

STAFFING MANAGEMENT

INSTRUCTOR'S MANUAL



The Georges Hotel

Scenario B: Succession 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 B: Succession 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

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 B

Players:

- Mildred, long-time housekeeping employee.
- Anna, long-time housekeeping employee.
- Jorge, housekeeping manager and father to Angelina.
- Angelina, housekeeping employee, daughter of Jorge and Jason's girlfriend.
- Jason, kitchen staff member and Angelina's boyfriend.
- Michael Mitchell, Chad and Cindy Mitchell's son.
- Julie Mitchell, Jeff Mitchell's daughter.

Midmorning in Room 204

"Ah, my back is aching today," said Mildred as she expertly flipped a fresh sheet over the mattress.

"I know it is," replied Anna, Mildred's long-time friend and cleaning partner. "I see you scrunch up your face every time you bend over. When are you gonna retire?"

"Oh, you know me," said Mildred. "I like coming here every day. Most of my family is here, and I've watched everybody's kids grow up in this place. If I quit work and had to stay home, I'd have to call you 40 times a day just to find out what's going on!"

"Yeah, then I could sit on my rear all day and play with my cell phone just like those young kids do around here," said Anna. "Most of them don't even know what work is, and Jorge doesn't do anything about it. You'd better stick around here, girl, because if you leave, I'd probably get stuck cleaning with Angelina, and she's the worst!"

Mildred laughed. "But Angelina is Jorge's daughter. You'd have to put up with her. Jorge is the boss."

"Some boss he is. Who put him in charge of housekeeping? He's not much better than his worthless daughter."

"Well, you know how it works around here, Anna. Jorge is a brother-in-law to Dale in catering, and Dale is Cindy Mitchell's brother. So there you are. Of course Jorge got the job. He's practically related to the top."

"I know, and that gives some people an excuse to not do anything," grumbled Anna. "Angelina is a perfect example. She comes in late most of the time or she doesn't show up at all. Remember last week when she wasn't here? We had to cover her rooms."

“That’s right, we did,” said Mildred.

“And then, when she is here, she takes extra smoke breaks just so she can hang out behind the kitchen and make eyes at Jason, that new guy they just hired.”

“Everybody who smokes takes extra breaks.”

“Well, that’s just not fair,” said Anna. “I’m gonna take up smoking so I can get out of work too.”

“Let it go, Anna,” said Mildred. “It doesn’t do any good to complain. Besides, you would hate smoking!” Mildred teased.

“You’re right, Mildred. It doesn’t do any good to complain. Everyone is related to someone else around here, so who are you going to complain to? When it’s friends or family, they just look the other way. It’s like that at the top too.”

“Well, I’m not sure it is that way at the top,” said Mildred. “You know Michael, Chad and Cindy’s son who works over in operations? I’ve got two cousins in that department, and they say Michael works the longest hours and takes on the hardest projects. They say he works harder than anybody they’ve ever seen. Things are changing around here, Anna. It’s going to be a lot different when Michael’s in the top office.”

“But do you think he’ll ever get there?” asked Anna.

“I don’t know why not,” replied Mildred.

“Well, Jeff Mitchell has that daughter he’s sent to the best business schools. He’s not going to let her be passed over. He’s been dragging her to company functions and introducing her to people since she was five years old. I don’t think he’s going to sit back and let Chad and Cindy’s son take over the company. Do you?”

“I don’t know,” answered Mildred. “But I do think sparks are going to fly when the old team retires. I guess I’ll stick around for a while just to see what happens,” Mildred said as she tucked the last edge of the sheet in around the mattress.

SCENARIO B: QUESTIONS FOR UNDERGRADUATE STUDENTS

Family relationships are an important cultural value at the hotel. Hiring family and friends through employee referral has resulted in some excellent employees, and in some areas of the hotel those relationships have resulted in exceptional team performance.

Unfortunately, that is not the case everywhere. There are employees who were promoted based on relationship and not performance, and there are supervisors who ignore employee slacking when the slacker is a friend or a relative. For many employees, it is an issue of equity.

With a strong emphasis on friends and family members in key management positions, priority for relatives and favoritism are likely to be the norm.

- How should favoritism and priority be managed in a family-owned and operated organization?
- What are the minimum employee behavior policies that need to be established at the Georges Hotel?
- How would you recommend these new policies be implemented and communicated to employees?

SCENARIO B: QUESTIONS FOR GRADUATE STUDENTS

Although the family-oriented organizational structure has worked for the single-unit hotel, the same management structure may not be adequate to carry the partnership into the future as a multiunit organization. In addition to changes in the business, the Mitchell family is changing as well, with the upcoming entry of adult children into management roles.

Business expansion and a new generation entering management are changes that are common to all organizations, but family-managed organizations can experience other challenges as well. They can be significantly affected by unexpected changes in the family unit, and when those changes are not anticipated, they can be catastrophic to the organization. People die and get divorced, family members may adopt self-destructive behaviors, and sometimes family members get so angry with each other that they can no longer work together. These are difficult issues to manage in any business, but in a family business an unexpected event or dispute can put the organization in jeopardy, and the usual solutions are not always possible.

- How would you advise hotel management to plan for family changes?
- Design a succession plan for this organization.
- What are your recommendations for resolving the issue of a new CEO from the next generation, considering that Jeff believes his daughter will be the next CEO and Chad and Cindy believe the next CEO will be their son?

DEBRIEF

SCENARIO B: QUESTIONS FOR UNDERGRADUATE STUDENTS

Establishing equitable employee behavior policies can be difficult in a family-owned business because family members are often given preferential treatment. The problem is even more pervasive than normal at the Georges Hotel because the practice goes beyond the owners' family members and into supervisory levels, as we see by Jorge ignoring Angelina's inappropriate behavior.

Unfortunately, establishing employee policies that differentiate between family and nonfamily employees creates an us-versus-them atmosphere in which nonfamily members may feel alienated and disenfranchised. The resulting inequity often demotivates nonfamily employees, and they can become less productive or disenchanted and find employment elsewhere.

Cindy may recognize the problems inherent in maintaining this double standard, but the difficulty for her and for other HR managers in owner-operated businesses is to establish appropriate policies while maintaining some level of favoritism expected by family employees. Preference for family members in hiring and promotions is common in family-owned businesses, and while some may see it as inappropriate, it is not illegal and will probably continue at the Georges Hotel and elsewhere. What is most important is that when relatives of the owners are brought into management positions, they are trained and competent for the positions into which they are hired.

The second issue Cindy must address is to determine a plan of action if a family member engages in misconduct. If a family member engages in misconduct that would result in termination for a nonfamily member, but the family member is retained, the retention may become an equal employment opportunity (EEO) comparator for adverse action taken against a nonfamily member who engages in the same or similar misconduct. To minimize the risk, the reason for the leniency—the employee's family member status—must be documented (Segal, 2009).

Additional problems arise when managers supervise and evaluate their own family members. The Georges Hotel needs to realign staff and transfer employees so there are no managers directly supervising the work of relatives. From there, appropriate employee policies must be established and consistently enforced throughout the organization. All staff members should be notified of the new policies, and supervisory staff should be trained in implementation of the new policies.

At a minimum, the hotel must develop the following employee policies:

- Employee conduct.
- Attendance.
- Vacations and sick leave.
- Smoking.
- Customer service.

- Harassment.
- Dress code and fragrance.
- Use of cell phones and social media.
- Use of company property.
- Work rules and safety procedures.
- Discipline.

Cindy should expect some resistance to the new policies because there are always individuals who are uncomfortable with change. She should recognize that change takes time and ensure that support is available for the managers and staff. Cindy should encourage open communication, facilitate conflict management and be prepared to make modifications to policies and processes if necessary.

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DEBRIEF

SCENARIO B: QUESTIONS FOR GRADUATE STUDENTS

Organizations must be prepared for change. Human resource leaders must consider what will happen to the organization when key managers are no longer there to manage the day-to-day operation of the company. Succession planning involves creating a plan that determines who will move into key positions in the organization and ensures that those individuals are ready to assume new leadership roles when positions become available. When change happens suddenly and unexpectedly, a well-executed succession plan can be the key to ensuring a smooth transition and continued success for the organization. This is particularly important in a family-owned business such as the Georges Hotel, where extensive nepotism and family relationships can make normal employee movement in an organization problematic. Although the process of succession planning may be similar for all organizations, there are a number of succession issues that are unique to a family business.

Some questions that must be addressed in the succession plan for the Georges Hotel are as follows:

- Ownership and management:
 - What role does hotel ownership play in the management positions assigned to family members? For example, are relatives of the owners (like Cindy's brother, Dale) always granted management roles?
- The owners' children:
 - How will the owners' children progress into management of the organization?
 - What roles will they assume?
 - What preparation do they need to be ready for entry into a new management role? What performance gaps currently exist?
 - How should succession to the CEO position be resolved? Should the CEO position be reserved for children of the owners, or should the next CEO be someone outside the family?
- Family membership:
 - What happens when family membership changes due to unforeseen circumstances? For example, what if Chad and Cindy get a divorce? Cindy would then no longer be family. What would happen to her position as human resource director? What if Jeff remarries and has other children or his new wife wants a management role in the organization? Where would they be assigned? Would they have the same status as existing family members?

Succession planning is future-focused and must support the goals and values of the organization. For the Georges Hotel, succession planning must go further than identifying possible candidates for key positions. It must address the what-if questions, and it must support the organization's family values and align with anticipated growth.

Succession planning must be supported by top management to be successful. This is particularly important in a family business. Because family is so intricately involved in the management structure of the Georges Hotel, Cindy may want to bring in a neutral party, such as an outside consultant, to facilitate the process. Successful succession planning for the Mitchell family will require open communication and honest discussion of family members' talents and future potential in the organization. Jeff, Chad and Cindy must address the issue of their children's future in management, particularly the eventual succession to the position of CEO. This discussion could best be managed by an unbiased outside facilitator who can assess the readiness of the candidates and balance their skills with the needs of the organization. With anticipated growth and acquisition of multiple hotel units, competition for the top position could be particularly destructive, but it doesn't have to be. There are a number of ways management can be shared successfully in the organization, but whatever is decided, it must have the support of those involved.

Succession planning incorporates the unique aspects of each organization, but generally it includes the following steps:

1. Identify key areas and positions.
2. Identify core competencies and the knowledge, skills and abilities necessary for success in key positions.
3. Identify a pool of candidates who are interested in key positions. The competencies each candidate possesses must be compared with the competencies required for the key positions. Identify and address performance gaps where they exist. If appropriate candidates are not available in the organization, external recruitment may be needed to obtain potential candidates.
4. Develop the succession plan and determine the activities needed for knowledge transfer.
5. Implement succession strategies.
6. Monitor and evaluate the effectiveness of the process.

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