroll, in most organizations 50 percent or more of the employees are dissatisfied with pay. Statistics suggest that while in 1973, 48 percent of a representative national sample of employees felt they received "good" pay and fringes, by 1977 that had declined to 34 percent.[17]

A more recent survey concluded that a majority of the employees of U.S. business come to work each day believing that their wages are unfair, that pay increases are unfair, and that any improvement in their performance is unlikely to result in better pay.[18]

Monetary rewards are typically categorized as pay, benefits, and incentives. Table 3 provides a more comprehensive illustration of these three elements. Previous analysis suggests several things: Pay is very important in attracting and retaining competent employees but only has moderate impact on increasing productivity; benefits have less impact in terms of increasing productivity, but do facilitate the retention of qualified employees; and incentives, while having considerable impact on improving productivity in the workplace, have little impact in the attraction and retention of capable employees. Thus, incentives directly influence productivity on the job, but pay and benefits indirectly influence productivity by attracting and retaining capable employees, thereby reducing lost productivity that can result from high turnover and re-training.[19]

Previous analysis indicates that pay systems which are based on job evaluations or similar procedures that include summarizing the tasks, duties, and responsibilities in a job (description) and the various qualifications, skills, and experience an individual needs to do the job satisfactorily (specification so that the relative worth of a job in relation to other jobs can be established), enhance employee job satisfaction and thus may facilitate employee retention. In essence, an objective, scientifically-determined job evaluation system helps create employee trust in the rankings and pay range of jobs, thus increasing the perception of internal equity.[20]

Others suggest more productive organizations increase employee participation in the design, administration, and review of job evaluation systems and provide employees with more information about pay grades, ranges, and wage/salary surveys.[21]

Like pay, benefits are usually made available to all employees and are not tied to differences in individual performance or effort. However, recent analysis suggests that non-traditional approaches to providing benefits such as flexible (cafeteria) plans have been linked with attraction and retention of more productive employees.[22] Flexible plans provide employees with the option of selecting benefits that are most satisfying to their particular needs. An obvious drawback to this type of pro-

Table 3
Components Of A Compensation Program

Base pay	Disability income
Base pay add-ons	Short term
Length of service	Long term
Long service	Social Security
Market adjustment	Travel accident
Cost-of-living	Group life insurance
Geographic differentials	
Overtime premiums	Loss-of-job income
Shift differentials	Unemployment insurance
Rotating work schedules	Supplemental unemployment
Weekend premiums	Guaranteed annual income
Holiday premiums	Severance pay
Reporting pay	
Call-back pay	Deferred income
Stand-by or idle-time pay	Profit sharing
Clean-up pay	Pension plan
	Stock options
Pay for results (short-term)	
Merit pay	Health, accident, liability
Travel expenses	Medical, hospital, surgical insurance
Car reimbursement	Major Medical
Food and entertainment	Dental
Clothing reimbursement	Vision
Tool reimbursement	Prescription drugs
Relocation expenses	Group automobile
	Group legal
Pay for time not worked	Group home
Holidays	Employee liability
Vacations	
Jury duty	Income equivalent
Election official	Financial counseling
Witness in court	Tax preparation
Military duty	Tuition payments
Funeral leave	Child care
Paternity leave	Subsidized food service
Maternity leave	Parking
Sick leave	Merchandise/service discounts
Wellness leave	Professional memberships
Time off to vote	Special loan arrangements
Blood donation	Physical fitness program/facility
Grievance and contract negotiation	
Lunch and rest periods	
Personal leave	

gram that must be evaluated in contrast with the potential savings inherent in reduced turnover rate is whether such savings balance or exceed the costs associated with the complexity which accompanies keeping track of what each individual chooses, especially if there are large numbers of employees involved.

Incentives, or pay for performance systems, are designed to encourage and reward employees for effort beyond the normal performance expectation. Monetary rewards such as bonuses, commissions, and profit-sharing plans are intended to give an employee or a group of employees an "incentive" to increase productivity.

Historically, pay-for-performance has meant pay for individual performance; piece-rate incentive systems for production employees and merit salary increases or bonus plans for salaried employees are typical examples. However, in recent years there has been a dramatic decline in piece-rate incentives as managerial experience with such systems has shown they produce "dysfunctional" behavior, low cooperation, artificial limits on production, and resistance to changing standards. On the other hand, organization-wide incentive plans have increased.[23] The problems that have been attributed to incentive plans are as follows:

- misunderstandings over output earnings
- earnings ceilings
- haphazard work measurement
- low base rates

If an incentive plan is to be successful, both management and the employee must understand how much output is required to earn incentive pay. Provisions must be drafted concerning materials, equipment, employee training, and job transfer. In addition, there should be no ceiling on incentive earnings. If ceilings exist, production is for all practical purposes pegged.

Work measurement is the cornerstone of a credible incentive plan. The work standards must be realistic, attainable, and expressed in language that the employee can understand. In addition, it has been repeatedly demonstrated that incentive plans cannot be used as a substitute for low base rates; the latter must be equitably structured through job evaluation, wage surveys, or some similar means.[24]

Recent analysis has suggested that because of the interdependence of functions and the lack of control an individual employee has on overall productivity, organization-wide pay-for-performance plans are more attractive and more easily implemented. Such plans communicate their dependence on the employees as a group to achieve results. As noted in Table 3, organization-wide deferred income programs include employee stock options and profit sharing. The success that Marriott and Holiday Inns have had with organization-wide incentive plans is indicative of this approach.[25]

It is important to note that in any type of incentive system the employee can be spoiled by consistently having profits to share. At that point the profit sharing or similar plan has become a benefit in the employee's mind; it is something that is expected rather than something worked for or earned. Thus, in the formative stages of such a program, careful attention must be given to the procedure (method of depreciation used, amount of leasing or buying, inventory valuation, etc.) that will be used to determine the amount of profit to be shared, and such procedures must be clearly communicated to the participating employees.

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Qualitative Rewards

Non-monetary rewards can be defined along six dimensions:[26]

- dignity from work performed
- enhanced physiological and psychological well-being
- promotion of constructive social relations with co-workers
- work designed to maximize attention and effort
- sufficient resources to perform work assignment
- supportive leadership and management

Enhancing human dignity is essential and should be a major concern of every organization. An organization should offer to an employee, along with compensation, a message that suggests the organization's needs and appreciates the employees' efforts. This type of employee recognition has led to heightened feelings of self-worth and pride in making a contribution and overall increases in organizational productivity.

Health-related problems frequently receive little attention by an employee until a serious problem occurs. However, at the onset of such a problem, it overrides all other employee concerns and activities. The clean work station, the cheerfully-decorated walls and floor, and the minimization of noise to safe levels all contribute to employee health and to a productive work environment.

The emotional and psychological stress that accompanies the extreme specialization of modern work assignments and sophisticated technological advancements should also be an organizational concern. Although impossible to eliminate entirely, the organization must recognize the potential existence of such problems and provide employees with assistance to minimize the negative impacts, such as training that will help an employee adjust to new procedures and equipment.

It is evident that employees who perform easily-learned, highly-repetitive tasks often become bored and dissatisfied. Turnover, absenteeism, tardiness, minimal concern for quality, and waste of physical resources are symptoms of the problem. Restructuring job tasks and responsibilities, rotating work assignments, scheduling flexibility into workdays and work, and providing instruction as to final output but allowing the employee the opportunity to be creative in reaching that outcome are examples of how this problem has been dealt with in the productive organization.

A valued reward of work is an opportunity to interact in a socially constructive manner with other people. The opportunity to interact with fellow employees is an inexpensive but valuable reward an organization can provide that has facilitated increased productivity.

The hospitality manager must also recognize that in some cases employees are asked to perform assignments for which they have no knowledge, skill, or resources. Employees want some degree of challenge, but they also want to feel reasonably sure they can succeed. Key questions are whether sufficient time is available to accomplish the assignment; if other assignments are competing for the employees' time; if the employee has been given the opportunity to gain the skill necessary to perform the assignment; and whether the available technical, physical, and other human resources are adequate to support successful completion of the assignment.

Finally, employee faith and trust in management will facilitate the establishment of a work environment in which job security becomes accepted, where social interaction grows, and where job satisfaction enhances increased productivity. Support can be demonstrated by management providing constructive feedback leading to job improvement, but also verbally acknowledging a job well done. The employer must also recognize that organization policies and rules must be sufficiently flexible so as to facilitate change and enhance productivity.

Union Relations Can Be An Important Force

While less than 15 percent[27] of the American work force is represented by unions, hundreds of thousands of employees in the hospitality industry are union members, and union agreement could be a factor when addressing questions of productivity.

Since 1970 some of the largest unions in the United States which considered productivity a dirty word now freely acknowledge its importance.[28] A primary concern, however, has been to insure that productivity gains are not made at the expense of the employee. Labor and management cooperation in the area of productivity has focused on work innovation and been captured under such terms as quality of work life programs (QWL).

Much of the focus to date has been on the concepts of "quality circles," also referred to as employee involvement teams, participation teams, and problem-solving groups. This concept involves a volunteer group of employees from a single department led by a supervisor or senior employee, concentrating on redefining and solving job-related quality problems and on improving production methods. The recommendations of the quality circle are typically presented to upper levels of management who can reject (with reasons), modify, or adopt them. In some cases labor-management committees developed to eliminate waste of energy and materials have performed a similar function.

Labor and management in other organizations have cooperatively stimulated increased productivity through such concepts as flex-time in which employees choose their own work hours, subject to restrictions in the length of the day that must work be worked, the amount of notice an employee must give on a possible schedule change and the number of hours required of "core time" when all employees must be in the workplace; job sharing in which two or more part-time workers share the same full-time job; and work sharing in which a group of workers accept a cut in hours and pay in order to prevent layoff.[29]

Finally, there are increasing instances of cooperation in the area of gains sharing, including programs which, instead of emphasizing group incentives based primarily on the quantity of products or services produced, emphasize cost savings by changes in the ratio of payroll costs to sales (Scanlon Plans). Another variation known as "improshare" uses past average productivity as the measurement base. Productivity is defined as the total workers hours, indirect as well as direct, required to generate a unit of a service or product.

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