Take care of your employees; they'll take care of you

By Dale Dauten  |  December 3, 2006

"Success is never final."

-- Motto of Marriott Hotel executives

What kind of employee is attracted to average pay? Well, yes, the average one. And if that's your compensation strategy, you've admitted to the world: "Mediocrity lives here!"

But wait a minute: There are all those studies concluding that "average" employees think they are "above average," which means that they are not going to be content with average pay. If you shoot for average pay, your company will be a lure for third-rate employees who think they are average. Hence, your strategy really comes down to, "If you pretend to work hard, we'll pretend we pay well."

What got me thinking about pay rates was speaking with Mike Jannini, executive vice president for Marriott Hotels. He is an impressive man with a lively mind and quick smile to go along with an air of unflappable understanding that must have charmed his customers in the days when he was running hotels -- picture Hector Elizondo in "Pretty Woman," but with great hair.

And speaking of impressive, I wished I'd met Jannini a bit sooner, when I was still writing the book "Great Employees Only" - Marriott would have made an ideal case study. In the words that Bill Marriott Sr. said to his son, and that Jannini reports that the company's executives repeat to one another: "Take great care of your people, they'll take great care of your customers, and your customers will come back and back and back."

As for taking care of employees' compensation, Jannini explains that when one of their hotels gets wage data for a given market, they don't aim for their wages to be in the middle, but rather, they aim for the middle of the upper half. Their goal is to be the "preferred employer," not just with pay, but also with benefits. He says: "When employees go home to their working-class neighborhoods, they compare jobs. One of our employees might say, 'I get a free, hot meal every day,' and his neighbor says, 'Really? I have to brown-bag it.'" That is what I think of as WOMP -- word-of-mouth potential -- and it works as well in hiring as it does in marketing.

So you offer a superior work situation, but how do you make sure that you are getting superior employees and that you're not just giving away a lot of pay, not to mention meals? What Marriott did was ask managers to rate the top 10 percent of employees in each job category, then they studied those employees to figure out how to hire more like them. Their goal is to get at least 50 percent to be top 10 percenters.
I know from studying workplaces built around great employees that you eventually reach a tipping point, where the excellent employees drive out the mediocre ones. In Jannini's case, he says: "We want to hire people who are natural leaders, who are motivated by one another, self-sufficient self-starters, the ones who want to be with those who need to be told less. These are the employees who don't need supervising, who manage themselves and who hate to be stuck waiting around on anyone who does. The meeting IQ is not the average; you move at the speed of the dullest person in the meeting."

The goal of Marriott Hotels is not just "employee satisfaction" but "employee engagement," where the employees believe themselves to be part of something special. The result is that Marriott needs fewer employees than comparable hotels, and has, as Jannini puts it, "30 percent turnover in a 100-percent industry." Less training, less management, better quality people.

Marriott runs hotels for investors, and Jannini tells me that some of the new ones are perplexed by the higher-wage strategy. They ask, "Why should I pay more than I have to?" What the great organizations understand is that they have earned the right to play a different game -- they aren't in the how-cheap-can-you-be? game, but in the how-much-better-can-we-be? one. That's where you go from customers grubbing for every nickel to ones who say, "It was worth every penny." Yes, you don't have to pay more; you earn the right to get to pay more.

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