

iProCon Insight

Mini Case Study: ROI in Talent Management
How superior selection, engagement, and retention add 20% to the bottom line of a business hotel in Frankfurt

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ROI in Talent Management: How superior selection, engagement, and retention add 20% to the bottom line

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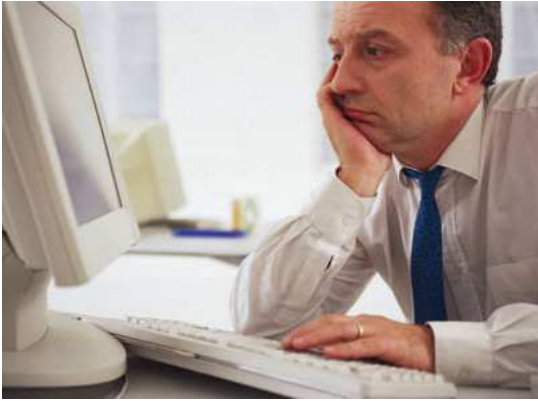
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When travelling on business, I always try to find a good small hotel. They are often family businesses and although they have no posh lobby area, you can get an excellent service for a reasonable price. However, it's often difficult to find these hidden treasures amongst the many run down places.

There are two hotels in the Frankfurt area in Germany I have used recently. They both have equally good locations, a very similar offering and the same number of rooms and staff. One of them, hotel A, has rooms about 50% larger, but I prefer hotel B. Why? While the service offered is the same in theory, things just tend to go wrong in hotel A: reservations get lost; front desk staff cannot find your details and you have to fill in the form for the 15th time; it takes ages to check out; staff are always stressed and their smile never looks quite genuine....

In this mini case we'll explore how people management makes all the difference in customer service between the two hotels and clearly show how superior Human Capital delivers a **20% advantage on the bottom line.**



“An environment, where people don’t get the opportunity to do their job well, can create a vicious circle of frustrated employees, poor performance, and high staff turnover.”

Why retention doesn't work:

Quite often we come across executives, who say “Investing in retention doesn't pay off!”

We couldn't agree more.

Many organisations see the huge direct cost related to staff turnover and therefore invest in retention. However these measures usually aim at keeping people from leaving rather than making the right people want to stay. The most prominent examples are so called “golden handcuffs” like pension schemes. The outcome is a workforce hanging around without really being engaged, and making it difficult to get rid of the wrong type of people.

At iProCon HCM we know that retention only works as one element of a holistic Talent Management strategy that comprises recruitment, talent development and performance management, with retention being the final component based on all the other elements. The whole process is underpinned by a good fit with organisational culture. Our Human Capital Capability and Excellence Model (HCCEM™) provides just such an integrated view.

Where does this poor service come from?

I don't have any particular insight, but two things strike me about hotel A:

- The boss never turns up during rush hour
- Staff rarely seem to stay longer than a month or two

Leading from the front line by example can get staff engaged and in a family run business is something I'd certainly expect as an employee.

The shocking staff turnover is probably as much a symptom as a cause of the problem. Every morning at check-out time I am torn between pity and anger, when I see the poor staff struggling with the computer. They never get it right and don't seem to be properly trained. I don't know which other factors make them hate their job so much that they leave so quickly, but having to do a job they are not really capable of doing is probably an important one. The high turnover makes this even worse as employees never stay long enough to become familiar with their tools and processes.

So, the owners probably save some money on training and potentially also on wages, but this leaves the guests dealing with frustrated, incompetent, and regularly changing staff.

How it should be

Back to my favourite. The owners at hotel B show up at rush hour and always find time to encourage their staff and have a chat with guests. They just make you feel welcome and all the admin processes run as smoothly as I've ever seen.

The employees never fail to follow this example and you always feel like you are talking to the owner himself. Staff turnover is virtually nonexistent. I've known the same people there for many years.

How do they do this? To begin with even an outsider can see that the employees feel valued and respected. They are thoroughly prepared for their job because they get first class on-the-job training and also because the owners take their time to find the right people.

But even in situations they couldn't be prepared for they always seem to do the right thing for the

Holistic Talent Management is a focus of the iProCon HCM People Strategy Practice



“An employee’s motivation is a direct result of the sum of interactions with his or her manager.”

Rob Nelson

customer. The way they manage their jobs could be taken as a lesson on “corporate entrepreneurship” and this is because they are encouraged to act like owners. The front desk staff even run the “mini bar” on reception level on their own. They are responsible for the stock and the profit - or loss – is theirs (hotel A doesn’t have a mini bar at all).

So, in a nutshell: attracting and selecting the right people, preparing and *allowing* them to deliver great customer service is the recipe for engaged staff, low turnover and happy customers. However: **does it pay off???**

The Bottom Line

This is probably easier to answer than the question how exactly this “miracle” is achieved. I mentioned already that the two hotels are very much the same standard in terms of facilities, service portfolio and location, except that hotel A has rooms about 50% larger. So the cost base should be similar and we shall be generous in assuming that the smaller rooms pay for the higher staff costs related to training, selection and maybe even salary for hotel B.

However, I happily pay 79 Euros for hotel B, but only reluctantly 65 Euros for hotel A when I find hotel B fully booked (both being their best corporate rates). Others seem to

feel the same, as it is always much easier to get a room in the cheaper hotel. This has been so for years – even during economic downturns in the past.

Let’s be generous again and assume that hotel A manages to achieve the same occupancy rates as B. Even then the obviously superior people management earns hotel B a **20% higher revenue**. And this goes right to the bottom line.

You couldn’t find a clearer case for breaking out of the vicious circle of low engagement and high staff turnover and entering the virtuous circle of high engagement and happy customers. With a small investment (but maybe a difficult shift in leadership culture) even large organisations can enjoy the huge returns of engaged employees, who are sporting an entrepreneurial spirit within their organisation.

Leadership	Aligning Business Strategy and Human Capital			
	Managing Change			
	Employee Communication			
Managing People	Recruiting	Performance Management	Total Reward	Workforce Planning
	Outplacement	Talent Management	Individual Learning	People Metrics
Enablers	HR Services			
	HR Policies			
	Information Systems			
Corporate Processes	Managing Knowledge / Organisational Learning			
	Managing Innovation			
	Strategic Sourcing			
	Managing Human Capital Risk			

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