HUMAN RESOURCE MANAGEMENT RISKS IN TOURISM

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Abstract

An important area of the economy is the tourism sector, both in Romania and in other many countries. Eventhough the jobs in this sector are considered as being "poor" and whitouth career perspectives, tourism is an important employer in the economy. In this work paper, the author emphasizes the importance of the human ressources in the tourism sector, espeacially because of the specifique activities which suppose a countinuous communication and customer involvement in the services offered. Human ressources in any firm are a source of risk and in the meantime a resource seeking the solution of this troubbles. How could the enterprises eliminate the risks that affect the human ressources? Are them counscious about these risks and do they want to take its into consideration? What is the price of an inadequate policies concerning people of the tourism organizations and the benefits role for them? In this paper, the author tries to furnish answers to these important challenges that affect the tourism firms' actitivities.

Key words: human ressources, risk, management, tourism

JEL classification: M19

1. Introduction

Given the ruthless competition between companies operating in different business areas, and considering the market globalization phenomenon and the extremely fast changes affecting goods, services, people's requests and expectations, companies need a high performance management designed to enable them to face these pressures. Human resources play a decisive part in fulfilling the company objectives, as they are considered the most important resource of competitive organizations. The human dimension in a company's business has undergone a tremendous development, triggered by the technological production processes, by an increased competitiveness need, by interpersonal communication and environmental responsibility requirements. As for tourism, where the quality of the services mainly depends on the people providing these services, but also on the clients' involvement into the production process, human resources have a key role in the company business.

The Romanian tourism sector is considered as having an extrordinary potential, its contribution to the gross domestic product (GDP) is forecasted by World Travel and Tourism Council (WTTC) to 5.7 percent in 2009 and 6.72 mld. Euros [WTTC, p. 3]. This percent is considered as unrealistic now, because of the accented decrease of the tourism

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revenue in the first semester of 2009 and because of the real contribution of the tourism sector in GDP in 2008 (3.5%). Also, the tournover from these services decreased between January - May 2009, with 17.2 percent in hotels and restaurants, and 42,7 percent in tourism agencies and tour-operators [INSSE, iulie, 2009, p. 86].

In the same time, the tourism and travel employment is estimated at 582,000 jobs in 2009, 6.8% of total employment, or 1 in every 14.6 jobs. As a result, the importance of the human resources in this sector is emphasized by these forecasting, even though the jobs in hotels and restaurants are sometimes avoided by the labor force due to the low salaries and the lack of the career perspectives for the employees. The level of the medium salary in these firms was 757 lei per month in January 2009 - the less from the entire Romanian economy [INSSE, 1, 2009, p. 12]. The statistical data shows the effect of the economic crisis in this sector, but even under these conditions the managers have to pay more attention to human ressources in order to keep their firms' tournover at an acceptable level on the long term.

Company human resources have in the meantime a dual role: they are a source of risk, and also the resource that looks for solutions to prevent losses and manage risks, by developing plans and strategies, by a positive attitude, by managing the threats brought about by changes.

2. Concepts

Human resource risks are the events that prevent employees from fulfilling their duties, which impedes upon the organization goal fulfillment [Marshall, Alexander, p. 2].

If we consider this human resource risk definition applied to organizations, we are able to identify the main risk sources: natural disasters, manager succession, owner / managers, managerial capacity, labor market [Milligam, p. 4]. We think that there are external risk sources, originating outside the organization (labor market, natural disasters, labor legislaand internal risk sources, concerning the people in the organization (human incompetence/error, temporary or permanent disabilities, death, divorce, inadequate management practices and procedures, employee fluctuation). In 1988, Great Britain's Health and Safety Executive made available a report according to which about 20 million work days are lost each year because of sickness leaves caused by the working environment, and stress has become a first rate problems employees have to face. Inadequate management practices and procedures are another risk source, and the personnel fluctuation costs are high, especially as concerns an organization's key positions. The labor market is a risk source due to the demand of qualification in certain areas for which no specialized labor force exists, to the ever changing legislation, and also to the seasonal nature of the specific tourism business, etc. The management practices and procedures refer to all the activities concerning a company's human resources: recruitment, selection, job description, personnel assessment, reward and benefit systems, training and career development. After the risk sources were identified, in order to study, prevent or solve the problems given by risks actions, it has been developed the human resources management risks concept.

Human resource risk management focuses on identifying, assessing and solving risk situations before threatening a project, a part of or the whole organization. Risk management is only a part of the quality assurance efforts required for mitigating major risk sources that may lead to the redesign or rescheduling of certain goals / projects, which means additional costs meant to prevent performance and quality deterioration [Friederikson, p. 1].

Human resource risk management in tourism companies are describe as a process which starts by a current organization business audit. This audit focuses on revealing the percentage of qualified personnel in the company, in accordance with both the quantitative and qualitative requirements in effect, and on assessing all the organizational human resources activities: existing policies and procedures, relationships between employees, recruitment and selection, human resource development, employee rewards and benefits.

Upon audit completion, a detailed report is drafted including current human resource practices and procedures, the identification of the organizational compliance with the existing legal requirements, personnel fluctuation, etc. It is the stage preceding organizational human resource diagnosis, which is designed to identify the unwanted events and their consequences on the company business. The audit is carried out by specialized individuals, managers, human resource managers.

Human resource risk management consists of the following categories of activities: risk assessment and risk control (fig. no.1).

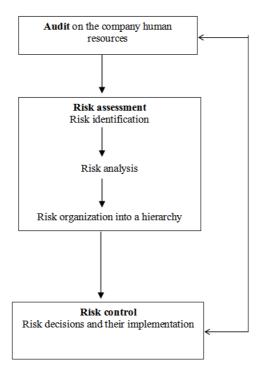


Figure no. 1: Human resource risk management process

3. Human resources risk management in a tourism company

Risk assessment consists of identifying, analyzing and organizing into a hierarchy the company human resource risks. Risk assessment may be quantitative, consisting of an objective probability estimate, based on risk-related information, with immediate application to the risk occurrence background, and quantitative, given its subjective nature and the fact

that it relies on general reasoning arguments. Both types of assessment are used in human resources.

Risk identification includes foreseeing the events that may have a significant negative impact on the company human resources and thus prevent it from fulfilling its goals. Such events may be identified on a list of risks, by comparing past data, employee reports, audit reports, macroeconomic and microeconomic prognoses conducted by specialized institutions and concerning the labor market, etc. The risk list includes questions about existing company personnel health and safety practices and procedures, information on the person attending the survey.

Risk analysis means assessing risk occurrence probability and their financial consequences, the extent to which they may impede upon the company business, according to a risk assessment list, which also sets, on a scale from 1 to 10, the risk occurrence probability (1-very low, 10 – very high) and their consequences (in terms of severity and involved costs). The risk may be determined by multiplying the estimated severity factor by the estimated probability factor.

Table no 1 - Human resource risk assessment list applying to tourism companies

According to: [Marshall,., Alexander, p. 11]

The impact of an event on the company business may be analyzed from the viewpoint of its operational effects (the company is unable to conduct its business at the set parameters, sales drop because of the lack of qualified employees, etc.), of financial costs (costs incurred for the work accidents the employees were involved in), of legal effects (what the legal consequences of an accident are). These effects are actually closely interrelated: hiring people whose abilities and skills do not meet the job description requirements generate a negative impact on the overall organization efficiency, the latter being unable to fulfill its duties towards its customers, which results in financial and also legal consequences, triggered by the company's inability to observe the contracts concluded with its business partners.

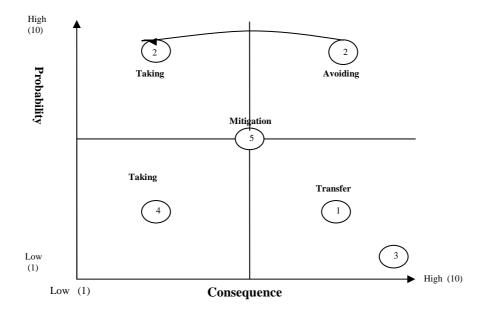
This analysis also identifies an organization's critical functions and the way in which the lack of key personnel affects these functions, by answering the following questions:

What are the critical functions fulfilled by each employee? What are the consequences or impact on the business if these functions are missing or are incomplete? How long will these requirements remain unmet?

Risk organization into a hierarchy and risk strategy setting is the next human resource risk management process. This stage quantifies risks and exposure to risks, as well as the use of decision making quantitative and qualitative methods.

Risk control consists of risk management planning.

There are 4 options for this stage: the managers may decide on taking, reducing, avoiding or transferring risks whose occurrence probability and consequences have been previously assessed. The risk matrix is developed to set the risk strategies that may be implemented by specialists (fig. nr. 1.1.).



According to: [Marshall,., Alexander, p. 9]

Figure no. 2: Risk matrix and risk management strategy choice

Depending on the place events have in the matrix described above, there are 4 types of risk management strategies that may apply. By means of a risk avoidance strategy, managers will prevent the occurrence of risks, which usually consists of giving up certain actions that may involve risks. Hence, a company may decide not to perform a particular type of activity as there are not enough qualified employees. For instance, there are numerous cases of Romanian civil engineering companies that decided to give up some of the services they used to provide as they were confronted with a lack of qualified personnel caused by an inadequate educational offer as compared to the actual demands of the labor market, and by the recent qualified work force emigration.

If we look at table 1, event 3 requires a risk prevention measure consisting of a succession plan. The owner will invest time and money to prevent a possible crisis generated by

the replacement of the company manager, by possible conflicts that may decrease the company efficiency or the employees' morale, by losing credibility before its business partners.

A risk mitigation strategy relies on actions designed to decrease event occurrence probability or probable event consequences. Companies therefore act by taking staff safety and security measures to reduce labor accidents. Occupational health programs aim at preventing health-related risks caused by the work environment, and they have two components: occupational medicine (diagnosis and prevention of health risks related to the work environment and disease and stress control) and occupational hygiene (measuring and limiting risks generated by the work environment). Organizations with more than employees must keep special records of the risk assessment measures taken, both in Romania and in other European countries (Great Britain Britanie, France, etc). Other employee health and security related issues are included in special laws that employers have the obligation to enforce. Most of the times, however, the measures taken are formal and no special importance is paid to them, which means that in Great Britain alone, for instance, the employers have to pay more than 5 billion pounds each year to cover work accident damages.

Key employee leaving risk mitigation involves serious investments in career development, a proper work environment, employee motivation by good wages, benefits, training and career development.

4. Conclusions

Unforeseen events will undoubtedly occur, and when managers prefer to consider that low consequence risks are part of the business they choose a risk taking strategy. Companies face low risks such as an employee leaving the company or an unpaid check from a client (the check is rejected by the bank), and these are considered as part of the overall business costs. A company may however rather invest money when it has a profit than undertaking the risk of costs occurring at difficult times.

A risk transfer strategy means transferring the risks to a third party, usually an insurance company. In some countries, companies have the obligation to participate in the creation of disability funds, health insurance funds, etc., and in others, the company have to take care of these aspects themselves.

Human resource risk control also includes the control of the manner in which the risk plan resulting from risk estimation and assessment is implemented. Human resource risk management is therefore a process that needs to be implemented each time incongruities occur between the planed and the actual results.

Most of the time, however, managers, especially tourism company managers, which is also a business sector affected by the seasonality of its business, ask themselves if a possible investment in a set of activities designed to identify and manage the company human resource risks is not by any chance pointless. Our answer would be that the failure to make this investment may cause serious damage to a company. What happens if the personnel in charge of human resource selection and recruitment are incompetent and the selected employees' performance in their position is low? What are the money and time costs of: a low employee work output, a low employee morale, a high personnel mobility rate, a low employee education and career development level, difficulties in finding the right employees on the labor market, inadequate policies and procedures, lack of compliance with the laws in effect? Even in large companies managers focus rather on the causes of risks such as natural disasters, and on the actions to be taken in such cases. They develop marketing risk plans,

they make decisions related to investments and production and most of the times they ignore or pay little attention to the company human resource risks. Actually, each of these company functions include a human component, and the isolation of marketing, investment and production management employees creates frustration and exposes the company to useless risks. Therefore, human resource risks should be considered by tourism companies when they develop their future goals and strategies, in order to prevent the negative consequences of unwanted events. Nevertheless, this aspect is most of the times too easily forgotten, which impedes on the long term company performance, and which fuels some companies' tendency to aim for big profits to recover their investments over short periods of time, to evasion and low quality tourism services.

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