

What Makes It So Great?

An Analysis of Human Resources Practices among *Fortune's* Best Companies to Work For

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Although few hospitality organizations are listed in the annual survey of *Fortune* magazine's one hundred best companies to work for, an analysis of companies with similar operating challenges provides clear direction for hospitality and service companies' human resource practices. This study examined twenty-one companies, including one food-service firm (Starbucks) and three hotel chains (Four Seasons, Kimpton, and Marriott). The remainder of the companies analyzed were grocery and health care organizations, both of which share human resources issues with the hospitality industry, such as long operating hours, relatively high turnover, and relatively low pay. The innovative human resources practices isolated in this analysis were a culture that emphasizes the value of people, scheduling flexibility, creative staffing practices, people-oriented training programs, transparent and

well-aligned performance management policies, and compensation policies that reflect the organization's values and link pay to performance.

Keywords: human resources; service industry best practices; Starbucks; Four Seasons Hotels; Kimpton Hotels; Marriott International

Every year since 1998, *Fortune* magazine has published a list of the one hundred best companies in the United States to work for. *Fortune* researchers ask this question: "What makes it so great?" They then try to answer that question by examining a wide range of corporate human resources policies and practices. The researchers examine the following:

- job growth, voluntary turnover, and the number of job applicants;
- training provided for salaried and hourly employees;
- compensation and benefits for hourly and salaried positions, including health care coverage;
- work-life balance and job design; and
- diversity initiatives, percentage of minorities, and nondiscrimination policies.

Although names come and go from the list, 80 percent of those recognized in 2009 were also on the list in 2008. Our review revealed that the list of top-ten companies changes little from year to year. Seven of the top-ten companies that appeared on the list in 2009 were also in the top ten in 2008. In addition, the firms that were new to this elite group of organizations had moved up from positions eleven, twelve, and fourteen on the previous year's top-one-hundred list.

Although firms in many industries are represented on this list, we have also noticed a conspicuous absence of hospitality organizations. The 2009 top ten includes a stock brokerage, a consulting firm, an investment bank, a hospital, four technology firms, and two grocery companies. Looking at the full list, only two hotel companies were represented in 2008, Marriott International (ranked seventy-second) and Four Seasons (ranked eighty-eighth), and one food and beverage company, Starbucks (ranked seventh). In 2009, these companies were joined by Kimpton Hotels and Restaurants (ranked ninety-fifth). Not only were these companies recognized as great to work for, they are also industry leaders in financial performance and have received a variety of other awards, as we discuss below.

Benchmarking the Best

To better understand what makes a company great to work for, we conducted a

benchmarking assessment for the purpose of seeing what we could learn from these companies that might be applicable to the hospitality industry. Yasin and Zimmerer (1995) propose three basic forms of benchmarking: internal, competitive, and generic. Internal benchmarking comprises an examination of work processes and products, development of standards for those processes and products, and measuring performance over time with respect to attaining those standards. This is a key component in continuous improvement efforts and total quality management programs. Competitive benchmarking is the comparison of products and services offered by firms in the same industry, often by a direct competitor. STAR reports, produced by Smith Travel Research, are a good example of competitive benchmarking in the lodging industry.¹ In generic benchmarking, the processes, products, and services of companies across a wide range of industries are studied to identify best practices that might be useful in a different context. Although our inquiry necessarily applies a generic benchmarking approach, we wanted to come as close as possible to a competitive-type comparison by focusing on companies having similarities to the hospitality industry. This approach was taken to ensure that our findings would be more relevant for industry practitioners.

Consequently, we examined businesses that reflected key characteristics of the hospitality industry. In choosing companies to analyze, we looked at industries with heavy guest or customer interaction; extensive operating hours; and jobs characterized by low complexity, repetition, minimal training or education, and relatively low compensation and high turnover; as well as a workforce comprising a significant proportion of minorities and

1. See www.strglobal.com.

employees for whom English is not their first language.

Examining the companies that appear on *Fortune*'s top-one-hundred list, we concluded that hospitals and grocery stores were the most similar in nature to the hospitality industry and shared most of the characteristics noted above. This analysis gave us a sample of twenty-one companies that included five food service or grocery companies, twelve hospitals, and four hospitality organizations. A brief description of each company and their rank in the top one hundred companies is given in Exhibit 1.

After identifying the companies for comparison, we conducted an in-depth examination of their HR policies, practices, and systems using the Internet, the *Fortune* rankings for the past several years, Wikipedia, Fast Company, company websites, and related sources discussing the companies included in our sample. The results presented below include research-based explanations regarding the effectiveness of the practices that were identified. The primary points that we discovered were a culture that emphasizes the value of people, scheduling flexibility, innovative staffing practices, people-oriented training programs, transparent and well-aligned performance management policies, and compensation policies that reflect the organization's values and link pay to performance.

Organizational Culture That Emphasizes the Value of People

One thing that each organization in the sample had in common was an extremely strong culture of caring that places great emphasis on the importance of the people working there. While there are many definitions of organizational culture, most

emphasize the shared values and assumptions that are communicated extensively, both verbally and nonverbally (Tung 1995). Culture is enacted principally by a company's upper management, which in turn influences the behavior of managers and employees throughout the organization. It is also reflected by the organization's artifacts, ceremonies, stories, and rituals.

We found a wide array of formal efforts to ensure that all employees have a clear understanding of the firm's culture. Stew Leonard's, a regional grocery chain, has a Vice President of Culture and Communication whose primary role is "keeper of the culture."² Additionally, all of the organizations in our sample had a strong and almost singular focus on their employees. They also made it very clear—internally and externally—that being an employer of choice was an important strategic imperative and key to maintaining a competitive advantage. In every case, it was clear that development and retention of employees was seen as critical to the success of the organization.

Rochester, New York-based supermarket chain Wegmans (ranked fifth overall) exemplifies this employee-driven philosophy in several ways, starting with the most fundamental and defining element of the company's identity, its philosophy: "The values at Wegmans are not just something you see hanging on the wall. They are values our people live every day and help guide the decisions we make."³ All policies, initiatives, and decisions are linked to this philosophy. For example, job tenure is viewed as a point of pride, so employee name tags denote the number of years of service. In addition, Wegmans promotes a positive, quality-focused work environment by providing employees with comprehensive training and development opportunities;

2. See <http://www.stewleonards.com/html/08leonardteam.cfm>.

3. See <http://www.wegmans.com/webapp/wcs/stores/servlet/CategoryDisplay?categoryId=256609&storeId=10052&catalogId=10002&langId=-1>.

Exhibit 1:**Best Companies to Work For in the Hospitality and Service Segments**

<i>Rank</i>	<i>Company</i>	<i>Overview</i>
5	Wegmans	A family-owned company founded in 1916, Wegmans consists of 72 grocery stores located in the mid-Atlantic region with its headquarters in Rochester, New York. It has 38,000 employees and 2008 revenues of \$4.8 billion.
8	Methodist Hospital System	This comprehensive teaching hospital located in Houston, Texas, is affiliated with the Weill Medical College of Cornell University. It has 10,500 employees and 2008 revenues of \$1.8 billion.
10	Nugget Market	A small family-owned upscale supermarket chain founded in 1926 located in Woodland, California, Nugget operates 12 stores in the Sacramento metropolitan area and employs more than 1,200 people with 2008 revenues approaching \$300 million.
19	Ohio Health	Ohio Health was founded in 1891 in Columbus and operates 5 hospitals in central Ohio. It employs approximately 12,000 people and had 2008 annual revenues of almost \$2 billion.
22	Whole Foods Market	Founded in 1980, Whole Foods operates 276 stores in the United States, Canada, and the United Kingdom. It pioneered the offering of natural and organic products and employs 41,000 people with 2008 revenues of \$6.6 billion.
24	Starbucks	A coffeehouse chain founded in 1971 in Seattle, Washington, Starbucks has grown to more than 16,000 stores in 49 countries with more than 200,000 employees and \$10.4 billion in revenues in 2008.
45	King's Daughters Medical Center	This 385-bed hospital, founded in 1899, is located in Ashland, Kentucky. It employs more than 4,000 people and had 2008 revenues of approximately \$450 million.
53	Stew Leonard's	Stew Leonard's is a family-owned regional grocery with 5 stores in Connecticut and New York. It was founded in 1969 in Norwalk, Connecticut, and today has 2,219 employees and 2008 revenues over \$300 million.
62	Griffin Hospital	An acute care community hospital with 160 beds, Griffin was founded in Derby, Connecticut, in 1909. With a staff of 300 doctors and 1,200 other employees, it had revenues of over \$110 million in 2008.
63	Mayo Clinic	Located in Rochester, Minnesota, with 3 hospitals (also in Arizona and Florida), this organization was founded in 1889 and today employs more than 42,000 people with 2008 revenues over \$7 billion.
67	Children's Healthcare of Atlanta	Founded in 1998 with the merger of two health care systems, Children's Healthcare is a pediatric hospital with 5,850 employees and 2008 revenues of approximately \$1.4 billion.

(continued)

Exhibit 1: (continued)

<i>Rank</i>	<i>Company</i>	<i>Overview</i>
68	Southern Ohio Medical Center	Based in Portsmouth, Ohio, this 222-bed hospital provides emergency and surgical care, as well as a wide range of other health care services. It has about 2,200 employees and 2008 revenues of approximately \$228 million.
75	Atlantic Health	This New Jersey-based medical center includes 3 hospitals that offer a wide array of general and special services, as well as 2 research institutes and a cancer treatment center. It has a staff of almost 7,000 and generated just over \$1 billion in revenues in 2008.
76	Lehigh Valley Hospital and Health Network	With headquarters in Allentown, Pennsylvania, this organization operates 3 full-service hospitals and several community health centers throughout the central-eastern part of the state. It employs almost 9,000 staff and had 2008 revenue of approximately \$1.2 billion.
77	Northwest Community Hospital	Founded in 1959, this 488-bed facility located in Arlington Heights, Illinois, offers a full range of medical services. It has 3,400 employees and had 2008 revenues of approximately \$410 million.
78	Marriott International	Opened as a root beer stand in 1927, this Washington, D.C.-based lodging company operates more than 3,200 properties in the United States and 66 countries around the globe. It employs more than 120,000 staff and generated approximately \$12.9 billion in revenues in 2008.
79	Baptist Health South Florida	This organization includes 6 hospitals and a research institute in Miami, Florida. It has almost 11,000 staff and had 2008 revenues of about \$1.7 billion.
85	Arkansas Children's Hospital	Sited in Little Rock, this is the only Arkansas hospital specializing in pediatric care (for children from birth to 21 years old). It employs 3,527 staff and generated approximately \$450 million in revenue in 2008.
88	Publix Super Markets	With headquarters in Lakeland, Florida, this company operates 900 grocery stores in 5 states. It is also the largest employee-owned company in the United States. It had 2008 revenues in excess of \$23 billion and has more than 140,000 staff.
92	Four Season Hotels	Launched in 1960, this Toronto-based company manages more than 90 luxury hotels on every continent except Antarctica. It employs 35,000 staff and generated approximately \$3.5 billion in revenues in 2008.
95	Kimpton Hotels and Restaurants	This San Francisco-based hotel company owns and manages a diverse collection of 49 boutique properties throughout the United States and Canada. It has about 6,500 employees and generated approximately \$620 million in revenues in 2008.

a long list of financial and family-oriented benefits and perks; and regular feedback regarding individual, store, and company-wide performance. The results are clearly evident. In addition to the awards and accolades, Wegmans enjoys an amazingly low employee turnover rate of 8 percent in an industry that averages 50 percent. We also note that it employs some of the most engaging employees we have ever encountered. Clearly, this culture of caring is not only good for employees, but it is also good business. Employee retention is directly related to profitability (Simons and Hinkin 2001), and the costs associated with employee turnover can be significant (Hinkin and Tracey 2000; Tracey and Hinkin 2007). These examples provide tangible reminders of the importance of a firm's underlying values and the impact on employee attitudes, motivation, and behavior.

Communication. Another dimension of organizational culture that was evident among many of the top companies was clear and consistent communication throughout the organization. We found many examples of direct lines of communication between the top and bottom of the organization, as well as inside and outside the organization. Much of this exchange and connectivity is facilitated by electronic media, including email, message boards, and social networking sites. For example, Marriott International recently launched a CEO blog in which Bill Marriott communicates insights and views about a wide array of issues—from recounting memories about a property opening to expressing concerns about world events. Northwest Community Hospital publishes an online magazine, *YOU*, that offers practical advice for a healthy living. Whole Foods Markets goes so far as to share financial performance and individual compensation figures, while Griffin Hospital measures patient

satisfaction with all services and shares the results with employees. These practices are critical for establishing and maintaining connectivity among the organization's key constituencies—employees, customers, and their communities. While the organizational culture is extremely important, the way in which it is operationalized to reflect the company's values is most critical. We will now present the human resources practices that reflect a culture of caring and are among the key drivers of employee satisfaction and firm performance.

Flexibility in Scheduling

Since the forty-hour week was codified in U.S. labor law in 1938, many U.S. jobs have been designed for a forty-hour, five-day workweek.⁴ However, hospitality organizations, hospitals, and grocery stores typically cannot run that kind of schedule for all their employees, given their round-the-clock operations. Combine that operating reality with changing demographics, such as increasing number of single parents, dual-career couples, parents with child care issues, people working more than one job, and young workers who are concerned about quality of life issues, and it is obvious that organizations will need to be more flexible in their scheduling and design of work to attract and maintain a quality workforce. The proactive scheduling stance of many of the companies in our sample appears to be popular with employees. As we describe below, the three primary approaches to workplace flexibility are job sharing, a compressed work week, and flextime.

Job sharing. Just as the name implies, job sharing involves two or more employees sharing a single position. The job can be divided in any way that suits both the employer and employees, including split

4. Henry Ford is generally recognized as being the first U.S. industrialist to implement a forty-hour week, in 1926.

shifts and complementary days on the job. In many cases, we found that it is up to the individuals to create a schedule that ensures adequate coverage. This program is especially popular with jobs such as nursing at the Methodist Hospital System, Mayo Clinic, and Children's Healthcare, but at least seven of the companies in our sample are currently using this practice—and at least one from each of our three industry segments.

Compressed workweek. Eight of the companies in our sample allow employees to compress their workweek by working long shifts on fewer days per week, typically four 10-hour days or three 12-hour days. The idea behind the compressed workweek is that it cuts down on commuting time and gives employees more personal time. A logical adjunct to job sharing, the compressed workweek has been commonplace in certain professions; firefighters, for instance, may work two 24-hour shifts per week. Companies in our sample offering a compressed workweek included Whole Foods, Starbucks, Southern Ohio Medical Center, Marriott, and Four Seasons.

Flextime. The variable work schedule popularly known as flextime includes an almost unlimited number of scheduling arrangements, all designed to suit an individual's schedule while still completing the necessary tasks. We found that many of our employers maintained a core period when all employees are expected to be at work and designated the rest of the working day as flextime, allowing employees to choose when they work. The policy also includes what has become known as "flexplace," in which part of the job may be done off-site, usually at the employee's home. Stew Leonard's provides flexible hours and a "Moms Program" that lets mothers schedule their work around their children's activities, and Starbucks offers flexible schedules for its workers, a plan that is particularly attractive to older workers.

Innovative Staffing Practices

Creating and maintaining a large applicant pool of high-quality job candidates is an important part of ensuring that an organization can meet both its short- and long-term human resource needs. The "employer of choice" strategy is a key element in this process. The manner in which potential employees are attracted, selected, and hired sends an important message about how they will subsequently be treated. Many of the companies in our sample are using a wide range of creative ways to win the war for talent.

Publicizing awards. All of the companies in our sample publicize the awards they have received, primarily on the firm's home web page. Not only do these awards make a company appealing to prospective employees, but research has shown that this kind of promotion can have a significant impact on attracting a large and qualified applicant pool (e.g., Collins and Han 2004). The Wegmans homepage prominently displays the award the firm received from J.D. Power and Associates as "Highest in Customer Satisfaction with Supermarket Pharmacies." Marriott has devoted an entire section of its company website to awards and recognition, which includes one of the "Best Places to Work," one of the "Greenest Big Companies in America," and a perfect score on "The Human Rights Campaign Foundation's Corporate Equality Index Report."

Use of dynamic media. Most of the companies have created web pages on their company sites that are specifically aimed at recruiting potential applicants. The Mayo Clinic provides extensive information about specific jobs, benefits, professional development, and recognition programs. Four Seasons has developed online job previews that give prospective employees a realistic perspective about work life. In addition, individuals can watch a video presentation by Isadore Sharp, the company's founder, chairman, and chief executive officer, who

describes Four Seasons's history and the "four pillars" of success that are instrumental in helping the company achieve its business objectives (namely, quality, service, culture, and brand).

Referral awards. Many of the companies in our sample use referral awards to attract employees. The idea behind this practice is simple. If competent employees are offered a financial incentive to attract others to the organization, they will usually only solicit those candidates who would be similar to themselves in terms of work ethic and ability. Not only will they have to work with this new recruit, but their reputation would be at risk if the new employee failed. There is usually a minimum time period that a new employee must be employed before the award is granted. King's Daughters Medical Center offers referral awards ranging from \$250 to \$5,000 depending on the position, which contributes to an annual employee retention rate of 96 percent. Children's Healthcare of Atlanta was suffering from a shortage of nurses, so they offered incentives such as one hundred tanks of gas for successful referrals. In addition to more job candidates, the program improved employee retention and workforce morale.

Rigorous selection procedures. Sometimes given short shrift, employee selection is an important tool to ensure that an organization is staffed with people with the right attitude, knowledge, skill, and abilities. In most companies, employees are interviewed by managers who then make the hiring decision. All of the companies in our sample set high standards for selection and go beyond the manager interview by using comprehensive procedures for making hiring decisions. For example, Publix Supermarkets requires all applicants for store-level jobs to complete a twenty-five-minute online test that assesses several types of knowledge and skill that are critical to job success. Research has reflected the

value of this approach, as formal testing has been shown to play a critical role in predicting job performance (Tracey, Sturman, and Tews 2007). Whole Foods utilizes team interviews for management positions, followed by a team vote on whether to make the position permanent after a specific period of time. Starbucks also employs both managers and peers in the selection process. The rationale behind this is that if people are going to be working for or with a person, they should have a voice in the hiring decision. They then also have the responsibility to help that person be successful.

Training and Development

The organizations in our sample recognize the critical importance of the first few weeks on the job. This idea is supported by research that has shown that poorly handled organizational entry processes will result in higher levels of employee turnover within the first several months of employment (Allen and Meyer 1990). The initial stages are important not only for acquiring the knowledge and skills that are necessary for effective job performance but, perhaps even more importantly, for becoming socialized and gaining a clear and comprehensive understanding of the firm's culture. The most admired companies are also aware that ongoing development opportunities and clear career paths are important motivators for promoting retention and professional growth.

Emphasis on organizational entry. Socialization is the process by which a new employee learns about the organization's culture. The formal process for this activity takes place during orientation, which in our sample ranged from several days to several weeks, and then continues for the first several months on the job. The greater the consistency between the message delivered during this time and the

information provided during the recruitment and selection stages, the greater the likelihood that the socialization process will succeed (Thomas and Griffin 1989). Griffin Hospital requires every new employee, regardless of position, to attend a week-long orientation program to learn about the hospital's culture and philosophy from senior leadership, as well as additional information about safety procedures, human resource policies, and legal priorities. The new-employee training program at Four Seasons lasts twelve weeks and includes a wide variety of experiential activities, many of which are facilitated by senior managers. This comprehensive program also includes thirty hours of classroom training; cross-functional exposure; formal testing; and a twenty-four-hour stay at the hotel, which offers new employees a direct means for learning about the company's guest service philosophy and standards.

Development from within. Virtually all of the companies in our sample provide extensive training that encompasses many different types of development opportunities—from technical skill programs to leadership and executive coaching. Whole Foods encourages innovation through “retail experiments,” which are created by the line-level associates. Moreover, the firms in this sample assign a strong value to continuous learning, and training is viewed as a long-term investment in an important organizational asset rather than an expense for an expendable commodity. This approach is supported by research that has shown that a strong training climate—exemplified by supportive management, flexible job designs, and accountability and reward systems that reinforce the application of newly acquired knowledge and skills—can enhance the effectiveness of both formal and information learning efforts (e.g., Tracey, Hinkin, Tannenbaum, and Mathieu 2001).

In addition to training, most of the companies in our sample have developed specific and clearly defined career paths, placing an emphasis on retaining and developing their own employees. For example, 87 percent of managers at Stew Leonard's have been promoted from within. In addition, many of the companies in our sample offer employee education scholarship or assistance. Finally, companies such as Lehigh Valley and Marriott offer work-study mentoring programs for high school and college students to assist young people to begin careers in their respective companies.

Performance Management

Many of the companies in our sample take an effective approach to performance management by ensuring that the criteria for gauging effectiveness are clearly defined and understood by all employees, using comprehensive performance measures that account for both individual and collective contributions, and employing a transparent process so that all employees understand how well they and the firm are doing. In particular, we found that the information generated from the process is clearly linked to development initiatives, incentive programs, and the like.

Comprehensive, continuous, and open-book assessment. One of the ways to ensure the utility of a performance management system is to obtain performance data from multiple sources and use the information for both evaluative and diagnostic purposes. Lehigh Valley Hospital and Health Network has engaged in an ongoing validation effort to ensure that key performance indicators associated with individual performance requirements are aligned with patient satisfaction and service quality indices. In addition, 40 percent of its employees' annual performance reviews are based on behaviors that are directly linked to the

organization's mission and values. Similarly, Atlantic Health uses an online, portfolio-based evaluation process that accounts for individual- and aggregate-level results and links the performance information directly to training opportunities and rewards.

Companies such as Wegmans, Nugget Market, and Griffin Hospital use upward feedback to generate ideas for improving performance and promoting innovation. On a more strategic level, Marriott has created a Center for Excellence in Diversity Assessment, which conducts ongoing audits of the company's diversity initiatives.

In keeping with the need to make sure that the data used for evaluative and developmental purposes are accessible and available for timely decision making, several of the health care organizations in our sample, such as Southern Ohio Medical Center and Northwest Community Hospital, have developed publicly available performance dashboards that report on a wide range of key performance areas, such as safety, quality, and service. Providing wide access to this type of evaluative information demonstrates a commitment to open-book management and encourages employees to share ideas and concerns that may be instrumental for solving important problems and improving performance.

Compensation and Benefits

Given the importance of rewards and incentives in an organization's efforts to attract, retain, and motivate employee performance (Fay and Thompson 2001), those incentives must reflect the values of an organization. For example, the Mayo Clinic pays physicians a salary rather than paying by the treatment or patient because it wants to emphasize quality patient care, rather than volume. To promote the importance of the team, Whole Food limits top executive

compensation to nineteen times the average compensation of all full-time employees. This may still seem like a large ratio until one compares it to the average compensation of the CEOs at the twenty-four largest U.S. banks, who received more than four hundred times the compensation of the lowest-paid individual.⁵

Profit sharing and gain sharing. All of the organizations we examined had implemented reward and incentive programs that were consistent with the need to maintain logical, transparent reward programs that are meaningful to recipients and relate to the organization's goals. In particular, every firm maintained a clear connection between performance results and incentives. Performance bonuses were among the most common incentive practice. For example, Whole Foods offers a gain-sharing program that rewards employees on factors that they have the most control over, such as scheduling and customer service, where a portion of savings is shared with employees. Nugget Market offers both profit sharing and a generous 401(k) retirement program. These programs and practices provide a strong foundation for creating and sustaining a high-performance work culture and motivating employees to go beyond expectations.

Comprehensive, competitive benefits. In addition to linking performance outcomes to valued incentives and rewards, all of the organizations in our sample offered a wide array of benefits to their employees, including several options that further enhance their distinctiveness. The extensive list of benefits includes generous retirement savings programs, 529 college savings plans, choice of health insurance plans (e.g., PPO, HMO, universal), disability insurance, dental and vision insurance, life insurance, auto and home insurance, flexible spending accounts, healthy partners programs, subsidized child and elder care, tuition

5. See www.TheCorporateLibrary.com (June 2008).

reimbursement programs, paid time off (including cash-out options), legal and financial services, and company-sponsored credit unions.

Family and community emphasis. Another key feature of these firms' reward and incentive programs was their emphasis on families and the local community. Southern Ohio Medical Center provides homework assistance from 2:00 p.m. to 10:00 p.m. every day for their employees' children in grades K-12, as well as assistance for introductory college courses and several continuing education programs for adults. In addition, King's Daughters, the Mayo Clinic, Marriott, and others offer subsidized child care programs; some also provide on-site care.

A strong community focus was also salient a feature of the reward and incentive programs among the companies we examined. Lehigh Valley Hospital and Health Network committed \$146 million in community service incentives to provide free health care for people without insurance. This initiative is supported by a strong emphasis on volunteerism and is enabled through flexible work schedules that allow employees to dedicate time to causes that are personally important and support Lehigh Valley's core values. A related prominent theme was an emphasis on sustainability and environmental stewardship. Awards for green initiatives were common among the best employers in our sample, and many companies have fairly elaborate and formal programs to support their efforts. For example, Starbucks has created a position of director of environmental affairs and produces a corporate social responsibility annual report that describes the results from numerous efforts to create a healthy, environmentally responsible, and sustainable business enterprise (e.g., from tracking the number of employee volunteer hours to employee engagement and diversity results).

Summary and Conclusion

We have identified six categories of human resources practices used by the companies in our sample of hospitals, grocery stores, and hospitality organizations. These include

- a culture of caring for employees and open communication;
- flexible scheduling to meet the needs of a changing workforce;
- innovative methods to attract, select, and retain a loyal and competent workforce;
- training programs that are viewed as an investment in people with emphasis on career tracks and promotion from within;
- performance management systems that are aligned with organizational objectives; and
- compensation programs that reflect the values of the organization and link pay to performance.

Within each of these categories we have identified specific practices that may be implemented in many—and perhaps most—hospitality organizations. One of the most interesting findings in our study was that most of these practices cost little but offer substantial benefits. The challenge for all businesses is creating momentum for change as well as sustaining efforts that promote continuous improvement.

The accompanying tables present some of the some of the key metrics from our sample, which readers can use as benchmarks. Exhibit 2 lists the average training hours by employee type (i.e., hourly vs. salary), and Exhibit 3 presents the average voluntary turnover rate for each of the categories. We note that the hospitality firms lead with 19.2 percent, but what is more interesting is the comparison of each firm's rate to industry averages, noted in parentheses. In all cases the sample firms' turnover rates are less than 50 percent of the average for their industry.

Exhibit 2:

Average Hours of Training per Year for Hourly/Salary Employees

<i>Segment</i>	<i>Average Training Hours: Hourly</i>	<i>Average Training Hours: Salaried</i>
Grocery	50	67
Hospitality	69	176
Hospital	43	53

Exhibit 3:

Average Voluntary Turnover Rate per Year

<i>Segment</i>	<i>Average Voluntary Turnover Rate— Most admired</i>	<i>Average Voluntary Turnover Rate— Industry^a</i>
Grocery	13.2%	34.7%, Retail trade
Hospitality	19.2%	56.4%, Lodging/food service
Hospital	7.1%	19.6%, Healthcare/social asst.

a. U.S. Department of Labor, Bureau of Labor Statistics (2006).

Exhibit 4:

Average Compensation per Year for Most Common Job, Hourly/Salary

<i>Segment</i>	<i>Average Compensation: Hourly</i>	<i>Average Compensation: Salaried</i>
Grocery	\$29,020	\$76,006
Hospitality	\$30,545	\$76,464
Hospital	\$68,578	\$82,392

Finally, Exhibit 4 presents average compensation for the three industries. These figures are interesting because hospitals have a substantially higher average, while compensation for both hourly and salaried workers is virtually the same for supermarket and hospitality organizations. We see these two industries as being quite similar, based on the characteristics we examined.

The hospitality industry has the reputation, well or ill deserved, of being slow to adopt innovations. In contrast to that argument, we have seen considerable changes in the use of technology, lodging concepts, healthy cuisine, and revenue management in recent years. What we have not seen is

substantial change in the way that people are managed. Individual firms stand out, but too many firms accept “industry realities” such as substantial turnover and “learn as you go” training. Whether it is recognized by managers or not, people are the greatest asset of virtually every organization. An uncompromising focus on this philosophy is arguably the most important factor that separates the top one hundred from the thousands of companies that did not make the list of best companies to work for. It is worth noting that each of the companies on this list is not only successful as an employer but also in both financial and competitive terms.

In closing, we would like to dispel the notion that the hospitality industry faces special problems that other industries do not. In contrast to the mentality that “we can’t do that here,” we firmly contend that what can be done in the grocery business or in hospitals—both of which have substantial operating challenges—can be done in hospitality organizations. We know that when there is a link between performance and rewards, people’s performance and satisfaction will increase. Why can’t profits and savings be shared with employees who have contributed to the organization’s success? We know that behavior that gets rewarded gets repeated. Why can’t management compensation be tied to employee retention and development? We know that economic pressures and demographic changes are affecting peoples’ lives. Why can’t scheduling be done creatively to meet the needs of employees? All of these things and many more can be done, and becoming an “employer of choice” can be the result. In the words of Bill Marriott, “If we take care of our people, they will take care of our guests.”⁶ This is the fundamental reason why Marriott and all the others we examined are on the list of best employers.

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