

STRATEGIC HR MANAGEMENT

STUDENT WORKBOOK



The Georges Hotel

Scenario A: Family-Owned Business and Strategic Planning

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Please note: All company and individual names in this case are fictional.

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THE GEORGES HOTEL

The Hotel

- 163 guest rooms, 65-70 employees.
- Front desk: 10 employees.
- Valet parking services: 8 employees.
- Housekeeping: 28 employees.
- Engineering and facilities maintenance: 4 employees.
- Management and administrative: 15-20 additional staff members assigned to departments throughout the hotel, including management, office support and sales.

The Garden Terrace Restaurant

- Approximately 35 employees.
- The restaurant is open daily from 5:00 a.m. to 10:00 p.m.
- In addition to restaurant dining, the restaurant provides 24-hour room service and full catering services for meetings, conventions and other hotel events.

THE GEORGES HOTEL

The Mitchell Family

- Jeff Mitchell: Chief executive officer, owner and brother of Chad.
- Chad Mitchell: Vice president of community relations, owner and brother of Jeff.
- Cindy Mitchell: Director of human resources and Chad's wife.
- Michael Mitchell: Sales and operations associate, Chad and Cindy's son and recent MBA graduate.
- Brandon Mitchell: Chad and Cindy's son who is studying for a degree in culinary arts and anticipates a career as an executive chef. Not currently on staff.
- Julie Mitchell: Jeff's daughter who is about to complete an MBA program at a prestigious university. Not currently on staff but expects to work at the hotel after graduation.
- Dale Elsner: Catering service manager in the Garden Terrace Restaurant and Cindy's brother.
- Numerous nieces, nephews, cousins and friends of the family are employed throughout the hotel.

THE GEORGES HOTEL

The Case

The Georges Hotel is a small European-style boutique hotel located along the Magnificent Mile in Chicago. It is co-owned by two brothers, Jeff and Chad Mitchell. The brothers grew up in the hospitality business; they were raised at the roadside motel their parents owned in the 1960s. Even as a child, Jeff loved the hospitality business. As soon as he was old enough, he worked side by side with his father and was happiest when greeting guests at the front desk and showing them to their rooms. He even enjoyed the less glamorous work and did not mind being asked to sweep the parking lot or to clean a room when housekeeping was short-staffed. It didn't matter what he did as long as it was motel work. He never tired of the guests, no matter how cranky they were on arrival. Jeff always greeted them warmly and was there again in the early morning to wish them bon voyage when they packed up their cars and drove away. Today Jeff is chief executive officer of the Georges Hotel. He makes most of the decisions and manages the hotel's day-to-day operations from his corner office on the top floor.

Chad is the younger Mitchell brother. He had no interest in working at the motel as a child, and he remains the same as an adult. Chad is vice president of community relations at the hotel, and he too has a top floor corner office. He still has little interest in the hotel business, though. He spends most of his time playing golf. When Chicago's weather precludes golfing, he jets off to his favorite courses in Florida and Arizona or to his second home in Palm Springs, leaving his wife, Cindy, to monitor his interests in the partnership. Cindy has no interest in golf, hates the hot climate of Palm Springs and greatly prefers her work at the hotel.

Cindy is the director of human resources. She has been a working member of the management team since the brothers bought the run-down hotel and renovated it to create the Georges. Although Cindy had no management or HR experience before her work at the Georges, she is a natural leader. She is personable, well respected by the staff and is an asset to Jeff in the day-to-day management of the hotel. In many ways, it's the perfect situation for all three Mitchells. Cindy loves her work, and her management role enables Chad to shun the office and remain nearly guilt-free while jetting from one golf course to another, and Jeff is not burdened by Chad's disinterest in the hotel. Instead, he has an excellent partner in Cindy, with whom he often consults on difficult decisions.

The next generation of Mitchells is already being groomed to take over when the time comes. Jeff's daughter, Julie, is nearly finished with an MBA program. She will start in sales and marketing after graduation and then move on to gain experience in operations and general management. Jeff wants her to have a solid background in all aspects of managing the hotel so she is fully prepared to assume the responsibilities of CEO when he retires.

Chad and Cindy have two sons, Michael and Brandon. Michael graduated with honors in his MBA program and is now a sales and operations associate at the hotel. Brandon is currently enrolled in a culinary arts program. He loves the creativity

and hands-on aspect of cooking, and Cindy doesn't expect they will get him out of the kitchen and into management. She and Chad anticipate that Michael will be the future CEO of the Georges Hotel.

Family relationships at the hotel include more than just the immediate family. Although Jeff has been divorced since his daughter, Julie, was five years old, Julie's mother came from a large family. There is an extensive network of nieces and nephews—all of whom are Julie's cousins—employed throughout the hotel. The same is true for Chad and Cindy's family. Cindy's brother, Dale, is the catering services manager, and a number of Cindy's cousins and children of friends are employed at the hotel.

These family connections at the hotel occurred spontaneously because Cindy always preferred to hire by referral. As a result, many employees brought in family members as new hires. Cindy and Jeff believe that family connections among employees benefit the hotel. When jobs are available, Cindy continues to hire by referral, reminding employees that family connections are valued and not frowned on. Family and employees are so important that when Jeff, Chad and Cindy wrote the hotel's mission statement, they agreed to equally emphasize hotel guests and employees. The hotel's mission promises guests exemplary service and a memorable hotel experience. For employees, it promises a superior work environment and continued support for a satisfying career.

To foster the family atmosphere, staff members are encouraged to invite family members to lunch. Families are always included in summer picnics and holiday parties that are hosted by the hotel. Employees post their children's pictures and announcements of new babies, graduations, weddings and other family accomplishments on the bulletin board in the break room. Cindy and Jeff try to remember the names and relationships of staff members so they can personally congratulate parents on their children's accomplishments.

The hotel has done well financially in spite of the expense of renovating the original structure. The hotel was generating a profit within two years of opening, and it continues to be profitable with a high occupancy rate and a solid reputation as a desirable convention venue. Jeff believes it is now time to build on that success and expand to a second Georges Hotel. He has had his eye on another run-down hotel near the riverfront section of Chicago for several years. It closed years ago and has been abandoned and boarded up while a lengthy court battle ensued over ownership rights and bankruptcy. The legal cloud finally lifted after years of litigation; as the current owner, the bank is looking for a solid buyer. With the Georges' history of successful renovation and with current interest rates at historic lows, Jeff believes the time is right for a second Georges Hotel in Chicago. When the second hotel is up and running, he wants to move on to a third. And then, who knows? Jeff envisions a chain of Georges Hotels in major cities across the United States.

As exciting as the possibilities are, Cindy believes that to ensure their success as a multiunit organization, they need more structured management and employee policies than they currently have. The HR department has primarily been an

administrative agency, and there hasn't been much need for things to be otherwise. There is no employee handbook, little formal policy structure, no employee complaint procedure and very little supervisor training. Cindy anticipates that a larger hotel organization will require a far more strategic HR department than she currently manages.

Nepotism has worked well for staffing the current hotel, but Cindy recognizes the downsides to hiring friends and family and knows it will not be adequate for staffing a multiunit organization. For example, there is an assumption among some employees that if you are a close friend or are related to a supervisor or a manager, you have a job at the hotel for life. Consequently, some employees do as little as possible with no repercussions, and supervisors are reluctant to discipline employees because they are probably someone's family member or good friend. There are also attendance problems, but everyone protects their friends and family, and employees have little accountability for performance. Cindy wants to resolve these employee issues before opening a second hotel. At the same time, she wants to ensure that the implementation of new policies will not diminish the positive aspects of family that are inherent in the organizational culture of the hotel—values she believes have contributed significantly to the success of the organization.

In Cindy Mitchell's Office

Cindy picked up her phone and punched in the number for Jeff's administrative assistant. She is calling to schedule a meeting with Jeff for later in the week. She has drafted some policy changes she believes are necessary for the new larger organization, and she wants to share them with Jeff.

"Jeff loves construction," Cindy thought to herself while she waited for the administrative assistant to answer. "I remember when we built the first hotel. He got so caught up in the building process that he forgot about the management structure needed to successfully operate the facility after it was completed. Adding a second hotel is a huge challenge and the perfect opportunity to solidify our management processes so we can replicate it to additional hotels as we add to the Georges. I'm excited to get started."

THE GEORGES HOTEL

SCENARIO A

Players:

- Cindy Mitchell, director of human resources.
- Jeff Mitchell, chief executive officer.
- Chad Mitchell, vice president of community relations.
- Michael Mitchell, sales and operations associate (son of Chad and Cindy Mitchell).

Later That Same Week

Jeff was on the phone when Cindy arrived at his office for their meeting. He ended the call quickly, rose from his desk chair and warmly greeted her with a hug. They moved to the side of his office and sat down in chairs that were perfectly positioned to maximize the view of Chicago through the floor-to-ceiling corner windows. The view was spectacular, with Chicago's unique architectural skyline and Lake Michigan in the background.

"Jeff, Chad and I are so excited at the prospect of the new hotel," said Cindy. "It is such an opportunity to expand the Georges and to create a legacy for the children."

"I knew you would think so," replied Jeff. "Managing the hotel is good work, and the Georges has been good to us. There's no reason why we can't replicate that in another unit."

"I think so too, and as I remember, you even enjoyed the construction part," said Cindy.

"Yes, I did. It was very satisfying to watch something new and beautiful being created from the rubble we started with. I've been hoping all along that we could do it again."

"I remember," said Cindy. "Chad wasn't much interested in the construction. He liked it when the messy work was done and he could move into his nicely decorated office, but you loved being out there and getting dirty. Remember the day you decided to drive the backhoe? You drove it straight over the edge and got it stuck in the pit."

"Yeah, I remember," Jeff laughed. "I'd never driven one before, and you've never let me forget what a fiasco it was. Remember, I said I liked the construction part, I never said I was good at it."

Jeff and Cindy laughed and reminisced a bit longer.

"Jeff, let's talk about how we can be ready for the second hotel," said Cindy. "I think we've learned a lot operating the Georges. There are certainly things here that we can replicate as additional hotels are added, but things will be different as the company grows. We have to be ready for change. You and I have been able

to manage things here because we're both on-site every day and know our staff individually. We'll be hiring and managing a lot of new employees for jobs at other locations quite soon, and we won't know everyone the way we do now."

"I agree," said Jeff, "and I'm glad we're talking about this now and not after we get into it. I know you'll have some good suggestions. You always do."

"I've already been thinking about policy structure and employee issues," said Cindy. "We need employee policies that can be implemented here and then at the new hotels where you and I won't be on-site. Also, I need a staffing plan for hiring outside of family. Besides," Cindy laughed, "I've already hired nearly all the relatives that are available."

"I think we may need some outside help," she continued, "maybe some consulting to help sort through what we need and to ensure that we carry the best qualities of the old hotel into the new unit."

"Yes," said Jeff, "hire whatever help you think we need. Just make sure they know we've always had a family atmosphere, and I don't want to see that disappear. We need to ensure that value carries over into the new hotel."

"Of course," said Cindy as she stood and gathered her papers to leave. "It's always been family here, and we don't want that to change. We just need more concise management practices to ensure additional hotels run smoothly and the partnership is ready so when Michael takes over, we can finally retire to the beach in Florida. I don't want our children to be struggling with the same old issues when they're in charge."

"You're having dinner with Chad and me at the club tonight, aren't you?" Cindy asked on her way out the door.

Jeff didn't respond; he had a strange look on his face when Cindy left. "Michael?" he thought to himself. "Doesn't she realize that Julie is better prepared to be the next CEO?"

SCENARIO A: QUESTIONS FOR UNDERGRADUATE STUDENTS

A family-owned organization has some unique business characteristics. The relationship of family can be a significant strength to an organization, or it can create barriers that make success more difficult to achieve than in a nonfamily business.

- What are the pros and cons of a family-owned business?
- What would you recommend to reduce the negative aspects of operating a family business and to capitalize on the positive aspects?
- How can Jeff and Cindy make family an asset going forward into a multiunit organization?

SCENARIO A: QUESTIONS FOR GRADUATE STUDENTS

The hotel is moving into a period of significant transition. Transition presents an opportunity for organizations to restructure and adopt policies that will carry them into a successful future. Unfortunately, transition can also generate the opposite, and some organizations cannot successfully navigate the process. We see it all too often in the news. Things go wrong, management makes poor decisions, and when the financial losses mount, the organization loses its identity and market share, and it finally goes out of business.

Adding a second hotel is a transition point, and strategic planning is needed to prepare the organization for the future. It will take approximately two years to finalize the purchase of the new unit, renovate the property and get ready to open. There is time to prepare.

- Devise a three-year strategic plan for this organization.
- What should be accomplished in the next two years to prepare for the new hotel?
- What is required for the first year of operation of the second Georges Hotel to ensure it is as successful as the first?

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