

## Balancing Talent Strategies in Difficult Times

The right talent strategy can help  
Tourism, Hospitality, and Leisure  
companies own the upturn



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Jorge Collazo, Director of Marketing,  
Four Seasons Hotel Los Angeles at Beverly Hills

After years of exceptional growth and expansion, the tourism, hospitality, and leisure (THL) industry is experiencing a slowdown along with the rest of the economy. Sharp declines in consumer spending have led to a significant rise in excess inventory. Many THL companies are responding by slashing their workforce costs and headcount. But if they aren't careful, they could find themselves overreacting to short-term challenges at the expense of their own long-term health and competitiveness.

Although THL companies are understandably worried about the economy — and are wise to act quickly and decisively — they need a clearly defined talent strategy that helps them weather difficult times while positioning their business for growth and success when the economy bounces back.



### Brighter days ahead

Despite the current downturn, the THL industry's long-term outlook remains very bright. According to the World Travel & Tourism Council, although travel activity in the United States will shrink in 2009, significant growth is expected in the 10 years that follow.<sup>1</sup> We see several major growth drivers:

- **Baby boomers.** People born between 1946 and 1964 continue to earn good money and are nearing retirement. Although their nest egg may have taken a hit recently, most boomers still have the resources and desire to travel and enjoy new experiences.<sup>2</sup>
- **Foreign visitors.** The United States saw strong growth in the number of foreign visitors for the five consecutive years through 2008. Although this figure is expected to level off in 2009 and 2010, the growth trend is expected to continue in 2011 and beyond.<sup>3</sup> Part of this growth is being driven by the economic emergence of China and India. In the four-year period from 2003-2007, the number of visitors from these two countries more than doubled.<sup>4</sup> Their growing middle classes are flexing new economic muscles and are evidently eager to travel overseas.
- **Shifting priorities.** Recent research shows that “life experiences” provide greater satisfaction and happiness than material goods.<sup>5</sup> After attaining unprecedented levels of material comfort, many people are looking for new ways to enrich their lives through travel.

In light of these long-term trends, hoteliers anticipate welcoming guests from new markets into their properties for decades to come. “There will be one billion [people] entering the middle classes in the global economy,” says Frits van Paasschen, CEO, Starwood Hotels & Resorts Worldwide, Inc. “Our least worry is selling these rooms.”<sup>6</sup>

### A long-term talent shortage

Companies in every industry face a chronic shortage of qualified talent. Older workers are preparing to leave the workforce in droves and there simply aren't enough young workers to replace them. By 2015, demand for US workers is expected to exceed supply by 10 million.<sup>7</sup>

This problem is particularly acute for the THL industry, where rapid growth has intensified the competition for talent. Over the past five years, THL companies expanded aggressively in existing markets and extended their footprint to new up-and-coming areas. At the same time, easy credit and belief in limitless growth helped fuel vigorous construction activity. The result will be a wave of new properties that over the next few years will further drain a pool of talent that is already depleted.

Other key talent challenges for the THL industry include:

- **Unique talent requirements.** Tourism, hospitality, and leisure revolve around service. THL workers who understand human dynamics and know how to treat people well are more likely to be effective. In many cases, the necessary skills are difficult to teach and are generally acquired through years of experience interacting with customers.
- **Limited access to quality talent in certain markets.** Exotic destinations and other remote locations have great potential to attract tourism dollars. Unfortunately, these areas often lack a talent pool with the specific skills needed to meet customer expectations. At the same time, it's hard for THL companies to offer sufficient incentives to persuade talented individuals from other areas to relocate.
- **Employee rewards.** The THL industry has traditionally struggled to compete with other industries when it comes to compensation, benefits, and rewards. Also, THL employees tend to work longer hours than their counterparts in other industries. Unless the industry finds creative ways to reward its employees and establishes flexible work programs, it will continue to lose key talent to other industries.

"It is easy to create a building and make it pretty and have all the proper equipment," says Jorge Collazo, Director of Marketing, Four Seasons Hotel Los Angeles at Beverly Hills. "The part you cannot produce so easily is the wealth of knowledge that comes from experience. The human resource is clearly an advantage over any new product."<sup>8</sup>

### Case study 1: Large Hotel Chain

**Issue:** Following a few years of indifferent performance by its luxury hotel brand, this company decided to take action. After redefining its brand positioning, they asked Deloitte to help them in their efforts to turn their strategy into reality.

**Action:** To identify opportunities for improvement, the company conducted surveys into guest satisfaction and employee satisfaction. Deloitte helped them as they developed and implemented a global program to enable employees to understand the brand values and the role everyone plays in making these values a reality. This included a new service commitment to permeate the behaviors required to reposition the brand, and to help ensure that the brand lived and breathed throughout the organization.

The colleague engagement program was developed and within 6 months the program was piloted and launched. Ultimately, this program is expected to help them deliver increased guest and employee satisfaction as well as differentiate the luxury brand from its competition.

Their objectives were to help employees understand the increasing importance of brand in the hotel industry, the evolved brand positioning and the practical role they would play in bringing the new positioning to life.

#### Talent Management Solutions:

- Knowledge and Collaboration
- Learning and Development
- Employee Value Propositions

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**Aligning talent strategy with business strategy**

The right talent strategy should enable you to attract, develop, retain, and motivate strong performers who will please and impress your customers. This should strengthen your business and help improve profitability, growth, and competitiveness both in good times and bad.

Consider these three steps as you develop an effective talent strategy (Figure 1):

**Figure 1: A business led approach to talent management strategy**

Talent Management Strategy		
Align	Analyze	Differentiate
Create a clear line of sight between your business and talent strategies	Get a fact based understanding of talent supply and demand in the external market and inside your company	Assess options and choose the mix of talent and work solutions that will drive competitive advantage

- **Align.** A company's talent strategy must align with its business strategy. For example, if the business strategy is to grow through acquisition, the talent strategy should focus extra attention on retaining key employees during periods of organizational transition.
- **Analyze.** An effective talent strategy is rooted in facts, not hunches or blind guesses. A good place to start is by understanding the organization's critical workforce segments — jobs that have an unusually high impact on business value and key business outcomes, and where qualified workers are in short supply. Critical workforce segments must be actively protected and developed. This requires a workforce plan that analyzes and forecasts the talent necessary to execute the business strategy, and then defines specific plans to fill the expected gaps.
- **Differentiate.** No two THL companies will have identical formulas for talent. Certain talent management capabilities are table stakes that are required just to keep the business operating smoothly. Others can differentiate their company from its competitors and provide a sustainable competitive advantage. Once a company has identified these critical workforce segments, it must pay special attention to the needs of the people in those segments by investing in tailored programs to develop and retain them and help them achieve a high performance level.

**Case study 2: Government Agency**

**Issue:** A government agency encountered significant challenges in its recruitment efforts. The absence of a clearly articulated brand left many qualified applicants wondering what the agency does; key employment opportunities and benefits to working there over competitors. They left without a solid understanding of the Agency's value proposition. The Agency recognized that effective marketing of the tangible and intangible benefits of its employment experience, or Employer Branding, could improve its ability to better attract and retain high performing employees.

**Action:** Agency engaged Deloitte to help them in their efforts to evaluate its Employer Brand, identify improvement opportunities, and develop recommendations and a roadmap to enable the Agency to become an Employer of Choice.

The Deloitte team helped the Agency develop recommendations to define the Employer of Choice brand and a roadmap to implement the recommendations. The Agency expects the implementation of the recommendations to aid them in their ongoing hiring efforts by better relaying the benefits of working for the Agency and enable the Agency to competitively recruit for top talent. Additional recommendations of proactive media promotion are expected to better enable the Agency to effectively manage its public perception and market itself as an Employer of Choice.

The Agency implemented workforce analytics and predictive models to help identify positions and the characteristics of individuals that are at high risk of separation, and identify those positions that are particularly hard to fill in order to allow them to better tailor their attraction and retention efforts to these positions.

**Talent Management Solutions:**

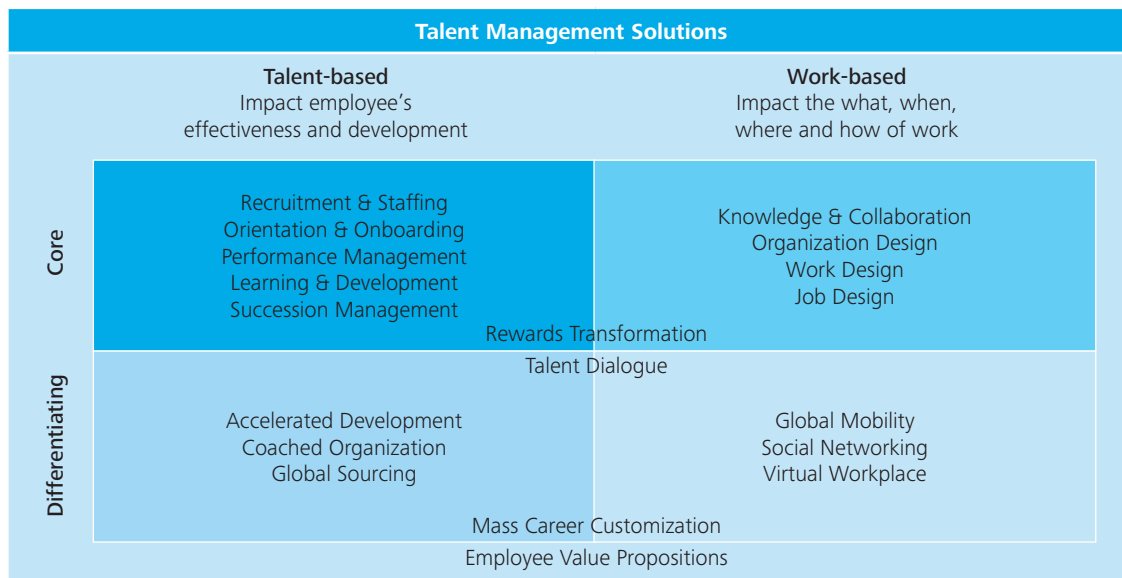
- Employee Value Propositions
- Workforce Analytics
- Recruitment and Staffing

During a recession, layoffs are a fact of life. But in the process of reducing short-term headcount, it's important to keep an eye on the future. Companies must be able to streamline their workforce while maintaining the morale and productivity of the people who stay. Also, they must take care of their most talented people – not just retaining them, but motivating them and continuing to provide them with opportunities to develop and grow.

**Implementing the right solutions and capabilities**

A comprehensive talent management strategy includes a variety of different solutions. Talent-based solutions focus on developing talent and helping people do their jobs more effectively. Work-based solutions focus on improving what, when, where, and how work gets done (Figure 2).

**Figure 2: An overview of talent management solutions**



Some of these solutions are core capabilities that every THL company must master. However, there are other capabilities that enable a company to differentiate itself from the competition. The optimal mix of solutions will vary from one company to the next, depending on its unique talent requirements and business needs. Here are some possible solutions that THL organizations should consider as they tackle today's most pressing challenges while positioning themselves for long-term success:

- **Rewards transformation.** Redesigning and restructuring rewards programs can help THL companies control costs while providing greater motivation for key employees. The process involves analyzing a company's business strategy and people objectives, and then evaluating rewards programs to determine which elements are

most important to the organization's critical workforce segments. This can produce an attractive employee rewards strategy that strikes a good balance between controlling enterprise costs and offering compelling incentives to employees that go beyond cash compensation.

- **Accelerated development.** These days, THL companies must find ways to do more with less. Achieving this goal requires "up-skilling" the workforce by arming employees with the knowledge and competencies to be more effective. Accelerated development can also give workers the skills and training they need to fill leadership roles that will be in demand as the industry continues to expand in the years ahead. In order to rapidly achieve results with limited resources, companies must take

a comprehensive approach that matches learning and development requirements with the appropriate combination of on-the-job training, coaching, mentoring, eLearning, and classroom instruction. Companies that continue to invest in learning and development for critical talent — even when slashing costs in other areas — are more likely to achieve both their short- and long-term goals.

- **Knowledge and collaboration.** Businesses benefit greatly when employees work together and share what they know. However, in the THL industry, leaders and other key talent often face hidden barriers that prevent them from exchanging ideas, best practices, and lessons learned. THL companies tend to be organized in isolated silos where each property or location essentially operates in its own universe. It takes deliberate effort to break down these barriers. Rotation programs, for example, can expose organizations and key talent to fresh perspectives and new ways of working.
- **Mass Career Customization™.** Today's workers are more diverse than ever. Yet most companies have not strayed far from the traditional one-size-fits-all career model. Mass Career Customization (MCC) helps an organization continuously match employees' needs and evolving life circumstances with the needs of the business. Many companies do this type of customization for top employees on an individual basis. MCC institutionalizes the process, providing a fluid structure that can be continuously applied to the entire workforce. This customized approach to career design could be a key differentiator for THL organizations, where top employees are often lost because the long hours and other demands of the job conflict with their changing life circumstances.

- **Global mobility.** The ability to move employees across borders quickly and efficiently allows a company to apply the appropriate resources wherever they are needed — anywhere in the world. This is especially critical as THL companies tackle the challenge of finding qualified talent in remote locations. Global mobility programs can also enable key employees to develop a valuable international perspective that can only be obtained by living and working abroad. Savvy organizations go out of their way to ensure leaders and other key talent get hands-on experience working in global markets. Instead of treating every move as a special assignment, these organizations view global mobility as a core business competency and standard operating practice.
- **Employee value propositions.** When it comes to attracting key talent, the days when THL companies could rest on their laurels are long gone. Businesses that want to attract and retain the best talent must make a deliberate effort to identify and enhance their Employee Value Proposition (EVP) — the unique and compelling reasons why a particular company is the best place for targeted employees to build their careers. But that's just the beginning. To overcome the talent market's negative perceptions about the THL sector, THL companies must communicate their EVP as part of an overall "employment brand" — analogous to the way they use marketing and branding to increase the appeal of their products.
- **Workforce analytics.** Most companies develop workforce plans once a year as part of the strategic planning process — a high level, internally focused approach that is usually unable to address specific talent challenges and changing market conditions. Advanced workforce analytics can combine external economic data with detailed financial and HR data to help decision-makers continuously understand and anticipate future talent needs and trends. This can help them produce workforce plans and talent strategies that are more responsive and effective, and help companies optimize their talent spend.



Although programs like these may require a significant amount of supporting resources and infrastructure, they are essential to a company's long-term talent strategy. In many cases, they also provide immediate benefits that can help a THL company survive and thrive in the short term.

### Taking action now

THL companies are under intense pressure to reduce costs immediately. At the same time, they continue to face a chronic talent shortage that is likely to be one of the biggest constraints on their long-term growth and success. Here are three things THL organizations should consider doing right now in support of their efforts to balance these conflicting priorities.

- **Assess total rewards programs.** Rewards programs that worked in the past may not be appropriate for the current economic environment. Immediate savings may be attained not only by adjusting compensation, but also by adjusting health and welfare programs, time-off programs, and retirement benefits. There may also be opportunities to improve the efficiency and performance of the third parties that administer these programs. A comprehensive total rewards review may uncover significant and immediate cost reduction opportunities, many of which could be realized with limited impact to employees.
- **Align the workforce with business needs.** Thoughtful workforce planning can help THL companies identify cost reduction opportunities that would not sacrifice their future growth potential. Headcount reduction is the most obvious savings opportunity. However, there may also be opportunities to shift some employees to part-time or contract status. Workforce planning can give decision-makers better information as they determine the ideal mix.
- **Review the organization structure.** A clear picture of the organization can help pinpoint short-term savings opportunities. Yet it also can provide a foundation for future improvements that can help position the business for long-term success. Make sure that appropriate manager-to-employee ratios are in place, that skill sets are aligned to key strategic areas, and that high performers have the chance to excel.

### Case study 3: Multi-Industry Regional Company

**Issue:** A new business plan led this company to develop new senior-level positions. The company needed staffing plans and job descriptions documentation, including roles and responsibilities. There were approximately 20 jobs that needed to be evaluated, competencies to be identified and job descriptions to be developed.

**Action:** Deloitte helped the company in their efforts to:

- Perform a stakeholder analysis and develop an engagement plan to align key stakeholders as well as market and promote the new department
- Develop key workflow processes and assign their appropriate roles and responsibilities
- Develop the key competencies and job descriptions of the department leads and other key positions
- Develop a training plan required for the new roles

#### Talent Management Solutions:

- Recruitment and Staffing
- Job Design
- Orientation and Onboarding
- Organizational Design



### Looking ahead

The current slowdown is forcing organizations in every industry to scour their operations for opportunities to cut costs and improve efficiency. However, the THL industry's long-term outlook remains very promising — particularly once the economy starts to bounce back. THL companies cannot afford to be short-sighted by neglecting their talent strategies.

As with any period of significant change, this economic crisis offers tremendous opportunities for individual companies to separate themselves from the pack. However, success will require talent strategies that are innovative, forward-looking, and closely aligned with the company's overall strategy. When it comes to managing talent, business as usual is likely to be a recipe for failure.

THL companies should be able to better differentiate themselves and delight their customers by attracting, developing, and retaining top talent. But they also need to spend their money wisely. The right approach to talent management can help on both counts. By developing the right talent strategy — and establishing the right solutions and capabilities — a THL company will be better positioned to address its short-term cost challenges while ensuring it has adequate staffing and managerial levels to capitalize on the strong growth expected in the years ahead.



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