

# teaching note

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## Summary

The Rutherford Beach Inn is one of ten small hotels in a chain owned by the Rutherford family. Prior to the economic downturn, there were 15 hotels in the chain, but the Rutherfords were forced to make some difficult choices in order to keep their organization afloat. In addition to selling five properties, the Rutherfords disbanded the corporate HR office and disseminated the HR duties to each individual hotel. Furthermore, it was decided that these HR duties would be the responsibility of each departmental manager within each property.

The Rutherford Beach Inn was a well-established property with a full service Food and Beverage department. About the same time period as the economic downturn, both the Food and Beverage Director and the Executive Chef of the property quit. In order to keep costs in line, the GM hired only one person who would also be responsible for both the Executive Chef's and all Food and Beverage departmental duties, including the HR functions.

Chef Jewell was brought on board to fulfill this function and was met early on with challenges by one particular kitchen worker. Chef Jewell found out quickly that the Rutherford Beach Inn was a seasonal property, subject to wide variations in staffing, from 50 to 75 employees in the Food and Beverage department throughout the year. In addition, Chef Jewell learned the hotel was plagued with high middle management turnover, although the line level employees had proven to be more stable.

One particular kitchen employee, Joaquin, had worked at the inn for several years and inquired about vacation time early in Chef Jewell's tenure. Wanting to work with Joaquin, but also not fully knowing the landscape of the job, Chef Jewell declined this request until she was better able to determine the rise and fall of the daily operational needs.

Shortly after asking for vacation time, Joaquin asked the chef for a raise. Chef Jewell looked into Joaquin's job description and discovered Joaquin was paid at the highest rate for the level of his position. In order to be paid at a higher scale, Joaquin would have to be promoted and trained as a breakfast cook. Upon acceptance of this option, Joaquin was immediately put on a training schedule.

Two weeks into his training for breakfast cook, Joaquin notified the chef by phone that he would not be coming into work due to the pain in his hand from a previous incident that was never reported nor documented. According to Joaquin, he suffered a serious burn from a broccoli soup spill while on the job and had to seek emergency medical treatment.

As per company policy, any absence from work longer than three days would require a doctor's note. Chef Jewell requested that Joaquin go to the doctor for the note and the invoice would be paid by the

company, due to the claim that the original injury occurred on the job. Joaquin did go to the doctor, but returned with a note saying he could indeed work, but with minimal movement to the hand. The doctor estimated the total healing of the hand would take one week.

In accordance with company policy, Chef Jewell assigned Joaquin a less physically demanding temporary position at the front desk where he would be answering phones. This news upset Joaquin greatly. He reported to the front desk and worked for ten minutes. At that point, he explained he still had pain in his hand and arm and he could not work at all. Again, Joaquin was advised of the absence policy and was told to visit the doctor for a release from work. Joaquin refused this instruction, demanding two weeks off. Unable to accommodate him, Chef Jewell reminded Joaquin of the insubordination policy, which included termination. Joaquin decided he was not willing to go to the doctor, nor was he going to stay at work, and so he quit.

Six months passed and Chef Jewell relocated to another Rutherford property. Upon hearing this news, Joaquin returned to the Rutherford Beach Inn asking for his old job. However, he was refused, based on the circumstances for how he quit. When Joaquin inquired further about the exact reasons, the new Food and Beverage Director was unable to locate the termination paperwork. Within days, Joaquin found representation and filed a lawsuit against the Rutherford Beach Inn for wrongful termination.

This case study highlights three areas of HRM in the hospitality industry. The effects of economic downturn, high middle management turnover, poor documentation practices, difficult employees, at-will employment, and hard vs. soft HR practices will generate in-depth discussions about how to better handle these common workplace issues.

## Target Audience

The case study itself is understandable at the undergraduate level and still relevant to the graduate level student. However, the analysis of the case study, including the additional readings, is more suited for graduate level work. While the intention of this teaching note is geared more toward the graduate level of study, instructors of undergraduate students could easily adapt this case study for use in their classrooms by replacing the additional readings with their own textbook chapter readings. The themes presented here, while advanced, are still common to introductory level HR courses.

## Learning Outcomes

Presented in this case study are real-world examples of the impact that misguided corporate, property, and departmental decisions have on hospitality employees and managers. Three key concepts addressed were at-will employment, effects of economic downturn and reductions in force for HR departments, and the differences between

hard and soft HRM practices. By the end of this lesson, the student should be able to:

1. Analyze the advantages and disadvantages of at-will employment from both the employee and the employer perspectives.
2. Evaluate how best to disseminate HR responsibilities within a full-service hotel environment in the event of reduction in force of HR departments.
3. Compare and contrast the implications for using hard or soft HRM practices in a hospitality operation and the ramifications for choosing one practice over the other.

## Lesson Plan

Prior to the lesson, students will be asked to read this case study along with additional readings on at-will employment, how HR is organized within small hospitality organizations, and hard vs. soft HRM. Students will also be asked to have a general understanding and be able to discuss the following topics:

1. Functions of HR
2. Employee representation
3. At-will employment
4. Managing difficult employees
5. Documentation of incidences and injury
6. Common corporate policies for absenteeism
7. Effects of economic downturn on HR departments
8. Hard and soft HRM practices
9. Termination
10. HR record keeping

## Discussion Topics and Questions

1. At-Will Employment
2. Referring to Gibson and Lindley (2010), what is at-will employment and what are both the employee and employer's responsibilities in making certain that a termination is fair?
3. Do you think Joaquin quit as a result of coercion, or due to his behavior, do you think he might have been fired anyway?
4. What is the difference between an "Implied-in-Fact Contract" and "At-Will" employment (Barnhart, 1998)?

### *HR Functions Managed Within Departments*

1. Referring to Cetinel et al. (2009), what are some of the challenges small to medium sized hotels face without a formal designated HR department?

2. Anticipating an economic downturn and the likelihood of disbanding a central, corporate HR department, how would you ensure employees' needs are met and their voices heard?
3. What is the role of the General Manager in ensuring that department managers stay organized? To what extent should the GM enforce the HR responsibilities?
4. How could the owners of the Rutherford Beach Inn better organize HR responsibilities among management?
5. Assuming that the corporate HR office still existed, what, if any, differences could have or should have occurred in the outcome of this case?
6. What systems should the Rutherford Beach Inn implement in the event that an employee is injured in the kitchen or restaurant and who should be responsible for filing the paperwork?

### *Hard Vs. Soft HRM*

1. What are hard and soft HRM orientations (Ishak et al., 2011)?
2. Did Chef Jewell practice hard or soft HRM methods when dealing with Joaquin?
3. Create a scenario where the final outcome for Chef Jewell and Joaquin were purely determined by hard HRM tactics. Conversely, create the opposite scenario, which would lead to an outcome created by a soft HRM tactic.
4. Which method would have worked better in this case?
5. Do you think it would have been possible to retain Joaquin using one method over the other?

## Instruction

This case study can be taught in a variety of ways. For example, time permitting, three separate class periods could be utilized to address at-will employment, HR functions managed within departments, and hard vs. soft HRM. Alternatively, one class period could address all three and each topic could be divided among groups. Regardless, each area of discussion requires at least 60 minutes to explore, discuss, and check for understanding. This class plan is designed to be taught with the minimal requirement of 60 minutes, however, instructors can expand these sections according to time available, as stated previously.

### *Small Group Discussion*

Students will be asked to form small groups of no more than four per group (2 minutes). Each group will be given instructions to provide a synopsis of the case study, highlighting the main points (10 minutes). Each group will also be given the task of answering the questions from one of the three main topics provided above (15 minutes).

## ***Class Discussion***

Each group will present their thoughts to the class, allowing time for questions and debate (20 minutes). The instructor will pose guided questions based on the additional readings.

## ***Check for Understanding***

In the remaining time (13 minutes), the instructor will ask the students to write a brief summary about their own opinions and perspectives on the three main topics. Additionally, students will be asked whether their own opinions and perspectives changed as a result of the larger group discussion.

## **Assessment**

Students will be given an assignment to write a report on one of the main topic areas, which defends their respective views on the case study. Students must include three to five references other than those provided by the instructor.

## **Analysis of Teaching Objectives**

### ***At-Will Employment***

At-will employment is the unwritten contract between an employer and an employee whereby either party can terminate the relationship without liability (Zachary, 2005). Challenged throughout the years in the United States, the concept of the employment-at-will doctrine and the tendency for cases to be found more in favor of the employer has reversed with the 1988 ruling in *Foley vs. Interactive Data Corporation* (Mondy, 2008). This case set the precedent that employees who met the criterion of extended years in service, receiving promotions and raises, and consistently favorable reviews, could indeed show an "implied-in-fact" contract and could only be terminated with proven cause (Heller, 2001). "Implied-in fact," according to Barnhart (1998) is expressly unwritten, while "at-will" contracts may or may not be present in disclaimers, particularly in employee handbooks. While many employee handbooks contain statements regarding a firm's at-will policy, the "implied-in-fact" unspoken agreements are more problematic.

In this case study, Joaquin certainly could prove an "implied-in-fact" contract due to his years in service, his recent promotion, and raise. Students could also argue that Joaquin did not follow company policies, and in so doing, was insubordinate. Another possible argument could be made that Joaquin felt coerced into his decision, particularly because he was placed in another department. This could be viewed as hostile and Joaquin could argue that he was coerced into quitting (Gibson and Lindley, 2010)

### ***HR Functions Managed Within Departments***

The five functional areas of HRM include: staffing, training and development, compensation, safety and health, and employee/labor

relations (Mondy, 2008). Increasingly, as the traditional HR centralized managerial functions wane, operational managers will progressively take on those duties previously conducted by HR managers (Mondy, 2008). The important point to make in this section is that whoever takes on HR duties, those managers must be trained, supported, and monitored to ensure the five functional areas of HRM are being performed correctly and not to the detriment of the organization.

In the additional reading by Cetinal et al. (2009), students will gain perspective of how HRM runs in small- to medium-sized hotels in Turkey. Although this study took place in Turkey, it still remains the only study of its kind to analyze the impact of running a small organization without a well-established and formal HRM program. As service quality in the hospitality industry is highly dependent on the quality of labor (Cetinal et al., 2009), it is incumbent upon hospitality organizations in any country to practice good recruitment and selection, training, and evaluation of employees. The Cetinal et al. study (2009) revealed the gaps in these HR functions by measuring customer dissatisfaction directly related to poor employee selection, training, and evaluation in the absence of a formal HRM department.

In this portion of the discussion, students should be able to identify potential problems with a lack of a structured HR department on property. Students should also be able to offer suggestions for how to alleviate these problems through training, support and monitoring managers who will pick up the responsibilities of the HR functional areas.

### ***Hard Vs. Soft HRM***

The extant literature on hard and soft HRM is varied in terms of how these two approaches are adopted in organizations. The hard model, or the Michigan model (Fombrun, Tichy, & Devanna, 1984), emphasized HR as linked to the strategic objectives of an organization. The soft model, known as the Harvard model (Beer, Spector, Lawrence, Mills, & Walton, 1985), is described as focusing on the development of employees' individual talents so as to promote intrinsic motivation. The distinction between these two is whether the HR focus is placed on the human or the resource (Truss, Gratton, Hope-Hailey, McGovern, & Stiles, 1997). Furthermore, in the additional assigned reading by Inkson (2008), "Are Humans Resources?" we are exposed to yet another concept on the hard and soft continuum. This article prompts readers to question whether we should regard employees with the same indifference as we do office furniture, or any other inanimate resource.

The discussion raised in this section should challenge students to understand the differences between hard and soft practices, along with the understanding that ultimately, in the United States, most corporate decisions seem to end up as "hard HRM" decisions, focused on the bottom line. Supporting this view, Greenwood (2002), in an article written about ethics in HRM opined, "soft HRM is just hard HRM in dis-

guise." Students should be able to cite examples in the hospitality and business literature where hard and soft HRM practices are used, and also where they might overlap.

In this case study, an argument could be made that Chef Jewell used soft HRM to a point, until Joaquin became increasingly insubordinate, then she turned to hard HRM practices resulting in Joaquin's voluntarily resignation. The problem here is that Joaquin was an employee for 8 years and with the constant middle management turnover, not to mention the lack of documentation for his broccoli soup incident, perhaps more soft HRM strategies could have been taken to retain Joaquin as an employee. Students can discuss the ramifications for terminating a long term employee with regard to the loss of intellectual capital and monetary resources associated with the costs of recruiting and training a new employee to take Joaquin's place.

### **Additional Readings Assigned**

- Barnhart, J. (1998). The implied-in-fact contract exception to At-Will employment: A call for reform. *UCLA Law Review*, 45, 817-844.
- Cetinal, F., Yolal, M., & Emeksiz, M. (2009). Human resources management in small- and medium-sized hotels in Turkey. *Journal of Human Resources in Hospitality & Tourism*, 8, 43-63.
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- Ishak, N., Abdullah, F., & Ramli, Z. (2011). The association between hard and soft human resource management orientations in the Malaysian hotel organizations. *International Journal Of Business & Social Science*, 2(22), 213-220.

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