

## Is your job at risk? – 2008 credit crunch in the hospitality industry

Luzern, Switzerland – October 2008

October 2008 has been a historic month for the global economy. Dramatic terminology that was previously alien to most hoteliers – *sub-prime, toxic debts, dead cat bounce, bear market* – is now being flaunted as if we are all market experts.

There is no doubt that tough times are here and ahead, and one important question is whether the global hotel players will allow this to immediately impact upon their organisational Human Resources (HR) strategies. It can be all too easy to utilise a (potential) recession as a reason to reduce headcount and cut costs. This is in the short-term may seem like sound business practice, but the long-term recovery impact must be seriously considered before embarking on such negative measures.

Hospitality Graduate Recruitment ([www.h-g-r.com](http://www.h-g-r.com)) Managing Director, Mr Jeff Ross, has strong opinions on this theme, and shares his fears for global hospitality organisations (in terms of loss of HR continuity) in the current economic climate. “Listed below are actions that we are likely to witness over the coming year by many hospitality organisations, if economic factors do not significantly improve. Of course certain action needs to be considered, and certain controls implemented, but how many organisations will manage the potential process in a strategic and non long-term damaging method, that may actually cost more than is saved? Time will tell”.

- removal of cluster level management;
- creation of cluster level (and removal of unit level) management;
- reduction of training and development budgets, or removal of training and development function;
- freezing of organisational remuneration packages;
- radically changing organisational HR strategy (thus losing all historic continuity); and
- freezing recruitment at hotel and corporate level.

So much positive (HR) work can be undone in a very short space of time, and can take years and significant expense to return to that same point.

This first point relating to (change of) regional management structure is very common in the hospitality industry. Organisations that employ regional resources (e.g. regional Revenue Managers, regional General Managers, regional Directors of Business Development, etc.) may make these functions redundant as a cost-cutting measure. One could of course play devil’s advocate and argue why the roles exist in the first instance, if they can so easily be removed. Other organisations that do not employ regional resources may react oppositely, and remove unit level non-operational senior management (e.g. General Managers, Human Resource Managers, Revenue Managers, Financial Controllers, etc.), replacing these with a cluster or regional management structure as a cost-cutting measure. Both of these scenarios have been seen time and time again during times of economic uncertainty and recession. In the latter example, it is common for the

unit roles to return over time, and then inevitably the regional or cluster roles become redundant. A full circle of change (and cost)!

The challenge exists of how to accurately measure the financial and organisational impact of change. When an organisation makes the decision to reduce headcount, can it really quantify the medium to long term impact of the decision? Invariably not. And who are the losers? Many stakeholders, inevitably: the employees that lose their jobs of course; potentially their respective teams (as increased workload is passed on); the organisation as a whole (via impact upon operational and strategic continuity, potential bastardisation of brand standards, personnel knowledge loss, and so on); and let us not forget the customers (via the inevitably weakened service standards).

Let us hope therefore that the economic climate recovers sufficiently that many hospitality organisations do not start to plan and implement short-term organisational (Human Resources) change, that will have inevitably far reaching consequences that may not be immediately obvious at board room level. Those businesses that find a way to minimise change of HR strategy during times of economic uncertainty will certainly be those that see medium term gains upon their competitors.