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Insight

Exclusive: **Chris Mumford** reveals how the capital's general managers are reaping the rewards

London GMs score with bonuses

Towards the end of last year, I reported on the rise in salary levels awarded to hotel executives at four and five star hotels in London.

My findings revealed that hotel executive committee salaries in the capital rose by an average of 12% between 2004 and 2005. The biggest winners were Directors of Sales and Marketing who recorded an increase of 17% in base salary but our figures excluded the General Managers. I therefore decided to take a look at how General Managers are faring. Is it just their executive teams that are benefiting from increased earnings from improved hotel performance or are General Managers also reaping the rewards?

Our data does not allow direct year-on-year comparison between 2004 and 2005 but does enable us to look at salary levels awarded to General Managers from 2003 and early 2006. Our peer group is five star luxury hotels in central London and, on the face of it, there has not been a great deal of change. Certainly, at the minimum and maximum ends of the range there is very little alteration. Rather it is in the middle of the data range where most movement has been recorded.

Indeed, the 50th percentile point in the data range in 2006 is not far off the 75th percentile point from 2003. This is a clear indication that the majority of General Manager salaries have made significant gains over the past couple of years. If we look at the average base salary in 2003 of £123,160 we see that this has risen by 17% to a 2006 level of £143,980. Annualised over two years, this is an average increase in base salary of 8.5% per annum.

Interestingly, this increase in General Manager pay is pretty much in line with that of their bosses. A study of the 2003 and 2005 annual reports of UK listed hotel companies reveals that the average annual CEO base salary rose by 19% over the two year time period.

In the true fashion of performance-related-pay, General Managers' earning power is closely tied to the financial results of their hotels. Trading conditions in London have continually improved since 2003, in spite of occasional setbacks such as the July 2005 terrorist attacks, and the impact on General Manager remuneration has been most noticeably felt in the bonus arena. While base salary levels make



General Managers have made gains in bonus awards

GMs: bonus as % base salary

	25th Percentile	50th Percentile	75th Percentile
2003 Last Annual Paid Bonus as % of Base Salary	6.45%	11.54%	22.20%
2006 Last Annual Paid Bonus as % of Base Salary	24.50%	27.00%	36.25%

steady annual gains, it is bonus levels which experience the peaks and troughs of a market's cycle and it would appear that 2005 was a good year in London. The average bonus payout to a General Manager of a five star hotel in London last year was £38,344. This represented a hike of 41% over that of 2003.

Target bonuses are typically in the 25 – 35% of base salary range and the results for 2006 indicated that, unlike 2003, most General Managers were making target and beyond. The below table illustrates the bonus award as a percentage of annual base salary and shows that General Managers last year successfully hit their bonus targets.

The average bonus as a percentage of base salary was 29%. Likewise, the average for executive committee members at five star hotels was 12%. It is

apparent therefore that, while General Managers have implemented healthy increases in the base salary levels of their hotel executives, perhaps as a response to the current highly competitive job market, they themselves have received more modest increases in base salary but have made greater gains in bonus awards.

As proponents of performance-related-pay, we are pleased to see that hotel owners and operators have their General Managers' personal financial interests closely linked to those of the operating unit. We would encourage them to extend this practice and increase the bonus potential of all managers with P&L responsibility within the hotel.

Chris Mumford is managing director of HVS Executive Search

GMs: base salary

	Minimum	25th Percentile	50th Percentile	75th Percentile	Maximum
2003 Annual Base Salary	£85,000.00	£96,500.00	£106,760.00	£132,500.00	£245,000.00
2006 Annual Base Salary	£85,222.00	£108,000.00	£125,193.50	£174,807.50	£225,000.00

GMs: average bonus

2005 Average Last Annual Paid Bonus	£38,343.71
2003 Average Last Annual Paid Bonus	£27,123.40
Increase	41.37%