

# NH HOTELS, SPAIN

## Strategic Approaches to Human Resource Management

### Introduction

The NH hotel chain is a leading player in the urban 3 and 4 star hotel market. It was founded in 1976 and at present operates 335 urban hotels in 15 countries, which contain over 49,000 rooms. The company has been quoted on the Spanish stock exchange since 1992, and since September 2000 at the stock exchange in Amsterdam and New York. NH Hotels is also a member of Eurostock 600, which includes the most prestigious European companies quoted on the stock exchange. The workforce is currently estimated at 19,000 employees from 115 different nationalities.

### The Human Resources Management in NH Hotels

The Human Resources Department at NH Hotels is part of the Management Committee that controls a centralised employee relations system. From the beginning the company had one Human Resource manager per hotel. In 2003 the company initiated a re-organisation of the HR department. This led to a reduction of the number of professionals needed for the management of staff, thus devolving this responsibility to managers and supervisors of each hotel. This process was possible thanks to the development of new training methods and management tools by the HR Department. This in turn highlighted the importance of efficiently managing staff. Another aspect of importance for the centralized HR policy is an awareness of cultural diversity. This aspect of policy is being worked upon by NH with university experts and is an ongoing work in progress.

### The Evaluation System for Managers of NH Hotels

In 2007, the NH Hotel chain initiated an innovative service for internal evaluation of managers. Before the implementation of the new initiative, the company had to carry out a staff audit to highlight strengths, weaknesses and areas for improvement in the HR system. These surveys identified the following areas for improvement. In particular, internal promotions were emphasised as a key concern:

- Adequacy of Promotion procedure - average rating of 6.5 on a scale of 1 to 10;
- 25% of employees expressed concern that promotions were not based on objective criteria;
- 35% of employees identified improvements that could be made to performance evaluation systems.

Some of the management indicators also identified problems:

- Voluntary rotation of managers reached 9%;
- The level of quality of service dropped down to 7.5 (on a scale of 1 to 10);
- The working climate was only marked at 7.3 (on a scale of 1 to 10).

The conclusions taken from these indicators were that:

- The internal promotions system was found to be in need of improvement;
- The information technology system offered a lot of information, but the information was not well organised;
- The working climate represents a strategic objective for the company and therefore it is necessary to improve levels of employee satisfaction.

To improve this situation, the Human Resources department decided to develop a computer system that would establish an innovative, objective, transparent and person orientated evaluation system. This system would operate as the basis for managerial promotions.

The goals of the system were:

- To provide alternative evaluation criteria;
- To have one single tool containing all the information relating to each manager;
- To promote a greater understanding of the factors affecting promotions (mobility, languages, establishments worked in, level of satisfaction with managerial performance in each establishment, etc) and in that way realise an accurate, transparent and objective promotions system. The system would also enable the creation of individualised career paths for managers in the organisation.

The tool was created in two different languages (Spanish and English) so that it would be applicable to all managers with the company. The new system has been in operation since 2003.

The evaluation system collects twelve sources of information about one single person. It is a user-friendly tool unique in the market and applicable to other companies and sectors. The project was also valued because of the small investment associated with its development: it was developed internally by one person over three months without the need for expensive software as the process is completed on Microsoft Excel. The impact of the project was very significant because it affects the managers of the company whose quality is directly linked to the profit and loss account of the company.

The dimensions included in the evaluation system are the following:

- Performance Management
  - Shows the former performance evaluations achieved by the manager
  - Shows the percentage of individual objectives attained each year
  - Shows the average percentages of the objectives obtained in the corresponding country
- Quality management:
  - Reflects the score of the quality of service in the establishment being managed. An external company calculates this score.
- Business management:
  - This brings together information on hotel incomes and compares them to the previous year
  - Information on the GOP (Gross Operating Profit) of the hotel, comparing them to the previous year
- Team management:
  - Shows the level of employee satisfaction
  - Shows the average level of employee satisfaction in the corresponding country
  - Shows the position of the hotel in the general ranking list of employee satisfaction

- Shows the position of the manager in the general ranking of managers in terms of work climate
- General evaluation:
  - Of the previous results a praised mark is obtained for the qualifications of each section
  - An evaluation is provided by other managers from the same country.

The system looks like this:

NH HOTELS		MULTISOURCE APPRAISAL - HOTEL DIRECTORS			Human Resources	
<b>GENERAL INFORMATION</b>		<b>COMPENSATION DATA as HOTEL DIRECTOR</b>		<b>EXPERIENCE as HOTEL DIRECTOR</b>		<b>LANGUAGES</b> Level
Name: <input type="text"/> Business Unit: <input type="text"/> Hotel: <input type="text"/> Nationality: <input type="text"/> Gender: Male Age: <input type="text"/> Seniority: <input type="text"/> <a href="#">Eidux</a>		<input type="radio"/> Euro <input checked="" type="radio"/> Local currency Current Salary: <input type="text"/> Current Rel. Bonus: <input type="text"/> Previous Salary: <input type="text"/> Previous Rel. Bonus: <input type="text"/>		2003 2004 2005 2006 2007		English - Spanish - German 5 Dutch - Others - <b>Inter'l Mobility</b> -
		2005	2004	2003		
<b>PERFORMANCE MANAGEMENT</b>	<b>OVERALL APPRAISAL</b> (from 1-poor to 5-excellent-)	3	-	-	ⓘ The Hotel Director has achieved a standard qualification in 2005	
	<b>INDIVIDUAL MBO ACHIEVED</b>	75%	-	-	ⓘ The Hotel Director has achieved a level of individual objectives below the average of his colleagues in 2005	
	AVERAGE HOTEL DIRECTORS' MBO IN THAT COUNTRY	80%	80%	-	ⓘ There are no comparable results for the Hotel	
<b>QUALITY MANAGEMENT</b>	<b>MISTERY GUEST</b>	-	-	-	ⓘ The Hotel Director has achieved a level of revenues in 2005 below the figure in 2004	
	Service Quality level in the Hotel				ⓘ The Hotel Director has achieved a level of GDP in 2005 below the figure in 2004	
<b>BUSINESS MANAGEMENT</b>	<b>ECONOMIC FIGURES</b>	Revenues	-9,0%	-	-	ⓘ The employees' satisfaction in the Hotel is below the average in the Hotel in 2005
	(D:DM Real/Previous year)	GDP	-22,1%	-	-	
	HOTEL where the Hotel Director worked					ⓘ In 2005, The Hotel Director was ranked as the 124 out of 254 in terms of employees' satisfaction.
<b>TEAM MANAGEMENT</b>	<b>EMPLOYEES' SATISFACTION</b>	2,87 over 3	-	1,78 over 3	ⓘ The employees' satisfaction in the Hotel is below the average in the Hotel in 2005	
	SATISFACTION AVERAGE IN THE COUNTRY	2,89 over 3	-	2,85 over 3		
	RANKING OF THE HOTEL	124 out of 254	-	202 out of 224		
	RANKING OF THE HOTEL DIRECTOR	124 out of 254	-	-		
		<b>OVERALL APPRAISAL 2005</b>		ⓘ PERFORMANCE MANAGEMENT - The Hotel Director achieved an average appraisal ⓘ QUALITY MANAGEMENT - The Hotel Director had no results concerning service quality ⓘ BUSINESS MANAGEMENT - The Hotel Director achieved very poor economics in the hotel ⓘ TEAM MANAGEMENT - The Hotel Director achieved an employees' satisfaction below the average in GERMANY		

## Conclusion

The HR department developed a tool that allows the assessment of managers, paying attention to key areas. It thus generates an indicative response to client needs. When the system indicates areas of weakness, the company creates a training and coaching plan, so the manager can improve their skills. This new tool, developed in 2007, will be assessed in 2008, when a comprehensive evaluation of the tool will take place. A key outcome of the system is the generation of performance improvement plans for managers. Once these plans are introduced, the effectiveness of training processes will be observed.

This Evaluation System, developed by the NH Hotels Human Resources Department, has been awarded the "Innovative Management" prize of 2008 by the Business Magazine, "Expansión y Empleo" ("Expansion and Employment"). The magazine valued the system highly because of its innovative design and because of its capability to be transferred to other organisations and sectors.

