



Four challenges of managing risk during an economic downturn

Another great article from *The Rooms Chronicle*®, the #1 journal for hotel rooms management®! ***Important notice: This article may not be reproduced without permission of the publisher or the author.*** College of Hospitality and Tourism Management, Niagara University, P.O. Box 2036, Niagara University, NY 14109-2036. Phone: 866-Read TRC. E-mail: editor@roomschronicle.com

Notice: The ideas, opinions, recommendations, and interpretations presented herein are those of the author(s). The College of Hospitality and Tourism Management, Niagara University/The Rooms Chronicle assume no responsibility for the validity of claims in items reported.

A definition of risk management for the purpose of this article is critical. Anything in the area of safety, security, fire protection, maintenance, and regulatory requirements that impact the “bottom line” will be considered. It is rare when an exception to a regulatory mandate can be obtained. Therefore, the focus will be on those challenges confronted by the hotel’s executive committee or other Management presence on the property that makes the final decisions.

Consider this scenario: What happens when hotel occupancy, food & beverage, and events income is down? The hotel’s long-term and short-term economic future is unsure and, based upon the immediate economic outlook espoused by business naysayers and hotel veterans alike, it is time for drastic action. It will quickly become apparent that with the reduction in activities, there can be no justification for maintaining current staffing levels. Arriving at this realization, Management encounters its first roadblock.



Challenge Number One: Staffing of functions vs. staffing of the facilities

The reduction of personnel for fewer functions and lower guest counts is pretty straight-forward, and can be related to facts and figures. Fewer functions, lower guest counts, and decreased occupancy translate into lower utilization of hotel assets and most likely, decreased profits. Unless demand conditions change very quickly, fewer food & beverage personnel, housekeepers, and guest service staff will be needed.

However, not all departments’ staffing needs can be adequately assessed by merely examining a hotel’s underutilization based upon operating statistics. Staffing for the facility also requires a careful analysis of building and related safety, security, fire protection, and maintenance considerations. Ultimately, Management will encounter the difficult decisions related to operational staffing needs versus preserving the corporate “reputation” as embodied in the goodwill and brand equity expectations of guests, owners, and franchisors that are typically conveyed by the hotel’s physical image. The integrity of the establishment must be maintained, even in lean times.

Where to start? Initiate an in-depth inspection of all areas of the hotel. The general manager should walk the property with the respective executive committee members and thoroughly assess the condition of:

1. Parking areas, roadways, walkways.
2. Building sheath, roof, balconies, windows, doors, stairways, flag poles, decorative appendages.
3. Pools, spas, saunas, hot tubs, other water-related installations (water parks, fountains, falls, etc.).
4. Floors—wood, tile, terrazzo, marble, carpeted, etc.
5. Walls, indoor decorative structure, decorative art and hangings, etc.
6. Elevators and escalators.
7. Mechanical Systems – HVAC, plumbing, electrical, waste management and sanitation control.
8. Fire Protection Systems – Extinguishment systems, fire alarms, smoke detectors, heat detectors, CO (carbon monoxide) detectors, water supply and storage.
9. Security Systems – Electronic lock system, other lock systems, intrusion detecting systems, CCTV, alarms, doors, sliding glass doors, and window protection.
10. Restaurant, bar, grille, lounge areas.
11. Kitchen – Cooking equipment, stoves, ovens, grills, freezers, refrigerators, steam equipment, electronic units, and hood and fire extinguishment systems.
12. Storage areas – Food & beverage, housekeeping, maintenance, bell service, others as required.
13. Office space.
14. All elements of the IT and hi-tech systems.
15. Other elements as appropriate to your property. Exercise rooms, tennis courts, golf course, etc.

Senior management now must make a decision as to what items should be immediately repaired, replaced or deferred to a future quarter or annual budget. A review of mandatory requirements must also be “on the table.” The Americans with Disabilities Act (ADA), environmental considerations (EPA), Hotel-Motel Fire Safety Act of 1990, sanitary mandates, building authorities, and other inspection and regulatory items that cannot be postponed also must be addressed.

Then it is time to determine how many staff persons will be required to maintain the property so it will effectively serve whatever clientele there is to be served. Also, consider if it is more efficient and cost effective for certain services to be outsourced, such as landscaping and elevator and refrigeration maintenance.

Challenge Number Two: The physical structure

Now evaluate how to maintain these facilities in such a manner that they will still attract guests and will be in a ready condition when the economy corrects and business increases. Examine the possibility of closing off entire floors or wings with resultant savings in energy and staffing. When considering such an option, remember there will be certain critical staffing needs and operational requirements. While at lower utilization levels, HVAC, water and electric supply will still be needed. The hotel will also require a continuing maintenance presence to ensure the temperature will never be so low as to permit freezing of the pipes or too warm and moist as to cause mold and mildew. Consider flushing commodes once per week and open taps (faucets-including showerheads) on a similar schedule. This can prevent stagnation and the unwanted growth of water-borne and air-borne diseases, such as legionella. Electric systems and all alarm systems should also be scheduled for regular preventive maintenance checks.

Challenge Number Three: What about Security?

During slow times there is frequently the reaction by management to cut security staff since there are fewer people on premise plus reduced activities. Before taking such action consider the following:

- What is the crime activity in the neighborhood and adjoining areas?
- What do the hotel’s records reveal about criminal activity? Not only should Management check its own records, but check the local police “blotter.” Assuredly, a plaintiff’s lawyer will do this if there is a claim.
- What are similar competing lodging facilities in the community doing with their security program? And why are they doing what they do?
- Inevitably, economic downturns are likely to result in additional robberies and assaults. Guests are especially vulnerable to assault in the parking lot when removing luggage from their vehicles. Can the hotel afford to reduce parking lot surveillance?

- Many hotels have implemented a fairly effective anti-robbery strategy by positioning a CCTV camera at the back of the registration desk focusing on those individuals approaching the desk. Include a monitor below the camera showing the person approaching. The individual is likely to realize “Hey, I’m on camera.” In recent years, this was effective in reducing a rash of robberies in New England.
- While many organizations train ALL staff in security awareness, does that substitute for the professional the employee may call upon when encountering a security situation?
- Make sure there is a special relationship with hotel management and the police, at all levels.

Challenge Number Four: Fire protection

All too often the late night staffing practices of hotels reduce their capability to effectively respond to a fire situation. Take a close look at your hotel’s fire protection response capability.

- The Occupational Safety & Health Act (OSHA) requires an emergency evacuation program for all employees. Although the Federal Act is not focused on the guest or non-employee, it is obvious such a program must also apply to them. Will there be adequate staff present to implement such a program at any hour?
- The preventive maintenance program (and adequate staffing) must ensure all alarm systems are functioning, water supply and storage, pumps, valves, and all elements of the extinguishment systems are “at ready.”
- As mentioned in security considerations, have a close working relationship with the local fire authorities. Again, at all levels.

The challenges are tough for corporate and property senior management. Be sure that budget cuts do not compromise the hotel to the point where it will not be positioned to come “back on line” when the economy and guest demand becomes more robust. Failure to do so may result in significant capital expenditures later to rectify poorly maintained hotel assets or even potential litigation initiated by injured parties due to inadequate staffing when a timely response was critical. ✧

(Ray Ellis, Jr., is the founder and director of the Loss Prevention Management Institute, an affiliate of HospitalityLawyer.com. He has spent more than 50 years addressing safety and security concerns in the hotel industry. His textbook, Security and Loss Prevention Management, available from the Educational Institute of AH&LA, is an authoritative source of information for hotel managers. E-mail: raycellis@gmail.com)