



Risk Management

by Kris Schloemer

Identify and prioritize risks to help control crisis situations

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Here is a quick quiz for every hotel manager. Which of the following is a risk, and which is a crisis?

1. Flood water in your lobby?
2. An anonymous call about a “bomb” when your hotel is full of guests?
3. You must fire your sales manager who is a single mom for violating the policy against personal use of the company computer during work hours?

It’s a trick question meant to illustrate a point. Each is a risk for every hotel. Whether or not the risk materializes and whether or not a chaos follows depends upon the operator.

A “crisis” is the very tense moment, the unstable or crucial time, when how you react determines whether what happens next is in or out of control. If you and your staff don’t have a prepared, learned response for risks that materialize, chaos and mistakes will follow. If you have a plan and follow it, administering aid to critically injured guests will still be gut wrenching, smoke from a fire will still burn your lungs, and terminating employees will still be an emotional strain, but it will be a controlled part of a difficult job, not something that ends up as bad publicity on the local TV news.

There are three categories of potential risks for most hotels:

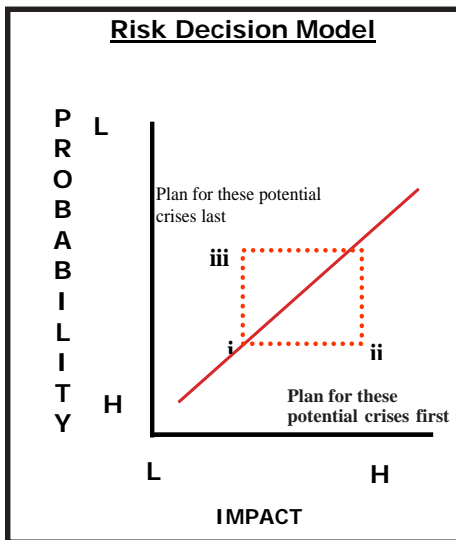
1. Acts of God/natural disasters – such as hurricanes, floods and earthquakes.
2. Building issues – such as fires, gas leaks, explosions and power failures.
3. People issues – such as acts of violence against others, food poisoning, arson, and loss of a vital vendor. People issues can involve staff, overnight guests, special function guests, vendors and transients.

Now you’re probably saying to yourself, “This is impossible. I don’t have time to identify and prepare for all the many kinds of natural disasters, building issues and people issues that could happen at my property and do my regular job, too.” But if you discipline yourself to spend some time every week identifying and prioritizing risks, and planning and practicing your response, you can prepare in an organized fashion over time.

First, start with the categories of potential risks, above, and identify risks that apply to your unique situation. While doing this, consider if these are the right categories for your hotel, and change them if you need to.

Second, prioritize each risk. This involves weighing the likelihood it will happen and the impact/cost for you if it does happen. If you are located in a popular but remote snow ski area where it is highly likely that the electricity will go off during winter storms but you have a reliable back-up generator, you won’t give this risk a high priority, even though it is likely to materialize, because it will have low impact.

The following table will help you prioritize:



Key:
 i = "this gets my attention" impact and "not tolerable" probability (Note: a high probability may be acceptable if the impact is low.)
 ii = "not tolerable" impact
 iii = "this get my attention" probability factor

Use the table to prioritize your potential risks in order from highest probability/highest impact to lowest probability/lowest impact. Then prepare your crisis management plans in that order. The lower right corner of the table is the zone of highest probability/highest impact. Risks that fall closest to this zone should be eliminated as fully as possible. The box in the middle of the table is the zone of medium probability/medium impact. Risks that fall within the box should be mitigated. The upper left corner of the table is the zone of lowest probability/lowest impact. Risks that fall closest to this zone can be accepted.

Assign your personal (i) "this gets my attention" dollar impact to the lower left corner of the box in the middle of the table, (ii) "not tolerable" dollar impact to the lower right corner of the box, (iii) "this gets my attention" probability factor to the upper left corner of the box.

After doing this you will have several risks of different priority in the same category. You should put a plan in place for your highest probability/highest impact risk in each category first. Then, if one of the lower risks in a category happens to occur before you have a specific plan in place for dealing with that lower risk event, it is likely that you can adapt the higher risk event plan on the fly as you go.

How to develop and implement crisis management plans are subjects for entire articles themselves. But, until you identify risks and plan and practice your plans, you are simply playing Russian roulette with your physical, emotional and financial well-being. ✧

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