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## Next-Level Retention: First Hospitality Goes the Extra Mile for Employee Engagement

By **George Seli** - June 7, 2023



In an exclusive interview with *LODGING* at the 45th Annual NYU International Hospitality Industry Investment Conference, President and CEO of First Hospitality David Duncan discussed his company's approach to the lingering labor shortage and the related challenges of attracting and retaining capable workers.

"It's the biggest challenge, and it's not a new challenge. It's been building since before the pandemic," Duncan asserted. "If you look at any reasonable empirical data, a labor challenge in our space has been building for 15-plus years, with low immigration, massive retirement of the baby boom generation, low birth rates, etc. And so, I think it's the No. 1 challenge of the hotel business, not just for the next six months, but for years to come."

Given the labor situation, hotels designed to operate with smaller staffs (e.g., select-service models) have been a favorite investment of First Hospitality. But more important is the company's approach to minimizing turnover at all the properties in its portfolio. "We pride ourselves on being really employee focused, and we have a pretty intricate system of rewards and programs to support [retention]," said Duncan.

He cited two reward programs for general managers and hourly employees, respectively, which help to engage all team members with the organization. “For general managers, we have a system called Inner Circle. For 28 years in a row, we’ve taken the winners of the Inner Circle of top performers in our company—the general manager plus one—on a world-class trip for a week in the first quarter of the year,” Duncan explained. “We’ve literally been all over the world. It’s a good reward for them, and the flip side is it pays off in dividends to the operating company. When a general manager is approached by another operating company, they remember that they got to spend time with the CEO or the chairman in Peru, Tokyo, or Israel, for example, and that builds a connection at the leadership level as well as motivates the GM to perform at the property level.”

The second reward program—Live Free, Drive Free—is geared toward First Hospitality’s approximately 2,500 hourly employees. Those with perfect attendance every quarter enter a drawing at the end of the year, and the winner chooses one of two prizes presented at the annual gala: full living expenses paid by First Hospitality for one year, or a new car. “What I love about this program is it emphasizes perfect attendance. You’ve got to show up and do the work and not leave your friends hanging. It celebrates the importance of the team,” Duncan explains.

## **Career Opportunities**

In addition to the reward programs, career mobility encourages many employees to remain with an organization over the long term. “We say ‘people first’ but then the question is, what do you mean by that? And how do you operationalize that? And how do you make sure it’s lived every day at the hotels?” Duncan said. “And so, we treat people respectfully as well as give them career opportunities. We have a very sophisticated training and development team that will help them on their career path.”

## **Preventing Early Resignation**

Duncan observed that number of hospitality employees who quit in the first few weeks is surprisingly high. “It’s an industry-wide phenomenon. But what we’ve discovered is that you have to show more attention in the early days [of employment],” he said. “Call them before their first day, [and say] ‘We’re excited you’re going to come in tomorrow.’ It’s kind of basic, but that’s what you do. And when they arrive, we have a program to make sure they’re trained immediately and not feel like they’re floundering.” New staff members are also assigned a ‘buddy’ who has experience in their role—a resource that makes them feel even more comfortable.

## Employer of Choice

Due to all these efforts, First Hospitality has seen its employee engagement surveys “pick up materially over the last couple of years, which is a good sign,” Duncan said. Non-coincidentally, the company has also enjoyed a longer average tenure in its employee base. He noted that First Hospitality’s operating business has grown 37 percent since the beginning of the pandemic, and key to that success have been reducing turnover and creating a reputation as an employer of choice.

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