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Best Practices in Hotel Operations

Abstract

Operations is the heart of a hotel. Efforts to improve operations can focus on a single department or address the entire organization.

Keywords

hotel industry, operations, profitability, best practices

Disciplines

Hospitality Administration and Management

Comments

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Best Practices in Hotel Operations

by *Judy A. Signaw and
Cathy A. Enz*

Operations is the heart of a hotel. Efforts to improve operations can focus on a single department or address the entire organization.

Operations personnel bear the considerable task of fulfilling all the promises that a hotel's merchandising effort has made while enticing guests to book a room in the hotel. Without a doubt, well-administered operational functions are the chief determinant of whether the guest's hotel experience is satisfactory.¹ The ability to deliver on promises and satisfy the needs of the guest results in the repeat business that makes a hotel profitable in the long term.

Our study of the industry's best practices found that hotels approached the task of improving operational standards in many ways. In this comprehensive study of best practices in the United States lodging industry,² peer organizations and

managers nominated a limited number of hotel companies or properties to be selected as best-practice champions for their operational initiatives (see Exhibit 1). These champions are AIMS, Bristol Hotels & Resorts, Days Inn Altoona, Essex Partners, Four Seasons & Regent Hotels, Good Nite Inn, Grand Theme Hotels, Hotel Bel Air, Marriott U.S. Postal Service Conference Center, New York Marriott Financial Center, Newark Gateway Hilton, Preferred Hotels & Resorts Worldwide, Residence Inn, the Ritz-Carlton Dearborn, SAI Luxury Hotels, Sheraton Elk Grove, and Sunstone Hotels.

Some of these champions in operations have chosen to focus their

¹ See: Laurette Dubé and Leo Renaghan, "How Hotel Attributes Deliver the Promised Benefits—Guests' Perspectives on the Lodging Industry's Functional Best Practices (Part II)," *Cornell Hotel and Restaurant Quarterly*, Vol. 40, No. 5 (October 1999), pp. 89–95.

² The full study is available in: Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Signaw, *American Lodging Excellence: The Key to Best Practices in the U.S. Lodging Industry* (Washington, DC: American Express and the American Hotel Foundation, 1999).

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Exhibit 1
Overview of operations best-practice champions

Operations champions	Practice initiated, developed	Measure of success
AIMS, Inc.	Restores bankrupt or dilapidated hotels to financial health	Hotels are profitable, averaging 60-percent occupancy
Bristol Hotels & Resorts	Created process for streamlining operations in "resource challenged" hotels	Surpassed Holiday Inn quality-index average
Days Inn Altoona	Integrated strong development, marketing, and human-resources practices	Enjoys 70-percent repeat business, is market occupancy leader, has high employee retention, received Days Inn awards
Essex Partners	Gains high-level performance with system of budgeting and cost controls	Reduced interest rates an average of 2 percent, reduced costs to improve bottom line
Four Seasons & Regent Hotels	Maintains system-wide process for quality operating and service standards	Received quality awards from travel magazines and rating services
Good Nite Inn	Developed time standards for completing all property-maintenance tasks	Increased scheduling efficiency, increased employee morale and retention, decreased worker-compensation claims, improved hotel and guest-room maintenance
Grand Theme Hotels	Identified task-time requirements to reduce labor costs	Increased productivity and consistency in performing tasks
Hotel Bel Air	Empowered engineering department and eliminated traditional work tickets	Improved hotel maintenance, reduced guest complaints regarding maintenance
Marriott U.S. Postal Service Conference Center	Completes advance check-in on shuttle bus from airport	Increased guest-satisfaction-index scores
New York Marriott Financial Center	Assigned accountability and responsibility for results to department teams with monthly report meetings	Received several company awards, increased employee morale, practice adopted systemwide
Newark Gateway Hilton	Completes advance check-in on shuttle bus from airport	Increased guest satisfaction, establishes tone of operational efficiency
Preferred Hotels & Resorts Worldwide, Inc.	Implemented comprehensive and detailed quality-assurance program	Encourages innovation and continuous improvements in quality standards, creates quality-standards model for managers, uses service-standards reports as a training tool
Residence Inn	Developed collaborative approach to quality assurance	Maintained 83-percent guest-satisfaction rating
The Ritz-Carlton Dearborn	Created guest-recognition program so that frequent guests can bypass traditional check-in	Practice adopted systemwide, improved guest satisfaction
SAI Luxury Hotels, Inc.	Purchases and improves distressed properties to sell at a profit	Averages over 100 percent in derived profits
Sheraton Elk Grove	Annually implements a new practice to improve financial viability and guest and employee satisfaction	Increased employee-satisfaction scores and profitability, improved customer service, physical product, and guests' value perception
Sunstone Hotels	Maintains focused growth through acquisition and revitalization of substandard hotels	500-percent growth achieved in four years, increased RevPAR and revenues, named Marriott Developer of the Year

attention on a particular area of operations to improve performance and increase profitability. Others integrated all areas of operations to improve guest satisfaction and drive financial growth. In this article we provide a detailed description of our champions' best practices and examine the successes attributed to those practices. We conclude with our respondents' insights and suggestions about implementing such programs, as well as some observations we have made.

The Best Practices

Our operational champions' best practices can be divided into four groups. One group consists of hotel-wide approaches to improving operations. Those champions are AIMS, Bristol Hotels & Resorts, Days Inn Altoona, Essex Partners, New York Marriott Financial Center, SAI Luxury Hotels, Sheraton Elk Grove, and Sunstone Hotels. A second group (i.e., Good Nite Inn, Grand Theme Hotels, and the Hotel Bel Air) comprises practices that focus on improving the efficiency of the maintenance and housekeeping functions. The third category, which emphasizes improvements in check-in procedures, is composed of Marriott U.S. Postal Service Conference Center, Newark Gateway Hilton, and the Ritz-Carlton Dearborn. The last category involves practices aimed at implementing and maintaining quality standards. These champions are Four Seasons & Regent Hotels, Preferred Hotels & Resorts Worldwide, and Residence Inn. The table in Exhibit 2 gives a description of each practice, the method of implementation, and the name of a contact person.

Overall Business-development Practices

The practices of AIMS, SAI Luxury Hotels, and Sunstone Hotels are built on the premise that unprofit-

able, substandard hotels can become lucrative entities if they are managed properly.

Turnaround specialists. AIMS uses the following strategy to turn around unprofitable hotel operations. AIMS first acquires distressed hotels by negotiating a lease based on 10 to 15 percent of the average gross room revenue realized during the three years prior to purchase. On particularly dilapidated properties AIMS requests a waiver for the first year's lease payments. Lease duration may vary from five to thirty years, and any F&B operation is leased to an outside operator. The hotel is inexpensively refurbished by purchasing FF&E cast off by major chains as they renovate properties. The company establishes a strict budget and financial forecast for each property, communicates daily with each property's managers, and inspects each hotel monthly. AIMS encourages its employees to provide honest feedback about operations.

SAI Luxury Hotels has found that it can make a profit by buying and renovating properties without becoming a long-term holder. SAI developed the following criteria to determine the soundness of each potential investment. The hotel must be in a good location, preferably in a downtown metropolitan area, and be eligible for a major-brand franchise. The property should possess sufficient character and charm to be classified as an upscale property after renovation, but it should be a relatively old facility in dire need of rejuvenation. The owner should be motivated to sell, and a third-party management company should be in place. Finally, the hotel must offer a minimum base for room revenue and significant potential to increase net operating income. Before an offer is made SAI estimates renovation costs, secures funding, projects monthly cash flows, and determines

an offer price. After the purchase SAI keeps close tabs on its investment by requiring the management company to submit numerous detailed financial and marketing reports.

Sunstone Hotels also acquires hotels that are producing substandard profits, are perhaps not in acceptable physical shape, and are available at a low cost-per-room price in strong markets with barriers to new competition. Sunstone confines its purchases to the west coast, the mountain states, and its home base of Rochester, Minnesota. Once the company acquires and restores a hotel, the property is rebranded based on its size, type, market position, and competition. To facilitate its rapidly growing operation, Sunstone comprises two entities. Sunstone Hotel Investors, a REIT, owns the properties, and Sunstone Hotel Properties, a management firm, operates the SHI-owned hotels. The formation of a publicly traded REIT was an excellent means of drawing capital to finance the company's acquisitions during the 1990s.

Resource-challenged properties. Corporate staff members at Bristol Hotels & Resorts developed a streamlined process to facilitate improvements in "resource challenged" properties—both existing and newly acquired. Resource-challenged hotels are those with fewer than seven managers, fewer than 60 employees, or fewer than 250 rooms. The plan to address those properties' shortcomings became known as "Bristol Lite," because the objective was to substantially lighten the workload of those hotels' managers and employees. The plan's three phases were (1) evaluate and modify the newly acquired properties, (2) integrate new processes into existing Bristol hotels that qualified as resource challenged, and (3) implement any applicable

Exhibit 2

Operations best-practices cases, descriptions, implementation, contact people

Operations champion, Title of case	Description of case	Method of Implementation	Contact person
AIMS, Inc. <i>Making Profitable Hotels</i>	Acquires and restores bankrupt or dilapidated hotels. Turnaround strategy is used to restore hotels to profitability within one to three years.	Turnarounds are accomplished through careful negotiation, leasing food and beverage outlets, strict budgeting, and employee empowerment.	Ashok Kumar, <i>president</i> 415-215-7434 Fax: 415-552-4626
Bristol Hotels & Resorts <i>Streamlining the Operations of Resource-challenged Properties</i>	Developed process for streamlining operations in acquired hotels with few resources. Eliminated non-valued-added services to allow hotels to focus on quality and profits.	Implemented in three phases: (1) evaluation and modification of the new properties, (2) integration of new "lite" processes into resource-challenged hotels, and (3) implementation of any applicable "lite" initiatives systemwide.	Steve Boyle, <i>regional director of accounting</i> 972-391-3106 Fax: 972-391-3798
Days Inn Altoona <i>Integrated, Community- based Marketing Plan</i>	Cultivated the Altoona, Pennsylvania, market with a coordinated suite of development, marketing, and human-resources practices.	Carefully selected location and paid attention to details in construction and interior design to satisfy target markets. Began marketing and customer-relations activities six months prior to opening of property by canvassing businesses door-to-door and sending out fliers. Provides community-service and nonprofit organizations with free meeting space. Set "recession-proof" rate. Selected highly qualified employees and offered best salary possible plus benefits package. Conducts regular property inspections.	Greg Sheehan, <i>owner</i> 814-944-9661 Fax: 814-944-9557
Essex Partners <i>Achieving Greater Profitability Through Budgeting</i>	Established a system of budgeting and costs controls that has allowed the management company to perform at higher levels than its competition.	Controls costs not usually deemed the management company's responsibility, such as financing, insurance, and legal and audit expenses. Ties managers' bonuses to performance relative to their budgets and provides a stock-option program.	John Mooney, <i>CEO</i> 716-272-2315 Fax: 716-272-2396
Four Seasons & Regent Hotels & Resorts <i>Ensuring a Luxury Hotel Experience</i>	Maintains a focus on quality operating and service standards to facilitate a luxury experience for all hotel guests.	Top managers travel frequently to maintain checks on standards. Each hotel is routinely inspected by divisional vice presidents, and an outside consulting firm inspects each property twice a year. Operating standards are updated by a committee that meets quarterly.	Wolf Hengst, <i>executive VP</i> 416-441-4353 Fax: 416-441-4381
Good Nite Inn <i>Establishing Time Frames for Preventive Maintenance Tasks</i>	Established standard time frames for the completion of all property-maintenance tasks to allow for proper scheduling and staffing of guest-room maintenance. The practice requires that the maintenance staff be accountable for completing specific quantities of work within a set time interval.	A task force determined the specific daily, weekly, monthly, and quarterly time requirements for maintenance tasks on fixtures, furnishings, and equipment (FFE). Time specifications included set up, break down, cleanup, and break periods. Maintenance duties are assigned with standard times attached.	Skip Hall, <i>VP of operations</i> 310-268-7772 Fax: 310-268-9172

Continued overleaf

**One owner found success
by choosing highly qualified
workers and offering them the
highest salary-and-benefits
package that the hotel
could afford.**

new initiatives to all Bristol hotels in 1999.

The Bristol Lite processes were as follows: (1) The corporate office assumed responsibility for employee hiring, orientation, and benefits enrollment to reduce the properties' workload and staffing requirements. (2) After eliminating duplicate forms the company substituted electronic forms for paper where possible. (3) All hotels' breakfast presentations were standardized. (4) Newly acquired hotels were omitted from corporate e-mail groups and listservs to prevent initial information overload. (5) The back office reduced the number of accounts from 761 to approximately 200 to reduce confusion in coding AP invoices and to realize faster P&L reviews. (6) Similarly, the human-resources office reduced the number of payroll job codes from 119 to approximately 50. (7) Rather than maintain food, beverage, china, glass, and linen inventories, the company switched to just-in-time purchasing. (8) Bristol eliminated tracking for complimentary F&B functions so that an income auditor would no longer need to track those expenses. (9) About half of the company's internal-control checkups were eliminated, reducing the number of steps from 205 to 105. (10) Finally, because of the reduction in the number of job codes and codes in the chart of accounts, the company simplified forecasting and budgeting, thus granting employees more time to spend caring for customers. To assist with the implementation of this plan, the company installed computers at each property to automate the transfer of revenue numbers and other data. The company also beefed up its orientation and accounting training and provided follow-up training in each functional area.

Preopening excellence. Days Inn Altoona cultivated its market

with a coordinated suite of development, marketing, and human-resources practices. The hotel's owner-operator carefully selected the property's location to obtain the best site available and paid careful attention to construction details. The owner approved budget increases when the result would be improved guest perceptions or more durable equipment. The hotel retained an interior designer to determine a guest-room layout, colors, amenities, and furniture that would best satisfy the selected target markets.

The hotel initiated marketing activities six months prior to opening. Sales employees solicited local businesses, sent fliers to members of the Chamber of Commerce, and joined organizations that offered networking opportunities. The sales representatives also contacted military and government offices for possible business and canvassed community-service and nonprofit organizations to offer free meeting space. The hotel set room rates to "fall within the guests' comfort range" and provide a perception of value.

The owner was careful to choose highly qualified workers and offered them the highest salary-and-benefits package that the hotel could afford. The hotel held regular meetings for initial training to reinforce the hotel's operating philosophies and standards. Training is complemented by an established system of employee recognition and rewards. Finally, to maintain the high standards of the property, a daily inspection serves to correct maintenance and appearance problems before they are recognized by the guest.

Careful budgeting. Essex Partners is an independent management company that has established a system of budgeting and cost controls that promote high performance. Essex took three steps to make its

Operations best-practices cases, descriptions, implementation, contact people (continued)

Operations champion, Title of case	Description of case	Method of Implementation	Contact person
Grand Theme Hotels <i>The Creation of a Process to Track and Control Labor Costs</i>	Conducted time and motion studies for hourly positions to determine how long each task required. Supervisors and managers prepare schedules according to those targets.	Held meetings to explain the process. A third party measured tasks using different personnel on different days in different parts of the hotel to derive an average number for minutes of each task. Employees share in any cost savings.	Mark Kane, <i>GM</i> 407-351-2100 Fax: 407-345-5249
Hotel Bel Air <i>Proactive Property-maintenance Program</i>	Members of the engineering department are empowered to make decisions to solve maintenance problems as soon as any problem is found; no traditional work tickets are used. One engineer is assigned to check rooms for problems before they develop.	An engineer immediately responds to a phone-in request, logging the trouble only if it requires entering an occupied room, but no written work order is required. The work is verified by the floor's room-inspection staff. One engineer is given the ongoing daily responsibility of checking the rooms as they are vacated.	George Edwards, <i>chief engineer</i> 310-472-1211 Fax: 310-440-5860
Marriott U.S. Postal Service Conference Center <i>Express Check-in on Hotel Airport Shuttle Buses</i>	Instituted a practice that allows guests to complete their hotel check-in procedure while on board the shuttle bus going from the airport to the hotel.	Shuttle-bus driver has a canvas bag that contains guests' room keys and a voucher imprinter for credit cards. Guests can go directly to assigned rooms.	Dan Gallant, <i>director of rooms and reservations</i> 405-447-9100 Fax: 405-366-1865
New York Marriott Financial Center <i>Regular Status Meetings Between Executive and Department Teams</i>	One day per month is reserved for the executive-committee members to meet with department management teams on their financial status and current month's results. Each department team is responsible for its department's results and prepares for the monthly interviews with the executive committee by graphing results.	Executives review the financial results for each department once a month. The department head is responsible for departmental results and has to present an exceptional reason for failing to achieve budgeted results.	Dan Flannery, <i>hotel manager</i> 212-385-4900 Fax: 212-266-6118
Newark Gateway Hilton <i>Guest Check-in on the Shuttle Bus</i>	When guests arrive at the airport and board the shuttle bus, they are automatically checked into the hotel via their credit card or Hilton HHonors card. Each shuttle bus carries a global positioning device, which tracks the location of the van, and a card reader, which tracks the guest's arrival via wireless communication with the front desk.	Cross-functional team developed the Mobile Zip-in Check-in program. When boarding the shuttle bus, the guest presents a credit card or Hilton HHonors card. This information is relayed via wireless communication to a dedicated workstation at the hotel front desk, where the guest's name is displayed on a computer. The guest's prepared key packet is retrieved and handed to the guest at the front door by a hotel team member.	John Luke, <i>VP of front-office operations & systems</i> 310-205-4452 Fax: 310-205-4437
Preferred Hotels & Resorts Worldwide, Inc. <i>Development of the Preferred Standards of Excellence</i>	Refined and developed one of the most comprehensive and detailed quality-assurance programs in the industry. To become and remain a member of Preferred, a property must meet these quality standards and practices.	A quality-assurance committee developed the initial set of standards and practices, which are reviewed and updated as needed. When a property applies for membership, Preferred's auditor conducts an unannounced inspection of the property. Members are also inspected annually.	Robert Cornell, <i>senior VP of development</i> 312-913-0400 Fax: 312-913-0444

Continued overleaf

operations more efficient and profitable. First, the firm hires the best managers available and rewards them appropriately. Managers' bonuses are tied to performance relative to their budgets, and each manager participates in a stock-option program. The stock options have produced an increased awareness among managers of corporate operating revenues and expenses. Because the managers realize that underperforming properties can affect the value of their stock options, they have pulled together to assist a manager who might be experiencing difficulties with her or his property. Essex also retains an industrial psychologist to work with the regional and general managers to encourage team building and to increase communication.

As a second step, Essex creates and maintains a budgeting process that assures the maximization of the property's potential. To start the process, each manager projects revenues for the coming year via telephone meetings and then submits the expense portion of the budget to the regional manager. The regional manager and each property manager then meet to review the budget line by line. Finally, Essex constantly reviews expenses and attempts to control costs that are not usually deemed a management company's responsibility, such as financing, insurance, and legal and auditing expenses. To that end, regional managers, senior managers, and corporate staff meet each Monday to review every possible area of cost reduction.

Marriott's plan. New York Marriott Financial Center implemented a program in which one day per month is reserved for the executive-committee members to meet with department-management teams on their financial status and current month's results. The program is intended to improve em-

ployee morale, guest satisfaction, and financial outcomes. During the course of the meeting the executive committee first and foremost reviews each department's financial performance using a graph prepared by the department head. Each team is held accountable for its department's results, and the department head must have an exceptional reason for failing to achieve budgeted goals. In addition, each month the department head must outline the steps taken to improve guest satisfaction and employee morale. Commitments made to action steps are documented and followed up at the next meeting.

Malcolm's ghost. The executive committee of the Sheraton Elk Grove annually selects and implements a practice that is considered the best method by which to improve financial viability and guest and employee satisfaction. The executive committee selects a "best practice" according to "Malcolm Baldrige" criteria.³ The practice must be sufficiently broad that it affects the entire hotel. Once the practice is selected, the hotel provides information about the practice at a meeting of all employees, where management explains how the hotel, employees, and guests will benefit. To implement the practice, members of the executive committee identify key processes and constitute subcommittees with the responsibility of executing on each assigned component. As part of their accountability, the subcommittees provide weekly reports on their progress and problems. Line staff

³ The Malcolm Baldrige Award, an annual program administered by the National Institute of Standards and Technology, is intended to discern the highest-quality corporations in America by applying a rigorous set of criteria. The only hotel company ever to win this award is Ritz-Carlton. See: Charles G. Partlow, "How Ritz-Carlton Uses 'TQM,'" *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 34, No. 4 (August 1993), pp. 16-24.

benefit from an incentive program that is tied to the improvements that result from the implementation of the practice. To facilitate the type of decision making required by this program, executive committee members participated in one-on-one training in "fact-based decision making."

Maintenance and Housekeeping Practices

Good Nite Inn wanted to substantially reduce guest-reported maintenance problems. To accomplish this goal, Good Nite Inn's managers decided they needed to gain more control over maintenance tasks while obtaining greater accountability from the maintenance staff. To do this, the hotel first created a task force to determine specific daily, weekly, monthly, and quarterly time requirements for each maintenance task performed on every fixture and piece of equipment or furniture. The time-and-motion study examined setup, breakdown, and cleanup activities, as well as allowing for break periods. The task-force study revealed that the time required for the execution of regular preventive-maintenance duties still yielded 2.5 hours per maintenance shift for specific guest-room maintenance requests and for emergency maintenance. Based on this information, the hotel made the rooms-quality manager responsible for creating a schedule of maintenance duties to be performed and for designating the standard times needed for each task. As a result, on any given day, a maintenance engineer knows exactly which maintenance tasks are to be completed for which guest rooms and the time span during which the tasks are to be completed.

Hoping to reduce costs in a tight labor market, Grand Theme Hotels engaged a third-party firm to conduct a time study similar to that of Good Nite Inn to determine the

Operations best-practices cases, descriptions, implementation, contact people (concluded)

Operations champion, Title of case	Description of case	Method of Implementation	Contact person
Residence Inn <i>A Collaborative Approach to Quality Assurance in Extended-stay Hotels</i>	Developed a collaborative approach in its quality-assurance program. The purpose is to provide assistance to properties rather than criticism, and in the process, improve employee performance.	After benchmarking other companies, a different procedure for quality inspections was formulated. Employees cannot fail an inspection; rather, the employees are advised how to correct quality problems.	Pat Adams, <i>senior VP of quality assurance</i> 301-380-4502 Fax: 301-380-7507
The Ritz-Carlton Dearborn <i>Special Check-in Service for Frequent Guests</i>	Offers one-stop check-in and registration using a guest-recognition program (OSCAR) that permits frequent guests to bypass the traditional check-in at the front desk.	The frequent guests are identified by the Ritz-Carlton guest-tracking system, but this practice works only with repeat guests of the property, since it depends on the guests being visually recognized. For OSCAR members arriving on a given day, a key packet is readied and a room assigned based on the guests' known preferences. Upon each guest's arrival, the doorman or valet parker hands the key to the guest, so the guest bypasses check-in procedures.	Lisa Rezin, <i>guest-recognition manager</i> 313-441-2000 Fax: 313-441-2121
SAI Luxury Hotels, Inc. <i>Business Development, Renovation, Turnaround, Repositioning</i>	Identifies and purchases distressed properties, improves the physical property and management structure, and then sells the hotel for a profit.	Developed criteria to determine whether a property has sufficient potential to warrant investment. If so, company determines an appropriate offer price, renovation costs, and funding. Once purchase is complete, numerous daily reports are required from the management company to ensure that the hotel yields a profit.	Devendra Sharma, <i>CEO</i> 919-846-8959 Fax: 919-847-3995
Sheraton Elk Grove <i>Annual Implementation of Broad-based Best Practices</i>	The executive committee identifies and implements a broad-based practice that is considered the best method by which to improve financial viability, as well as guest and employee satisfaction. The chosen practice must exemplify a "Hotel of the Year" practice.	Using criteria from the Malcolm Baldrige Award, the executive committee selects a new practice to implement. Each executive committee member is responsible for implementing a key process of the practice. An incentive program for the staff is tied to the improvements that result.	Mike Larson, <i>GM</i> 847-290-1600 Fax: 847-290-1744
Sunstone Hotels <i>Focused Growth of Hotel Company Utilizing a REIT</i>	Using a REIT, Sunstone has expanded its ownership of hotels through a focused policy of hotel size, type, and geographic location. By staying with the policy guidelines, the company is better able to maintain control over its operations and produce a more consistent profitability.	Acquires, restores, and rebrands hotels with substandard profits, in poor physical shape, and having a low cost-per-room price. Formation of a publicly traded REIT provided financing flexibility.	Robert Alter, <i>CEO and chairman</i> 949-361-3900 Fax: 949-361-5196

Note: The case titles correspond to the cases written on each champion in: Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Siguaw, *American Lodging Excellence: The Key to Best Practices in the U.S. Lodging Industry* (Washington, D.C.: American Express and the American Hotel Foundation, 1999).

A popular guest-service strategy is to allow guests traveling from a nearby airport to the hotel to complete their check-in procedures while en route on the shuttle bus.

time required for each task (e.g., check-in, cleaning an occupied room, cleaning a vacated room, serving a meal). The consultant measured the time it took different employees to do the same task on different days in different areas of the hotel. From those measurements the researcher derived a standard length for each task (based on the average times). The company held employee meetings to explain the purpose of the process and discuss the proposed standard task times. The managers adjusted the standard times when the employees voiced disagreement, and task times were also adjusted depending on whether a property held three or four stars. The project enables supervisors to prepare their schedules according to the time standards. To increase employees' motivation to comply with the established time targets, the chain implemented a reward system based on the production quotas. (The resort operator also reduced labor costs by changing bedsheets every third day and replacing only those towels left on the bathroom floor.)

Rapid response. To eliminate or reduce the time guests have to wait for maintenance problems to be resolved, the Hotel Bel Air empowered all members of the engineering department to solve maintenance problems as soon as they are detected. When the engineering department receives a request, an engineer immediately responds to the request, logging that request only if it requires entering an occupied room. Otherwise, no written work order is required, thus saving time and effort. The completed task is verified by the room-inspection staff. A proactive preventive-maintenance program complements this empowerment practice. One engineer is responsible for checking the rooms that are vacated each day and resolving any problems before

the room attendant prepares the room for the next guest.

Improving Check-in

The Marriott U.S. Postal Service Conference Center, the Newark Gateway Hilton, and the Ritz-Carlton Dearborn designed practices to eliminate (and thereby speed up) the traditional check-in process for their guests. Both the Marriott USPS Conference Center and the Newark Gateway Hilton created a system whereby guests traveling from the nearby airport to the hotel could complete their check-in procedures while *en route* on the shuttle bus. At the Marriott USPS Conference Center, the shuttle bus driver is supplied with a canvas bag that contains a voucher imprinter for credit cards and room keys for the guest rooms, which have already been blocked by the front office. Since credit is established with a credit-card swipe when the guests are still at the airport, they can go directly to their assigned room when the bus arrives at the hotel. This practice was developed in part because the 23-mile bus ride from the airport to the hotel's location in Norman, Oklahoma, takes 30 minutes, affording considerable time to check-in guests *en route*. Moreover, the center handles up to 600 check-ins per day.

The Newark Gateway Hilton uses a similar approach. When boarding any of the hotel's airport buses, the guest can present a credit card or Hilton HHonors card to the driver. This information is relayed via wireless communication to a specific workstation at the hotel's front desk. The front-desk agent opens the guest's folio and retrieves a prepared key packet. To complete the process, a hotel team member greets the guest at the front door and hands the guest his or her key packet. The guest is then free to go directly to the assigned room without stopping at the front desk.

The Ritz-Carlton Dearborn also allows frequent guests to bypass the front desk with its OSCAR program ("one-stop check-in and registration"). Unlike the Marriott's and the Hilton's program, OSCAR works only with repeat guests, because it depends on the guests' being visually recognized. The hotel requires no minimum number of stays for guests to be eligible for OSCAR, other than being frequent enough visitors that the door employees recognize them. The guest joins by giving the hotel permission to bill the guest's credit card for all expenses incurred during the visit. The front office prepares a list of OSCAR members arriving on a given day and distributes the list to all departments at the daily meeting.

Coordination is critical because the guest has not physically arrived on the property even though she or he is checked in early in the morning. Thus, the PBX operator must be informed, for example, so that phone messages and faxes can be delivered once the guest arrives. The front-desk executes the normal preregistration process for the arriving OSCAR guests, assigns rooms based on the guests' known preferences, and readies the VIP key packet, which is placed in the OSCAR notebook. The OSCAR notebook contains a checklist of items to be verified by the doorman: the guest's name, who handled check-in, the room occupied, who handled registration, and the time the guest received the keys. The door or valet staff receives the OSCAR notebook and key packets to be handed to guests as they arrive. Once the guest is in the hotel, the doorman informs the front desk so that all departments are aware that the guest has arrived. If the guest does not, in fact, arrive, that preregistration is removed from the system so that the room is available for another guest.

Maintaining Quality Standards

The three best-practice champions cited for their quality-assurance approaches pay careful attention to establishing and maintaining their quality standards. Direct monitoring is a large part of these quality programs.

Four Seasons & Regent Hotels established and maintains high-quality operating and service standards by having top managers travel frequently from property to property to check on standards. To ensure compliance with the chain's high standards, divisional vice presidents routinely examine each hotel, and an outside consulting firm inspects each property semiannually. A committee of top executives meets quarterly to update the chain's operating standards. The committee obtains input and suggestions from focus groups, guests, and general managers and incorporates modifications as needed. Because the company allows no compromises in attaining established standards, it employs an array of training methods and devices to ensure that employees are able to maintain those standards.

Preferred Hotels & Resorts Worldwide refined and developed its Standards of Excellence to be one of the most comprehensive and detailed quality-assurance programs in the industry. This quality program has become key for determining Preferred membership, maintaining quality, and marketing and building the brand image. Preferred adds new criteria in response to emerging technology, customer requirements, and innovations. At this writing, Preferred has established approximately 1,500 distinct standards and practices on which to evaluate a member property. To become and remain a member of Preferred, a property must achieve and maintain a passing score in each category related to the facility and

service. This system makes membership selective, and only one in ten would-be member properties is ultimately chosen. When a hotel applies for membership, Preferred's auditor conducts an unannounced inspection of the property. Over the course of a two-day stay, the auditor awards points according to Preferred's standards and practices.

Even after the property becomes a Preferred member, unannounced inspections continue annually. At the end of the audit, the inspector meets with the general manager to review critical facility or service areas. The report constitutes an objective, comprehensive, third-party review of the hotel, which includes the auditor's photographs and notes. Preferred's intent is to communicate to the general manager major concerns that the inspector may have so that corrective action can begin immediately. Thus, the report serves as a training tool for the general manager. (A record is kept of the individual auditor's scores to track any biases.)

The report also becomes part of a database at Preferred's headquarters to track how well the hotels are performing in different categories as a means of analyzing trends or spotting potential problems. Hotel managers are provided with comparative data of unnamed member hotels, so the general manager can see how his or her property compares with other members in quality levels, by operating department, and by size and type of hotel or resort. Inspectors are encouraged to note innovations so that this information can be disseminated among members to facilitate further innovation.

If a property fails an inspection, it is placed on probation for six months and then reinspected by a different auditor (to ensure objectivity). If the property meets the minimum passing requirement, probation is lifted; but if the hotel fails the

Champion hotels frequently involved their employees in designing operations best practices and shared the resulting cost savings with employees.

reinspection, its membership in Preferred is subject to termination. In addition to the third-party audits, Preferred has begun experimenting with collecting evaluations from guests as a means of ensuring that Preferred's standards are maintained.

Expert benchmarking. Residence Inn formulated a collaborative approach to its quality-assurance program by benchmarking Ritz-Carlton hotels and Walt Disney Resorts. Residence Inn's program emphasizes teaching rather than punishing, and the chain allows no one to fail an inspection. Instead, underperforming employees are taught how to correct any quality problems. To implement the program, a quality-assurance team visited each Residence Inn and thoroughly inspected each hotel for the quality of maintenance, guest rooms, dining rooms, lobby, service and safety processes, fabrics, and parking,

as well as local reputation. The chain then trained its general managers to conduct their own quality-assurance programs and to train their employees. In addition, Residence Inn analyzed letters from guests to advise general managers of problems that guests have encountered.

Success of the Practices

The champions that implemented practices emphasizing overall business development used a variety of measures to determine the success of their practices. AIMS noted that all its hotels are profitable and increased average occupancy rates. SAI's policy of improving hotels and then selling them has yielded, on average, better than a 100-percent profit. Finally, Sunstone's practice of purchasing and refurbishing substandard properties substantially increased RevPAR and revenues, fueled the company's 500-percent growth in the mid-'90s and earned Sunstone Marriott's Developer of the Year award.

Bristol Hotels & Resorts notes that its "lite" processes dramatically increased the quality ratings of its previously substandard hotels to ten points above that of the average Holiday Inn brand. While Bristol has focused on improving quality ratings, Essex Partners has concentrated on cost-cutting practices that directly improve the bottom line. As a result, Essex was able to refinance 12 of its managed properties with an average reduction of 2 percent in interest rates. Furthermore, by bidding out the audit costs for its 16 hotels, Essex has been able to effect an average savings of \$6,700 per property.

The occupancy leader in its market, Days Inn Altoona reports enjoying 70-percent repeat business. Moreover, the hotel has been recognized as the number-one Days Inn property worldwide in its size category, and it was one of only three

Days Inn properties in Pennsylvania to receive the Chairman's Award for Quality.

The New York Marriott Financial Center's efforts to establish greater departmental accountability and responsibility has been so successful that other Marriott hotels have begun to use the same practice. Additionally, since instituting the practice, the property has received several Marriott awards, including national awards for team initiatives and highest associate opinion surveys. Perhaps most important, guests have increased their quality-assurance ratings for the hotel.

Sheraton Elk Grove's annual implementation of a best practice has significantly increased the hotel's employee-satisfaction scores, profitability, and guest-satisfaction scores. Guests have also commented on the enhanced service, improved physical product, and increased value.

Rooms in service. The champions that implemented practices focusing on maintenance and housekeeping also reported improved guest satisfaction. Good Nite Inn found that developing time standards for the completion of all property maintenance tasks increased scheduling efficiency and employee morale. Consequently, employee attrition in the maintenance and repair department dropped from 150 percent to 50 percent. The practice also substantially decreased worker-compensation claims, saving the company between \$50,000 and \$100,000, in part because the lower turnover resulted in more-experienced employees. Moreover, hotel and guest-room maintenance improved and is more consistent, resulting in fewer guest complaints.

After instituting its time requirements for each task, Grand Theme Hotels has regularly achieved or exceeded its productivity standard. As a result, the hotels have experi-

enced greater consistency in quality. Similar positive outcomes have ensued for the Hotel Bel Air. Since empowering the engineering department, the Hotel Bel Air is now better maintained, and work requests are handled more promptly and efficiently. More important, the proactive preventive-maintenance program has reduced guest complaints, since most maintenance problems are identified and corrected before the guest occupies the room.

Advance check-in has also yielded positive consequences. The Marriott U.S. Postal Service Conference Center and the Newark Gateway Hilton each report increases in guest-satisfaction scores in the wake of their streamlined check-in procedure. Similarly, managers at the Ritz-Carlton Dearborn noted that guests "love" the new registration program, and "enjoy OSCAR's payment convenience and check-in speed." As a result, OSCAR is being implemented throughout the Ritz-Carlton chain.

The quality standards promoted by Four Seasons, Regent, and Preferred are essential to success in the upscale segment. Mobil has awarded each Four Seasons Hotel either a four- or five-star designation, while AAA has bestowed its five-diamond designation on most Four Seasons Hotels. The properties have captured 18 slots in *Travel and Leisure's* "Top 100 Hotels," and 16 out of 100 slots in *Institutional Investor's* "World's Best Hotels" survey.

Preferred Hotels & Resorts' Standards of Excellence has created "best practices" models that inspired the general managers to improve standards and quality, fostered an overall increase of quality standards, and encouraged innovation through the sharing of practices. Finally, Residence Inn's collaborative approach to quality assurance has yielded a chainwide guest-satisfaction rating of 83 percent.

Insights

For managers seeking to improve their operational processes, our champions offer the following advice and observations. To begin with, they consider it essential to stay focused on the goals and design a targeted program. They suggest involving everyone who will be affected by operational changes in the development and implementation of new practices. As Steve Boyle, regional director of Bristol Hotels & Resorts, found, "The more people involved, the easier the process becomes, because you have more people taking ownership of the program." Further, Mike Escalante, general manager of Sheraton Elk Grove, advises implementing the program slowly enough so that employees have time to understand and align with the program. Greg Sheehan, owner of Days Inn Altoona, points out the importance of "treating people the way you want to be treated." Essex Partners exemplifies this advice by including and listening to its managers in all phases of the budgeting process and in making cost-control decisions.

Good timing. The matter of implementing time standards must be handled carefully. In particular, managers should ensure that the time specifications have been validated and confirmed, and the hotel should share any savings with the employees. Along that line, managers should update and track operational programs as necessary and provide constant feedback to employees.

Our respondents point out that it takes time to develop standards and practices, along with a commitment to innovation, personal service, and quality. However, as Peter Cass, president and CEO of Preferred Hotels, has learned, managers should be prepared to modify procedures and standards as new tech-

nology and practices emerge. Employees need a learning environment in which they can help solve problems to attain superior quality. This may entail, as noted Lisa Rezin, the Ritz-Carlton's guest-recognition manager, knowing who your guests are, what they want, and how they want it. The quality of the product and service will determine guest-retention rates.

Guest Satisfaction and Profits

The focus of best practices presented here is improving customer satisfaction while maintaining careful control of costs. Effective operations are the linchpin in the value chain that begins with the promises made in merchandising the hotel. To deliver on those promises, managers must recognize and incorporate the practices that will best assist the organization in satisfying the guest and ensuring repeat customers. Our champions show that guest-satisfaction ratings can be improved by a diverse body of practices—whether the practices involve developing a quality program for the entire business or simply improving one operation, such as check-in. They demonstrate that implementing improved operational practices can benefit many areas of the organization, whether that improvement is hotel wide or located in a single department. We note with interest that a key facet of many of the practices is to involve employees to share in the cost savings resulting from streamlining operations. We believe that the full participation of all employees in both the design and outcomes is a key to the success of these practices. The essential lesson from this examination of operations best practices is that hotels cannot remain static. To retain the lifeblood of the hotel business—repeat guests—managers must constantly seek to improve operations. **CQ**