

LODGING

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Standards: How Good Are Yours?

Engagement is the key to success.

While standards play a role in the control of all operating costs, or at least should, I am only going to discuss labor standards at this time. And let me start by being a bit controversial. By that I mean, after 30 years of discussing, developing and refining labor standards, I just don't think as an industry we really get it. That's not to say that there aren't some organizations who have made great strides over the years, and have some good standards in the simpler areas (housekeeping) and some more challenging areas (front desk), but overall, I believe there persist great opportunities to impact cost and service quality.

With so much of the industry focused on limited service products, standards are frequently not that difficult to develop; and without food and beverage, or very limited offerings, these standards can be very accurately developed and put into place. Monitoring, which is another consideration, is something I will discuss at a later time, because as most of us know, even the best standards, if not monitored and measured fall short of the goals for which they were implemented. But for the full service operation, with the exception of room cleaning standards, frequently set by contract or our own perceptions of what it takes to "make up" a room, the remainder of staffing guidelines is frequently too simple or just poorly thought through.

Part of the industry's challenge is that there is not a thorough enough understanding of the relationship of standards and quality. When we speak about standards, frequently the first focus is on cost impact and then we talk about service quality. If one really wants to get the true benefit of accurate standards they need to incorporate a labor category's REAL WORK CONTENT, which has a direct impact on the quality of service delivery. The right number of staff at the right time (when the guest requires service) is the key to quality. Unfortunately, many standards as they are used today are just a broad brush stroke or thumbnail measure, and not nearly accurate enough.

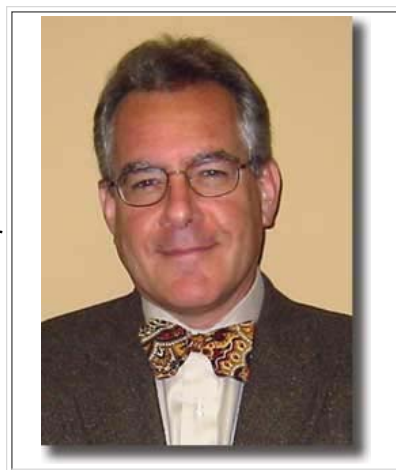
Let me use a simple example of an area that can be a bit complex and therefore needs better standards, which is stewarding. Here are two examples of standards:

Standard A: 35 covers per hour

Standard B: 1– 600 covers = 12 hours; 601–1200 covers = 16 hours; over 1200 covers = 20 hours, plus 75 covers per hour.

If an operation forecast 1100 covers, Standard A would project the need to 31.43 hours (1100/35); Standard B would project the need for 30.67 hours (16 + 1100/75). While these two standards generate roughly the same hours at this volume level, an operation would be better assured of quality using B; as the first component of the standard incorporates the semi-variable work (trash, sweeping, walk-in cleaning) and the second component addresses dish and pot washing which is highly variable, with a linear relationship to covers. At higher volumes, here is what happens:

<u>Covers</u>	<u>Standard A Hours</u>	<u>Standard B Hours</u>
1500	42.9	40



2000	57.1	46.7
2500	71.4	53.3

What this is designed to demonstrate is that standards that account for fixed, semi-variable and variable work not only are better from a cost perspective but far better account for required work content which drives quality. Single unit standards like the one in A above, are not nearly accurate enough for the complexities of a full service operation. This example can be easily expanded to incorporate approaches for setting standards for Food Preparation, Restaurant Service, Banquet Set-up, Laundry and all other operating departments. The key is that single number relationships, except for room cleaning, are not accurate enough nor do they effectively account for the real work content for the other labor categories that encompass the operations of a hotel.

And unfortunately, the single numeric standard is far too prevalent in the hotel industry. These may work from a budgeting standpoint, but are ineffective in running a business day to day. Costs and quality both suffer.

It's not that the above can't be addressed, I just believe that the industry (for reasons that are not clear) doesn't seem to want to address the issue, and frequently is reticent to expend the resources to properly develop the accurate standards that are so needed. Labor has been, is and will continue to be the largest expense for property operations. Time and time again, we find that when the organizations put forth the proper effort to accurately develop standards, the returns on the investment are significant, financially and qualitatively. The other outcome which is also pertinent is that in the largest percentage of cases (over 85%) the positive financial impact leads to requiring lower staffing levels. Less turnover, lower hiring costs, lower training requirements, and improved quality, all have a very positive impact on asset value.

In summary, it is this author's belief that our industry needs to bite the bullet, develop proper labor standards and guidelines which will improve the long term outlook for the industry.

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