

**Foreign Trade University**

Faculty of Business Administration

Department of Management & Human Resource

**Module: HRM (QTRE403)**

**Lecturer: Ngô Quý Nhâm**

**Email: [quynham@gmail.com](mailto:quynham@gmail.com)**

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## **Case Unit 02-1 – Human Resource Strategy**

### **THE HOTEL PARIS INTERNATIONAL**

Starting as a single hotel in a Paris suburb in 1990, the Hotel Paris is now a chain of nine hotels, with two in France, one each in London and Rome, and others in New York, Miami, Washington, Chicago, and Los Angeles. As a corporate strategy, the Hotel Paris's management and owners want to continue to expand geographically. They believe doing so will let them capitalize on their reputation for good service, by providing multicity alternatives for their satisfied guests. The problem is, their reputation for good service has been deteriorating. If they cannot improve service, it would be unwise for them to expand, since their guests might prefer other hotels after trying the Hotel Paris.

Several things are complicating their problem. Elected in 2012, French president Francois Hollande has found it hard to halt or even slow the country's economic decline. His attempts to impose incremental tax rates of 75% on wealthy citizens prompted many to contemplate leaving France. Furthermore, many tourists—faced with similar economic challenges elsewhere—are increasingly staying at short-term rental apartments in Paris, found on the Web, (often through sites such as [airbnb.com](http://airbnb.com)) for a fraction of what a fine hotel stay might cost.

#### ***The Strategy***

Top management, with input from the HR and other managers, and with the board of directors' approval, chooses a new competitive strategy and formulates new strategic goals. It decides: "The Hotel Paris International will use superior guest services to differentiate the Hotel Paris properties, and to thereby increase the length of stays and the return rate of guests, and thus boost revenues and profitability." All Hotel Paris

managers—including the director of HR services—must now formulate strategies that support this competitive strategy.

### ***The Strategically Required Organizational Outcomes***

The Hotel Paris's basic strategy is to use superior guest services to expand geographically. For HR director Lisa Cruz, reviewing the hotel's activities makes it clear that achieving the hotel's strategic aims means achieving a number of required organizational outcomes. For example, Lisa and her management colleagues must take steps that produce fewer customer complaints and more written compliments, more frequent guest returns and longer stays, and higher guest expenditures per visit.

### ***The Strategically Relevant Workforce Competencies and Behaviors***

The question facing Lisa, then, is this: What competencies and behaviors must our hotel's employees exhibit, if we are to produce required organizational outcomes such as fewer customer complaints, more compliments, and more frequent guest returns? Thinking through this question helps Lisa come up with an answer. For example, the hotel's required employee competencies and behaviors would include, "high-quality front-desk customer service," "taking calls for reservations in a friendly manner," "greeting guests at the front door," and "processing guests' room service meals efficiently." All require motivated, high-morale employees.

### ***The Strategically Relevant HR Policies and Activities***

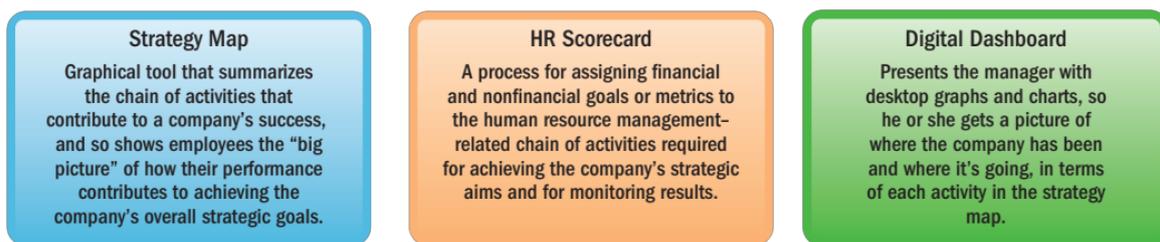
The HR manager's task now is to identify and specify the HR policies and activities that will enable the hotel to produce these crucial workforce competencies and behaviors. For example, "high-quality frontdesk customer service" is one such required behavior. From this, the HR director identifies HR activities to produce such front-desk customer service efforts. For example, she decides to institute practices to improve the disciplinary fairness and justice in the company, with the aim of improving employee morale. Her assumption is that enhanced fairness will produce higher morale and that higher morale will produce improved front-desk service.

### ***The Strategy Map***

Next, Lisa, working with the hotel's chief financial officer (CFO), outlines a strategy map for the hotel. This outlines the cause-and-effect links among the HR activities, the

workforce behaviors, and the organizational outcomes (the figure on this book's inside back cover shows the overall map; you'll find detailed maps for each HR function in each chapter's related MyManagementLab page).

This map and its linkages reflect certain assumptions on Lisa's part. For example, based on experience and discussions with the firm's other managers, she formulates the following hypothesis about how HR affects hotel performance: Improved grievance procedures cause improved morale, which leads to improved front-desk service, which leads to increased guest returns, which leads to improved financial performance. The HR director then chooses metrics to measure each of these factors. For example, she decides to measure "improved disciplinary procedures" in terms of how many grievances employees submit each month. She measures "improved morale" in terms of "scores on our hotel's semiannual attitude survey," and measures "high-quality frontdesk customer service" in terms of "customer complaints per month." She moves on to quantifying the cause-and-effect links among these measures. For example: "Can we show top management that there is a measurable, sequential link between improved disciplinary procedures, high morale, improved front-desk service, number of guest return visits, and hotel financial performance (revenues and profits)?" If she can show such links, she has a persuasive case that shows HR's measurable contribution to the hotel's bottom-line financial performance.



**FIGURE 3-8** Three Important Strategic HR Tools

In practice, the HR manager may well just rely on a largely subjective but logical argument to make the case for such cause-and-effect linkages. But ideally, she will use statistical methods such as correlation analysis to determine if measurable links exist, and (if so) what their magnitudes are. In this way, she might find, for instance, that a

10% improvement in grievance rates is associated with an almost 20% improvement in morale. Similarly, a 20% improvement in morale is associated with a 30% reduction in customer front-desk complaints. Furthermore, a 30% reduction in complaints is associated with a 20% increase in guest return visits, and a 20% increase in return rate is associated with a 6% rise in hotel revenues. It would appear that a relatively small HR effort in reducing grievances might have a big effect on this hotel's bottom-line performance!



**FIGURE 3-9 Metrics for the SHRM® 2011–2012 Customized Human Capital Benchmarking Report**

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Several things complicate this measurement process. For example, it's risky to draw cause-effect conclusions from correlation measures like these (do fewer grievances lead to higher morale, or vice versa?). Furthermore, it's rare that a single factor (such as grievance rates) will have such effects alone, so we may want to measure the effects of several HR policies and activities on morale simultaneously.

As explained in this chapter, computerization could enable Lisa to build a more comprehensive HR scorecard process, one that might handle links among dozens of cause-and-effect metrics. (Several vendors supply such scorecard software.) If not, then she will rely more on the logic and common sense underlying the strategy map to make her case.

### **How We Will Use the Hotel Paris Case**

A Hotel Paris case in each chapter will show how Lisa, the Hotel Paris's HR director, uses that chapter's concepts and techniques to: (1) create HR policies and practices that help the Hotel Paris (2) produce the employee competencies and behaviors the company needs (3) to produce the customer service the Hotel Paris requires to achieve its strategic goals.

For example, she will endeavor to improve workforce competencies and behaviors by instituting improved recruitment processes (Chapter 5), and measure improved recruitment in terms of "number of qualified applicants per position." Similarly, she will recommend to management that they change the company's pay policies, so that the "target percentile for total compensation is in the top 25%." She could argue, based on competitors' experience, that doing so will translate into improved customer service behavior, more satisfied customers, and improved hotel performance. In practice, all the human resource management functions we discuss in this book influence employee competencies and behaviors, and thereby organizational performance.

You will find the strategy map for each Dessler Human Resource Management chapter's topic in the chapter's MyManagementLab; the summary map on the inside back cover of this book outlines the overall relationships involved for the Hotel Paris.

### **QUESTIONS**

1. Draw a more simplified and abbreviated strategy map for the Hotel Paris. Specifically, summarize in your own words an example of the hierarchy of links among the hotel's HR practices, necessary workforce competencies and behaviors, and required organizational outcomes.

2. Using Table 3-1 and Figure 3-9, list at least 15 metrics the Hotel Paris could use to measure its HR practices.

**TABLE 3-1** Examples Selected from Several Studies of How Recruitment, Selection, Training, Appraisal, Pay, and Other Practices Differ in High-Performance and Low-Performance Companies

	Lower-Performance Companies' HR Practice Averages (e.g., company performance in terms of sales/employee, innovation, and employee retention)*	Higher-Performance Companies' HR Practice Averages (e.g., company performance in terms of sales/employee, innovation, and employee retention)*
<b>Recruitment:</b> Average number of qualified applicants per position	8	37
<b>Selection:</b> Average percentage of employees hired based on a validated <i>selection</i> test	4%	30%
<b>Training:</b> Average number of hours of <i>training</i> for new employees	35 hours	117 hours
<b>Appraisal:</b> Average percentage of employees receiving a regular <i>performance appraisal</i>	41%	95%
<b>Pay Practices:</b> Average percentage of the workforce eligible for <i>incentive pay</i>	28%	84%
<b>Use of Teams:</b> Average percentage of the workforce routinely working in all teams: semiautonomous, cross-functional, or project teams	11%	42%
<b>Self-Directed Teams:</b> Percent of companies with <i>semiautonomous</i> or <i>autonomous</i> work teams	9%	70%
<b>Operational Information Sharing:</b> Employees receive relevant operating performance information	62%	82%
<b>Financial Information Sharing:</b> Employees receive relevant financial performance information	43%	66%