

2009 Employee Compensation Report: Virtual HR Roundtable

By Patricia Amend

How would you like to sit in a room with a group of your most knowledgeable peers from the IHRSA universe, and hear a discussion of the most vital issues of the day, in the realm of human resource management?

To give you just that opportunity this year, we have added a new feature to this report: IHRSA's first virtual Human Resources Roundtable discussion.

To get the dialogue going, we surveyed four CEOs and HR directors at top clubs across the country. They are:



■ **Herb Lispman**, who is now President & COO of the Stablewood Springs Resort in Hunt, Texas, as well as president & CEO of The Health

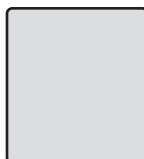
Club Company, a consulting, management and development company specializing in upscale health clubs and spas, based in Sugar Land, Texas. He is well known for having served as general manager at a number of other clubs including, The Houstonian Club in Houston, the Green Valley Athletic Club in Las Vegas, the Cascade Club in Vail, Colorado, and the Valley Racquet Club in Littleton, Colorado.



■ **Lauren Eller**, who is Human Resources Director at the Fitness Formula, which has nine clubs in the greater Chicago area.



■ **Faith Pulis**, who is CEO of The Thoreau Club, in Concord, Massachusetts, a legendary family club that has been serving its market for generations—since its founding in 1951.



■ **Donna Russell**, who is Director of Human Resources at Fitcorp, which has 13 clubs in the greater Boston area.

We've added this story because we realize that this report is an investment for you—one that includes a vast treasure trove of benchmarks you can leverage in your efforts to hire and retain the best people, and offer them the most competitive compensation and benefits package possible.

You may want to consider the responses below as benchmarks of a different kind—to use as you deal with issues at your own facility. We hope that you find these comments thought-provoking and applicable to your own business.

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Q *When interviewing candidates for management and fitness instructor positions, what qualities, in addition to the education and related experience, do you look for?*

HL: Personality, character, leadership, reputation, teamwork ethic, work ethic.

LE: Leadership qualities, which include accountability, adaptability and approachability; and a hospitality mindset for delivering exceptional service.

FP: Leadership, personality, teamwork, promotional/sales skills, hobbies.

DR: We look for people who are friendly, approachable, confident, honest, hardworking, intelligent, articulate, knowledgeable, and fun.

“We look for people who fit into the culture and sometimes shape the culture in a leadership role.”

Q *Do you tend to look for applicants who will fit into your existing company culture? Or, do you look for those who can shape and potentially change the culture?*

HL: It depends. For an existing, successful club, we look for a good culture fit. For new operations or take-over situations, we look for those who will help shape the new organization.

LE: We look for both—which is easier said than done. Additionally, we look for creativity and a proven record of communicating and initiating positive change.

FP: Both—depending on what we need to round out the staff.

DR: We look for people who fit into the culture and sometimes shape the culture in a leadership role.

Donna Russell,
Director of Human Resources,
Fitcorp

Q *What particular challenges have you faced in terms of staffing? How have you dealt with these challenges?*

“Staffing challenges come at us from many directions—turnover, training, proper hiring protocols and coming up with competitive compensation packages.”

Lauren Eller,
Human Resources Director,
Fitness Formula

HL: One challenge I've faced is finding myself with sudden openings for key positions that must be filled quickly when I don't have a pipeline of candidates in place. I have learned to be patient and not hire the first 'warm body.' I have also faced a shortage of qualified candidates in some remote locations. To remedy that I've done some creative recruiting—through family, friends, members, vendors. I've also had attitude problems with younger employees who have a sense of entitlement. That takes lots of coaching and counseling.

LE: Staffing challenges come at us from many directions—turnover, training, proper hiring protocols and coming up with competitive compensation packages. We assess current and future department and/or club needs in an effort to stay proactive.

FP: A major challenge for us has been finding local talent, as our housing market is too expensive. For single-income families, the wages and salaries we can afford to pay are not enough to cover the high mortgages/rents. We try to offset this by offering benefits that include a family membership, staff development, tuition reimbursement, and covering some portion of the health care premiums. But this is not always enough.

DR: This is a very high turnover industry. To offset that we offer comprehensive benefits, a positive work atmosphere, training and development, and opportunity for growth.

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Q *The fitness industry tends to have relatively high turnover rates for fitness trainers and instructors in particular. Why do you think this is the case? What are some of the reasons employees cite for leaving the business? Are there any steps your company has taken to reduce turnover?*

HL: After over 30 years in the industry, I have formed some observations about this phenomenon . . . The DNA of a group exercise instructor, personal trainer or Pilates instructor is different from that of an operations person in most cases. They are programmed to need more ‘stroking’ and higher rates of pay per hour than others do rate. They are always on the lookout for a little more pay or the newest facility or a place where they think they will be more appreciated. The savviest club managers and owners are much better at nurturing relationships with their professional instructors and they genuinely build loyalties so that their best instructors will not stray.

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Herb Lipsman,
President,
The Health Club Company

LE: I'm proud to say that we've been able to reduce our turnover rate by more than 10% in 12 months. That is because we began to focus on turnover as an issue in 2006. We implemented tighter hiring procedures, and began using the pre-employment screening assessment, which measures integrity, work ethic and reliability. I wanted a scientific and objective tool for our managers to use for interviewing and hiring. These factors, along with carefully conducted interviews have provided better quality hires.

That said, staff leave for a number of reasons, which may include pursuing different opportunities and/or more schooling. We have standard and methodical procedures for the hiring process—two interviews, a third, practical interview for personal trainer applicants, three references, and an on-line values assessment. We slow down the hiring process to get the best possible fit for each position.

FP: One of the reasons personal trainers give for leaving has to do with not acquiring enough new clients soon enough. This is a ‘catch 22,’ as most do not want to put the effort into promoting themselves and meeting new members. They come to us thinking that they will be handed a ready-made clientele. We have begun offering creative compensation and benefits packages that change as the employee reaches predetermined goals and objectives, and that has helped a little. We also offer continuing education for those who are willing to put in the time.

DR: This industry attracts young employees, with limited earning potential who must often put in long hours. Many want to make more money. Fitcorp is a place where recent graduates can get business experience. Oftentimes, however, they move on to other industries or they go back to school full time.

Q *Good customer/member service is vital to member retention. Yet, the fitness industry makes use of many, young, part-timers. Do you have any advice for motivating these people, or training them in good customer service? Or, is it just that they must be ‘good hires’ in the first place?*

HL: For the most part, people either enjoy serving others and excel at this or they don't. It is nearly impossible to train someone who resents having to serve others or who is simply a negative personality to be friendly, cheerful and helpful. Putting this sort of person in a customer service position is just setting them and the club up for misery. Having said that, it is possible, if a club isn't careful, to take an employee who starts with a perfectly positive attitude and demoralize them to the point that they go from customer service super-star to one with a negative attitude and influence.

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LE: The foundation of our company culture is built on core values: integrity and service are just two of them. Personality is key! Of course, we want to hire the best people who understand and embrace our service expectations. The next step is plenty of training and coaching within their first 90 days.

FP: You must hire people with a desire and passion for learning in the first place.

DR: I agree. They must be good hires to begin with. When employees have a fun, caring, approachable manager and great coworkers, and clear goals and expectations, they seem to work harder. They want to be valued and appreciated. We do not hire many part-timers. We hire full-time professionals.

“You must hire people with a desire and passion for learning in the first place.”

Faith Pulis,
CEO,
Thoreau Club

Q *What value does your club place on professional development? What kind of continuing education do you offer? Do you offer this to full-time staff, to part-timers, or both? What are some of the intangible, qualitative benefits your company associates with continuing education?*

HL: While at The Houstonian, we put virtually all 700+ employees through the two-and-one-half-day “Seven Habits of Highly Effective People” program to help develop a common set of company values, as well as a common language and culture. We also contributed to continuing education for the professional staff and sent many to conferences and seminars for their respective fields. Since going out on my own, I have had to rely on in-house training and development in order to save money during the ‘survival’ stage of building the business. However, I fully intend to expand the professional development of all employees as funding permits. It is crucial for the long-term sustained growth of the enterprise.

LE: Professional and career development is critical to our continued success as a multi-club owner/operator. We place great emphasis on staff retention and its direct correlation to member retention. Much of our success can be attributed to the training and ‘growth from within.’ We provide continuing education for all staff through our own company developed Training Academy. In addition, The MIT Program [Fitness Formula’s Management in Training program] is available to full time managers for learning more about the business side of running a club. We also offer partial reimbursement through a Professional Development Account for full time staff to take advantage of external certifications, educational seminars, etc.

“We place great emphasis on staff retention and its direct correlation to member retention.”

Lauren Eller,
Human Resources Director,
Fitness Formula

FP: We offer some tuition reimbursement for continuing education classes as well as regular monthly staff meetings, which have an educational component. This is available to both full- and part-time staff. The goal is improved customer relations, which translates into retention, which translates into future PT sales.

DR: Our employees get Training & Development money based on position. We do not have tuition reimbursement for college courses. Most of our employees have at least a Bachelors Degree. We offer T&D money to full-time staff only. This allows employees to keep up with the fitness industry knowledge.

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Q *What is your club's experience with independent contractors as opposed to payroll workers? What has worked best for your company and why?*

HL: At nearly all of the clubs I have managed, my preference has been to hire staff as employees in order to ensure that they were fully covered by insurance and that they would be required to comply with all company policies, procedures, etc. On occasion, we have made exceptions for exceptional people, but it has been rare.

LE: We do not hire or use any independent contractors. The definition of an independent contractor is someone who maintains the right to control or direct the work. An independent contractor must also provide and use his or her own tools and equipment. This scenario doesn't fit into our business model.

FP: Our trainers are employees. We find that there is always a disconnection with the independent contractor.

DR: We hire mostly full-time employees. However, we have massage therapists, nutritionists and acupuncturists at facilities where we offer these services. We pay them 75% of what we charge members for these services.

Q *At some clubs, it is appealing to hire staff members of all ages so they can relate to members of all ages. Do you have situations where younger staff must manage older staffers? Do you have any advice for how younger people can manage older workers successfully?*

HL: I personally have never hired based upon age with the exception of hiring someone a bit more mature to run programs for those over age 60. I have found young employees, middle aged employees and older employees who could relate to any age group. It has much more to do with their character, upbringing, respect for others and genuine enthusiasm.

It can be difficult for younger staff person to manage older employees, but it really boils down to earning their respect and showing respect for the other employees. If you think about your extended family, you probably can think of certain family members who relate well to multiple generations and others who don't. The workplace is very much like a big family. Again, you want to place people 'in the right seat on the bus' based upon their people skills, maturity level (notice, I did not say age) and their leadership abilities.

FP: We have not had this scenario.

DR: The average age at our company is about 28. Most managers are the same age or a little older than their staff. It has not been a problem yet. Young people need to have an understanding of the different generational motivators, and this works in reverse as well. Age should have nothing to do with it. It's really about competence in the leadership and treating all people as valued employees who make a difference. The company is where it is because of each individual's contribution. Younger workers need to understand that they can learn from their older workers.

LE: It's a matter of respecting your staff, in this case, the older employee's experience. The younger manager shouldn't assume respect automatically. On the flip side, the older staff must appreciate the younger manager's training. I can't stress enough the importance of a manager's ability to communicate effectively to individual needs.

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Herb Lipsman,
President,
The Health Club Company

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Q *Do you offer any financial incentives to keep good staff, i.e., performance bonuses, to motivate staff? Who on your staff is eligible, and how do you structure bonuses?*

HL: I have always found incentive pay to be beneficial, especially when it is team-oriented and is aligned with company goals and objectives. Different job classifications require different forms of incentives because the employees who choose these different roles also have different paradigms about how they want to be paid.

LE: Managers and management staff in revenue-generating departments receive a quarterly and year-end bonus. These are tied directly to meeting annual gross revenue targets and individual department net income target. Club retention bonuses are shared among the designated retention teams.

FP: We offer incentive/performance bonuses based on achieving minimum goals. The incentive increases the more clients they service. In addition, we offer staff development opportunities, discounts on programs and services, and free club membership.

DR: Managers are eligible for 15% EBITDA bonus each Fiscal Year. Assistant GMs are eligible for 10% EBITDA.

Q *Do you have any other thoughts on HR-related issues that you'd like to share?*

“ *Many club owners and managers make a huge judgmental error by trying to skimp on pay for their top performers—only to lose them and end up paying far more to replace them, as well as the business that went with them.* ”

Herb Lipsman,
President,
The Health Club Company

HL: The old saying that employees are not motivated by compensation is a bad case of management believing their own . . . most everyone is motivated or driven to earn more, whether based upon personal needs, ambition or simply to keep score of how they are progressing in their career. In my view, many club owners and managers make a huge judgmental error by trying to skimp on pay for their top performers—only to lose them and end up paying far more to replace them, as well as the business that went with them.

The other crucial element of attracting and retaining quality employees is a culture of treating all employees with the same dignity and respect that members and club owners expect.



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