

STRATEGIC HR MANAGEMENT
INSTRUCTOR'S MANUAL



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 Georges Hotel is a small upscale boutique hotel located along the Magnificent Mile in Chicago. It is owned by two brothers, Jeff and Chad Mitchell. The Georges was rebuilt from an old hotel that was badly in need of repair when the Mitchells purchased it from a major hotel chain in 1995. After extensive renovation, the property was reopened as the Georges Hotel and has operated profitably since 1998. As the case opens, the Mitchells are preparing to acquire another run-down hotel in Chicago. It too will be renovated and reopened. This will be the second Georges Hotel in what they anticipate will be a small chain of Georges Hotels located in major cities across the country.

The case begins with introductory information about the organization and is then divided into five scenarios. Each scenario includes question sets for undergraduate and graduate students. A debrief is included with each scenario, but because management dilemmas can be resolved using a variety of solutions, expect that students may come up with solutions that differ from those included in the scenarios. This document contains only Scenario A: Family-owned business and strategic planning. The scenarios are as follows:

- Scenario A: Family-owned business and strategic planning.
- Scenario B: Succession planning.
- Scenario C: Staffing and employee conduct.
- Scenario D: Supervisors and equal employment opportunity.
- Scenario E: Supporting the organization's mission.

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.

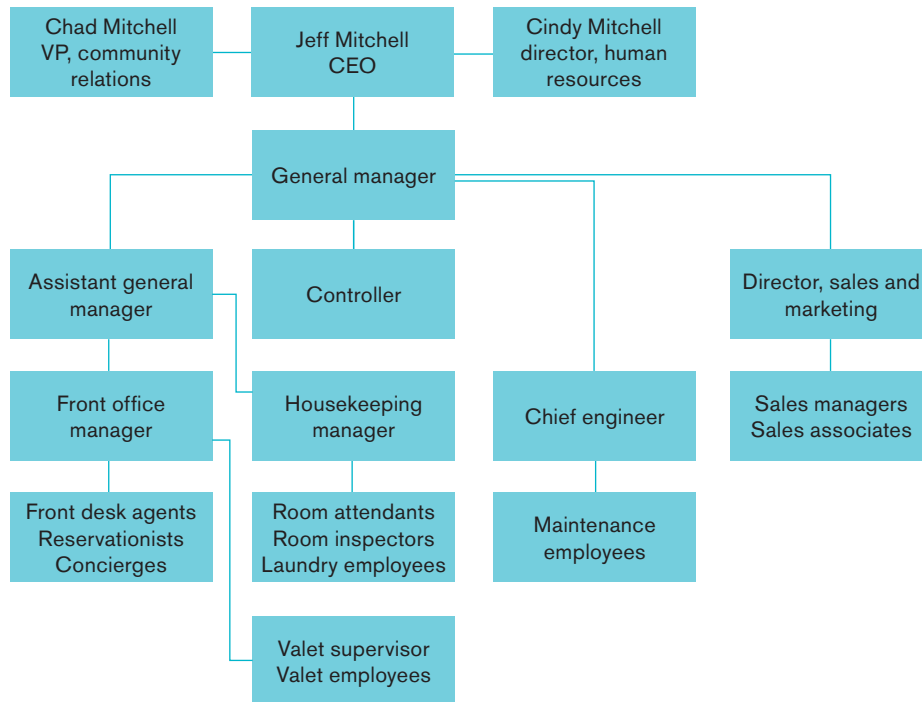
THE GEORGES HOTEL

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.

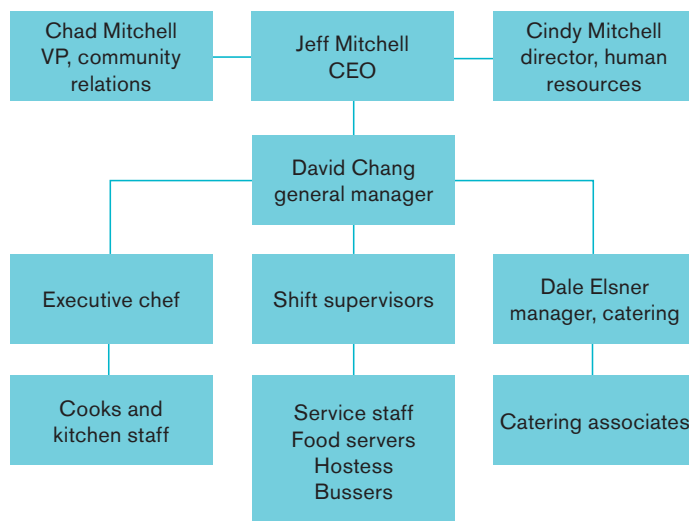
THE GEORGES HOTEL

Organizational Chart



THE GARDEN TERRACE RESTAURANT

Organizational Chart



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?

DEBRIEF

SCENARIO A: QUESTIONS FOR UNDERGRADUATE STUDENTS

There is no consensus in the business community about whether family management is good or bad for business, but there are a number of valid arguments on both sides of the question.

Positive aspects of a family-owned and managed business include the following:

- Many people enjoy working with their relatives.
- Relatives can be a loyal, cohesive group and supportive of the business.
- There may be more trust and solidarity among family employees than there is among nonfamily employees.
- Family members often have a personal interest in the success of the business, and it can be a source of pride when the business is carried over to future generations.
- There may be a particular skill or expert knowledge that is passed from one generation to the next.
- The recruitment costs are lower.
- Hiring relatives can improve performance and increase employee commitment.
- Nepotism can work well when it is planned, when the employees are well-trained and when responsibility is expected.
- There may be legal and tax benefits available when keeping a business in the family, but because the regulation of business structure, taxes and inheritance can vary from state to state, business planning should always include financial and legal counsel.

There are also negative aspects to family-owned and managed businesses:

- Dysfunctional family issues may be brought into the workplace.
- Family disagreements can become public spectacles in the workplace.
- Family members may not be qualified for their jobs.
- It can be difficult to fire an unqualified or underperforming family member.
- Family problems can be death to a business.
- Nonfamily employees may feel like outsiders and may be less connected to the organization.
- If preference is given to family members for perks and promotion, good employees who are not family members may become demotivated and leave the organization.
- Hiring and promoting based on family relationships may be seen as discriminatory.

If there are dysfunctional dynamics in the family, they do not usually disappear at the office door. Siblings who are competitive in the family are likely to remain competitive at work. Family members sometimes take things personally at work and may misinterpret the comments or behaviors of other family members (Grensing-Pophal, 2007).

All employees—even family members—should have detailed job descriptions so they understand their responsibilities so that if (or when) something does go wrong, there is a set of expectations to fall back on. Family businesses often start out informally and without structure because they feel that structure is too corporate. They want a relaxed atmosphere because it's family. We see this at the Georges in Cindy's practice of hiring family members from employee referrals. She has managed the hotel with no staffing plan and with little policy structure. Although her management has been successful for one hotel, she recognizes that expansion will require more structured management practices.

There is much that can be done at the hotel to capitalize on the positive aspects of family management and to reduce the difficulties that can occur in such an environment. Appropriate behavior policies and performance expectations must be established for all employees. As with nonfamily employees, if family members are not qualified for their positions, they should be offered training or transferred to a position more aligned with their abilities. If the training or transfer is not successful, unqualified family members should not remain employed—this may demoralize nonfamily employees and create an us-versus-them culture. Compensation and performance expectations must be equitable for all employees. If nonfamily employees receive performance reviews, so too should relatives.

The hotel's management team should be open about hiring and promotion. It is common in family business for relatives to get preference. If that is the case at the hotel, Cindy and Jeff should disclose this preference. Credibility is lost if management spins out an equality theme when everyone knows that is not the case. A word of caution is warranted here. A double standard for family and nonfamily employees is not unlawful, but it can be problematic. Segal (2009) reminds us of the importance of documentation in defending the double standard. Family employers sometimes grapple with what to do with a family member who engages in misconduct that would normally result in termination. If the family member is not terminated for misconduct, his or her retention becomes a comparator for adverse action taken against a nonfamily member who engages in the same or similar misconduct and who is disciplined or terminated. Segal (2009) recommends that to minimize risk, the reason for leniency—the employee's family member status—should be documented.

Family members should be encouraged to address relatives by name and not by family status. Even parents should be addressed by name and not as “Mom” or “Dad” because this sends a message of exclusion to nonfamily members.

Recognize that when there are close relationships among staff members, the risk of sexual harassment claims increases when relationships go sour. There is also risk

when a supervisor dates a subordinate. Some employers attempt to manage this risk by establishing a no-dating policy. This would probably be ineffective and difficult to enforce at the Georges because there are so many family relationships. Instead of a no-dating policy, Cindy should ensure that the organization has appropriate policies on sexual harassment. There should be a complaint procedure in place and awareness training for all employees. Supervisors should receive additional training in preventing and reporting harassment and managing employee behaviors.

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DEBRIEF

SCENARIO A: QUESTIONS FOR GRADUATE STUDENTS

Strategic planning is important for every organization, but it is crucially important when undergoing significant change, as is the case at the Georges Hotel. Strategic planning creates a road map for an organization's future. It capitalizes on the organization's strengths and identifies and resolves issues before they become problems. Strategic planning can mean the difference between successful change and failure. Strategic plans are generally implemented on a three- to five-year cycle. Effective HR practices are linked to the strategic plan.

The strategic planning process begins by answering four questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?
4. How will we know if we are on track toward our objectives?

The mission statement and the values that are important cultural components of an organization become the foundation of an organization's strategic plan. The organizational culture at the Georges is based on three components: owners, employees and customers. Each component is typified by values and needs that are important to each group:

- Owners:
 - Take pride in the family atmosphere.
 - Take pride in turning an old hotel into an upscale boutique hotel.
 - Desire to grow the organization.
 - Desire to bring adult children into management and pass the organization to the next generation.
- Employees:
 - Seek inclusion.
 - Value relationships and family.
 - Want a supportive work environment.
- Customers:
 - Want luxury accommodations.
 - Expect quality service.

With the intent of answering the four basic questions of strategic planning while incorporating the organization's values, strategic planning occurs in the following sequence:

1. Assess the current situation.
2. Envision the future.

3. Develop strategic objectives.
4. Implement and evaluate progress.

Strategic Plan: Year 1

The first year of the strategic plan should complete steps one and two of the planning process. The first activities that should occur are assessments designed to ensure that management has a good understanding of the environment in which the hotel operates. From that understanding, management can plan for the future and establish long-term goals for the organization.

Recommended activities:

- Revisit and, if necessary, update the hotel's mission and values statements.
- Assess the environment by conducting a strengths, weaknesses, opportunities and threats (SWOT) analysis. The SWOT analysis should include an analysis of the hospitality industry as a whole, an analysis of the Georges Hotel and an analysis of the hotel's employees.
- Assess employee factors:
 - Conduct a job analysis.
 - Conduct a compensation survey.
 - Conduct a workforce assessment.
- Agree on the long-term goals of the organization.

Strategic Plan: Year 2

During this year, the third step of the planning process will be completed, with design and implementation of new policies.

Recommended activities:

- Establish policies:
 - Ensure that policies are consistent with the organization's mission and values.
 - Factor in succession management.
 - Align compensation practices with the organization's values and goals.
- Establish a performance management system.
- Write and distribute an employee handbook.
- Build a staffing plan and begin recruitment.
- Assess employee development gaps and ensure that staff is trained and ready for the organization's expansion.

Strategic Plan: Year 3

The third and final year focuses on further implementation of objectives and evaluation of the process. Although this completes the fourth and final step in

the strategic planning process, strategic planning is a cycle; evaluation leads to assessment and realignment that starts the next cycle of strategic planning.

Recommended activities:

- Hire additional staff, conduct onboarding activities and provide training that meets the needs of the expanded organization.
- Open the second hotel.
- Evaluate and monitor processes, and update them as needed to ensure that new procedures are appropriate for hotels that will be added in the future.

During the new hotel's first year of operation, continue to monitor and evaluate progress. Realign processes as needed to ensure that policies are appropriate and adaptable to multiple locations and that they will serve the organization well as additional units are added.

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