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How to Get Your Business Strategies Executed: Give Middle Management Financial Tools

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Most hotel management companies offer supervisors and junior managers training courses to some extent. These can vary from service recovery classes to courses in conducting performance reviews, etc. Most often, these courses are focused on tasks related to human resources oversight or at best to motivating staff to provide exceptional service. Having worked my way up through the rooms division in numerous positions, I can say I probably attended more than 50 such seminars over the course of my operations career. Despite attending these numerous training courses, I never saw a class focused on financial management or received any structured business skills training whatsoever. With no training, your line managers can make decisions and give direction which is counterproductive to your business strategy. More importantly, there is no way to develop business minded leaders without giving them business skills as they grow.

Consider some tasks that are handled every day by your junior management team that have a direct impact on financial performance.

- Every front desk performs some sort of nightly check of room rates to ensure guests are set up to be charged accurately. At one hotel I visited, more than a third of their business came in wholesale tour packages. The tour companies had a contracted rate change for summer months that was somehow missed by the reservations team. Since no one at the front desk even understood what this business represented, everyone just assumed the rates were correct. The agent working on the rate check told me "We don't look at those guests when we do our check because their rates are contracted." Well, they were contracted, but contracted to have a higher rate and the hotel lost out on over \$40,000 over a three week period before anyone realized it.

- At another hotel, a new General Manager came on board with extensive food and beverage experience. He was not pleased with the restaurant menu and challenged the Chef to revise it. In his effort to show his talents, the Chef created an incredible menu, but failed to cost it accurately. The most popular items turned out to be the least profitable. The GM had to watch as revenue increased and profit decreased. After watching the decline, the GM called the Food and Beverage Director on it and ultimately they realized the Chef was not trained in menu costing. The menu was revised again to meet both culinary and financial requirements.

There are countless examples like this where lack of financial management understanding results in poor decision making that can be quite expensive. The solution to these situations is to provide financial training to your team from a very early stage. When someone is promoted to Supervisor or Assistant Manager, have them attend a class which gives them the very basics of the business of hotel management. Teach them about managing payroll strategically to business volume, give them the very basics of revenue management concepts, explain the hotel's procurement strategies, and most importantly, give them an overview of the property's overall financial model so they understand how they fit into its success. They should walk out of the class with enough understanding so that when the Director of Marketing stops by and says that, "Since Revpar is down, we're asking everyone to focus on revpor, and we need ideas with good flow through. Please try to come up with a plan," they know what he is asking and can contribute.


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Mentorship is the key to sustaining and growing the skills learned from a financial training class. Make business skill mentorship part of your management culture. This means that the GM needs to work on it with his executive committee, each division head with their department managers, each department head with their assistant managers, etc. Develop a structure where this can be measured and enforced. Initially, many managers who are not analytical by nature may be opposed to this as distracting them from their "real job." However, if their real job is not to contribute to the financial success of the hotel, than what is it?

Nearly all hotels have a "stand up" or operations meeting on some if not all days first thing in the morning. This meeting brings all of the managers on duty together to discuss the day's events. Consider making one day each week dedicated to providing additional financial training. Have one of your managers explain the financial issues critical to the success of their department. The rest of the team will certainly pay attention if they know their turn is coming soon. By doing this, you not only make the managers who are presenting take a fresh look at their financial performance (something that rarely happens in the midst of dealing with a busy operation), but you give tremendous training across divisions and disciplines. Something that is a major focus for housekeeping may have slipped the mind of a convention services manager, yet they both have the ability to help achieve the same goal. One company I worked with actually has a monthly financial recap meeting in which all department heads are forced to give a 5-10 minute formal presentation on the success of their department that month and then watch the other departments do the same. This is very intimidating for them at first, but you can imagine that career minded managers learn how to do this quickly. This is a very efficient tool for spreading financial knowledge.

Connecting the hotel's sales and marketing plan with the operations team is another key approach. Most hotels have a mechanism to communicate an incoming site inspection by a meeting planner. Everyone knows to roll out the red carpet and ensure that guest's stay goes well. But do they have any idea what this visit represents to the hotel? What kind of business the group would bring and how does this fit into the hotel's overall strategy? One GM I met had an excellent strategy in communicating his business model to his team. When the annual budget was completed and approved by ownership, he had his executive committee make the same presentation they had worked so hard to prepare for ownership to the entire management team. This team understood the goals and efforts of the sales department, and when it came to working outside of normal processes to accommodate sales needs, everyone worked together. Our business is unusual in the sense that the people who generate income do not work closely with the people that deliver it. In large hotels, these managers may never even get to know each other. By focusing training for the line management team, they will begin to understand and assist in the sales process in ways they might never had thought of before.

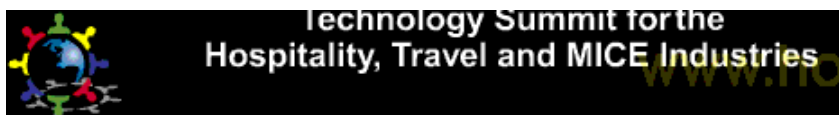
If you keep this focus on your team from early on in their career, as they get promoted, they will have more of an understanding of how the business of a hotel works. Ultimately, every new GM comes up mostly through one division. Having a food and beverage GM or Director of Operations in a rooms oriented hotel or vice versa can be trying for the other division if the GM does not at least understand the business model of the division he is less familiar with. Getting this understanding early in a career will make the person think more about financial management as they grow and be able to contribute more to your financial success. If you are an owner or a manager at the regional level or higher, think about financial training when you ask your GM for results.

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