HVS

MARKET REPORT

The Evolving Workplace

AUGUST 2, 2017

In this article we explore how companies in the hospitality industry are attracting and retaining talent by creating a progressive culture and evolved workspace.



The workplace is experiencing a dramatic evolution as Millennials begin replacing Baby Boomers at an exponential rate. According to the Bureau of Labor Statistics, by 2025 Millennials are estimated to represent three quarters of the workforce. As a result, there has been a disruption of traditional company culture that isn't exclusive to advancements in digital technology. In many companies, what began as a "water-cooler" culture is being replaced with a high-end cappuccino machine and meditation room. Workers now expect more comforts, more conveniences, and better opportunities for advancement than ever before. They also demand that their company of choice have a heart, give back to the community, and promote empathy and inclusion.

In exchange for an enhanced work environment, employees can sometimes expect to spend longer hours in the office and tied to a mobile device, albeit with a flexible schedule. Largely employees once experienced an "in and out" office-based occupation, with formal dress in roughly a 9 to 5 environment. Now there is an expectation of a relaxed office culture featuring casual dress, good food, a social conscious, and fun.

Some changes we have observed in an office environment are as follows;

- Health and wellness programs, nutritional and chemical dependency counseling, yoga, massage, and acupuncture services
- Healthy living seminars, cooking classes, on-site haircuts, and stress reduction workshops
- Meditation rooms
- Flexible vacation and extended maternal/parental leave
- Subsidized dining facilities and in-house nap rooms

- Ergonomic workstations with standing desks and stability balls
- Paid gym and sports memberships
- Corporate community service days and donor gift matching programs

Tech and startup companies set the bar for the evolving expectations of today's workforce. This phenomenon has trickled down to other industries such as hospitality. We have identified three companies that have achieved an evolved work environment across the hospitality sector and as a result they are experiencing better retention and attracting top talent. This is noteworthy in today's labor market where tenures can be short and competition for employees is at an all-time high.

Hospitality Technology

Squaremouth Inc. is a digital company that has achieved a unique balance of work and fun in their office. This emerging tech leader in the digital travel industry has a workforce of 75% millennials and a 97% approval rating from its employees. Squaremouth quickly identified that you don't always have to incentivize employees with money. It's the intangibles that build loyalty from millennials, a generation that average a one-year tenure with a company.

Some of the ways Squaremouth has created a favorable work environment are:

- Unlimited paid vacation each year
- Quarterly profit sharing
- Company-paid trips
- Personal use of the company boat
- Weekly lunches and happy hours
- Sponsored continued education
- Casual dress
- Open office concept
- Beer on tap at the office

Squaremouth's Florida headquarters also features arcade games and a snooker table employees can use at their leisure. According to their website, Squaremouth employees enjoy a relaxed corporate atmosphere where one can sit shoeless at his/her desk. Colleagues are also seen as friends, the office is fun, and due to a promote from within culture, employees have little incentive to look elsewhere for career advancement.

Hotels

Kimpton Hotels has always boasted a unique and engaging culture, and the hotel company continues to evolve its workplace to attract top talent. Named the 14th best place to work by Fortune's 100 Best Companies, Kimpton's employees thrive in a flexible and inclusive environment with an empathetic culture. Of Kimpton's 8,142 employees, 94% say their opinions are heard, they are celebrated as individuals, and that they are proud to work for the company.

According to Ginny Too, Kimpton's SVP of People and Culture, this is a conscious effort made by the company to set them apart as an employer of choice. She says, "*What makes Kimpton a great place to work is that we hire people with passion and heart. There's no book that outlines how we demonstrate empathy and connect with one another, so it's imperative that we attract people who share these qualities. Our leaders continue to reinforce this through role modeling and coaching. That's what helps foster a culture of heartfelt care with our guests and between employees*."

Kimpton offers flexible schedules (when possible), allows employees to bring pets to work, and has an on-site fitness center, fully-paid sabbaticals, benefits for same-sex couples, and partial college tuition reimbursement.

Other benefits include:

- Pet bereavement leave
- Children and elderly backup care
- Six weeks of paid maternal and paternal leave
- Free snacks and beverages during the day
- Free lunch daily

The company's lack of corporate hierarchy and promote-from-within culture empowers employees and fosters loyalty.

Early on Kimpton recognized that a growing standard for corporate culture is an ethical environment that gives back to the community. Ms. Too stated, "*Today's employees are interested in working for companies that mirror their core values. Kimpton's corporate social responsibility practices have been a fundamental pillar of our culture. Our focus areas include individuality and inclusiveness, health and wellness, and the environment – all of which resonate and are driven by our passionate employees*."

Restaurants

According to an Associated Press-Gfk poll, Millennials are more likely to say that citizens have a "very important obligation" to volunteer. Millennials have been exposed to volunteering and fundraising in more areas of their life than their older generation counterparts. One of those areas is their place of work, where employee volunteer days and giving programs are becoming more common. "*According to the 2014 Millennial Impact Report, one-third of millennials surveyed said their companies' volunteer policies affected their decision to apply for a job, 39% said that it influenced their decision to interview, and 55% said that such policies played into their decision to accept an offer*," as stated by Forbes.

Texas Roadhouse has a company culture of people and community first. With almost 500 restaurants in 49 states and five countries, Texas Roadhouse employs 48,000 people, of whom 94% "feel good" about how the company contributes to their community.

In 2002, Texas Roadhouse created Andy's Outreach Fund, a non-profit charitable trust to help employees during medical emergencies, death, fire, natural disasters, personal injuries or crises, and financial hardships. Since its inception, Andy's Outreach has benefited more than 5,000 employees and has given employees over $5.3 million during times of crisis. The

nonprofit has a separate school supply program to furnish everything an employee's child may need for school as well.

Texas Roadhouse's commitment to establishing a unique and inclusive company culture is evident both in their corporate office and individual restaurants. At its inception the Texas Roadhouse team made sure to implement a culture of family and fun into their organization.

"*Our break room was this tiny kitchen in the corner. Every Friday, Kent [Taylor, founder of Texas Roadhouse], would wheel a cooler in full of beer. At three o'clock, we'd sit and have a few beers and talk about what was going on. We still do those social events where we all get together, even as big as we are. I think that's the one thing we've really worked hard at — to make sure we're keeping that culture alive*," says Senior Investor Relations Director, Tanya Robinson. To perpetuate this endeavor each restaurant has a "fun budget" so they can go bowling, throw pizza parties, and ensure that their environment is a balance of social and work.

In an article in Harvard Business Review, Tony Schwartz notes that a key concern for employers is "how to best attract, manage, and retain Millennials, who now represent the largest generation in the workforce, expect more flexibility in the way they work, and prefer to work for employers with a mission that goes beyond maximizing profit".

Fueled by a deluge of Millennial employees, companies are adapting to changing expectations of dress, offered amenities, workspace, benefits, and corporate culture. We have observed that a stodgy formal office environment is a thing of the past. Younger employees are attracted to companies with a more compassionate, holistic, and even fun environment prompting some organizations to play catch up.