Recruitment, Selection and Retention of Managers In the Hotel and Restaurant Industry

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Abstract

The recruitment, selection, and retention of competent, reliable, and motivated managers has been the cornerstone of any successful organization. This is generally a complex assignment due to the subjectivity involved in determining what traits are needed to make a good manager. In order to determine the status of the hospitality industry with regard to managerial concerns, leaders in the hotel and restaurant industry were surveyed on these issues.

Recruitment, Selection and Retention of Managers in the Hotel and Restaurant Industry

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The recruitment, selection, and retention of competent, reliable, and motivated managers has been the cornerstone of any successful organization. This is generally a complex assignment due to the subjectivity involved in determining what traits are needed to make a good manager. In order to determine the status of the hospitality industry with regard to managerial concerns, leaders in the hotel and restaurant industry were surveyed on these issues.

Information has been published about hourly employees' turnover rate and the problems caused by high turnover, but management turnover, an even more critical problem, has not been as widely publicized. Where do the most successful corporations recruit their managers? How do corporations select management candidates? What is the turnover rate of managers in successful corporations? How do the best companies retain their managers? These are critical questions that will determine the destiny of many corporations.

A survey was developed and mailed to a sample of the largest (by sales volume) hotel and restaurant chains in the United States, a total of 200 companies, 100 restaurant chains and 100 hotel chains. The questionnaire was developed and pretested on the participants of the 1988 Hospitality Career Fair at the University of South Carolina. Minor revisions were made on the questionnaire, and the revised questionnaires were then mailed to the vice presidents of personnel for the respective organizations. Three weeks after the initial mailing, follow-up telephone calls were made to all non-respondents, resulting in an additional 40 surveys being mailed a second time. This produced an additional 13 surveys. In total, 65 surveys were completed and returned, for a response rate of 32.5 percent.

Data for this study was obtained from a 13-item questionnaire. Items were designed to capture information in the areas of managerial recruitment, selection, and retention. Assessment of recruitment focused primarily on successful sources of new managerial talent. Assessment of selection trends covered such topics as pre-employment tests,

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personality tests, reference checks, drug tests, and personality profiles. Assessment of retention patterns focused on traditional and non-traditional reward systems.

Surveys were categorized by subtypes of restaurant or hotel: fast food, cafeteria, institutional food service, full-service restaurant, limited-service restaurant, economy hotel/motel, mid-priced hotel/motel, upscale hotel/motel, and suite hotel.

Successful Recruitment Sources Vary

The first set of questions involved the area of recruitment. Respondents were asked to identify their most successful source of managers and to comment on their bonus systems for employees who refer successful candidates. For restaurants, the most successful source was the newspaper having the largest number of responses and the lowest mean score (1 = most successful). The number of responses and the mean score for successful sources of managerial employees are illustrated in Table 1. The second most successful source of managers for restaurants was promotions from within. Conversely, for hotels/motels, promotions from within were the most successful, with newspapers being the second most important source. Other forms of recruitment by hotels and restaurants followed a consistent pattern. It is interesting to note that most of the corporations rely heavily on existing employees and friends of current management as successful sources of managerial talent and that educational institutions were ranked fourth or lower as sources for managers. Other sources of managers added by respondents were employment agencies, executive search firms, direct recruiting, career fairs, and word of mouth.

Fifteen percent of those responding to the survey offer a bonus for referrals of managers. The majority of the firms offering bonuses were food service operations ranging from $50 to $1,000. The median bonus was $200 to $300 and there was a specific waiting period before the bonus was paid (90 days, 120 days, six months or completion of a six-week training period).

Personnel managers have available a wide range of resources to aid in the selection procedure, ranging from pre-employment honesty tests and personality tests to drug testing. The ultimate purpose of any of these tests is to reduce turnover, thereby reducing associated costs, which, for the most part, are the direct and indirect costs associated with recruiting and training. However, there are more costs that cannot be valued which deal with such items as managerial continuity and employee morale; these then have a direct effect on the turnover rate of hourly employees. Previous authors have estimated turnover costs from $367 to $1,500 per full-time hourly employee. There appear to be no estimates for managerial turnover cost. The questionnaire asked respondents to record annual turnover costs for their company; 86 percent did not answer the question. Only fast food restaurants and full-service restaurants estimated their turnover costs. Estimates of turnover costs for a management position in the fast food restaurant ranged from $1,500 to $15,000. Estimates of turnover costs for a full-service

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Table 1
Successful Sources of New Managerial Employees
by Rank Order*

	Restaurants		Hotels/Motels		Total	
	Mean Score	Number of Responses	Mean Score	Number of Responses	Mean Score	Number of Responses
Newspaper	1.6	39	3.11	19	2.1	58
Promotions from within	2.7	34	2.1	21	2.4	55
Friends of current employees	4.3	28	4.0	15	4.2	43
Hotel/restaurant Four-year degree	4.9	23	3.9	10	4.6	33
Any major Four-year degree	6.7	23	5.5	8	6.4	31
Business major Four-year degree	7.1	22	6.6	8	7.0	30
Trade magazines	6.8	19	5.9	11	6.5	30
Hotel/restaurant Two-year degree	5.1	20	6.9	9	5.7	29
Job services	5.8	19	6.3	9	6.0	28
On-premise advertising	7.5	16	6.5	8	7.2	24
Culinary school	7.9	14	7.8	8	7.8	22
Vocational	7.5	14	10.2	5	8.2	19
High schools	9.2	11	12.2	5	10.1	16
Fliers on bulletin boards	10.1	9	10.5	6	10.3	15

* 1 = Most Successful, 2 = Second Most Successful, etc.

restaurant ranged from $400 to $15,000.

Eighty-one percent of the corporations reported their annual turn-over rate for management, ranging from a low of 1 percent for an upscale hotel chain to a high of 225 percent for a full-service restaurant chain: fast food restaurants, 5–118 percent, average 46 percent; cafeterias, 11–48 percent, average 32 percent; full-service restaurants, 22–225 percent, average 48 percent; mid-priced hotels/motels, 10–25 percent, average 16 percent; upscale hotels, 1–51 percent, average 22 percent.

Reference Checks Top Selection List

The options listed on the questionnaire for selection methods were pre-employment tests (Reid, Stanton, London House, other to be specified), personality tests (Minnesota Multiphasic Inventory, PSI Basic Skills Factors, 16 Test Personality Factors, PEP, other to be specified), reference checks, internally-developed checklist, and drug

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testing. Table 2 illustrates the methods of selection used by respondents and whether the method was effective.

The most commonly used method of selection was reference checks; 51 organizations (78 percent) used this method and 43 (66 percent) noted it to be effective. Sixty-nine percent (45 percent) indicated all past employers were contacted; 32 percent conducted a police records check, while 12 percent conducted a credit check and 11 percent verified schooling. Five percent used an outside agency to do a thorough reference check including education, work history, and credit check; 8 percent asked for personal or business references.

Table 2
Selection Methods and Their Perceived Effectiveness
in the Search for Managerial Staff

	Used		Effective	
Reference Checks	78%	(51)	66%	(43)
Internal Checklist	54%	(35)	49%	(32)
London House	11%	(7)	8%	(5)
Drug Test	11%	(7)	8%	(5)
Other*	6%	(4)	5%	(3)
Stanton	5%	(3)	3%	(2)
Personality	3%	(2)	2%	(1)
PEP	3%	(2)	2%	(1)
Reid	3%	(2)	2%	(1)
Predictive Index	3%	(2)	2%	(1)
Basic Skills	3%	(2)	0%	(0)

* Other test cited Wonderlic, Success Profiles, Human Side Series and Intergram

Respondents were also asked how they handled reference checks. More and more employers are being sued for libel or slander over references being given on past employees.[1] Twenty-four (37 percent) of the respondents provided only the dates of employment and the employee's classification. Five (8 percent) gave out the years of service and the ending salary. Three respondents would give out ending salary with written authorization of the past employee; 21 referred the request to other departments but did not indicate what action the other department would take. Two companies would only give out positive information. Another company would only answer positive or negative questions and one organization did not give out information.

It is clear from these examples that corporations are now very sensitive about giving out information on past employees. Since this was the primary method of selection, it is becoming increasingly difficult to get creditable and reliable information from past employers.

In obtaining adequate reference information, prospective

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employers' need to know may be in conflict with former employers' need to protect themselves against referral-based lawsuits. Lawsuits that claim defamation of character as a result of statements in reference are so common that most employers refuse to give any reference information at all. However, such refusal will not completely insulate employers from defamation suits. In some jurisdictions, the former employer may still face liability if the employee would feel compelled to tell a prospective employer that stated reason for discharge.[2]

Consequently, employers face a quandary of problems in the area of what information should be given out, to whom it should be given, and their obligations to other employers concerning dishonest or marginal managers. The ultimate irony may be for managers who have done an exceptional job for past employers, but corporations bound by regulations restrict this information.

The second most frequently used method of selection was internally-developed checklists. Thirty-five (54 percent) of the respondents used this method of selection and 32 (49 percent) noted internal checklists as effective.

A distant third was a pre-employment test by London House and drug testing. Both were used by seven (11 percent) of the respondents, and five (8 percent) indicated their effectiveness. The London House Corporation offers several tests, but the one designed for managerial employees was the System for Testing and Evaluation of Potential (STEP). This test "provides comprehensive profiles of individuals' suitabilities for a particular management position."[3] The simplest version costs between $70 and $150, depending on the number ordered. London House also offers a test called the Personnel Selection Inventory which offers a choice of 10 forms, each testing one or more of the following: honesty, drug avoidance, nonviolence, employee/customer relations, emotional stability, safety, work value, supervision, employability index, and detailed personal and behavioral history. This cost varies from $6 to $15.

It is estimated that 10 to 23 percent of all American workers use drugs on the job, and more than $34 million in property damage has been blamed on drug and alcohol use. Thus, legal issues of drug testing in the private sector are beginning to appear.[4] A drug test administered as a part of a preemployment physical is likely to present fewer problems than random mandatory testing.[5] Only 11 percent of the respondents used drug testing and 8 percent indicated it as effective.

Other preemployment tests utilized were the Stanton Survey by the Stanton Corporation, the Reid Honesty Test by Reid Psychology Systems, and TruTest by Intergram. Most such tests take an hour or less to administer and cost from $12 to $16.

Universally, those who did not use testing procedures (preemployment, personality, or drug) reported their primary reasons as cost, legalities, questionable effectiveness, validity, corporate policy, or

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length of time for administration. Most of the respondents who fell into this category have never tried any of these tests. With the small number of companies using formal testing procedures, definite recommendations cannot be made on their effectiveness.

Industry Experience Is Top Characteristic Sought

The respondents were asked to identify characteristics they seek in managerial candidates. Table 3 illustrates characteristics employers seek in potential managerial candidates. The leading characteristic that both restaurants and hotels/motels seek is relevant industry experience. Restaurant operations did note that honesty was a critical characteristic, along with a motivation to succeed. Hotels/motels seek candidates with people, leadership, and managerial skills.

Table 3
Characteristics Employers Look for
in Potential Managerial Candidates

Restaurant	Hotel/Motel
1. Experience	1. Experience
2. Honesty	2. People skills
3. Commitment to success/ ambitious/motivated to succeed	3. Leadership skills
4. Leadership skills	4. Managerial skills
5. Initiative/drive/high energy	5. Attitude
6. Intellect/intelligent	6. Communication skills
7. Organized/ability to plan	7. Work ethic
8. People skills	8. Education
9. Service oriented/ guest service skills	
10. Appearance	
11. Attitude	
12. Integrity	
13. Education	

In the early 1980s, problems concerning stagnant productivity and declining competitiveness were so severe that a White House Conference on Productivity was called to address these issues and to develop recommendations to meet these problems. One set of recommendations focused on the role of employee reward systems in improving competitiveness. The Final Report of the Reward Systems Conference of the White House Conference on Productivity concluded:

> Reward systems are traditionally thought of as fair compensation, adequate benefits, safe and comfortable living conditions and personal recognition for a job well done. Those are important. But in a changing competitive world they will not be enough. Stagnant productivity, fierce competition, and

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new work values mean we will have to define reward systems far more broadly than we have in the past.[6]

In response to that report the National Restaurant Association commissioned a study by the American Productivity Center on the use of non-traditional reward and human resource practices. The study concluded that there was a striking growth in the number of firms adopting non-traditional rewards systems during the last five years.[7]

To find out what top restaurants and hotels/motels are doing to respond to the challenges facing them in the areas of reward systems, respondents were asked to rank order a list of commonly used reward systems in terms of their effectiveness for the retention and motivation of managerial employees. Additionally, a list of some less traditional rewards was presented. Respondents were asked to identify which of these they may have tried, and their relative effectiveness. Many of the non-traditional rewards are primarily geared toward the hourly employee, but some can be modified for managers.

The most effective tools for retention and motivation of managerial employees are illustrated in Table 4. The respondents for restaurant

Table 4
Most Effective Tools for Retention and Motivation
of Managerial Employees by Rank Order*

	Restaurants		Hotels/Motels		Total	
	Mean Score	Number of Responses	Mean Score	Number of Responses	Mean Score	Number of Responses
Promotions from within	3.2	37	2.1	20	2.8	57
Salary	2.0	37	3.4	16	2.4	53
Merit raise	3.4	31	4.1	19	3.6	50
Health insurance	3.9	31	3.9	18	3.9	49
Earned vacation	5.4	33	5.1	16	5.3	49
Life insurance	6.7	27	5.6	16	6.3	43
Recognition plan	6.1	27	5.6	13	6.0	40
Retirement plan	7.5	20	5.4	13	6.7	33
Stock option	6.3	18	6.4	8	6.4	26
Length of service award	9.1	17	9.3	8	9.2	25
Deferred compensation	6.7	13	7.1	8	6.9	21
Awards for suggestions	8.6	12	8.0	3	8.5	15
Pay raise length of serivce	7.4	7	6.6	8	7.0	15

* 1 = Most Successful, 2 = Second Most Successful, etc.

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chains indicated salary was most important and promotion was a very close second. Conversely, respondents for hotel/motel chains indicated promotion from within was the most important tool, with salary as the second most important tool. Merit raise, health insurance, and earned vacation were the next most important rewards or motivational tools.

The most used non-traditional rewards systems for managerial employees are illustrated in Table 5. The perceived most important non-traditional reward for restaurant chains was employee involvement, followed by profit sharing and pay for knowledge. The two most important non-traditional rewards for hotel/motel chains were employee involvement and cross training. In both the traditional and non-traditional reward system, restaurant chains clearly emphasize monetary reward, while hotel/motel chains select the chance for promotion and growth.

Table 5
Perceived Most Effective Non-Traditional Rewards
for Managerial Employees by Rank Order*

	Restaurants		Hotels/Motels		Total	
	Mean Score	Number of Responses	Mean Score	Number of Responses	Mean Score	Number of Responses
Employee involvement	1.6	27	1.6	12	1.6	39
Profit-sharing plan	2.0	26	2.5	6	2.1	32
Pay for knowledge	2.1	23	2.3	6	2.2	29
Cross training	3.3	13	2.0	13	2.7	26
All salaried work force	3.0	9	3.0	4	3.0	13

* 1 = Most Successful, 2 = Second Most Successful, etc.

This study is an attempt to understand the process of recruitment, selection, and retention of managers in the largest restaurant and hotel/motel chains in the United States. Since the sample was small (200) and the response rate only 32 percent, the findings cannot be generalized to the whole population. However, the results may provide a better understanding of the importance some of the very large corporations place on recruitment, selection, and retention.

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