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LABOR MANAGEMENT IN THE HOSPITALITY INDUSTRY

*A Guide to the Process and Systems
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The three primary areas to forecast in the hospitality industry are rooms, banquets, and revenue centers. A revenue center may be a restaurant, spa, parking garage, gift shop, etc. From a systems perspective, the most advanced forecasting systems are in rooms, followed by banquets/catering. Very few organizations are using sophisticated tools for revenue center forecasting. It is important for organizations to implement forecasting tools that assist outlet managers in developing weekly business volume forecasts for those areas as the labor use of numerous employees is dependent on revenue center forecasts.

FORECASTING SYSTEMS

A forecast system should help with the forecast process by organizing the information and applying mathematical analyses to the numbers. For example, data should be organized by day of the week and time period (meal or shift, as appropriate). It should also identify unique events (holiday weekend, city-wide convention, etc.) when conventional trends aren't sufficient.

Trends can be analyzed via rolling (moving) averages of recent volumes, by established relationships (percentage of another factor), and by statistical methods (regression). Because different business considerations affect different volumes, the forecast system should be flexible enough to allow for multiple methodologies. For example, transient rooms are typically forecast using pick up (the difference between booked rooms at a point in time and actual rooms sold). Pick up can be expressed both as a percent and as a value. However, group rooms are not forecast based on pick up as the pace at which one group consumes a block of rooms is not necessarily a predictor of how another group will consume the block.

While rooms forecasting lends itself to regression analysis, cover forecasting may vary from outlet to outlet. An upscale restaurant which draws business from the local community needs a forecast that looks to recent trends (rolling averages), same day last year and other values that are appropriate to a free standing restaurant. A café which draws primarily from in-house guests should be forecast using a regression model which accounts for trends, in-house guests, those inhouse guests attending banquets and (if appropriate) local community members meeting in the hotel who are potential meal customers. For accurate forecasting, an outlet located within a hotel must have a forecasting system that can identify the difference between business generated by in-house guests and local patrons.

As hospitality forecasting is not a perfectly objective process (some groups may use outlets, some may not) the LMS (labor management system) forecast system must also account for unique events (which call for distinct data assessments) and, just as importantly, input from the management team which allows for the establishment of a final forecast value.

PLANNING SYSTEMS

If an effective labor plan is only as good as the labor standards on which it is based, then an effective labor management system is only as good as the planning system. This means that the planning system must effectively incorporate the labor standards into the labor management process.

When creating labor standards, managers determine how many hours of labor are needed for given volumes of business. An effective planning system is able to “think like the manager” for determining

labor and incorporate the labor standards throughout the LMS. This includes the scheduling, reporting and evaluating systems.

The planning system should include the following key components of a labor standard:

- Ability to be created for each position
- Includes forecast criteria that drives labor (including multiple forecast criteria)
- Incorporates both fixed and variable labor
- Determines labor on a per unit basis (minutes/unit, hour/unit, units/hour, etc.)
- Can be specified for different days of the week

SCHEDULING SYSTEMS

An effective scheduling system allows managers to:

- Know when employees can and can't work
- Determine and utilize the skill levels of employees at each job
- Define all the positions in which an employee can work
- Automatically create a schedule based upon the forecast and labor standards
- Assign employees to specific stations or areas
- Manually edit schedules where needed

While the scheduling system is sorting all this information, the program must match the hours scheduled with the hours needed and incorporate management assessments of the employee skill levels (giving the most hours to those employees who perform the work most successfully). In union properties, the program must be able to apply seniority and minimum shift rules that protect the interest of the employee. And all this should be done to save time and give managers more time to interact with their staff and customers.

Scheduling is a combination of science and art. Combining the two creates an objective process which addresses the various issues noted above. And because it is objective, an effective scheduling system must allow the department manager (or whomever is responsible for scheduling) to edit the schedule to address needs and challenges that have arisen but are not always easily quantified (for example, scheduling a supervisor who is particularly strong when the operation is busy with a high profile group).

The planning and scheduling systems should be integrated so that the schedules produced reflect demand for any particular day rather than a fixed day of the week. While it is certainly true that Saturdays have more in common with other Saturdays than with Monday, a scheduling program that creates a fixed schedule for Saturdays and a fixed schedule for Mondays assumes that volumes are the same week to week and this is not the case in the hospitality business. Rather than have to try and apply a Saturday schedule (assuming that Saturday is a busy day) to a busy Monday, the planning and scheduling process should be dynamic and allow scheduling to be based on business volumes rather than a fixed day of the week template. Thus, the program should naturally create a schedule with sufficient staff on any busy

day, regardless of the day of the week. And the program should also create a schedule with less staff on a slow day, even if the slow day is usually a busy one.

EXECUTION SYSTEMS

Up to this point we have talked about labor management systems as having a specific and essential role to play in each step of the labor management process. Execution brings us to the part of the process where managers are relying on and monitoring the LMS on a day to day basis to ensure that all of the benefits from the work done with the forecasting, planning, and scheduling systems are being realized.

First and foremost, execution depends on the individual manager responsible for the operation. The LMS provides various guides (a daily schedule to show who's due in and due out, an easy way to list or see available employees if someone calls off) to assist in the day-to-day operation. As the actual business volume is realized, the manager is relying upon the execution system to manage labor daily.

A key component of the execution system is time and attendance. This is the system that tracks the daily coming and going of the employees. An effective time and attendance system incorporates an automated timekeeping system (timeclock) with computer software to track and monitor the time. Managers should be reviewing time and attendance on a daily basis to ensure that employees are accurately capturing their time worked. This includes shift start, meal breaks, and shift end. Not maintaining time and attendance on a daily basis can lead to payroll errors as well as inaccurate time reporting.

Execution is a key part of the labor management process that balances guest satisfaction, employee satisfaction, and financial results. All systems prior to this step are used to set-up the organization for success. Effective execution is what ensures success.

LABOR REPORTING

An effective LMS program also provides a Management Information System that helps all managers critique performance.

There must be reports which are appropriate to department managers and have the detail they need to critique performance. Reports that provide a broader perspective should be available to senior managers. Reports should allow the organization to view labor results on a daily and periodic basis.

Department level managers should see a daily operating report that helps them critique performance each day. This report should compare actual labor use to standard labor use, with the standard being based on the actual volume experienced (as distinct from forecast volume). Senior managers should be able to view week and period totals, which provide the same core data in summary fashion.

EVALUATING

An effective LMS program highlights off standard conditions and helps you critique the causes. The system should take an exception based approach to information analysis so that senior management only has to look at essential information.

The system should highlight when a department or position exceeds the established standards. It is equally important that it highlight when a department uses less labor than the standard requirements as this will have a negative impact on service.

The key is for the system to provide the information and highlight variances that require management's attention.

PARTIAL SOLUTIONS

TIME AND ATTENDANCE SYSTEMS:

Time and attendance systems focus on managing the punch in, punch out process and making sure that payroll is accumulated correctly. All of these are important steps in managing labor. But the focus of time and attendance systems is generally not on all the steps of the process. Typically, time and attendance solutions do not provide short-term forecasts, nor do they provide automated scheduling.

SCHEDULING SYSTEMS:

Most scheduling systems provide template based standards. There is no assurance that managers are scheduling to the standards. Most importantly, a scheduling system, by definition, does not tell you whether people worked to a standard. The program may help you schedule 16 rooms a day, but it doesn't tell you after the fact whether the work was completed at a pace of 16 rooms a day.

EXCEL REPORTS:

Many organizations have a variety of Excel reports to tell them how many hours were used. And some compare hours to standards. But they don't offer scheduling and provide limited, if any, assistance in planning. Most Excel reports we've seen are tools for senior management but not viable as a Management Information System which helps line managers understand and critique performance. And unless you have an automated means of bringing data into these reports there is a high risk of input errors as well as the inefficient use of manpower.

The last point to make is that it's also important that a system be modular so that you aren't forced into replacing existing systems/processes that work for the organization. Instead, the correct method is to be able to purchase a system that has modules that can complement your existing applications. For instance, you may have a system that can generate realistic volumes, perhaps even restaurant covers. Therefore, you would want to be able to import this data into the LMS instead of relying solely on its own generated forecast. Consequently, the organization should spend time realistically evaluating its needs before it goes out searching for a system and ends up buying functionality that is not needed.

IMPLEMENTING THE LMS PROGRAM

Over the years, our industry has acclimated itself to PMS systems, POS systems, and Back Office systems. We've computerized the phone system, the catering system and, in some cases, the maintenance system. All of these programs have changed the way people work and manage. However, most of the systems above have been implemented for use by a portion of the organization's departments. PMS systems require front desk staff to be trained; POS affects the restaurant, and so on. LMS implementations affect everyone and change the way people manage. Thus, effectively implementing an LMS system requires as much attention to the impact on culture as it does to teaching managers how to use the technology.

The essence of the LMS is that it increases accountability. Properly set up, managers will welcome the opportunity to review and critique performance in the short term and they will appreciate not having to wait until the end of the month to see the P&L to know how they're doing. But if the LMS is viewed as a stick with which managers can be hit when they're off standard, the management team will resist it for as long as they can and for as many reasons as they can conjure. They will tell you that the system doesn't help on the days when the kitchen floods. They will tell you that it's simply not possible to establish standards for their department as there are too many variables. They will tell you that they never have enough well trained staff to meet the established standards. They will tell you everything short of "the dog ate my standards." They'll just never admit that they don't want to have to critique their performance on a daily basis and they don't want their bosses to be able to critique their performance that often either.

Any LMS implementation requires a well thought out development plan that should start with education. Make sure the managers understand the basics of staff planning and labor management and that they understand the objectives of the initiative. The plan should allow you to move from department to department rather than trying to get all departments changing at once. Whenever change is coming, a small select few will be open to it, a small group will fight to the death (or at least until their jobs are at stake), and the majority will wait to see if it works. Find the small group that's open to change and start there.

Make sure that the labor standards are well developed. It's helpful to look at historical productivity to gain a perspective on previous performance. Having historical data also helps ensure that standards are consistent with department capabilities. You don't want to set a standard of 40 covers an hour if the best previous performance is 25 covers an hour.

Realize that the change is going to take a few months. It's not feasible to implement an LMS program in two weeks. You might be able to set up the software, but that's not the same as getting everyone to use it and it's certainly not the same as having the new technology become a part of the fundamental means of managing.

CONCLUSION

For some, labor management is what managers get paid to do, and there is no need for technology. But as the technology has caught up with the concepts, more and more organizations are looking to automate this process. LMS programs are certainly not as widely used as other technology solutions. But we believe that they are increasingly desired, will become increasingly common, and that the first step in acquiring an LMS system is understanding what it is (and is not) and what it should do for your organization.