

Hotel Online

News for the Hospitality Executive

Financial Mindset for 2010!

By Paul West, June 2009

2010 is expected to be another challenging year for the hospitality industry, which means that hoteliers must focus more on operations in order to maintain profitability; consequently, now is the time for companies to establish new labor productivity indicators as well as zero base operating expenditures.

Efficiency is the primary tool to stimulate profits, a goal which could be accomplished better with individual property participation utilizing a multi-user database tool as opposed to a spreadsheet, which is a slower process that is prone to error.

Information is needed quickly and accurately as one day late may mean thousands of dollars over spent. As we enter the 2010 budget season, hospitality managers should have many discussions on how to control and/or cut expenses. The first expense in mind is always labor; but, more often than not, this cutback process does not achieve the optimal results for the business operation. For example, letting go of an Accounts Receivable person may in fact slow the collection of the very kind of income for which the business is longing. Letting go of an experienced Income Auditor may require the addition of two staff members who are less knowledgeable in the end – something that will only complicate further the daily reporting process.

Next there is often the haphazard cutting of random expenses that although may seem superfluous at first, may end up becoming so noticeable to the expectation of guest service that an unplanned impact to the actual “hospitality” of the operation soon becomes inevitable. Certainly, pushing away valuable repeat business is nearly as bad as neglecting the collection of money that is already owed!

Having said this, one can speculate that the best approach is proper education and understanding of the TRUE situation concerning the business operation – as well as the selection of the proper tools to monitor and prompt the needed decisions that must be made in a timely manner.

Certainly, the correct solutions must be made available; but they should also not be as overwhelming in cost or as confusing to implement properly as to dissuade owners from allowing the purchase at all – whether it is an online, web-based service application or software as a service solution or some sort of “Business Intelligence” option.

Once the correct software is obtained at the most reasonable price, it is necessary for an intelligent and logical implementation of such software that immediately pushes the entire business operation of executives and managers to adopt this new philosophy of employee empowerment and accountability for every manager.

The new philosophy then becomes simple: *“If revenues are to decrease, then the goal to maintaining profitability can only rest with controlling expenses!”*

Once this new, cost conscience mindset is created, the real work must begin. This requires the implementation and consistent utilization of that chosen software to address the issues of daily labor productivity, annual budgeting, weekly and monthly forecasting – along with a daily review of operational data based on forecast, budget, and prior year information.

After employees, supervisors and managers understand the daily adherence to this plan, executives can continue to adjust the bigger picture more accurately with appropriate decision making that is based on these new results for achieving a better outlook overall. The education of running a business sensibly resonates when employees and managers understand that nothing is free, nothing can be taken for granted and everything has a cost assigned to it.

The process in that education will eventually assimilate understanding into a desire to offer only the best in guest services and the most in a consumer product. Education and the proper implementation of the correct tools that allow for line-by-line accountability will then undoubtedly settle the foundation of the new business mindset. That mindset is what a profit oriented business team will lean on in order to continue towards many years of cost conscience execution that will also carry them during the tough times.

The good times will eventually follow and the same expense-awareness approach that all have adopted as the new mantra can be also applied during the better times when they arrive. It is then when a company can continue to thrive and stand out among any competition that may still be standing.

Finally, more than ever there are companies of all sizes that need to become more agile and flexible; so, disconnected budgeting and planning once or twice a year is no longer sufficient. Furthermore, allowing the finance department alone to handle these processes will fail to incorporate operational assumptions from other department managers who may be more in tune with the important details. Spending time consolidating spreadsheets instead of performing analysis and modeling different business scenarios is simply not the best use of valuable time – now more valuable than ever.

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