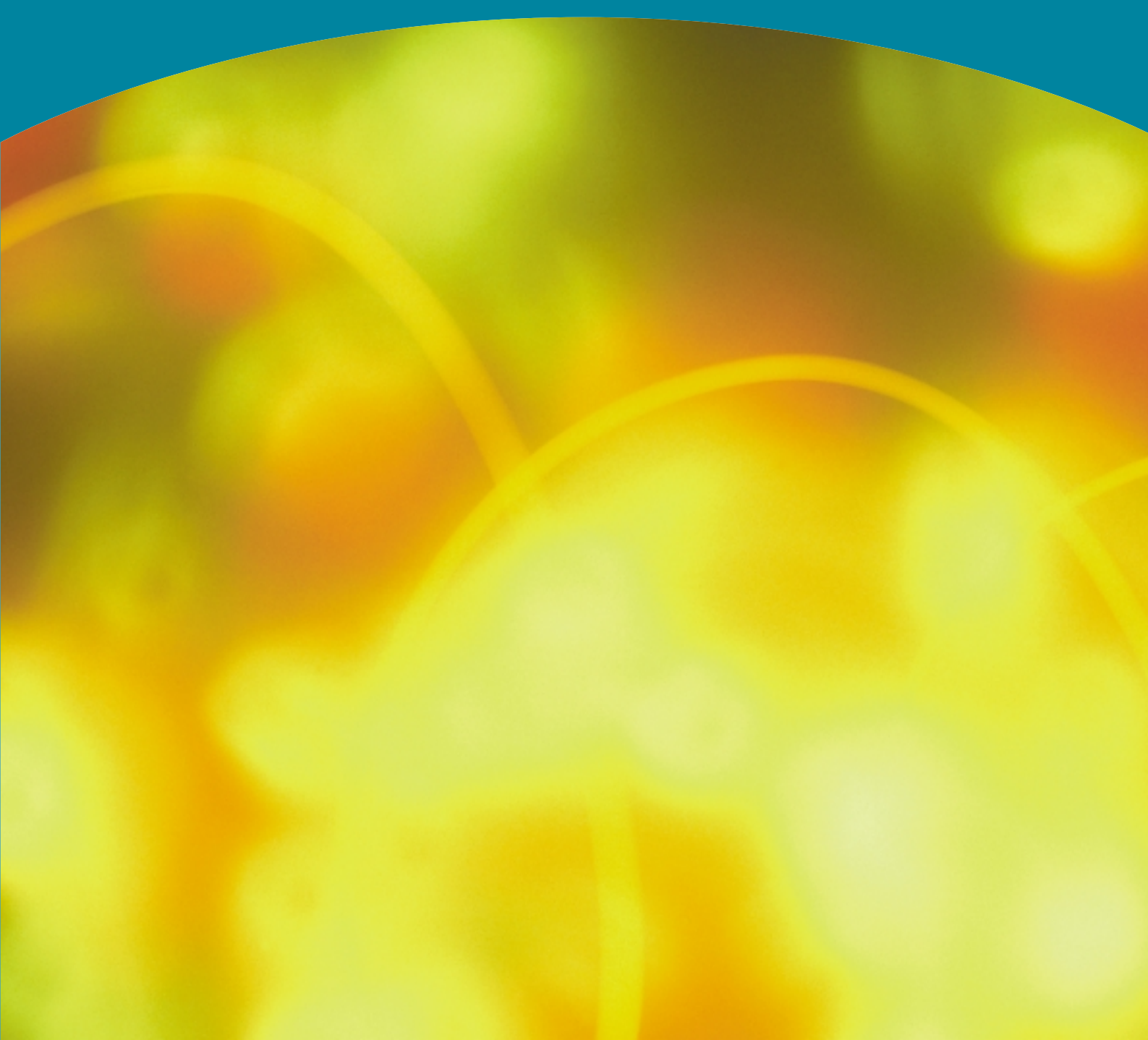


Employers Skill Survey: Case Study Hospitality Sector



EMPLOYERS SKILL SURVEY

Case Study - Local and Central Government

Gill Rowley
Kate Purcell
Mike Richardson
Ruth Shackleton
Sally Howe
Peter Whiteley

Employment Studies Research Unit
Bristol Business School
University of the West of England
Coldharbour Lane
Bristol BS16 1QT
www.uwe.ac.uk/bbs/esru

FOREWORD

The Secretary of State for Education and Employment established the Skills Task Force to assist him in developing a National Skills Agenda. An important part of this remit was to provide evidence on the nature, extent and pattern of skill needs and shortages and their likely future development. The research evidence assembled by the Task Force was summarised in “Skills for all: Research Report from the National Skills Task Force”, published in June 2000.

An important contribution to the evidence was made by a major programme of new research. This included two employer surveys, detailed case studies in seven different industries and a review of existing surveys. We are grateful to all those who participated in this research and so contributed to the work of the task force. This report provides more detailed information on one element of this research. Details of associated reports are listed in the rear of this publication.

It should be noted that the views expressed, and any recommendations made, within this report are those of the individual authors only. Publication does not necessarily mean that either the Skills Task Force or DfEE endorse the views expressed.

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EXECUTIVE SUMMARY

The sector

Hospitality is an employment growth area in Britain, projected to continue growing into the 21st century. The sector is diverse, encompassing hotels and other accommodation, restaurants, fast food retail, bars, catering in a variety of locations. It has been characterised in recent decades by the development of an increasing range of highly segmented products and services. Overlapping tourism and leisure services, with a growing business services component, it is a highly competitive global industry, which is particularly sensitive to economic and political change. The strength of the pound has a significant impact on organisations dependent upon tourism revenue: fiscal and monetary fluctuations affect the propensity of employers to invest in training and conference services as well as wider consumption of leisure and hospitality services. But it is also an industry dominated by small establishments, many of which compete for *customers* within a narrowly-defined local arena: although they are likely in most cases to be in competition for *staff* whose skills have wider transferability.

It is consequently a volatile sector, with higher than average changes in ownership, self-employment, part-time employment and temporary work. The majority of establishments employ fewer than five people. Around 75 per cent of employees are women, 60 per cent are part-time workers and a significant proportion consists of seasonal and migrant workers. Despite the introduction of the National Minimum Wage (NMW), it remains a low pay, low skill area of employment where, paradoxically, skills are increasingly required to adapt to changes in technology, product range and the social, legal and commercial environment. The overall picture is of high labour turnover, with widespread exemption from the Working Hours Directive maximum hours limit juxtaposed with very short part-time hours in some sub-sectors. The sector has a record of suffering from a chronic shortage of recruits with food preparation skills, wastage from the sector of those with vocational skills and qualifications, and there is widespread evidence of 'hard-to-fill' vacancies.

As part of a major investigation of skill deficiencies undertaken on behalf of the National Skills Task Force, this report presents the findings of case studies of 21 hospitality establishments undertaken by the Employment Studies Research Unit (esru) at the Bristol Business School, in collaboration with the Institute for Employment Research (IER) at the University of Warwick. The case study organisations represented the main sub-sectors of hospitality employment: small and large hotels, public houses, restaurants and contract catering companies. They were situated in a range of locations selected to provide comparisons between the experiences and practices of similar organisations in different regions, especially the extent to which skills shortages and deficiencies in the sector were affected by particular local labour conditions. Owners, managers and employees were interviewed at establishment level, in addition to national level sector stakeholders.

Business strategies

Employers in the sector are familiar with having to cope with economic and seasonal fluctuations. A key aspect of the business strategy of most of the case study companies was to minimise the impact of these. They achieved this by developing strong brand loyalty within the market segment in which they operated and, in many cases, either extending their product ranges or diversifying their customer base to attract more predictable and uniform demand. Labour is the main cost in most hospitality enterprises. Organisations varied according to the centrality of cost minimisation in order to compete on price, or of quality enhancement in order to compete on value-added variables.

There was some variation between the sub-sectors in the extent to which this applied, but in all of them, the extent to which organisations prioritised one or other of these varied from the price-sensitive budget end through to exclusive establishments where high prices were regarded by customers as a positive indicator of quality. Quality of service in the latter establishments also relied on a higher ratio of relatively unskilled service staff to guests than was found in the cheaper establishments.

The business-related variables driving change in skills requirements fell into four main categories: changes in the customer base, increased competition, concern with sustainability, and change in production processes.

Changes in the customer base

- Increasing globalisation of tourism and related changes in incoming and outgoing tourism flows - so *change* in the leisure tourism market, both in its composition and patterns of demand (for example, growth in demand for weekend breaks rather than longer stay holidays).
- Growth of demand for business services, such as conference facilities, leading to recognition of the desirability of attracting clients from a mix of the business and leisure markets in order to balance demand over the week and year.

Increased competition

- The growth of relationship marketing and recognition of the importance of quality in attracting and retaining repeat business within the chosen market segment(s): for example, the promotional use of company loyalty cards and discounts.
- Product diversification, development and innovation: for example, special themed events in restaurants, 'special interest' weekend breaks, the development and promotion of customised facilities for female business travellers or families.
- Rising consumer expectations about product quality and service standards throughout the sector.

Concern with sustainability

- Increasing requirements relating to health and safety, food production and storage, employment protection and control of terms and conditions of employment.
- Changes in ownership and business competitor turnover locally.

Change in production processes

- Technology, particularly information and communications technology (ICT) had made a significant impact upon some of the case establishments, particularly - although not exclusively - in the larger companies, so that the majority of jobs had been or might in future be affected.
- The organisation of work (for example, shift working, job design, the development of multi-tasking and multi-skilling) was a key mechanism through which employers pursued workforce flexibility and managed skill gaps and labour shortages.

SKILLS

Skills required

Skills required by employers were grouped into three categories: industry-specific or vocational skills (mainly technical skills such as food production and preparation, stock management, cost control); generic skills (e.g. managerial skills, particularly small business management, communication, problem-solving, selling skills, literacy and foreign language competence) and competence deriving from attitude to work (e.g. enthusiasm, commitment, the will to learn). While nearly all employers reported a willingness to train staff in most technical skills and, to an increasing extent, in generic skills, it was the third category which they found the most critical in terms of recruitment, hardest to address, and which they were most likely to see as a problem outside their remit and beyond their means to remedy. In this sector, it was also necessary to assess skill deficiencies reported by employers in terms of whether they were *skills shortages*, *skill gaps* or *labour shortages*. Beyond reported skill deficiencies, unreported and latent skills deficiencies were also considered.

Skills shortages: external recruitment difficulties

In terms of technical skills, the most widely reported skill shortage across all sub-sectors was that of chefs generally, particularly *sous chefs*, and this is acknowledged to be a problem which transcends national boundaries. Most employers across the sector also complained of difficulty in recruiting appropriate candidates for management jobs, general operative-level jobs and part-time staff. The large hotels had experienced difficulties at all occupational levels, particularly in tight labour markets, where they found it necessary to recruit relatively unskilled staff from other regions or overseas and to provide incentives such as accommodation.

Skills gaps: internal recruitment difficulties and skills deficiencies among current staff

Organisational delayering and the increasing decentralisation of operational responsibilities in many establishments has shown up the lack of technical management skills at intermediate levels - such as financial management and human resource management. Increasing market competition, with decentralisation of accountability at local level alongside increasing centralisation of functional areas at company level, have added the last two skills to the portfolio demanded of departmental managers and have exacerbated the skill gap already referred to. The devolution of responsibility in organisations, especially when combined with a business strategy of enhanced quality, has also increased the need for generic skills in 'point of service' staff. Thus food service staff often need selling skills, while housekeepers also need communication and problem-solving skills.

Employers who were interviewed reported that there were no ICT skill deficiencies at operational level, but the diversity in use of ICT across the sample cases suggests that this may reflect low awareness of the potential of ICT to transform marketing and work patterns. Most respondents did not, on the whole, seem to be well-informed about the potential impact of technology for their businesses and in some cases seemed to lack a basic understanding of the skills required to use some of the technologies to which they already had access, having devolved responsibility to specific staff or external consultants.

Unreported and latent skill deficiencies

There was no evidence of reluctance or unwillingness to report skill deficiencies by employers or employees, but acute unreported and latent skill gaps were observed in some of the establishments. For example, whereas owners and senior managers were likely to report skill gaps at middle management level, only a few recognised the paucity of strategic management skills at the top. Many also seemed unaware of weak management skills at team-leader levels. As described in the report, poor customer handling, counter-productive leadership and people-management, sometimes accompanied by resistance to innovation, were observed in the course of the fieldwork. We found few managers who thought outside the traditional modes of operating, or anticipated how technology could and would impact upon their business in the medium-to-longer term. There was a widespread failure to appreciate the importance of foreign language skills in this tourist-related industry. All of these deficiencies reflect the most fundamental deficiency of all: managerial skills at all levels.

Labour shortages

In some locations, labour shortages clearly reflected the unwillingness of employers to offer competitive pay and terms and conditions of employment. While low pay was a barrier to recruitment at all skill levels in the industry, we noted the attention paid by best practice employers in all sub-sectors to increasing labour retention rates by other means. In tight labour markets, employers exhibited imagination and ingenuity in constructing jobs to attract particular categories of job applicant, along with willingness to seek for labour from other regions of UK and Europe.

Best practice employers were able to keep turnover of full-time employees down to around half the industry norm of 48 per cent (HtF 2000), but believed that some turnover was healthy and inevitable. Unlike most other sectors, establishments saw an 18-month to two-year stay as a reasonable return not only on recruitment costs but also on investment in training.

Impact of skill deficiencies on business performance

Examples of skill deficiencies, which jeopardised product and service quality, productivity and profitability, were identified. In some cases they impacted directly on the choice of product strategy and in others delayed the implementation of chosen strategies. Only the most progressive organisations anticipated fluctuations in demand and managed their staff in ways that increased labour retention: in the others, managers routinely resorted to fire-fighting and forms of work intensification which not only risked quality but exacerbated labour turnover and employee resentment, reinforcing the vicious circle of understaffing, intensification and high turnover.

Training and development

Employers in all sub-sectors had a clear preference for work-based training, and valued sector experience more highly than formal qualifications. NVQs, although widely taken up, were regarded as offering less breadth and depth of culinary skills than the City & Guilds qualifications which they had replaced at craft level. Employers saw colleges as good at teaching technical skills such as law and accounting, but less effective at teaching cooking skills. They believed that generic skills (such as problem solving and 'following through') could only be learned through the experience of day-to-day

work, while many work experience placements gave college-based students little understanding of the realities of the industry. Modern Apprenticeships were generally approved by practitioners, but the New Deal packages had largely failed to deliver recruits of an acceptable calibre - and the somewhat demanding procedures associated with taking on New Deal applicants was widely resented.

Employers used training and development as an incentive in recruitment and as a means of retaining staff. Large chains, particularly international ones, had a head start in this area, but we found one small hotel group and one consortium of small independent hotels who had begun to offer similar benefits, with another two consortia (one of inns, one of restaurants) with the potential to do so.

Conclusions

The establishments identified closely with, and regarded themselves as competing within, relatively narrowly defined market segments. Although a greater proportion of skills gaps and shortages in the larger, more sophisticated organisations with more complex products or product ranges were at the vocational professional or craft end of the skills spectrum, the same skills shortages were found throughout the sector. A relationship was found between product market strategy and the development and utilisation of appropriate skills, but a substantial component of this was human resource management strategy - reflecting the crucial importance of human resource quality and organisational agility in this quintessentially customer service sector.

As described above, we distinguish in the conclusions between external skills shortages, internal skill gaps, unreported and latent skill gaps. In summary, the most serious endemic human resourcing shortfalls were found to be in food preparation (from relatively low-skill to the highly-qualified and experienced professional chefs), in strategic and human resource management and, at all occupational levels, candidates at the full range of skill levels who were willing to work unsocial hours.

Less universal, but presenting serious difficulties for a high proportion of employers (particularly in tight labour markets), were food service skills from operative to skilled food and wine service and people willing to work flexibly, with good communication and interpersonal skills. Finally, non-culinary (mainly maintenance) craft posts had often been difficult to fill, marketing, financial management, ICT and foreign languages skills were both declared and unrecognised areas of skill gaps among current employees: the latter two rarely acknowledged by managers but identified by the researchers as current and latent obstacles to realisation of potential service quality and commercial success.

Some of these deficiencies reflect labour market circumstances, commercial constraints and lack of awareness of options, but some also reflect poor human resource management, unwillingness to take risks or invest in innovation and short-termism: most vividly exemplified by the low-pay, crisis management culture of the less impressive establishments. Excellence was not related to size of operation. The 'best practice' small independent establishments, in addition to being at the cutting edge of product and service quality, were often technically innovative and, taking advantage of economies of scale and access to marketing and training which consortium membership gave access to, exhibited an impressive and cost-effective commitment to skills development and utilisation.

1. CONTEXT TO THE CASE STUDIES

1.1 Background to the sector

Hospitality has had the largest overall employment growth of all sectors in recent years, and growth is projected to continue into the next century (Wilson 2000), contributing around 5 per cent of UK GDP and 25 per cent of foreign invisible earnings (BHA 2000). In 1998, the sector itself employed 1.8 million people with a further 617,000 employed in hospitality occupations within other sectors (HtF 2000). It is estimated to employ approximately 10 per cent of the UK workforce (BHA 2000). Employment is projected to grow by around 15 per cent during 1996-2001, with similar levels continuing through to 2006 (Maguire and Shackleton 1999).

Small-to-medium enterprises (SMEs), many of which are owner-operated, constitute the bulk of the sector. In 1998, 85 per cent of commercial hospitality establishments employed ten or fewer people, who constituted 36 per cent of the workforce (HtF 2000). Amongst the larger groups in the hotel sector, there has been intense merger and acquisition activity during the mid-late 1990s (Maguire and Shackleton op cit.) and the market share of organisations with an annual turnover of less than £50,000 fell from 22 per cent to 10 per cent between 1994 and 1996 (Key Note 1997).

Of employees working in the sector, 71 per cent were women in 1998 (HtF 2000), reflecting the fact that hospitality has a higher proportion of part-time employees than any other industry: nearly 60 per cent compared with 27 per cent in the labour force as a whole (Purcell et al. 1999a). The average gross hourly earnings of all full-time employees are the second lowest of the nine Standard Industrial Classifications (SIC 1992) (LFS 2000: 43). McKnight et al. (1998) reported that 45 per cent of women and 25 per cent of men earned below the National Insurance Lower Earnings Limit (LEL) in 1995-96. While it is rather early to assess the full impact of the NMW on hospitality employment patterns, the latest earnings data (see discussion at section 2.3.1 below) do not suggest any change in the traditional picture of hospitality as a low-pay sector. Compared with other industries, hospitality has consistently been found to have higher than average skill shortages, labour turnover and hard-to-fill vacancies at every level and this picture is reinforced by other elements of the Employers Skill Survey.

The role of unions and collective bargaining is mainly restricted to public sector catering and a minority of hotels in conglomerates whose original core business was in related sectors such as brewing or transport.

1.2 The case establishments

In order to represent the diversity of employers, product ranges, work contexts and consequently skill requirements, case studies were selected to provide a balance between the large number of small owner-operated establishments in the sector and the influential multi-site groups. The final sample comprised:

- seven small hotels, urban and rural, with annual sales turnovers of £0.4-£1.5M; all independently owned, including two solo establishments and five members of small groups;
- five large hotels, urban and rural, with annual sales turnovers of £4-16M; all branded chains, three of which were multi-national;

- three public houses (pubs) with restaurants and rooms, urban and rural, with annual sales turnovers of £0.2-0.5M; of which two were independently owned and one was franchised;
- two restaurants with annual sales turnovers of £0.8-£4.5M, of which one was Michelin-starred, the other part of a small pizza chain;
- four contract catering operations including a multi-national, a UK brand leader, and a smaller group in the south of England with an annual turnover of £20M.

The main research instrument designed for the case study phase of the ECISD study is shown in detail in Annex B to the Case Study Synthesis Report (Hogarth 2000). This was an extremely detailed series of interview schedules for key respondents, developed by the project co-ordinator in conjunction with all the research teams, to be adapted for use across the seven sectors which comprised the ECISD study. In-depth semi-structured interviews were conducted with:

- owners and proprietors
- general managers and deputy managers
- human resource/personnel managers and training managers
- marketing, sales and conference managers
- a group catering manager and regional and site/location managers.

Interviews also were conducted with a range of staff in the majority of the establishments, including:

- head and sous chefs
- receptionist staff
- food service staff
- a room division manager and housekeeping team leader
- a night manager/auditor.

Further information about the case study organisations is provided in Chapter 2. The unit staffing capacity of the establishments was broadly representative of the UK industry as a whole, as shown in Annex 1, which provides summary details of all the case study establishments.

It should be noted that, partly because of issues of access, the establishments represent good practice relative to the sector as a whole. For example, the proportion of managers with higher education qualifications and professional accreditation was significantly higher than average for the sector. It has been reported (Henley Centre 1996 and others) that, compared with other sectors, professionally qualified managers are under-represented in hospitality. In addition, labour turnover in most of the establishments was less than half what is generally taken to be the most reliable indication of the sector average of 48 per cent for full-time employees (HtF 2000). All the establishments included certificated trainers on their staff, and a number were offering training to staff in other establishments. In addition, 80 per cent of the sample establishments held Investors

in People (IIP) accreditation, while a number additionally had more sector-focused accreditation such as the British Hospitality Association’s Excellence Through People, the Hotel & Catering International Management Association’s Hospitality Assured, and ISO 9000 (recognition that they have reached a specific level of international quality standards). This is a highly competitive sector where continuous performance is highly visible and the quality of labour a major component of service. Reputation is crucial to commercial success, so that such awards and other accolades are taken very seriously as evidence which differentiates excellent organisations from the rest, and which can legitimately be used in marketing and promotion.

1.3 Skill categories

Skills required in the sector broadly fitted into the categories of vocational and technical skills, generic skills and a third category of competence invariably referred to by employers in response to questions about skills requirements, attributes which less obviously reflected skills than predisposition or attitudes. Annex 2 provides a list of the range of skills identified, according to this classification. In summary, it encompasses five sometimes overlapping categories of knowledge, experience and attributes sought by employers:

Figure 1: Categories of competence and attributes sought by employers



Generic skills and attitudes overlap in covering aspects of social competence, flexibility and competence in ‘emotional labour’ (Hochschild 1986): that is, meeting customer service and people-management requirements to manage one’s own emotions and those of others as part of the job.

Most employers emphasised the primacy of personality attributes or ‘attitudinal skills’ such as enthusiasm, commitment, and the will to learn. There were many anecdotes of successful job applicants whose sole qualification was ‘the right personality’. Several employers said words to the effect of ‘Give us people with the right attitudes and we will teach the skills.’ Job incumbents were required to have, or be able to develop, a selection of the ‘hard’ skills but virtually all of the soft skills and attitudinal characteristics were required of most employees in the sector, frequently described by managers as a ‘people’ industry.

2. BUSINESS STRATEGIES

2.1 Classification of the establishments

Attempting to differentiate the sample establishments in terms of overarching strategy proved problematic.

Hoque (1999), in a study of over 200 medium-large UK hotels undertaken in the late 1990s, divided them into three categories in terms of business strategy: those focusing on cost minimisation or price competition, those focusing primarily on quality enhancement and those with an ambiguous approach to business strategy. Regardless of establishment size or sub-sector, all our case study establishments were seeking repeat business, actively developing enhanced product quality and quality of customer service to this end. Our small sample thus conforms to Hoque's insofar as the latter two categories predominated. While the contract catering firms faced the most severe pressure on prices, they did not compete on price alone, and used a range of stratagems to add value to their products. Other establishments shared a sensitivity to competitors' prices within segmented markets defined primarily by cost. The smaller establishments across the sub-sectors kept a firm grasp on costs, but financial considerations did not preclude policies of quality enhancement.

All the hotels, pubs and restaurants were diversifying their customer base, in particular to even out peaks and troughs in demand by attracting a mix of business and leisure customers, while the contract catering companies also balanced corporate clients with leisure functions, high street retailing and specialist supply to hotels.

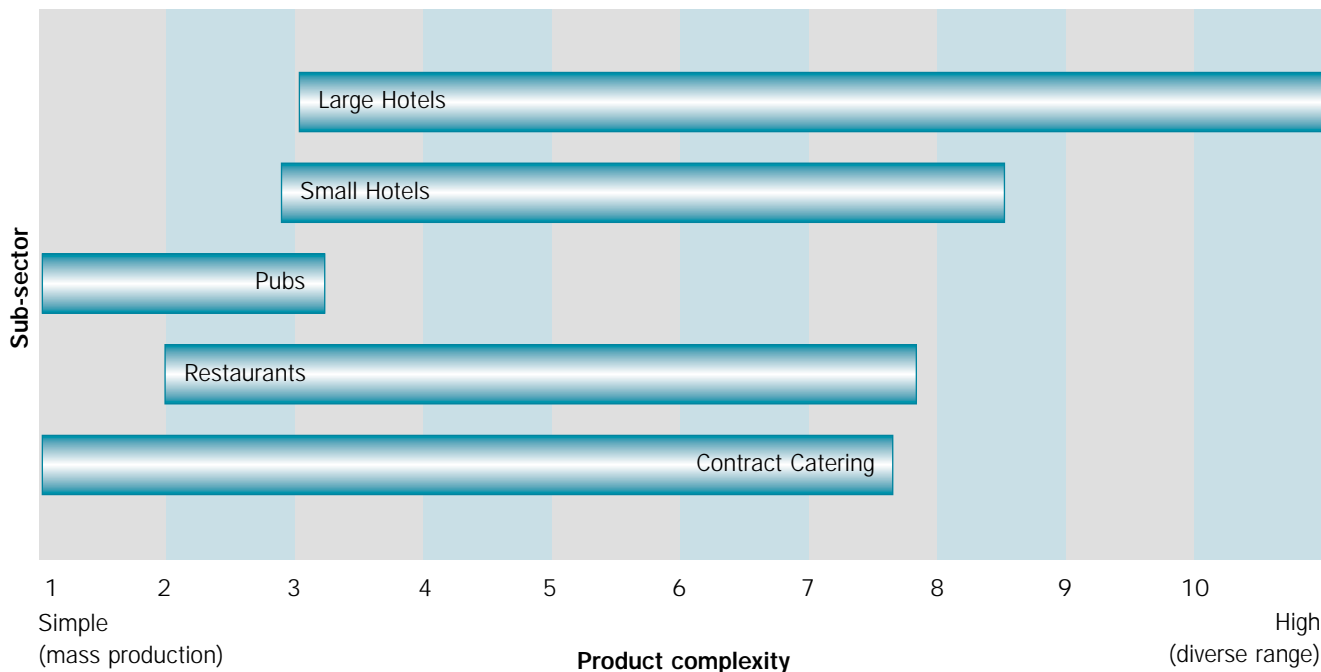
While two-thirds of the establishments were expanding or diversifying their product service range, there was some contrasting evidence of increasing segmentation and specialisation. For example:

- Two small hotels in a tourist city - faced with a prestigious new rival on the doorstep - were re-focusing on core business: one had ceased to advertise as 'Dinner, bed and breakfast', letting its restaurant run down and cutting bar snacks; its neighbour, operating in the same market segment, had withdrawn from conference business and was converting the space to additional bedrooms, but was developing its restaurant with a view to improving food service premises for hotel guests and local clients.
- Two small hotels and one pub in our sample were 'marking time' pending retirement of the owners (but again, this did not rule out a commitment to skills development and quality enhancement within current operations).

A feature of the sample establishments was their very strong identification with the segment in which they operated: none had a strategy of moving between segments. There are a variety of classifications used throughout the sector to identify the range of services and quality of products offered, the most widely used of which is the 'star' system (see Annex 3). For example, the two-star hotel competed within that segment and not with three-star hotels; the fast-food restaurant and Michelin restaurant competed in separate, tightly defined consumer and labour markets; and the two inns competed primarily with other local pubs, despite the fact that they had restaurants and rooms. We considered the degree to which different sub-sectors were characterised by greater or lesser product complexity, and to an extent it is possible to depict this in very broad terms. Nonetheless, all the sub-sectors encompassed a wide range of operations.

Figure 2 indicates the degree to which there was an overlap in the degree of product complexity of the sub-sectors examined.

Figure 2: Range of product complexity in the sub-sectors examined



This indicates how, within each of the sub-sectors, the products ranged from relatively simple to highly complex. For example, the Michelin-starred restaurant produced a more extensive and very different range of products from the pizza restaurant. The smallest hotels provided accommodation and a simple food service, whereas the larger ones offered a range of services overlapping into the leisure market and business services. Within each of the contract catering companies we examined, product range was extremely diverse, from the supply and maintenance of vending machines and mass produced hot and cold fast-food through to the production of food and services for gourmet boardroom meals and functions.

The diversity of products, operational scales and technologies makes it difficult to compare the overall degree of product complexity among sub-sectors, because, essentially, the 'products' are actually services - and these have diverse components. For example, the contract catering companies did not provide specialist food services of such quality or complexity as the Michelin-starred restaurant or four star hotel, but they might supply a complex and diverse range of services to one client, as well as to several clients simultaneously. Taken item by item, each transaction or group of transactions might be relatively simple but in total constituted a highly complex and sophisticated package, requiring a high level of human resource, operational management and administrative co-ordination. Thus there was no single continuum from product simplicity to complexity in this sector. Nevertheless, the degree of complexity of products, both in terms of scale and sophistication, had implications for the range and levels of skills required, as will be discussed.

2.2 Changes in strategy

In this section we discuss in more detail the trends in product and service demand which impact on skill needs, the drivers for change, and the role of strategic choice in the sector.

2.2.1 Changes in the customer base

A range of factors - including foreign travel, changes in food retailing, the proliferation of TV food and drink programmes, a growing awareness of food-related health issues, not to mention underlying cultural changes - have led consumers to be increasingly discerning, and more ready to articulate their disappointment when they feel their expectations have not been met. In these circumstances, quality may be defined as the consistent delivery of products and services to the standard expected by a 'reasonable' consumer: it is the equally legitimate strategy of a B&B, a five-star hotel, a fish and chip shop or a gourmet restaurant. One restaurant manager commented that reputation was not only of importance to establishments individually, but that there was a multiplier effect, especially in tourism locations: 'Poor service and poor standards in one restaurant will impact on trade for others.'

All the hotels, pubs and restaurants in our study aimed for a mix of business and leisure clients (independent travellers and corporates/clubs), in order to widen their market and even out peaks and troughs in demand. Hoteliers reported a steady trend away from the 'fortnight break in August' and towards the splitting up of holidays into three or four short breaks or through the supplementary breaks which 'empty nesters' could afford. The two customer types made different demands, requiring sensitivity and flexibility in the service approach, as in the example below.

SH5: The new owner of this seaside hotel had a background in conference work and was promoting this area, but it was new for the hotels in his group. He said it called for a '*change in culture... Corporate clients have timetables and schedules: they need a quick response, awareness, efficient unobtrusive service and staff who are on the ball. Leisure guests want staff who have time for them and like to chat. It is difficult for staff to switch over, and therefore May-June [the end of the conference season] and September [when it starts again] are always difficult. It's as different as a team playing rugby one week and soccer the next.*'

The two customer types also called for different technical skills - such as business support services, or play skills and activity-leading for family holidaymakers. In the resort hotels, we found a common recently-developed strategy of attempting to counter seasonality by targeting the local non-resident community, for example by providing a cocktail hour, or opening a pub-style bar or bistro-type restaurant fronting onto the street, or by offering membership of fitness centres and leisure clubs.

Hotels, pubs and restaurants reported that they increasingly catered consciously for women customers and families, on the grounds that business travellers, women and families were becoming a larger or potentially larger proportion of clientele and had different expectations of service. For example, unaccompanied women would not return to a hotel or spend time in the bar and restaurant if they felt physically insecure or conspicuous. Awareness of this had led some hotels to introduce women-friendly policies and specialist services. Women guests made more demands on room service (in-room meals, an iron, a pair of scissors) in an area where recruitment was difficult as it was seen as an unglamorous extension of the traditional female domestic role. In one of the pubs, women customers were said to have driven up hygiene standards and helped to extend the product service range to

include waiter service, afternoon tea, reading material and fresh flowers. Change in the balance of clients also made different demands on routine operations. For example, the room division manager at LH11 related that housekeeping staff cleaned 16-20 rooms in an eight-hour shift, but the hotel had made no allowance for the new strategy of family occupancy at weekends, although families used all the beds, used more facilities than business clients and made more work. The team was carrying ten vacancies at the time of interview, and the permanent staff were under considerable pressure to cope. This was by no means an isolated example, even among these relatively 'good practice' hotels and reflects the established wider tendency within the industry to crisis manage and take a short term view rather than plan ahead to avoid or mitigate predictable fluctuations in demand. The owner of P14, who had won Best Pub award two years running, held Hospitality Assured accreditation and was working towards IIP, provides evidence that no matter how small, an employer can follow Government schemes and benefit from them, but reflected '...lots of firms don't give a stuff. They invest nothing in their people or the business.'

A growing need and desire to cater for culturally diverse clientele was reported, calling for new technical skills such as the management of food sourcing, separation and preparation, as well as generic skills.

The contract catering companies were also diversifying their customer base, for example mixing corporate clients with leisure functions, high street retailing and specialist supply to hotels.

2.2.2 Repeat business and the pursuit of quality

All the sample establishments had a strategy of encouraging repeat business, primarily through enhancement of the quality of their products and the service interaction, however that quality was defined. For example, two of the pub proprietors paid particular attention to the storage, hygiene and serving of alcoholic drinks, believing that a good consistent quality of beer was more important than price in attracting and retaining custom. At the other end of the spectrum, one restaurant director was in pursuit of his second Michelin star, having introduced a range of measures (including changing the staff and customer dress codes) to make the restaurant 'more welcoming...less stuffy' and offering flexible prices. As the manager of LH9 remarked, 'A policy of repeat business affects the staff. It used to be a case of taking money off the customers and spinning them out as fast as possible.'

In general, this strategy placed higher demands on technical skills to 'get it right first time' and on generic skills such as active listening, problem-solving and a personality that engaged with the customer. The skills requirements extended, for example, to housekeepers and drivers, and were contributing to the erosion of traditional 'front' and 'back' room roles. The requirement for improved service quality had accompanied a degree of delayering in the sector, leading to some devolution of decision-making and responsibility to operational level in most, though not all, of the sample establishments. This feature was not related to establishment size or sub-sector, but owed much to the owner or manager's leadership style.

2.2.3 Product diversification, development and innovation

Two-thirds of the establishments were expanding volume or diversifying their product service range, both to maximise turnover and to spread the risks associated with downturn in a particular product or customer market. For example, a small hotel had responded to customer demand by offering room service and extended bar hours for residents, and this - and other small, rural hotels - had been swift to take advantage of changes in legislation which allowed them to become a licensed wedding venue. Small hotels, pubs and restaurants offered theme nights or weekends for particular cuisines or interest groups, or provided cookery courses or activity weekends. A small hotel group exploited its 'water's edge, coastal-path' brand to offer multi-site sea-sport and golfing holidays.

The hotels, pubs and one restaurant establishment were competing for conference business, training events and meetings. For the weaker competitors, this meant little more than hiring out a spare room and providing some catering. For example, we observed a conference in one small hotel, which was serviced entirely by school-age staff wearing 'trainee' badges. In another small hotel the proprietors were surprised to be asked about in-house help with audio-visual aids, and said optimistically that they would 'hire in expertise if ever they were required'. In contrast, large hotels were more likely to offer technical support as well as equipment, basic office services and a dedicated staff member responsible for ensuring the smooth running of the event. One chain provided all conference rooms with buzzers for summoning an attendant, along with 'tool boxes' of conference equipment.

There were signs that corporate client companies were moving away from multiple meetings to an annual event in order to cut costs. However, the owner of SH7 - in a location which he believed was too remote for conferences - was successfully promoting the hotel as a 'retreat' for media personalities and a 'rest and relaxation' incentive venue for corporate clients. He described it as 'somewhere in the middle of nowhere - a retreat with all the services provided. You don't need to leave the hotel.' Repeat business was at 75 per cent and rising, so that the owner 'retained' some rooms at New Year 'just to ensure some new faces.' This reflected successful niche marketing - an approach taken by most of the successful small establishments observed.

The boundaries between restaurants, pubs and bars - and the balance between 'wet' and 'dry' trade (drinks and food) in these establishments, has changed radically in line with cultural changes and drink-driving legislation. There had been a growth in the number of city-centre bars, including those, which contrived to offer different products and a changing ambience to capture different customer markets at different hours. Rural pubs in particular that had taken up the opportunity offered by changes in legislation to allow all-day trading found that they were coming under increasing consumer pressure to serve food whenever they were open. Meanwhile, the return of cocktails to popularity had inspired new skills, ranging from bottle-juggling barmen to the handful of cocktail creators in London who attracted strong customer loyalty and commanded celebrity salaries.

Our sample establishments did not include the restaurant chains which actually audition staff for their entertainment skills (Lashley 1998), but did provide considerable evidence of policies designed both to get 'closer to customer' and to 'lighten up' the service environment. These represented innovation in the intangible elements of the service transaction, and some examples are given in the panel below.

LH9: The manager had introduced *'a culture of talking to customers. I mean getting people out from behind their desks.* The manager thought that aspects of the British culture (reticence, reserve, not talking to strangers, not wanting to 'intrude') made them ill-suited for the hospitality sector, and spoke with approval of non-British members of staff. *'I could do with ten Marinas on reception. She's got the gift of the gab. She's crap on the computer, but I can buy that in.'* In support of cultural change, the manager had introduced job swapping. For example, he had found the kitchen porter was *'great with people. So we put him out front on breakfast eggs. He's a natural.'* In addition, every department in the hotel had to supply a member of staff for two hours each day as lobby host.

LH10: The hotel encouraged staff to call each other by Christian names and customers by their surnames ('Mr Jones' rather than 'sir' or 'madam').

R16: Only a service counter separated the kitchen from the dining area, so that customers could see their dishes being cooked to order. This provided part of the buzz, which the chain sought to create. It also meant that cooking, good safety and hygiene skills had to be exemplary.

CC20 similarly had introduced 'live theatre cooking' throughout its locations, increasing the opportunity for customer communication, as well as boosting trade through a 'smellyvision' effect.

CC21: The manager told us: *'When I first put chefs on the service counter, they hated it. It's been a learning process, and they have received training and encouragement in handling criticisms and suggestions. Now they enjoy the customer contact, and the relationships they have formed help to keep customers coming back.'* They required, in fact, new 'soft' skills, which were previously not part of the job. Such job enlargement was characteristic of moves designed to encourage multi-skilling and staff flexibility throughout the sector.

Product development and innovation in contract catering had been stimulated by a shortening of client contract lengths to a period of three or four years, thus tightening the competition, while client employers had become less inclined to subsidise staff restaurants. The sub-sector had become retail-orientated, with customers demanding the food they saw in high street outlets and supermarkets, while nevertheless expecting it to be cheaper in the workplace location. In response to contract competition, two catering companies had attempted zero cost policies, while all had introduced branded goods (e.g. made-to-order salads and sandwiches, baked potato stand, 'Italian' counter) with higher margins. Increasing their margins on branded goods was seen as a positive alternative to the reduction of labour costs.

CC21: The manager emphasised the importance of *'keeping moving on'* to retain customer interest, particularly in an environment where customers visited every day. For example, he noted that trade dipped on Fridays, when the office workers in the client company celebrated the end of the week with a pub lunch. In response, he adapted a colleague's idea of a 'Friday fish shop', where customers could buy and take away any product they would expect to see in a typical chip shop. He said happily: *'Now I watch customers strolling to the pub along the road, eating my meal, not the pub's.'* He explained that *'Spotting food fads early on is important for keeping customer interest'*. The current company newsletter reported that the vending supervisor had won their Quality Idea Award of £100 for her idea of filling confectionery machines with homemade or branded cookies, resulting in an increase in gross profit from 18 per cent to 40 per cent.

Other forms of development in this sub-sector included extended operating hours (mirroring changes in the working hours of client companies - often call centres), facilities management on client premises (security, reception, cleaning), high street vending, and cook-chill food production specifically aimed at businesses such as hotels that wished to outsource the food production side of their banqueting operation.

While in some companies the move to centralised cook-chill meal production had relocated food production skills, there was a concomitant rise in the demand for administrative skills in chefs (e.g. portion, cost and materials control, record-keeping) and selling skills in food service staff. At **CC19** we were told, *'Catering assistants used to be there just to serve the chips... Now they are there as retail sales assistants to try and sell more of the right things to the right people [sic].'* In this respect, the sub-sector was not different from other catering venues, where service staff were encouraged to sell high value-added products such as desserts, coffees and liqueurs, or products which were on special promotion. An atypical feature of the sub-sector was the extent to which chefs also doubled as general managers on small sites (e.g. those with seven staff or fewer in one company, or with a maximum of 250 meals per day in another).

Innovation is not just about creativity but about bringing goods to market. Most hotels, pubs and restaurants offered incentive packages, club cards and gift voucher schemes. One small hotel group was building a customer profile database which it used to create and market theme and club weekends. And the example below illustrates the considerable marketing proficiency of the proprietor of a small pub.

P14: The owner had traded before in this town, and relied heavily on word of mouth to market her new restaurant: taxi drivers were particularly useful. In contrast, she had advertised the opening for three months in the local paper, but this had made no discernible difference to trade. However, business was growing, and [in September] she had bookings for Christmas. She had developed incentive marketing mechanisms: special offers, customer feedback forms entered into a monthly draw for a free meal for four people. When she opened her refurbished and upgraded accommodation suite a year previously, she had sent a letter and brochure to every business in the town, with visitors and sales representatives in mind. Both business 'arms' were doing very well at the time of interview and had taken trade from local competitors. The proprietor produced all her marketing material and in-house documents on a personal computer, and her external advertising boards - even her car - displayed the pub logo and corporate colours. She belonged to an internet marketing consortium and was considering creating her own website. Her success reflected the potential in the sector for even small companies with marketing and IT skills to increase sales and workforce stability.

In contract catering, the central sales team had a high profile. In one company, an American sales training programme had been introduced two years previously, with an emphasis on the identification of key contacts within client businesses, and the retention of business once established. The company claimed that since then, the business retention rate had risen from 30 per cent to 97 per cent. Another company said that up to 25 per cent of new business opportunities arose through informal marketing and taking advantage of employees' information about new local opportunities for expansion. This element in the contract-catering sub-sector was sufficiently crucial as to have spun off a new career path for former employees, who were successfully marketing consultancy services in contract negotiation to potential clients.

2.3 Assessment of sustainability and alternative strategies

Before assessing the sustainability of establishment strategies, and possible alternatives, it is necessary to discuss the opportunities and constraints upon strategic choice within the wider context.

2.3.1 Changes in the external environment

The sector is extremely sensitive to fluctuations in the economy nationally and internationally, and many owner-managers in the sample establishments had sharp memories of the last recession. During that time, conference and corporate business as well as the leisure trade declined steeply, although the sector was quick to respond - for example with budget hotels, which are now the fastest growing segment. Several managers were critical of colleagues' short-term thinking for fuelling the boom-and-bust cycle of the sector. For example, Bristol had moved from under- to over-capacity in hotel accommodation within the space of two years, while still lacking any conference venue of national standing. Respondents expressed concern about the effect of the strong pound: perceptions of value for money, including quality, had influenced both home and overseas consumers to spend elsewhere.

The sector is sensitive also to political events. For example, during the Gulf War overseas tourism and business travel fell dramatically, while the peace process in Northern Ireland increased business and leisure trade not only for the North but also for the Republic of Ireland.

Developments in transport infrastructure - for example, motorways to Cornwall and West Wales, budget airlines, the Channel Tunnel - generally have widened competition.

Changes in legislation and other forms of government intervention immediately impacted on the sector. For example:

- hygiene, health and safety and employment laws (such as the working time directive) and environmental legislation
- drink-drive legislation and the regulation of public behaviour (affecting, for example, pavement cafés)
- an emerging trend for magistrates, when granting on-licences, to look for the British Institute of Innkeeping's National Licensees Certificate, which had spun off a niche market in commercial training. (Two of the publicans in our case studies offered external training as a part of their business activity.)

Thus legislation has provided both opportunities and threats for businesses, with the volume, pace and complexity of recent legislation, and its associated administrative and enforcement burdens, placing a particularly onerous burden on new businesses and small outlets, whether independent or decentralised (Better Regulation Task Force 2000). One small hotelier referred to the constant pressures of an increasing amount of paper: employment legislation, fire regulations, food hygiene, planning regulations, et cetera:

SH5: *'From 16 September, all staff will have to be able to answer GM questions on soya and grain products. We can't do it. If the government is going to ask us to enforce the law, then they should provide the wherewithal - publications, training. The Disabled Persons Act is coming: where is the help for us to comply? ...Take shifts. Who will police this? Staff are meant to clock off for breaks, but a lot won't do it. I can warn them, but how can I make them? The onus is always on the business, and it's time-consuming.'*

Despite the introduction of the NMW in 1999, the latest earnings data do not suggest any change in the traditional picture of hospitality as a low-pay sector, with far higher proportions than in nearly all other sectors with earnings around the new minimum wage (see Table 1).

Table 1: Gross hourly earnings in the hospitality sector compared with all industries and services

	Percentage earning less than £4.00		Percentage earning less than £3.60	
	Hotels and restaurants	All industries and services	Hotels and restaurants	All industries and services
Manual full-time				
Males	22	3	7	1
Females	38	17	10	4
Manual part-time				
Males	67	32	21	10
Females	67	33	17	8
Non-manual full-time				
Males	6	2	2	1
Females	10	3	4	1
Non-manual part-time				
Males	•	13	•	5
Females	34	10	8	3

• Figures not provided owing to low numbers.

Source: New Earnings Survey 1999, Tables C16-20 and F21-22

UK Government and EU funding has facilitated change - for example, through developing regional frameworks, which encourage consortia. One regional consortium, with the help of a full-time co-ordinator, enabled small independent hotels to market their products and train their staff in ways they could not afford to on their own.

However, UK and European national and regional investment policies are not generally seen as helpful to the small businesses which predominate in the sector. We found cases where owners of small establishments were not risk-averse but for whom difficulties in raising finance had impacted detrimentally on their product market strategies. For example, the owner of **P14** commented, 'The arrival of a Travelodge would floor me,' but she had been unable to capitalise a project to build her own accommodation unit in this seaside town, adding 'I'm probably ten years ahead.' The owner of **SH5-7** felt strongly that as an employer in the hospitality sector - in comparison with local manufacturing industries - he was 'hard done by' in terms of government support, even though he was generating jobs and attracting revenue to an area of high unemployment. For example, before he acquired **SH7**, the hotel used to close for five months of the year, laying off staff, who would find no other work available in the area. He complained, 'I put £1M of cash flow and borrowings into [SH6], reinvesting profits, but there was no relief from corporate tax.' Investment problems were severely delaying the redevelopment and expansion of his small group of hotels. In another two cases, small urban hotels, who were unable to raise the capital to compete with a prestigious newcomer in their city, were reducing their range of products (restaurant, bar snacks, conference business) and appeared to be in danger of slipping downmarket into the B&B sub-sector.

Hotels, pubs, restaurants and contract caterers competed for 'function' work. Small hotels, particularly those in rural locations, had seized the opportunity of legislative changes to promote themselves as licensed wedding venues. Function work increased the need for staff at weekends in particular, and was for most businesses an erratic demand for labour. Solutions included extended hours for core staff, increased use of peripheral staff (casuals, 'pool' labour) or the use of specialist agencies and contract caterers. We noted that one of the contract catering companies had launched into a new product market, that of cook-chill food production aimed at businesses such as hotels that chose to outsource just the production side of their banqueting operation. Such developments had implications for the distribution of food preparation skills within the sector as a whole.

Other legislative changes which were only just beginning to make themselves felt included increased labour costs resulting from the introduction of the NMW (in a traditionally low-pay sector) and the potential redesign of jobs and working arrangements as a result of the introduction of the EU Working Time Directive (in a traditionally long and unsocial hours sector). Most staff in our case establishments had opted out of the Directive, seeing the constraints as impractical in the sector, but this may prove to be a temporary feature, lasting only while the guide hours become the norm across industry and become part of the context in which employers compete for labour. The introduction of the NMW had a major impact on hourly pay levels in the sector (BHA 1999), but its overall impact is not yet clear. The industry remains both low-paid and perceived as low paid by both careers advisers and job applicants. There was anecdotal evidence of non-compliance with the NMW, as with other employment legislation. Ironically, the manager of one small hotel, who was already paying the lowest grade staff £3.75 per hour, the introduction of the minimum wage had 'blotted the name of the establishment.' He alleged that staff now perceived the hotel as a poor employer because it was paying only 15p over the minimum to some of the staff.

The structure of the UK industry had been changing, partly as a result of consumer demand, particularly for a more diverse and segmented range of products and services - but also as a result of the entry of new competitors from outside the traditional parameters of the sector. The development of new conference centres and the incursion of higher education institutions into conference business, with both types of competitor increasingly marketing their services for less structured business events and leisure uses, had put pressure on hospitality organisations.

SH5: The owner told us that universities offering holiday residence and conferences were *'unfair competition'*, believing - inaccurately - that they were subsidised from public funds, and added, *'Anyway, they don't know what they're doing.'* Two weeks after the interview, the University of Leeds' Weetwood Conference Centre scooped the BHA's Excellence Through People Award in the large business category.

In addition, it was reported that the growth of agri-tourism and green tourism such as farm holidays and holidays in other heritage or rural sites not originally designed as resorts, was introducing a new element of competition, particularly for leisure break clients.

Most of these external factors were not within the ability of establishments to control, but raised competitive standards; others lay beyond the relatively short-term planning horizons, which prevail in the sector.

2.3.2 Changes in the intermediate environment

There are few barriers to entry to hospitality, either in terms of threshold qualifications or significant start-up capital. This helps to fuel the volatility in the sector, and to intensify competition. New product development is low-cost, often low-risk in comparison with other sectors, and relatively easy to introduce. As we will emphasise elsewhere, the skill implications of these features are a requirement for a broad range of skills in the workforce and a flexible attitude to new ways of working.

Faced with actual or imminent competition, especially in their geographic locality, the responses of the sample establishments across the sub-sectors had been to:

- reconfigure their product service mix
- raise the quality of product and service
- keep a firm grip on operating costs
- innovate
- raise the commercial awareness and selling skills of staff
- restructure the business.

Least likely was a strategy of competing on price - for example, several managers of small hotels claimed their business was *'not as price sensitive as is believed. You can be too cheap.'* The commercial quality-rating systems for hotels focused on the number of bathrooms, restaurants and car spaces, so that establishments tended to compete within quality segments: their policy was to

consolidate their position rather than incur the capital costs of moving up the value-added chain. However, for an alternative view, several managers argued that UK owners were *'greedy on profit, particularly with accommodation, with rates up to three times higher than for comparable accommodation in France.'* One commented, *'There is no relation between what you pay and what you get, with room rates varying from £35 to £120 without reason.'* He said the UK star-rating system reflected low standards compared with the rest of Europe.

In the pub sub-sector, the proprietor of **P14** explained, *'Most weekends I am full. There is no need to discount. As a pub you set out your stall and fix the price. This is the lowest price you can afford, having worked out your costs and your profit. The only exception I make is for a very regular or long-term customer.'* The same proprietor, working to establish her new restaurant, aimed to increase trade rather than lower the price.

In hotels, pubs and restaurants the large groups dominated the business market and had a disproportionate influence on prices, quality standards, employee development trends and consumer expectations. For example, at **CC21** the manager commented on the standard of chefs coming through: *'Nine out of ten are grill chefs.'* He was referring to the dominance of branded operations such as Beefeater and Harvester, which made a virtue of offering the same menu throughout the UK, using pre-prepared products *'where all the chef does is assemble the ingredients and perhaps grill the meat.'* He said he had once hired an agency chef who had worked in London: *'I'd asked him to make a lasagne, and found him looking in cupboards for the Béchamel sauce. He didn't know how to make a white sauce.'*

2.3.3 Changes in the micro environment

All the establishments had either experienced a change of ownership or management in the preceding 18 month to three-year period, or were about to do so. This was the most significant factor affecting the business strategies of the establishments and associated changes in skill needs.

In a sector dominated by owner-operators, the background and personal preference of the owners were major factors in strategic choice, as indicated in the following two examples.

SH5: The hotel had an inherited business of coach trade, but the new owner had cancelled this entirely. He explained, *'In the UK, coach tours have a poor image. The rate isn't enough to run a good hotel. You are at their mercy if the coach is light.... And the customers don't spend in the bar.'* His own background was in conference and events work, and this was the focus for growth which he had chosen for his group of hotels.

P14: The owner said, *'If I had a car park, I could call this a hotel and add £20 a night [to the room rate]. Another owner might take down the skittle alley - you could turn it into a car park. But I enjoy pub life.'*

This supports the argument that the definition of core skills in any given operation is to a significant extent dependent on the priorities and managerial skills of the current decision-makers (Purcell 1999). However, location, as famously remarked by Conrad Hilton, is critical to this sector, providing opportunities and placing constraints upon strategic choice. For example, **SH1** in a rural location had successfully upgraded its restaurant to win two AA rosettes, while the manager of **SH4** remarked

that, 'Increasingly people staying in hotels in city centres prefer to eat out, not because of the quality of the food, but to experience more of what the city has to offer during their short stay.'

2.3.4 Sustainability

In most of the sample establishments, goals were relatively short-term, with a planning horizon of two to three years and a strong focus on competitor activity. Business strategy, although planned to a degree, was typically adaptive and incremental, requiring numerical and functional flexibility in their workforces.

The strategies appeared, for the most part, to be sustainable but subject to pressures in the wider environment. For example, a successful establishment in a multiple-unit firm could be sold off in the wider interests of the group or could be the victim of its own success in attracting predators. In the three case establishments where the owners were about to retire, we concluded that the businesses were under-funded, market opportunities were being lost to competitors, and inefficient internal processes (particularly in the use of technology) were likely to be overhauled and updated by new management. There were also some examples of very heavy reliance for custom on associated businesses: **LH11** focused on the large national events run at nearby exhibition centres, and **L12** focused upon contracts with airlines in order to accommodate their transit staff and passengers. At **CC21**, for the second time in the space of a few years, major downsizing in the client company had had a knock-on effect for the contract catering unit.

2.3.5 Skills implications of projected growth in the sector

Projections by the industry itself (BHA 1999, HtF 2000) and by economic forecasters (Wilson 2000) suggest that further overall growth can be expected, extending recent trends where the greatest growth has been on chain restaurants and hotels at the budget end of the market, and 4/5* hotels serving both tourism and the business community. The contract-catering sector has also been buoyant and looks set to continue extending its operations, both in terms of scale and diversity of product range. This suggests that the current demand for highly skilled food production and managerial staff will continue, along with demand for less highly skilled food-service staff with excellent customer service skills in restaurants. The growth of chain operations means that the independent operators who have traditionally made up the bulk of employers in the sector are increasingly challenged by such competitors, who are able to make economies of scale not easily available to smaller organisations. For them, the ability to capitalise on networks such as marketing and training consortia, and to develop ICT skills to enable them to exploit the potential of the Internet, will be crucial for survival and the development of niche markets.

Given the nature of the industry and the diversity within it, an increased emphasis on entrepreneurial skills in graduate programmes and a raising of the awareness of its many sectors and opportunities for small business start-ups in college courses are required.

3. PRODUCTION PROCESSES

3.1 Technology and work organisation

3.1.1 Technology

We found that ICT was increasingly used by establishments across the sub-sectors - for example, in marketing, room and restaurant reservation, purchasing, stock management, customer billing, management information and payroll. New technology was used in food preparation and storage, although several establishments traded successfully on the strategy of preparing all meals on the premises from fresh ingredients. Nearly all the establishments used internet links for marketing purposes, and most had developed their own websites. The large groups had invested more heavily in corporate systems and sophisticated software such as yield management and estates management in hotels, customer recognition, automated billing and room-cleaning sign-offs in rooms, and CAD customer-flow design in food service areas. In the contract-catering sub-sector, some applications of technology were dependent upon the agreement of the client company, as in the example below.

CC21: The manager reported that this location had used a cashless customer payment system for seven years. Payment was made via a Girovend credit card, which also gave customers access to the client company's building and car park. The major advantage to the caterer was that the company took money when the card was 'loaded' or credited by the customer - well ahead of actual sale of goods. Card 'swipes' at point of sale generated readily available information on product sales and customer flow. The card, once loaded, tended to 'tie in' the customer to the particular location, and shared the general effect of 'plastic' which is to encourage people to spend more freely. At point of sale, there was no till money to routinely count and balance, and in emptying the credit-loading machines the catering company staff had only bank notes and £1 coins to count and bank. Security was enhanced by the system, and customer flow-through in the restaurant was marginally quicker. At this location and two others, the parent firm was about to trial an Eftex system, which would enable direct order entry with six major suppliers. The trial had been instigated at the request of the pilot client companies, two of which were themselves hi-tech global firms.

3.1.2 Work organisation

A feature in the hotels, pubs and restaurants sub-sectors, and to a more limited degree in the contract-catering sub-sector, was the routine practice of multi-tasking and job rotation. Forms of functional flexibility - particularly in the smaller establishments - had evolved over time, but in some cases - notably the larger hotels - had been more recently introduced to improve quality and drive cultural change. These practices increased employees' understanding of the business, helped to break down traditional departmental barriers, and strengthened the capacity of the establishment to deliver efficiently and effectively, particularly during prolonged vacancies or peaks in demand. These practices were part of the bundle of 'high performance work practices' (Huselid 1995) which contributed to higher than sector-average labour retention rates in the sample establishments.

For example, staff at **R17** moved from one section to another every six months, with an initial overlap of one month when the outgoer trained the incomer. Section heads were responsible overall for ensuring the success of the process. At the small group of hotels **SH5-7** the owner had recently introduced multi-site working, and found it popular with staff.

Many of the establishments had begun to involve staff more in decision-making, sharing information and holding regular briefings and discussion groups. In the best practice examples, communication and involvement were seen as adjuncts to training and part of team building to enhance workforce flexibility.

P14: The owner reported that each Monday morning, her small team discussed what went right and what went wrong the previous week. *'If someone has a criticism or suggestion, the staff have to devise a new system to put in place. For example, staff taking bookings normally space them 15 minutes apart: if they have a difficulty with this, they must decide how the kitchen team is to cope. That way, you get results, not questions.'*

At **R17** the director closed the restaurant each year for two days, to take the entire staff for a brainstorming session at which every aspect of business policy was open to review.

3.2 Assessment of efficiency and alternative approaches

3.2.1 Technology

We found little evidence of ICT skills shortages at operator level, with employers reporting no difficulties in recruiting staff with appropriate skills. But there were signs that some managers did not appreciate the extent of the benefits which technology could deliver in terms of operational efficiency, along with a reluctance in the smaller establishments to engage in capital investment, particularly where the owner was approaching retirement.

For example, at **SH1** the head chef said that technology had made no impact in his kitchen ('you should see the state of some of it'), while the owner said she found it easier to do the payroll for her 29 staff manually. At **SH2** the owner explained that because of the size of the hotel, there was no computerised stock control. Orders were placed by fax and phone, mostly with local suppliers. He said he would welcome direct transactions with suppliers, such as national drinks distributors, provided they would supply the software. Payroll was done in-house and payments to staff made by computer, and the owner could also pay invoices by computer. He said he was currently upgrading the hotel's credit card mechanisms: 'This is not a cash business, but I still sign too many cheques.' At **P15** EPOS tills would have provided information for the more efficient running of the business, but the proprietor believed that the necessary investment was the responsibility of the franchise group. At **CC21**, the manager denied there was a skills shortage 'now that the applications are so user-friendly', so that the fact that only two other members of his staff of 19 could run the ICT systems was clearly a management decision. Yet the location relied heavily on communication with head office for day to day operating systems as well as on PCs for the production of sales and other location material. We noted also that in the larger hotels, ICT demands fell heavily on maintenance and technical departments, which were as a consequence experiencing some development and re-training pressures.

The smallest organisations (such as public houses essentially serving a local clientele) were less likely to have made substantial capital-intensive investment or to see such innovations likely to have much to offer their organisation. But those who had recognised the potential value of new technology included small inns and restaurants, who tended to have taken very careful decisions about such investment and to have bought staff training as part of the package. Conversely, it was alleged at two of the large hotel chains, where investment decisions about technology tended to have been taken centrally, updating of technology tended to be somewhat ad hoc and ICT resources were sometimes under-utilised due to lack of skill on the part of recently-appointed staff in high-turnover organisations. We concluded that there was a widespread lack of vision and strategic thinking at senior management level about the relationship between employee skills and technology in what remains, paradoxically, a high-risk sector with profoundly conservative tendencies.

3.2.2 Work organisation

Although some of the more recent developments in the sector have reflected greater informality and the erosion of occupational hierarchies, most establishments exhibited a clear 'pecking order', related to very traditional notions of accountability. Thus, particularly in small owner-managed establishments, human resource management tended to be reinforce hierarchies, countering the general pursuit of multi-skilling and workforce flexibility. In particular, there remained a reluctance to let assistant managers get on with 'running the shop', tying down senior management to operational-level roles and under-using and under-developing the skills of staff. Competent but disgruntled staff therefore tended to move to a more responsible job in another organisation, rather than enhance their skills internally. This reflected poor human resource management skills and misuse of potential, time and sometimes effort at both senior and subordinate levels.

The use of multi-tasking in some cases appeared to be carried to extremes and its effectiveness may be more apparent in theory than in organisational practice. For example, at **SH1** the role of the part-time receptionist included telephone work, accounts, computerised bookings, bar stocking, cellar work, waiting table, some food preparation, and deputising for the owners when they were on holiday - yet on our two visits, the reception desk itself was empty, potentially leading to both efficiency and security risks. On the other hand, it is inevitable that staff and owners in the small organisations, which characterise this sector, need to operate over a wide range of functions and spread themselves thinly. Several hotel managers said that lack of staff cover is a major obstacle to training in such organisations.

The practice of split shifts which has contributed to the unattractiveness of the sector, was reported to be on the wane, but had not been eliminated. Managers of the larger hotels said this was the result of acute staff shortages (at **LH9**, ten out of 14 chef posts were vacant), but the head chef at a small hotel attributed the practice to owner greed, arguing that one more sous chef appointment would have enabled the kitchen to dispense with split shifts. Other small establishments, including hotels and both restaurants in the sample, had succeeded in eradicating the practice. Small organisations need to be 'agile organisations' in order to survive and operate effectively, whereas there is growing evidence that high performance and organisational agility are related in larger organisations (Kanter 1989, Dyer and Reeves 1995).

4. SKILL NEEDS AND DEFICIENCIES

This chapter assesses the extent to which the hospitality case study employers had the capacity to achieve their business strategies in terms of the skills of their current workforces and their ability to counterbalance skills shortages through external recruitment. How far did business strategies take account of actual and potential workforce skills and how far was a strategic approach taken to preventing and filling skills gaps and shortages?

4.1 Relationship between business strategies and identification of skills needs

In most hospitality establishments, as in the other sectors examined, business strategy came first and HR policy was a secondary consideration. This could take extreme forms:

P15: According to the franchisee, he never turned business away, whether or not he had the staff with the skills available to meet the demand. The fact that he took on functions when he did not have a function room and had only one overworked 63-year-old chef seemed to bear this view out. When quizzed about taking on extra staff for functions, he remarked, *'It's no use having a function to earn a lot of money to give it away in wages.'* It seemed he was prepared to intensify work where necessary, justifying it by his own example. For the past few months he had worked from 7 am to 11 PM most days to cover staff shortages. Presumably the fact that his skeleton staff generally acceded to such intensification reflected both low earnings and low expectations of obtaining less demanding alternative employment.

Contract catering companies took a more strategic approach to staffing than organisations in the other sub-sectors, but in many cases it was reported to be only when a contract had been established that the resourcing was planned and managed. It seemed unlikely that a company would admit to skills deficiencies during the bidding process, and given that the tendering process forced companies to bid for more contracts than they could easily fulfil, staffing problems were endemic even in the most successful organisations.

As has been found in other recent studies, labour shortages in the sector were being covered increasingly by the growth in students seeking part-time work (Purcell et al.1999b). For most employers, there was a compatibility of supply and demand for evening, weekend and vacation work, and the grapevine method of recruitment worked well in the student environment.

SH5: The manager complained, 'I can't offer live-in accommodation, so I rely on local students.' He added that ten years ago, the hotel he worked in (a leading seaside hotel in Devon) 'would have employed around 200 staff, 20 per cent of them students. Now there are 100, 50 per cent of them students.'

LH12: This hotel employed local higher education students on a 'six month hours' contract, where students worked up to 500 hours in total, with weekly hours allocated from week to week. The allocation was subject to agreement, and there was scope to organise 'swaps' with others in the same situation.

The abolition of maintenance grants and fees support for students had benefited the sector. Organisations in areas where there were no higher education institutions did not have access to this source of labour, but there was evidence of other targeting of particular labour market groups. Several of the hotels targeted particular categories of potential recruits such as school sixth former students or mothers likely to be available for particular occupations involving tacit gendered skills (Phillips and Taylor 1980): for example, by arranging shifts or creating 'after school' or 'school hours' part-time posts to be attractive to older school students or mothers with school-age children. There were also several examples of employers welcoming older, 'mature' workers.

4.2 Capacity of establishments to meet skill needs

In all but the most prestigious establishments, the industry's image as a low-wage, long hours sector requiring hard work had led to difficulties in attracting staff. Many employers referred to the poor image of the sector held by school-leavers, parents and careers advisers and the discouraging effect this had on recruitment to jobs and training opportunities in the sector. The capacity to meet skill needs was found to vary according to two key factors: local labour market circumstances and the degree to which organisations took a strategic approach to human resource management, particularly training and staff development.

4.2.1 Impact of local labour markets

Full employment in regions such as the South East, or local areas (e.g. South Gloucestershire or the Swindon area), exacerbated recruitment problems for all the sub-sectors.

LH9: In one town, where car park attendants earned £8 per hour, the hotel manager interviewed predicted a labour crisis: *'I walked round the new B&Q. Of 18 checkouts, only two were operating, because they can't get the staff. The new shopping mall held a recruitment open day with 150 vacancies: two people turned up.'* He thought a solution for some local employers might lie with high-speed trains and increased commuting from low-cost housing areas such as Cornwall (potentially a journey of 1¼ hours), when travel costs could be traded off against higher wage rates. But this was unlikely to benefit the hospitality sector, because of its unsocial hours and wage levels.

A number of employers and employees in other establishments drew attention to the importance of closeness to work, both in attracting and retaining staff: by 'closeness' they meant living literally within a few minutes' travel. One manager said he could not work the hours if he had to add a commuter journey either side. For junior and low-paid staff, the cost of travel to work was particularly important. At the same time, areas apparently of high unemployment had their own problems:

SH5: The manager reported that many of the local establishments paid cash in hand: staff paid no tax or national insurance, and many who were on state benefits suffered no loss of benefit. He said, *'There are plenty of people - particularly single mothers - who would like to work, say, two or three nights a week, but everything they earn is taken off their benefits. It's a situation that discourages work. There is a high black market, particularly in Cornwall, which attracts "outsiders" for that reason.'* Benefit rules made people apply for jobs, whether they wanted them or not, distorting local labour supply figures and entailing a lot of wasted time for applicants and employers.

4.2.2 Impact of demographic trends

The worst predictions of labour crisis caused by 'the demographic time bomb' have failed to materialise. However, the general decrease in new entrants to the UK labour market in a sector which has traditionally recruited substantially from the youth labour market and is a 'young' sector compared to the age profile of the workforce as a whole, has had an impact on staffing, especially full-time workers, in the sector (HtF 2000). The high proportion of part-time employment and segmentation of hospitality jobs has led to higher numbers earning below the Lower Earnings National Insurance Limit (LEL) than in any other sector. As previously mentioned, many of these low paid workers are students or second jobholders and there is evidence of collusion between some hospitality employers and employees to avoid national insurance and tax payments (Purcell et al.1999a).

4.2.3 Impact of low pay

Recruitment difficulties are often a low pay rather than a low skill issue. Low pay relative to other sectors also applies at management level, and there is a high wastage of hospitality management graduates and other vocationally trained specialists from the sector. For example, at **SH1** the owners' son was brought up in the hotel business, and his degree in hospitality management included a full year's supervised sandwich placement. But we were told 'He couldn't get a job without starting as a potwasher', and was currently working instead for Yellow Pages.

CC21: The manager related the loss of one young employee, who was beginning to work at supervisory level: *'She was a star. But we were paying her £8,000. One day she saw a job downstairs [i.e. in the client company], just answering the phone for £12,000. She took it.'* Seasonality adds a twist to the competition with the many hotels in this seaside location. These offer higher salaries - particularly to chefs - for example, offering £15-16,000, which is £3-4,000 more than most 'year round' employers in than the location can pay. *'They can do this because they drop staff out of season.'* If the manager advertises for staff in the autumn, he'll get lots of replies, but none in December. By the start of the New Year, he will be getting speculative calls from unemployed hospitality workers. For low skilled jobs, our establishments competed particularly with the retail sector in most localities, in relation to which working hours as well as pay was a factor. Nevertheless, there was some evidence of self-inflicted understaffing. For example, the manager of SH4 commented, *'It is better to firefight with a less skilled staff because profitability is greater.'*

We were struck by the extent to which employers described pay and working conditions as 'reasonable' or even 'good' while at the same time reporting extensive recruitment problems, skill gaps and labour turnover (see preceding section 4.2.2). For example, the manager at **CC21** - having invested in training up his head chef from kitchen porter level - told us, 'Chefs are writing their own cheques. I pay my head chef £17,000, but if he left I would have to pay £20,000-£22,000 for a replacement at the same level.' This begs the question, why wait until the chef has gone? Across the board, establishments were innovative in providing in-kind benefits and incentives - anything, it seemed, rather than raising basic rates of pay. Understandably, in a labour intensive industry this is a major cost factor, but the hidden costs of high labour turnover with its associated threat to productivity and quality are also considerable. If the sector is to demonstrate its potential to offer long-term careers, this seems to be an obvious place to start.

4.3 Capacity to meet skill needs externally

4.3.1 Local recruitment

Most establishments reported that local advertising in the press or at job centres was generally unproductive or counter-productive. For higher paid chef and managerial posts they were more likely to advertise in the national trade press and to use an agency as back-up. The preferred methods of recruitment across the sector generally were word of mouth and internal promotion. Many large and small establishments offered staff 'Recruit a friend' bonuses, and they responded well to speculative applications, including 'keep warm' methods if a vacancy was not immediately available. As far as temporary and casual staff were concerned, there was a strong preference in most establishments to recruit directly, and most drew on a pool of available staff where possible rather than paying agency fees. The higher the complexity and quality of the operation, the more reluctant employers were to use agencies. With reference to the importance of impeccable quality of service, which enabled his relatively high value-added restaurant to retain a good reputation and high demand, the manager at R16 commented of agency staff: 'It isn't the cost. They take up time, because they have no training, and they can do a lot of damage.' However, the manager at R17 outsourced all his 'function' staff and had evolved a satisfactory working relationship with an agency where 'they know what we want'.

4.3.2 Recruitment from other areas

Some employers offered staff accommodation - partly as an inducement for staff to relocate, and partly in recognition of the difficulties caused by late finishes and early starts. At LH9 the manager had begun to hold job fairs in areas of high unemployment in the Republic of Ireland, offering housing at a discounted rate. The hotel was currently converting its third house.

Several establishments, as a result of recruitment difficulties, claimed that they were re-thinking person specifications in order to target older entrants in a range of functions such as switchboard operators, accountants, chefs and bar staff. For example:

LH11: *'We're now looking to recruit a more mature person who has an established family life and wants to stay in the position for a few years and is more likely to give high quality service.... someone with stability who wants to climb up the career ladder.'*

P14: The owner said she thought mature people were better in the sector: *'They know what they want, and they know how to balance their lives.'*

SH2: The owner was happy to take on school leavers and train them, but also sought more 40+ year olds. He said he'd adopted a wrong strategy two years previously in skewing the staff profile towards younger entrants, taking on four Modern Apprentices aged 17. Of the four, three had moved on, although two stayed within the sector.

SH1: On the other hand, there was countervailing evidence of ageism. The head chef said he had been unable to develop his career within the sector because of a widespread unofficial age bar. He believed hotel managers wanted cheaper, younger chefs. *'They want knowledge, skills and experience, but not age.'* Employers recognised that cooking is physically hard, but associated this with physical fitness: *'They don't realise that at my age I've got the stamina that will see off a youngster.'* After 31 years as a chef, he had recently handed in his notice to move to a job in a different sector.

The trend to employment of foreign workers was accelerating, partly as the result of the EU's single labour market, and many establishments were heavily reliant upon foreign workers. These filled technical skill gaps (such as cooking and bar skills), but many employers also referred to the work attitudes of foreign workers as being more appropriate for the hospitality sector. Some establishments recruited abroad directly, others used 'links' schemes, and others received sufficient speculative applications for their needs. Some establishments would take on only qualified and experienced hospitality workers, while others would accept students of all kinds seeking work and language experience abroad. Trainee cooks and bar staff from Australia and New Zealand rated UK training very highly for their careers back home, although work permit regulations could be problematic for willing employers and employees alike.

LH9: Owing to the shortage of chefs in the UK, the hotel usually recruited these from EU hotel schools, but the manager claimed to have recently 'wasted' three months signing up a new, non-EU, head chef, only to find the immigration authorities declined his work permit on the grounds that a head chef *'is not an important management position.'* This manager emphasised the importance of staff stability, particularly on the front desk, where it took time for knowledge to accumulate and where customers did not like to get *'different stories from different people.'* In this respect the one-year work permit was, he said, 'not enough'. He argued for a quota of longer-stay foreign staff, perhaps related to hotel size.

R16: The director had recently lost a battle (*'a waste of three months'*) trying to extend the work permit of a member of staff from Eastern Europe. He thought it strange that the UK was willing to accept Eastern European refugees who did not have jobs, but was unwilling to allow one in employment to stay on.

4.4 Capacity to meet skill needs internally

The majority of the case study establishments held Investors in People (IiP) accreditation, while a number had in addition ISO qualifications or more sector-focused accreditation such as the British Hospitality Association's Excellence Through People and the Hotel & Catering International Management Association's Hospitality Assured. It is important to stress that in this, they were atypical, being relatively good practice employers by industry standards.

Regardless of size, establishments typically were ready and willing to train staff for most operational jobs from scratch, provided applicants were keen. This could be a two-edged sword. In nearly all our case establishments, owners and/or managers were accredited trainers, but one owner commented that at her husband's pub he had a lot of staff problems 'using untrained staff to train newcomers. These are bad mentors, perpetuating bad practice.' Four of our case establishments were part of a regional marketing consortium, which had given rise to a training consortium with a full-time co-ordinator. This enabled members to achieve direct discounts and other economies of scale in training. The consortium had also won ESF Objective 4 funding to set up learning resource centres at three member hotels.

Large and small establishments provided some certificated training, and paid attention to the development of generic skills in staff. In some establishments, this was still relatively unambitious, going not much beyond induction/statutory training, with little evidence of a coherent training and

development plan. It concentrated on training for performance, rather than for personal or career development. Several establishments assigned 'buddies' and mentors to staff from the outset, and were more likely to provide continuous and systematic development. Typically, these establishments had prioritised and strengthened their training function, with the appointment of professionally qualified trainers, in the preceding two or three years.

R16: This small chain already had three members of staff in each establishment who had taken 'Train the Trainer' courses, but the director said his next objective was to appoint a full-time trainer for the group: *'We are not moving fast enough for the opportunities.'*

LH9: The manager reported that the group was producing a new 'training book', covering each hotel department, and staff were encouraged to take a certificated two-day course in training, which earned a pay rise.

LH10: The HR department helped heads of department to write their training plans and build them into overall profit plans: in this way, they encouraged cost centre managers to see training as a route to greater productivity rather than a short-term inconvenience or production shortfall.

These developments were related to strategic change in the product market, changes in management style (such as devolution of responsibility) and recognition of the need for quality improvements in employee performance in the light of increasing competition and consumer expectations.

Establishments of all sizes had used government programmes such as Modern Apprenticeships and New Deal. On the whole, employers thought well of the Modern Apprenticeships programme. However, they regarded the New Deal as a failure: unequivocally, this was linked to the poor quality of candidates coming forward. All the employers had a clear preference for work-based training, but National Vocational Qualifications (NVQs) - although widely used - were not popular. Employers and employees alleged that they were time-consuming and cumbersome, while covering less in breadth and depth than the old City & Guilds qualifications. This was not a universal view. In both small and large organisations we found a small number of employers who felt that after a sticky start, NVQ training and accreditation had improved and increasingly had the potential to provide them with the standards and training opportunities they required to upgrade current staff and assess the competence of vocationally-trained applicants.

Nevertheless, regarding external training, many employers were either unaware of local further education provision, or were critical of their provision. For example:

R17: The chef-director commented, *'Colleges are good at teaching hygiene, law, accountancy, but are inappropriate for food and service skills. Students don't get a feel for the profession, and there is not enough practical time. They get a shock when they come on placement.'* He had tried to work with the local college, offering two hours' free demonstration teaching a week, *'but they haven't given me a call in three years.'*

Many accounts suggested that there has been a weakening of the relationship between employers and their local college, while the large chains more or less eschewed public sector training and preferred to train in-house or to use consultants. Some restaurants were considering opening their own training schools. The manager of LH9 received sandwich year students from abroad, but could

not get them from local colleges, despite proactively approaching them: 'I don't know where they all go.' On the other hand the manager of a small hotel told us: 'I don't know much about what [local FE colleges] do. They may well send me material about courses, but I'm too busy to read it.'

It is also clear that training and development need to be both timely and relevant if they are to have a motivating effect. In a number of establishments, staff interviewed were reluctant to undertake any training at all, or were critical of receiving too much.

Unlike other industries, establishments across the sector saw an 18-month to two-year stay as a reasonable return not only on recruitment costs but also on investment in training. However, arguably the financial implications of this policy could only be accommodated by low wages, reinforcing the vicious cycle of high turnover/low commitment/high turnover. It was never the less the case that some employers (and not only the large establishments) encouraged new entrants to take a long-term view of career development.

CC21: The manager was justifiably proud of his head chef, now in his mid-twenties, who began as a kitchen porter, and rapidly rose to his present position. *'In his free time, he worked in another restaurant and for an agency, getting a lot of experience - as well, of course, as extra money.'* He took college qualifications, and as head chef had completed a NEBSS qualification in supervisory management, as well as receiving in-house management training.

Best practice employers were able to keep turnover of full-time employees down to around half the industry norm of 48 per cent (HTF 2000), but believed that some turnover was healthy and inevitable. The employers used a bundle of practices to retain staff, but recognised that movement between jobs and organisations is a characteristic of the sector, and one that contributes to staff development and skills acquisition. For example, LH9 could offer to send chefs to the US on an 18-month training programme, with free accommodation and the promise of promotion on return to the hotel. Less glamorously, but significantly, one publican sponsored a full-time HND student: in this way he kept his member of staff for three years on the condition that he returned to work at weekends and during holidays. The owner of CC20 commented, 'Some turnover is healthy. It's about managing turnover.'

4.5 External recruitment difficulties

It is necessary to distinguish labour shortages, skills deficiencies and skills shortages - and within skills, technical and interpersonal skills. For most external vacancies, employers reported a shortage of people 'with the right attitude' coming forward rather than skills shortages as such. However, in addition to a strong work ethic and capacity for sustained hard work, 'the right attitude' in these contexts involves the possession of, or potential to develop, 'soft skills' which are absolutely crucial to high performance hospitality - most significantly, interpersonal skills and team-working skills. For some jobs, specific vocational skills and related knowledge are essential: for example, food-preparation - particularly chef posts in higher-graded restaurants and hotels - and other professional and craft specialisms. For virtually all jobs, the capacity to work very intensively during periods of high demand, as part of a team, is also essential, and for all customer-facing roles, interpersonal and communication skills are crucial (Frenkel et al. 1999). Three large hotels were using screening techniques such as telephone interviewing and questionnaires prior to short-listing to search for behavioural and personality traits.

It was only at head chef/management level that establishments begin to insist upon prior qualifications, as in the following example:

CC20. When recruiting externally, this employer looked for personality, confidence, and *'a passion for food. Give us the basics, and we will teach the skills'*. The exception to this was when recruiting an executive chef for a large location: then the company looked for formal qualifications and relevant experience. In managers, they looked for some qualifications, plus personality and prior relevant experience. The owner said she would expect to see an HND or degree on a senior manager's curriculum vitae, meaning people applying for deputy or head of department appointments.

The posts most often reported as hard to fill are listed below, and of these the first two were the most acute:

- senior managers, middle managers
- head chefs - particularly with management skills
- sous chefs, chefs de partie
- food preparation staff, kitchen porters and general assistants
- food service staff, particularly for breakfast service
- bar staff
- room service/chambermaids/housekeeping staff
- concierge/security staff/night audit staff
- receptionists
- drivers.

The first three categories clearly reflected difficulties in recruiting people with relevant technical or vocational skills. The next four in some contexts reflected skill shortages, but more often reflected requirements for relatively unskilled staff to work unsocial or part-time hours (i.e. labour shortages) or inability to compete locally for low-paid staff. This varied considerably according to local labour market conditions and the degree of strategy employed by owners and managers in resourcing their operations. The last two categories were confined in our sample to large city-centre hotels. It is worth considering differences between the sub-sectors in external hard-to-fill vacancies, and Table 2 below attempts a classification.

As this table indicates, large hotels experienced the widest range of recruitment difficulties, and employed the widest range of staff. Other specialisms such as professional leisure services and business service support skills are likely to become important to a wider range of hotels than has been the case in the past, as will be discussed below. The shortage of qualified chefs is a global and sector-wide problem, and both management and operative-level workers were difficult to recruit across hotels, restaurants and contract catering - that is, essentially among the larger establishments.

The owner of **SH5** said that 'Ten years ago, trainers would visit the hotel - but no more. If I had a vacancy, I'd tell the local lecturer and ask for recommendations. The lecturer, who had personal knowledge of the business, would send along two or three students instantly. Now they can't recommend anyone.' His manager commented independently, 'No-one has time any more to build that relationship with employers.' Other employers also reported an unsatisfactory relationship with local colleges, and said they thought the relationship was, if anything, worsening, owing to financial pressures on the curriculum and lecturers' time.

Table 2: Difference between the sub-sectors in external hard-to-fill vacancies

Hard to fill vacancies	Small hotels	Large hotels	Pubs	Restaurants	Contract catering
Management		**		**	**
Qualified chefs	**	**	*	**	**
Trainee chefs	**	**		*	*
Unskilled food preparation staff	*	*			*
Skilled customer foodservice: • Silver service • Wine service		*			
Full-time customer service staff	*	*		*	
Part-time customer service staff	*	*	*	*	*
Full-time housekeeping/ cleaning staff	*	*	*		
Part-time housekeeping/ cleaning staff	*	*		*	
General operative-level staff	*	*	*	**	**
Reception staff		*			

Key: * = some recruitment difficulties, ** = acute recruitment difficulties

4.6 Internal skill gaps

The majority of the employers said they had trained in-house and/or sponsored external training in technical and generic skills for applicants who already possessed the required attitudinal skills, and they provided examples, as cited throughout this report. There was plenty of evidence in the best practice establishments that employers had taken on relatively unskilled applicants to train - for example, as trainee chefs or receptionists. For example:

P14: *'You do not need qualifications. If someone really wants the job, if they are keen, I will train them.'* Her Assistant Manager came to her from a bank.

R16: No qualifications are required of staff, not even chefs. *'It doesn't take long to learn how to make a pizza. Only enthusiasm counts, the enjoyment of food, and a bright personality. If you enjoy eating out, you'll fit here. Our staff are customers too.'*

Training needs and skills gaps which had been difficult to meet varied somewhat according to location - with independent rural establishments which were not part of a consortium reporting most difficulties in finding resources and access to appropriate staff development. The large hotels, which belonged to a group and the contract caterers, were most effective in identifying and remedying skills gaps and in developing organisational commitment via the development of 'soft skills'. All the contract caterers used central relief teams. Although this built flexibility into the staffing, unit managers were unhappy about the skills and commitment of relief team staff - a concern that they shared with the hotel and pub sectors. Most establishment managers preferred to get by without relief staff: 'They are often more trouble than they are worth.'

As far as specialist skills were required, there was an emergent skills gap in the knowledge of wines and spirits, a technical skills area which many further and higher education departments have dropped from their hospitality curricula, but which surprisingly few employers in our sample establishments, especially the small establishments, identified as a product service problem.

SH5: The manager - a former college lecturer - said that during his time, *'Out went the competitions and cocktails.'* **SH1** and **SH2** had worked to win AA rosettes for their restaurants, but in her internal training courses, the owner of **SH1** allowed less than an hour for training in wines and spirits. A satisfied trainee commented: *'The customer probably knows what he wants anyway.'* The owner of **SH2** observed, *'No one is interested. What can I do? I can't afford a sommelier.'* Meanwhile, just a few miles away, the director of **R17** ran regular Wines & Spirits courses up to Master of Wine level: all staff studied to Diploma level and all the courses were open to other restaurants in the area.

But the most critical reported skill gaps were associated with managerial skills, mainly 'people' and financial skills at departmental and supervisory level, and the technical skills now required of chefs - such as cost control, stock management and record keeping. Hospitality has a low proportion of qualified managers relative to other sectors, but employers reported that young graduates were impatient for senior positions and reluctant to 'put in the time' to acquire experience.

4.7 Unreported and latent skill deficiencies

4.7.1 Unreported skill deficiencies

We found no evidence of intentional under-reporting of skill deficiencies, but concluded that skills deficiencies were nevertheless under-reported in many cases because of a lack of awareness by senior management of the potential for narrowing the gap between current practice in their establishments and industry best practice. For example:

SH5: The owner said his receptionist required no further training, and the receptionist independently said the same. However, our interview with her was interrupted by a German guest, who had deciphered the leisure club's advertisements for aromatherapy, and indicated in his limited English that he wished to take advantage of this service. Speaking loudly, the receptionist told him that he must pre-book, and gave him the phone number of the part-time aromatherapist. It was difficult to imagine the guest having the confidence to attempt a telephone booking. This standard of service conflicted with the hotel's objective to build repeat custom, jeopardised the small hotel group's relationship with the guest's tour operator (a complaint could result in de-listing) and lost business for the aromatherapist.

As discussed in the last section, owners and senior managers were likely to report skill gaps in middle and departmental management, but only a few identified a paucity of strategic management skills at their own level. They were less likely also to identify a lack of managerial skills at supervisory or team-leading levels. For example, at SH3, the hotel had struggled for some time with the recruitment and retention of sous chefs. The head chef - an accredited NVQ trainer - said she felt she would not benefit from any further training and would not ask for it: 'I've worked my way up and learnt from practice.' She was, however, somewhat resistant to innovation, commenting that she needed to curb some of the new sous chef's 'fancy ideas', adding for good measure: 'I can be evil if necessary... I scared away one of my staff who was studying for NVQs.'

Because of the preponderance of SMEs in the sector, an important aspect of management skills is local, regional and sector-wide networking, in order to be commercially well-informed and achieve economies of scale: for example, in training and marketing. Managers and owners in the most impressive small establishments exemplified this and highlighted the comparative weaknesses of those who had not developed such skills and contacts. The scope for local, regional and national consortia of small independent establishments in the hotels, pubs and restaurants sub-sectors to replicate the benefits of centralised specialist services (such as marketing and purchasing) and career development (such as training, shared apprenticeships, job interchange and promotion opportunities) was apparent. Such benefits were formerly within the provenance only of the large chain establishments. For example, small establishments excluded themselves from graduate training and graduate appointments on the grounds that they 'could not offer the scope': but in a collaborative arrangement they would be able to do so. The chairman of one consortium investigated said that the main obstacle had been the management time required to get the organisation up and running, and it is suggested that consideration be given to the provision of pump-priming funding for such initiatives. It was suggested that an appropriate level of financial support would be funding sufficient to employ a full-time co-ordinator for two years for a limited number of projects), against approved project plans, and especially in areas of economic regeneration.

The proprietor of **R17** was considering setting up a consortium of local hotels and restaurants to found a chef school, and the owner of **SH5-7** was planning to buy into just such a school which was due to open in his sub-region. Such developments relate to the acknowledged shortage of chefs in the sector, and the criticism which employers in our establishments levied at the skills of both college-trained and in-company trained practising chefs, makes these developments interesting. Again, management time represents more of a barrier than does, for example, capital funding, and this highlights the need for pump-priming funding in support of a co-ordinator for a pilot initiative of this kind.

Delaying and trends towards the devolution of responsibility down the management line to customer-interface level had shown up a lack, at middle-management and junior levels, of understanding of the whole business. A number of the establishments had implemented HR plans, including job rotation and cross-training, to address this issue, but in many others, lack of awareness of commercial trends and their implications was an unrecognised time bomb ticking away, weakening competitive potential. Similarly, only some establishments (mostly those in the contract-catering sector) had recognised and were addressing the significance of financial management skills for food preparation staff below departmental management level and commercial awareness and retailing skills in food service staff.

The researchers thus observed skills gaps of which the managers and employers interviewed appeared to be unaware, and the most significant of these were strategic and operational management skills among the senior managers who were being interviewed. The gaps were revealed in their discussion of practices and policies generally, and during direct observation of staff. Only the most progressive organisations anticipated fluctuations in demand for products and staff and managed their staff in a way likely to increase labour retention and commitment to quality. Few managers thought outside the traditional modes of operating in the sector, or anticipated how technology and other local and global trends would impact on their business in the medium-to-longer term. As described above, we observed poor customer handling, counter-productive leadership and people-management, resistance to innovation and lack of foreign language skills, where all might have enhanced performance, sustainability and employment satisfaction and stability.

4.7.2 Latent skills gaps

These are grouped into four sections below:

- foreign language skills
- other technical skills gaps
- ICT skills
- strategic management skills

Foreign language skills

Only three employers referred directly to foreign language skills. One of these, at **R17**, operating at the top end of an international market, referred overtly to their importance. The establishment ran a language school - open to neighbouring hotels and restaurants - to ensure that all their staff were fluent in at least three languages. At **LH12**, the front desk was often staffed by multi-lingual employees - often on three-month work placements from an international catering college in France. In a third

case, at **P15**, at a time when a cross-channel ferry company had flagged it as the nearest pub offering good quality overnight accommodation to European customers, the proprietor had printed his menus in French as well as English. Otherwise, the neglect of foreign language skills appears to be a glaring omission in a sector so closely allied with tourism, where, in many cases, a significant proportion of current and potential clients are not native English speakers. If employers do come to recognise the need for second and third languages in the industry, they will find themselves facing fierce competition at graduate level, as the shortage of languages teachers comes full circle.

Other technical skills gaps

As the product range offered by establishments increases, along with increasingly focused market segmentation, other specialisms such as professional leisure services and business service support skills are likely to become more important than has been the case in the past. Although there has been recent plateauing of growth in the restaurants sub-sector, the hospitality sector as a whole is predicted to experience strong continuing growth. Therefore there is no reason to anticipate a slackening in the (global) shortage of qualified chefs, and of management and operative-level workers (see Table 2 above), especially among the larger establishments. This is likely to reinforce current trends towards increasing concern with quality standards and the centralisation of production skills in the large organisations, which may at the same time bring a backlash boost for small specialist producers operating further up the supply chain, to reveal associated gaps in business management skills.

Information and communication technology skills

The examples of the most innovative and entrepreneurial employers' use of the Internet for marketing their services suggested that most employers in the sector underestimated its potential. In the previous year, one of the **P13** inns, in a rural location, had taken over 500 bookings via the Internet, and staff in every establishment in the consortium had been trained to use it.

In terms of the use of ICT, there was no evidence of a particular skills shortage at operator level. We believe that a more wholehearted take-up of technology would be associated not so much with a deficiency of ICT operating skills amongst employees as with pressure on systems specialists and maintenance departments: there were already some signs of this in the large hotels segment.

There were two fundamental obstacles in the way of managers making best possible use of available ICT: lack of knowledge or access to expert advisers, and the costs and risks involved in identifying and investing in appropriate hardware and software. We found instances of relatively more computer-literate members of one of the consortia of independent hotels who had assisted others 'for the price of a dinner' to set up web sites, but it was clear lack of confidence and basic knowledge about their management and development remained an obstacle. As an example of costs deterring managers from investing in technology, one pub manager explained that he refused to install electronic tills unless the franchise company paid for them.

The organisations which used ICT effectively were convinced of its value to them in enabling them to compete, survive and grow their businesses. This was the case even in small hotels and inns. As e-commerce proliferates and consumers become more adept at using the internet, it is likely that even establishments, which mainly rely upon local trade, will need to have a website and opportunities for clients to book via the new technology.

Strategic management skills: especially recognition of the relationship between product market strategy and skills

There were generic factors driving change across the sub-sectors in nearly all the sample establishments. Rising consumer expectations and readiness to articulate disappointment, along with increasing competition, had forced establishments to reconsider their product service mix. Most of the establishments had responded by addressing quality, improving and extending their range of products and services and rethinking their human resource strategies. Our analysis of the relationship between product market strategy and skills is provided in Annex 4 and the implications are discussed in section 4.8. Examining the relationship between the strategic approach taken by establishments to product development and promotion and their approach to resourcing and developing skills, it was apparent that even in this relatively good practice sample, there was wide diversity in strategic management skills. Serious latent weaknesses could be discerned in those establishments where current and potential employee skills and skills deficiencies were not considered as an inherent component of strategy. For example, **SH5-7** is a small independent group of hotels with a vigorous and varied product and marketing strategy, and growing as rapidly as capital investment opportunities will allow. At the time of fieldwork, the group was experiencing recruitment and retention difficulties, and had a restricted programme of training and development: and it seemed likely that latent skills deficiencies would surface fairly swiftly under this rate of change. **SH1**, **SH2** and **P15** were all establishments where the proprietors were due to retire within one or two years and were following a very cautious strategy of cost control and low-risk. The higher skills profile in the two hotels was undoubtedly due to their membership of a consortium of local hotels, which had originally formed for marketing purposes but had spun off a training arm. The owner of **SH2** was a driving force in the creation and bedding in of the consortium. Nevertheless, in these three establishments, it seemed likely that new, more risk-taking and far-sighted ownership would identify latent skills gaps. For example, new ownership might require skills of staff at **SH1** and **P15** which they do not have, as at **SH2**, where a staffing crisis had been precipitated by a potential buyer who planned to replace home-cooked food (using home-grown produce) with pre-prepared meals, outsourcing the gardening function at the same time.

4.7.3 Related issues

Lack of effective succession planning, throughout the industry and in particular organisations

Within this sector, it is impossible to look at latent skills gaps without considering wastage of skilled staff and underdevelopment of the existing workforce. We found evidence that young graduates were frustrated by the so-called fast-track training schemes of the large hotels, where hospitality management specialists with industry experience were usually recruited on the same basis as other graduates. Qualified managers in the hospitality sector are under-represented relative to industry as

a whole, and relative to the same sector in other economies such as Germany and the USA. There is a wide discrepancy between college outputs and managerial vacancies (Rowley 1998, Littlejohn and Morrison 1997 and HtF 1996). This suggests widespread self-inflicted under-utilisation of skills as well as industry-wide lack of succession planning, with inefficient human resource management which under-values and fails to develop staff and potential applicants.

Related to this, most of the sector employers interviewed did not distinguish between degree graduates and HND diplomates, and there is evidence that most employers cannot do so. Finally, there was a (largely well-founded) perception among employers that undergraduate hospitality management courses are geared to producing managers for large firms, especially hotels. Given the nature of the industry and the diversity within it, this suggests a latent demand for increased emphasis on entrepreneurial skills in graduate programmes and a raising of the awareness of among sector employers of what both 'leading edge' sector-specific and general management skills and knowledge have to offer, throughout hospitality.

Small businesses are a significant feature of the hospitality sector. With few barriers to entry, there are very many small start-ups and, unfortunately, failures - often due to undercapitalisation, which is in part due to lack of business skills (and in part due to external features of the financial markets in the UK). The tradition in the sector remains that people who are excellent on the technical side (e.g. cooking) can run a business, but the high wastage rates suggest that this is increasingly misguided.

We have already referred to the paucity of strategic management skills in this sector. This represents both an unreported and a latent skills gap, as establishments face increasing competition on their home ground from overseas players. It is easy to think of the latter group as the large multi-nationals, rich in corporate expertise and capital, but we found that in addition smaller, flexible chains closer to home were taking their opportunities in the hotels and restaurants sub-sectors.

Labour shortages and inappropriate labour resourcing

One of the themes, which ran through many of the interviews, was the inability to attract or retain appropriate candidates for particular jobs. At both the professionally qualified, skilled end of the spectrum and with reference to low-skilled customer service employees, the extent to which this was a problem for employers varied according to local labour market conditions, with employers experiencing greater difficulties in tight labour markets. However, throughout the occupational range, uncompetitive pay, unattractive conditions of employment and poor employee development practices led to wastage of skilled candidates, turnover of experienced employees and inability to recruit, even where potential employees were not at a premium.

4.8 What determines a good fit between skills and performance?

The case study establishments were investigated and analysed with particular reference to the following variables:

- the characteristics of the establishment and its product(s),
- product strategy,
- technology and work organisation,
- changing workforce,
- human resource strategy,
- external recruitment difficulties,
- internal skill gaps.

We examined the detailed data for each of the 21 organisations under these headings, to look for characteristics which might contribute towards differences between the establishments and the analysis undertaken is described in detail in Annex 4. In the hotel sub-sector, most large establishments exhibited a strong correlation between product market strategy and development and utilisation of appropriate skills while most of the smaller ones were less likely to do so. In the other sub-sectors, size did not appear to be related to strategy or performance. Although the case studies included in the study undoubtedly over-represent good practice in the sector, strengths and weaknesses in product market strategy, human resource management and, particularly, skills utilisation and development were not concentrated in particular sub-sectors, types of organisation or relating to particular market segments.

Recent rate of growth did not appear to be related to size and neither did the complexity and range of products and services offered. Those organisations with the most integrated product market and skills management policies were also most likely to be concerned to raise quality standards, regardless of size, location or products, and were all pursuing repeat business rather than competing on price. Thus, the characteristic which relatively successful establishments had in common was an integrated product market and skills management strategy. Establishments with integrated product market and skills management strategies appeared to have sustainable strategies over the next five years and to have integrated their human resource strategy into their overall strategic planning, while only two of all the remaining establishments did the same. Only three of all the establishments had no recruitment difficulties, and had highly integrated strategies. All had a very high reputation within the sector, and, for example, attracted speculative applications from qualified and experience workers. Otherwise, the competition for staff in a tight labour market was a general problem, independent of performance.

With reference to internal skills gaps, we found that training was not a differentiating factor. Seven of the nine 'relatively integrated strategy' establishments used multi-tasking and job rotation to cover skills gaps, while five of the 'relatively less integrated strategy' organisations did the same. Unsurprisingly, such flexibility was more developed in small establishments across the sectors than in traditionally compartmentalised large establishments.

It was concluded that the key differentiating factors between the best practice cases and the rest were operational sustainability, an integrated human resource strategy, and a positive approach to career development.

4.9 Impact of skill deficiencies on business performance

We describe these in more detail below, but summarise skill deficiencies as:

- jeopardising product and service quality across the sector;
- threatening stability by reducing the likelihood of contract renewal in catering companies;
- reducing sales and profitability;
- limiting choices of product strategy and impeding effectiveness of existing strategies;
- contributing to a culture of non-compliance with legislation in some establishments;
- reducing productivity;
- deskilling and reduction of demand for expertise related to mass market trends.

4.9.1 Reduced product and service quality

Skill deficiencies put at risk product and service quality. For example, **CC18** had had particular problems recruiting service staff in pockets of the South East and reported that staff taken in on this basis 'tended to lack commitment and to present a poor image.'

4.9.2 The threat to stability and contract renewal

A major airport contract had yet to find a replacement manager, several months after the previous jobholder left. At **CC20**, two new locations on the south coast were without permanent managers and chefs six weeks after opening, undermining the company's policy of 'getting close to the client'. Nearby locations pitched in to help, but we were told, 'You need stability. The staff can't relate. But we cannot get the right person.' The contract catering companies were the most sensitive to pricing policies, and expressed the strongest concern over the shortage of chefs with the necessary management skills to control operating costs. The shortage threatened profits and jeopardised contract renewal with the client companies.

4.9.3 Lower sales and profitability

As highlighted previously under Internal Skill Gaps (section 4.6), two of the small hotels (one with two AA rosettes) paid little attention to training in wines and spirits. We cannot quantify the impact of these skills shortages, but neither owner seemed concerned - if indeed they recognised - the impact of these deficiencies on both sales and profit margins. Lack of basic numeracy in chefs and commercial awareness in food sales assistants also impaired the efficiency and profitability of establishments. At **SH2** the owner said he knew that marketing opportunities were lost by staff taking telephone messages, whose ignorance of spelling and geography led them to write down irrevocably scrambled names and addresses.

4.9.4 Reduced choice of product strategy and delays to implementation

The slow disappearance of silver service is partly the outcome of food service trends (such as 'pictures on a plate') and partly the outcome of what the director of **R17** described as the preference of British staff to work in 'less traditional...more social, casual' environments. The owner of **SH5** said he competed for staff with 'more casual' restaurants in his seaside resort and had acute difficulty recruiting silver service trained staff. However, he would neither train staff himself nor switch to plated service - a default 'strategy' defined by negatives that did not augur well.

P14: Skill shortages had had a direct impact on choice of product strategy. In response to the anticipated arrival of a J D Wetherspoon pub close by, the proprietor decided to open a restaurant, but knew she would be unable to recruit a chef locally, and could not spare a bedroom in order to recruit from further afield. She therefore chose an Italian theme for the restaurant: *'Because there wasn't one in the town and I can do Italian. I can't do Thai.'* Since then, she had trained her assistant manager and one of the bar staff to assist with the cooking.

SH4: The shortage of chefs had forced the manager to delay the full implementation of his business plan by about four months, and at two large hotels, the managers were unable to implement policies to end split-shift working, because of the number of chef posts lying vacant.

R16: The director said the restaurant boom in London and the South East had driven up wages and expectations. He said he saw *'a lot of people underqualified and overselling themselves.'* He predicted a fall-out in the London restaurant scene: *'But I've been through a recession, and have a plan. How will these people know how to cope? They have no plan for it at all.'* The owner of **SH2** made a similar point in relation to management skills in the hotel sub-sector, saying that *'While the industry remains a growth industry and the market is coming to people, they get by, but the number of new hotels in Bristol means there will be market difficulties in two years' time. They should be taking action now to deal with that.'*

4.9.5 Failure to comply with legislation related to skill deficiencies

Several managers pointed to literacy problems in their staff. In a number of cases this had made them reluctant to take up training opportunities, and in another case slowed down the completion of paperwork and administrative tasks, which form an increasing part of the catering function. Some employers reported that poor written and communication skills compromised compliance with legislation. It also hindered policies of knowledge management with which employers hoped to counter the effects of high labour turnover.

4.9.6 Reduced productivity

The manager at **LH8** pointed out that experienced staff were almost continually called upon to train new recruits. Along with the very widespread practice of extending staff hours to cover labour shortages, this threatened quality and would in time precipitate the departure of experienced staff, producing a vicious circle. This also reminds us that it is not only hard-to-fill vacancies that impact detrimentally on business performance. The owner of **SH5-7** remarked: *'Kitchen porter vacancies are very easy to fill, but you have to keep doing it.'* High labour turnover in many establishments was disruptive to the teamworking, which was the dominant way of working, reducing productivity while the new staff settled in.

4.9.7 Deskilling and reduction of demand for expertise related to mass market trends

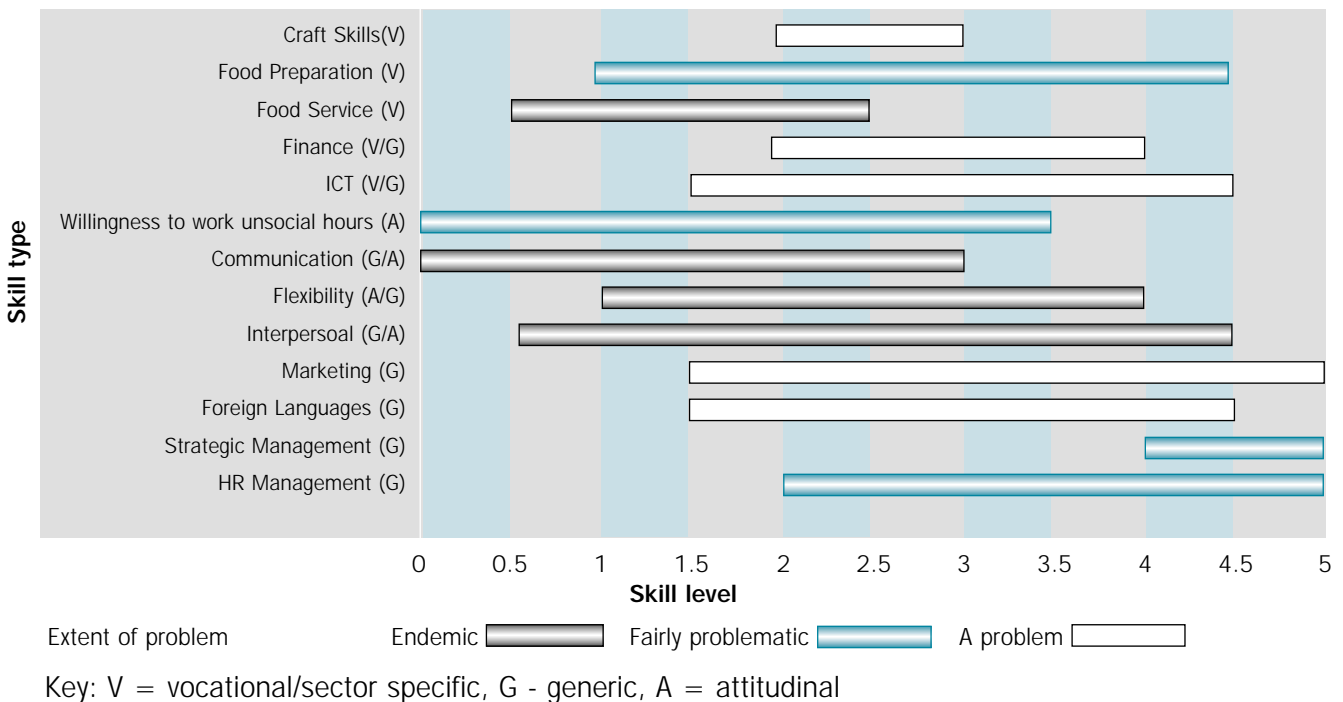
Several managers commented that the growth of national branded chains had helped to drive skill shortages. For example, the manager of **CC21** said that the national branded chains had ‘produced a generation of grill chefs...where all the chef does is assemble the ingredients and perhaps grill the meat.’ In response, a new industry had sprung up to supply quality prepared products to the sector - many being small business start-ups producing high value-added goods. We noted that one of the contract-catering companies had also diversified into supplying pre-prepared meals for hotels that chose to outsource this side of their banqueting operation.

Budget hotels were the fastest growing segment. Although they were largely a response to the cutting of corporate travel budgets in the latter half of the 1990s, their minimalist style of personal service, combined with a relatively high level of automation, had also been a strategic response to labour difficulties in the accommodation sector.

4.10 Summary of skill deficiencies

In this chapter, we have examined the perennial ‘skills shortages’ of organisations in this growing and increasingly diversifying sector and concluded that employers’ inability to staff operations adequately, provide high quality service and sustain profitability and stable employment, reflects a range of manifest and latent problems, which will be discussed in detail. To see the overall picture, we need to return to the classification of skills defined in section 1.3 - vocational skills, generic skills and attitudes - and to assess at what levels of skill present the most serious resourcing challenges. Figure 3 below explores the relationships among areas of skill shortage, levels of skill and the extent of skill deficiencies.

Figure 3: Areas of skill and labour shortages relative to skill level in the hospitality sector identified in the case study organisations



In Figure 3 skill level is measured on a scale of 0-5, with 0 representing unskilled and 5 approximating to NVQ level 5. In addition, the shading of variable bars indicates the extent to which skill gaps were serious and endemic throughout the sector, fairly problematic or a problem which was perhaps less chronic or largely confined to particular labour markets. The advantage of using this scale is that it allows us to consider shortages of unskilled employees - that is, labour shortages - in relation to skills shortages: related but distinct problems revealed by the research. Even 'unskilled' employment implicitly assumes basic cultural competencies and most often assumes basic literacy, numeracy, interpersonal skills and the capacity to learn and follow instructions. Thus, the 0-5 scale approximates to 'skill' in its broadest sense ranging from novice to expert in the given context (Dreyfus and Dreyfus 1986). The figure reveals clearly that the key areas of skill shortage in the sector are food preparation skills (which includes culinary craft skills), interpersonal 'emotional labour' skills and managerial skills. These - and the extent to which they reflect skill shortage, labour shortages or inappropriate employment resourcing within the sector, were discussed in the previous chapter.

4.10.1 Current external skill shortages

The occupations and skills which employers experienced difficulties in recruiting externally were polarised between highly skilled craft and professional employees (such as chefs and managers) and low-skilled, low-paid operative level employees. The latter constituted a labour shortage rather than a skills shortage, particularly in areas of full employment where those with few skills to sell could generally sell them for a higher price - or in exchange for more amenable working hours - to employers in other sectors. However, difficulty was also widely encountered in attracting good junior management candidates and, in particular, candidates with the appropriate abilities for small business management. Employers suggested that graduate managers are destined primarily to develop careers in the larger firms (particularly hotels) and that they have neither the skills nor inclination to seek employment in smaller operations.

4.10.2 Current internal skill gaps

Employers, asked for areas where their current staff lacked the necessary skills to enable them to meet their strategic objectives as effectively as desirable, indicated similar polarisation between technical management skills at departmental head and supervisory levels - particularly in people management and financial management skills and interpersonal customer service skills. Most of the case study establishments had invested time and resources in the latter and we considered this was due in part to promotion by the industry lead bodies (such as the Hospitality Training Foundation and Springboard) of the 'customer care' message, along with the accessibility of training packages such as Welcome Host. The majority of employers appeared to be fatalistic about poor managerial skills, seeing weaknesses largely as a reflection of low-quality candidates rather than rectifiable skills gaps.

In terms of both skills shortages and skills gaps, employers repeatedly emphasised an undeveloped work ethic and poor attitudes, both in the labour market and among current staff. The best practice organisations selected staff carefully and attempted to develop organisational standards and loyalty, partly by encouraging staff to rectify skills gaps and achieve better levels of performance and career development.

5. CONCLUSIONS

5.1 The big picture

Many major factors affecting establishment performance in hospitality lie outside the control of owners and managers and it is unsurprising that few establishments adopted a long-term linear approach to business strategy. The sector is highly sensitive to changes in the political, economic and social environment, and is characterised by the volatility of both labour and ownership. Large employers are the subject of intense merger activity while many low-capital start-ups and a high failure rate typify the other end of the scale. No one sector is immune from the relatively high degree of uncertainty in the market. Thus a well-managed unit in a large hotel chain may succumb to a general acquisition, a high-performing contract catering location may be jeopardised by downsizing in its client company, while an independent public house with no strategic ambition and poor human resource practices may tick over profitably year after year. In these conditions it is hard to define a 'better performing' establishment in terms of hard criteria.

Independent proprietors are able to set their own criteria for success and these include, for example, survival/sustainability, the pursuit of reputation and quality, and their own quality of life. In several of the sample cases, maximisation of profit and business growth were not the key drivers. In small establishments, close attention was given to cost-control, cash flow and avoidance of debt, particularly among those proprietors who were approaching retirement or who had experience of recession.

The establishments identified strongly with their sub-sector or market segment, and it was within their sub-sector that they competed. For example, none of the small hotel owners or managers we interviewed had ambitions to upgrade to a higher star rating (although several stressed the need to upgrade in order to remain competitive within the current market). The owners of the pubs with restaurants and rooms were committed to sustainable stability rather than growth at establishment level, and the director of the Michelin-star restaurant competed not with local restaurants but with other Michelin establishments across the UK - for staff as well as for clients. It was clear, however, that sustainability in increasingly competitive and technologically sophisticated environments required more than the retention and replication of existing skills and more than the owners and managers envisaged, as will be discussed.

Product complexity or quality did not prove to be a useful comparator with reference to skill utilisation in hospitality because of the range of products and services provided, within as well as between establishments. For example, a restaurant specialising in pizzas, or a pub serving a relatively narrow range of food, had less complex production operations, and a less complex product range - and consequently required a narrower range of skills (with the majority of employees requiring relatively low skills) - than a luxury hotel with a variety of leisure facilities in addition to its food and accommodation services, or a Michelin-starred restaurant. Yet the key difference between a three and five-star hotel may be less in terms of complexity or skill levels than simply in their relative ratios of low-skilled staff per guest. Meanwhile, product complexity and the range of services offered by a regional contract catering firm with a variety of company clients and levels of provision within them are comparable to a five star hotel - yet the skills implications are very different. This variety, together with the significance of location in the industry, precludes the construction of uniform performance measures or even a common scale upon which to assess the establishments' strategic approach to managing operations

or human resource management except at a very general level. The appropriateness and level of success of strategy relating to products, marketing and skills utilisation can only meaningfully be assessed in their local and sub-sectoral contexts, in terms of the options available to the establishments.

Large hotels tended to be located where there was availability of appropriate labour and had sophisticated internal human resource management and training strategies, as did the contact caterers, whose HRM and skills development policies tended to be driven by the standards of the industries which they served. Smaller organisations tended to be driven by immediate pressures rather than longer-term or well-resourced proactive strategic objectives, had fewer resources available and less easy access to skills development opportunities. So is the key variable simply size of organisation? This would seem not to be the case, as one of the pubs scored very highly, while the small hotels segment exhibited a range of scores. Evidently, further explanation is required.

5.2 Key issues

5.2.1 Pay and work practices

There is a gap between employers and employees in perceptions of appropriate pay levels. Employers claimed that pay and working conditions were 'reasonable' or even 'good' while at the same time describing extensive recruitment problems, skill gaps and labour turnover. Yet their employees often commented that they were paid below local rates and that understaffing, to avoid labour costs, resulted in inefficiencies and impaired standards. Understandably, pay is a major cost factor in a labour intensive industry, but the hidden costs of high labour turnover with its associated threat to productivity and quality are also considerable. The correlation between best practice in product market strategy on the development and utilisation of appropriate skills suggests that, for the best practice organisations, greater investment in staffing had led to lower turnover and more effective performance.

5.2.2 Management and the role of graduates

As a result of Government policy, over a third of school leavers now proceed to higher education. We found evidence that young graduates were frustrated by the so-called fast-track training schemes of the large hotels, where hospitality management specialists with industry experience were usually recruited on the same basis as other graduates. The industry is, for the most part, suspicious of 'college learning' and undervalues potential highly qualified recruits. In addition, sector employers did not seem to distinguish between HND diplomates and degree graduates, and this has implications for course lengths, not only for higher education funders and providers but also for student choice following the introduction of fee contributions.

5.2.3 The potential of collaboration among employers for more effective skills development

In the course of the case study fieldwork, the scope was demonstrated for local, regional and national consortia of small independent establishments in the hotels, pubs and restaurants sub-sectors to replicate the benefits of centralised specialist services (such as marketing and purchasing) and career development (such as training, shared apprenticeships, job interchange and promotion opportunities). Over the sector as a whole, these benefits tended to be largely confined to employees of the chain establishments. There are two obstacles to further development of such constructive economies of scale: employer attitudes and cost. The former reflects lack of management skills and short-termism, but there is no doubt that considerable management time and administrative costs are required to get such initiatives up and running. The good practice examples identified show clearly how pump-priming funding can contribute effectively to such development. Further dissemination of good practice evidence and accessibility of and support for small business development training is required.

6. GLOSSARY

BHA	British Hospitality Association: the trade association for the sector
BII	British Institute of Innkeeping: the training organisation for the on-licence trade
CHME	Council for Hospitality Management Education: the education providers' association
C&G	City & Guilds: former craft qualification, mostly replaced by NVQs (see below)
GDP	Gross domestic product: an indicator of national economic performance
HCIMA	Hotel & Catering International Management Association: the professional body for the sector
HEFCE	Higher Education Funding Council for England
HESA	Higher Education Statistics Agency: the national data collection body for higher education institutions
HND	Higher National Diploma: higher education qualification below degree level, usually containing a significant structured work-based element
HtF	Hospitality Training Foundation: the national training organisation for the sector
IiP	Investors in People: accreditation standard for staff training and development
LEL	The National Insurance Lower Earnings Limit
NVQ	National Vocational Qualification: competency-based qualification, usually obtained in the work place
SMEs	Small-to-medium enterprises: in this report, those with fewer than 25 employees
TECs	Training and Enterprise Councils: regional bodies - dissolved in 2000 - that liaised between government, trainers and employers, and were also responsible for administering the IiP initiative (see above).

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ANNEX 1

THE CASE STUDY ESTABLISHMENTS

Case	Number of staff	Sales(£M)	Ownership	Business type	Location
SH1	4 FT 25 PT	0.45	Independent, privately owned	2-star hotel/ (13 rooms), restaurant with 2 AA rosettes (60 covers)	Rural, SW England
SH2	13 FT 7 PT	0.42	Independent, privately owned	3-star hotel (20 rooms), restaurant with 1 AA rosette (60 covers)	Rural, SW England
SH3	20 FT 22 PT	1.5	1 of 3 in a privately-owned group	3-star hotel, 54 rooms	City centre, SW England
SH4	30 FT 5 PT	-	1 of 12 in a privately owned group	3-star hotel, 48 rooms	City centre, SW England
SH5	20FT 15-20 casuals	Estimated 0.6 (1st year of trading)	1 of 3 in a privately-owned branded group	3-star hotel, 37 rooms	Small town, SW coast, England
SH6	35 FT 15 PT/ casual	1.3	1 of 3 in a privately-owned branded group	3-star hotel (32 rooms) + pub/bistro	Rural, SW coast, England
SH7	20 FT 15-20 casuals	1.3	1 of 3 in a privately-owned branded group	3-star hotel, 39 rooms + apartments, houses	Rural, SW coast, England
LH8	113 FT 30 PT 80 casuals		Plc, 1 of branded chain of 37	4-star (242 rooms), restaurants inc. 2 AA rosettes	City centre, SW England
LH9	150 (80 FTEs)	8	Plc, 1 of a branded group within an 872-unit Chinese-registered global consortium	4-star hotel, 196 rooms	City centre, SE England
LH10	60 FT 140 PT	4	Plc, 1 of a large branded chain	Flagship 3-star hotel, 145 rooms	Urban, West Midlands
LH11	159 FT/PT 50 casuals	-	Plc, 1 of a large branded chain, part of a brewery conglomerate	4-star hotel, 284 rooms	City, West Midlands

Case	Number of staff	Sales(£M)	Ownership	Business type	Location
LH12	102 FT 20 PT 42 casuals	16	Plc, 1 of a large branded chain	Flagship hotel of northern group of 6	Rural, NW England
P13	-	Typically 0.45 per unit	Consortium of 25 independent, privately owned establishments	Inns and 2-3-star hotels (5-18 rooms)	Mostly rural, mostly England & Scotland
P14	4 FT 4 PT	0.18	Independent, privately owned - member of P13 consortium	Pub with restaurant and 5 rooms	Small town, S coast, England
P15	3 FT 2 PT	-	Franchisee in a privately owned group of 20	17thC 'destination' pub with restaurant + 4 rooms	Rural, SE England
R16	83 FT 45 PT (21 FTEs/outlet)	4.5	1 of a branded group of 5, privately owned	Pizza & pasta restaurants with bars	City venues, London & Oxford
R17	22 FT + separate staff for functions	0.75 + function income	1 of 3 business units on a single site. Part of global drinks plc	Restaurant with 1 Michelin star, 3 AA rosettes(100 covers)	City centre, SW England
CC18	22,000 in the UK, 2,115 in the West & Wales region	-	Limited company within large corporate hospitality group: 2,500 locations (239 in the region)	Contract catering company	UK-wide
CC19	22,000 in the UK, 3,000 in the SW	4,000 world-wide	UK plc, a branded chain within a large multinational leisure group	Contract catering company	Global
CC20	665 FT 285 PT	20	Limited company with 100 'locations'	Contract catering company	Central southern England
CC21	15 FT 4 PT	0.75	Location forming part of CC20	Approx. 700 lunches per day	City centre, S coast, England

Key: SH = small hotel, LH = large hotel, P = public house, R = restaurant, CC = contract caterer

ANNEX 2

SKILLS REQUIRED IN THE CASE STUDY ESTABLISHMENTS

Vocational /technical skills (mainly 'hard' skills)

- management skills (strategic management, marketing, financial management, personnel management, operations management/ logistics, project/events management, knowledge management, stock management)
- supervisory skills (e.g. cost control, staff management and development)
- knowledge of specialist IT software (e.g. advance reservation systems, yield management, estate management, customer flow design)
- Knowledge of relevant employment law (e.g. health and safety, working time) and trading standards (e.g. hygiene, trade descriptions)
- product knowledge (e.g. wines and spirits, cocktail recipes, nutrition/diet, food production)
- food and drink storage;
- cooking, food preparation;
- food and bar service skills;
- specific reception and telephone skills;
- housekeeping (e.g. cleaning, mending and laundry)
- fitness/sports instruction; first aid, lifesaving
- hairdressing, relaxation and beauty therapies
- childcare, play/activity leading
- showmanship (e.g. 'theatre cooking' and cocktail mixing), performing arts (juggling, mime, tricks, singing, dancing, playing a musical instrument)
- gardening, green-keeping, horticulture, flower arranging
- local tourism knowledge (venues, events and transport/travel)
- Knowledge of own and guest cultures

Generic 'transferable' skills: (mainly 'soft' skills)

- leadership (inc. small business management skills)
- team-working
- communication skills
- negotiating skills and the ability to deal with conflict
- problem-solving, and the ability to 'follow through'
- time-management
- commercial awareness
- entrepreneurial skills
- selling skills
- administrative skills (record-keeping, cash-handling, banking, data analysis);
- literacy, numeracy, and geography
- foreign languages;
- computer literacy (word-processing, spreadsheets, databases, email, internet)
- skills related to security and maintenance
- transport skills (driving, crewing)

Attitudes, attributes and personality traits

- enthusiasm, personality, confidence, a passion for food, enjoyment
- commitment, dedication, responsibility,
- self-discipline
- creativity, innovation
- cleanliness and self-presentation
- honesty
- sensitivity and discretion
- the will to learn
- the will to work
- flexibility
- physical strength and stamina

ANNEX 3

HOTEL STAR RATING SYSTEM

'Stars from 1 to 5 symbolise overall quality, level of service, food standard and range of facilities available

1 Star

These hotels are likely to be small and independently owned, with a family atmosphere. There may be a limited range of facilities and meals may be fairly simple. Lunch, for example, may not be served. Some bedrooms may not have en suite bath / shower rooms

2 Star

In this classification, hotels will typically be small to medium sized and offer more extensive facilities. Some business hotels come into two star classification and guests can expect comfortable, well-equipped, overnight accommodation, usually with an en suite bath/shower room. Reception and other staff will aim for a more professional presentation than at one star level, and offer a wider range of straightforward services, including food and drink.

3 Star

At this level, hotels are usually of a size to support higher staffing levels, and a significantly greater quality and range of facilities. Reception and the other public rooms will be more spacious and the restaurant will normally also cater for non-residents. All bedrooms will have fully en suite bath and shower rooms and offer a good standard of comfort and equipment, such as a hair dryer, direct dial telephone, toiletries in the bathroom. Some rooms service can be expected and some provision for business travellers.

4 Star

Expectations at this level include a degree of luxury as well as quality in the furnishings, decor and equipment, in every area of the hotel. Bedrooms will also usually offer more space than at the lower star levels, and well designed, co-ordinated furnishings and decor. En suite bathrooms will have both bath and fixed shower. Services such as portering, 24-hour room service, laundry and dry-cleaning will be available and the restaurant will demonstrate a serious approach to cuisine.

5 Star

Spacious and luxurious accommodation throughout the hotel, matching the best international standards. Interior design should impress with its quality and attention to detail, comfort and elegance. Furnishings should be immaculate, services formal, well supervised and flawless in attention to guests' needs without being intrusive. Restaurants will demonstrate a high level of technical skill, producing dishes to the highest international standards. Staff will be knowledgeable, helpful, well versed in all aspects of customer care, combining efficiency with courtesy'.

Source: Royal Automobile Association 2000

ANNEX 4

ANALYSIS OF THE RELATIONSHIP BETWEEN ESTABLISHMENT/COMPANY PRODUCT MARKET STRATEGY AND UTILISATION AND DEVELOPMENT OF APPROPRIATE SKILLS

Figure 4 shows the relationship between the strength of product and market strategy in the case establishments and their development and utilisation of appropriate skills.

Looking at the 'whole picture' which detailed case study research provides, we were able to summarise that the strategic approach of most establishments, in terms of the markets they operated in, was proactive as well as responsive, and likely to be incremental and opportunistic rather than to follow a long-term plan. Much depended upon the vision, enthusiasm, commitment and professionalism of the owners or management, their ability to anticipate and respond to change and to 'think outside of the box'. Notwithstanding the interpretative aspect of this analysis, it was possible to construct a heuristic scale (see Figure 4 opposite) to compare establishment product market strategies with which to assess the significance of establishment strategy¹ for the development and utilisation of appropriate skills.

For each case study, members of the research team made a collective judgement about the strength of the establishment's product market strategy (PMS) and its development and utilisation of appropriate skills (DUAS), within their commercial context. We did not include P13 (a marketing consortium of independent establishments) and CC21 (a location example for CC20). We scored each of the remaining 19 establishments on both of these dimensions on a range of 1-7, where 1 is low and 7 is high. We then plotted relative positions of the establishments, as shown in Figure 4.

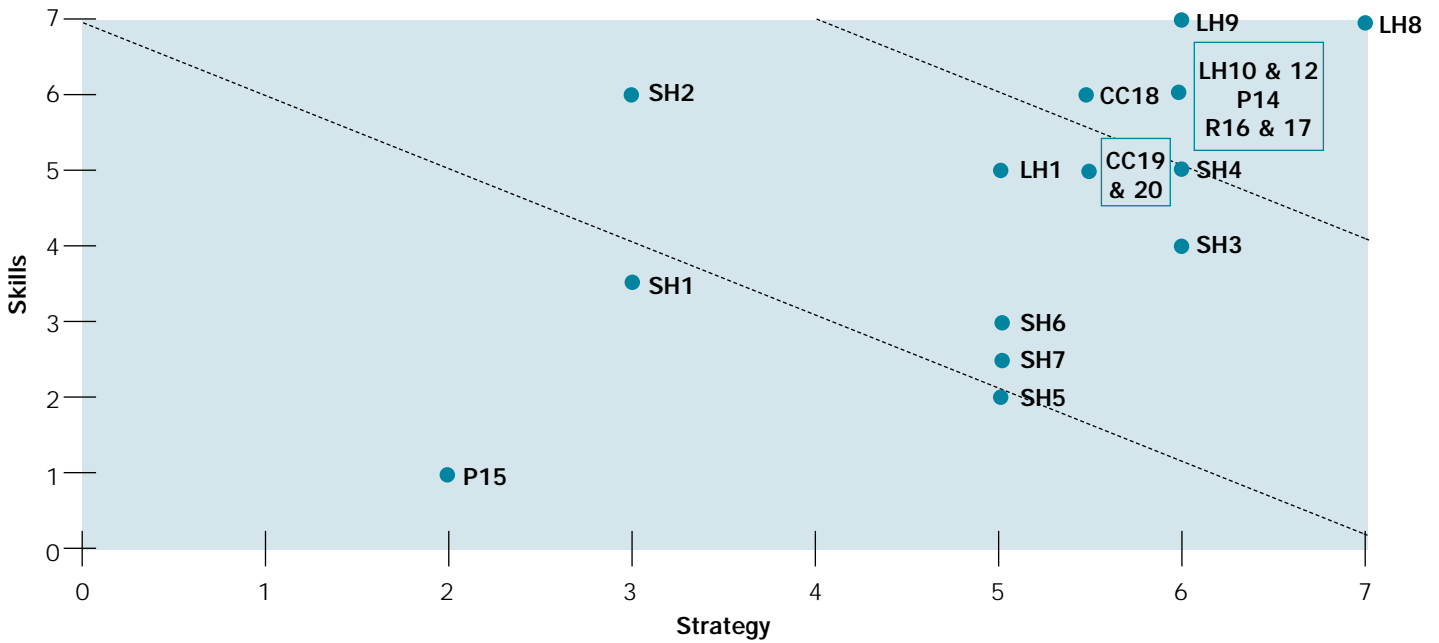
As we have already emphasised, the case sample generally represents relatively good practice by sector standards, and so it is unsurprising to find very few 'outliers' below the High-High (7-7) diagonal line (see section 4.7.2 for discussion). At both outlying establishments the owners were close to retirement. To enable us to investigate factors which might underlie differences in the strategy and skills of the establishments, we drew a second line slightly above the mid- score point, and this had the effect of splitting out half the establishments. The distribution of establishments relative to these two dividers gave us some confidence that this approach, grounded in subjective assessment, was nevertheless worth pursuing.

Figure 5 tests the correlation between best practice concerning product market strategy and development and utilisation of appropriate skills in the establishments, and it can be seen that only in the small hotel sector was this correlation weak, indicated by a diffuse and visible gap. Otherwise the indication is that there was a strong correlation between PMS and DUAS: in several cases there was a perfect positive correlation and in the others the gap was relatively small and not statistically significant.

In the analysis that follows, we refer to establishments above the 4-4 line as Group A establishments below the 4-4 line but above the 7-7 line as Group B, and those below the 7-7 line as Group C.

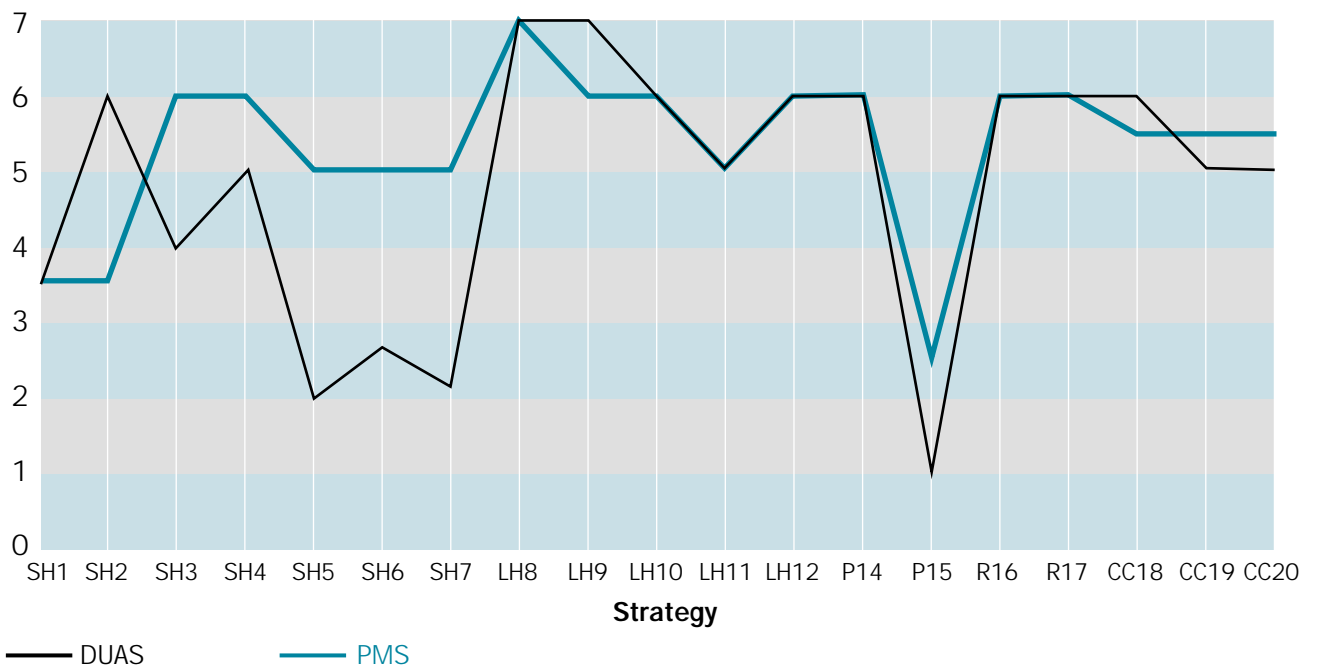
¹ Some of our establishments were part of a larger organisation or group. For the purposes of this analysis, we look at *establishment* strategy, which reflected organisational strategy to a greater or lesser extent in different contexts.

Figure 4: Case establishments differentiated by strength of product market strategy and the development and utilisation of appropriate skills



Key: SH = small hotel, LH = large hotel, R = restaurant, P = public house, CC = contract caterer

Figure 5: Correlation between product market strategy (PMS) and the development and utilisation of appropriate skills



Key: SH = small hotel, LH = large hotel, R = restaurant, P = public house, CC = contract caterer

Size, growth and decline, products and services, quality

In the hotel sub-sector, most large establishments fell into Group A and most small establishments into Group B. In the other sub-sectors there was not a strong correlation between size and PMS/DUAS performance.

Five of the nine establishments in Group A exhibited good growth rates, and this did not appear to be related to size. Fewer establishments in Group B exhibited good growth rates, and this again seemed unrelated to size.

The complexity and range of products and services did not differentiate the groups, and we noted that three establishments in Group A were highly focused on their core business.

Seven of the nine establishments in Group A had an explicit product service strategy of raising quality, while only four of all the remaining establishments said they were following this strategy. However, we felt unable to conclude that failure to articulate the strategy was a differentiating feature, as nearly all the establishments were pursuing repeat business and were not competing on price.

Sustainability

According to the judgement of the researchers on the basis of available information about organisational performance and data collected in the course of the investigation about practice and context, eight of the nine establishments in Group A appeared to have sustainable strategies over the next five years.

Reactive versus integrated strategy

Eight of the nine establishments in Group A integrated their human resource strategy into their overall strategic planning, while only two of all the remaining establishments did the same.

Assessment of labour market

Only three of all the establishments had no recruitment difficulties, and all fell into Group A. The three had very high status and reputation within the sector, and, for example, attracted speculative applications from qualified and experience workers. Otherwise, the competition for staff in a tight labour market was a general problem, independent of performance.

Responses to internal skill gaps

Finally, we looked at establishment responses to internal skill gaps, and found that training was not a differentiating factor. Seven of the nine establishments in Group A used multi-tasking and job rotation to cover skills gaps, while five of the eight establishments in Group B did the same. Only two of the four large hotels in Group A had developed this kind of flexibility. Unsurprisingly, such flexibility was more developed in small establishments across the sectors than in traditionally compartmentalised large establishments.

Eight of the nine establishments in Group A offered positive career development, while the ninth establishment had a staff capacity of only eight people. Another three establishments in the top range of Group B also offered internal career development.

Ten of the eleven small establishments across the sub-sectors were at various stages of involvement in collaborative or consortium approaches which were enabling them to replicate a range of variables (such as training, job swaps, mobility, dissemination of best practice, marketing, specialist personnel, career development, graduate opportunities) which formerly contributed to the competitive advantage of the large establishments and chains.

In summary, we concluded that the key differences between the Group A establishments and the remainder were sustainability, an integrated human resource strategy, and a positive approach to career development.

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