

T H E Bottomline



Personnel Management

Security Training for Employees

Labor Management Case Study

Conflict Resolution Techniques

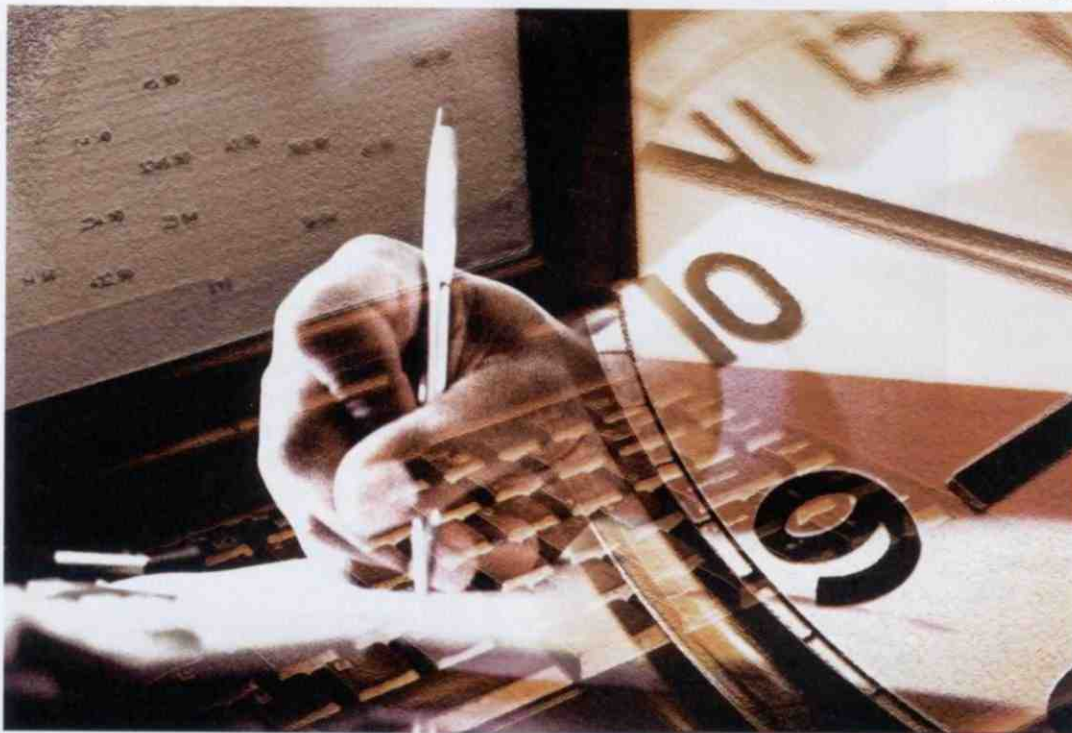
Vending Machine Technology

HFTP Annual Report

A CASE STUDY IN LABOR MANAGEMENT

Applying Available Technology to Improve Service and Save Money

by David Heath, ISHC



"We need to provide the hotels with a comprehensive labor management system for effectively managing our labor force at all levels of volume," said Zack Miller, Loews Hotels' corporate controller. "The system needs to apply the same assumptions to budgeting, forecasting and scheduling so that staffing decisions are the same, whether they are applied at the corporate office or in the trenches at the property level. The system should provide the hotels with a valuable tool for improving service and/or achieving savings."

During the first quarter of 2000 the overall picture looked pretty rosy to the corporate finance team at Loews Hotels. They had just closed the books on 1999, a record financial year and the outlook, based on budget projections for 2000 was even better. However, Vince Dunleavy, Loews Hotels' vice president of finance and Zack Miller, corporate controller, knew that the prosperity enjoyed by

their company (and the entire lodging industry) wouldn't last forever. They wanted to equip on-site management with tools to help sustain profits even when the overall economic picture wasn't so terrific.

Loews Hotels is a collection of 16 luxury hotels throughout the U.S. and Canada, founded and operated by New York's Tisch family. Loews properties are noted for catering to a sophisticated clientele, for their unique contemporary décor and outstanding food and beverage. Loews Hotels has always been committed to operating profitable hotels that offer high quality

service for its guests.

As Miller convened with key lieutenant Elizabeth Edmonds, assistant corporate controller, he framed the mission as follows: "We need to provide the hotels with a comprehensive labor management system for effectively managing our labor force at all levels of volume. The system needs to apply the same assumptions to budgeting, forecasting and scheduling so that staffing decisions are the same, whether they are applied at the corporate office or in the trenches at the property level. The system should provide the hotels with a valuable tool for improving service and/or achieving savings."

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at both the property and corporate office levels. The labor standards would serve as day-to-day operational guidelines and would also form the basis for financial budgets and forecasts.

Preliminary Tasks

Miller and Edmonds enlisted an outside consultant to act as facilitator, trainer and information resource. The expanded team began by looking at the annual budgeting process, particularly as it related to payroll. Many of the hotels were using different models and clearly the team wanted a standardized version. Together they began to develop the specifications for a labor budgeting tool for use by the hotels. The tool had to provide budgeted daily labor costs for each position based on budgeted volume in each hotel area.

The outside consultant was tasked with writing the Excel-based labor budgeting tool, Miller would continue to provide day-to-day corporate office support to the hotels, while Edmonds was left to develop a standardized chart of payroll accounts to become common among all the hotels. This was no small task. The 16 Loews hotels varied in size and complexity from unionized city hotels in New York to sprawling resorts in Arizona, Florida and California. Through a series of meetings and conference calls, Edmonds was finally able to gain consensus on a standardized list of nearly 900 positions.

Tools for Implementation

Looking beyond the annual budgeting process, the team began to consider the various attributes required for a system for measuring the effectiveness of the ongoing labor management effort. Following extensive study, the team decided on ADP's *TimeSaver*, time and labor management system. *TimeSaver* appeared to possess all the requisite features recommended by the Loews' outside consultant. A successful test was conducted at Loews' Santa Monica beach resort. During the test, the Loews team learned that the *TimeSaver* system had the ability to:

- Track forecast accuracy;
- Use precisely the same assumptions as the budget model, (in development at that time);

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- Develop a weekly labor forecast of required hours for each position; and
- Provide summary and detailed reports showing actual hours used by position and department compared to standard (the number of hours which should have been used given actual business volume levels).

The majority of Loews properties were already using the *TimeSaver* product to process employee time and attendance. An additional labor standards module was all that was needed to bring the hotels up in line in terms of the system's labor management features.

As work progressed on the budgeting tool, features were added to enable controllers at the property level to adjust budget numbers for attrition, sick and vacation pay. The tool was completed by early July. A training session was conducted in mid-July at the newly opened Loews Philadelphia. The two-day session marked the beginning of the 2001 annual budgeting process. Controllers plus an alternate from each of the Loews properties, some postponing personal vacations attended the

conference. The corporate office team conducted the training sessions with assistance from the outside consultant. To get everyone working on the same page, the first session began with an overview of the labor management process, followed by extensive workshops on how to develop variable labor standards for the various positions throughout the hotels.

On the second day the labor budgeting tool was unveiled and the controllers were given hands-on training on the Excel-based tool through a series of exercises. Cash prizes were awarded to the property teams that correctly completed the exercises the fastest.

Returning to their respective properties, the controllers began using the tool to construct their 2001 annual budgets. Telephone support was provided via a "Labor Budget Hotline" staffed by the outside consultant. Budgets were generally completed with a minimum of frustration. The only real excitement occurred when one controller left the company unexpectedly for personal reasons. Edmonds stepped in and completed the budget on time with some assistance from the outside consultant.

System In Place

Having weathered the annual budgeting process and achieving a heightened level of budget detail, the team began to focus on training personnel at the hotels to use the components of *TimeSaver* that would comprise the day-to-day labor management system. ADP provided on-site trainers to train the personnel at the hotels in the most effective use of *TimeSaver's* labor management features. Operating the system would require less than two hours weekly of administrative time at each hotel.

Each Monday morning two reports would be produced. First, an "Actual vs. Forecast Report" was reviewed to evaluate accuracy of the previous weeks forecast — the idea being that if you don't know how much business is going to come through the door, you can't effectively plan staffing requirements. The second report, the "Weekly Labor Forecast" showed each department manager how many hours to schedule for each position for the week

ahead. Forecasted hours were based on the upcoming week's business volume forecast of rooms occupied, arrivals, departures, covers, etc. and the labor standards for each position.

At the weekly staff meeting, each hotel's management team would review a "Labor Analysis Summary." The Labor Analysis Summary report showed actual labor use by department, by day (both hours and dollars) compared to standard. (Standard is the amount of hours and dollars which *should* have been used, given the hotel's actual volume and the agreed upon labor standards.) Most general managers found that spending less than five minutes at each week's staff meeting was all that was necessary to focus department managers on effectively managing labor costs.

Division and department managers seeking a greater level of detail were able to view a "Labor Analysis Report." This shows the same information as the "Labor Analysis Summary," except on a position-by-position basis. Thus the chef could pinpoint whether his labor challenges were in the pastry shop, the banquet line or the restaurant kitchen.

What was perhaps most surprising to the on-site management teams was that the labor reports often revealed recurring labor shortages in key areas. Focusing attention on staffing shortages helped to focus each management team's attention on recruiting and retaining employees to help insure customer service and desired quality levels.

Loews Hotels completed the implementation of its system-wide labor management initiative by mid-

2001, little more than a year before the process began. Looking back, the corporate finance team considers their timing quite fortuitous. Following the terrorist attacks of September 11, 2001, like hotels throughout the industry, nearly all the Loews properties experienced dramatic declines in occupancy. The labor management systems that had been put in place enabled the Loews on-site management teams to react quickly and decisively to the lodging industry's new business environment. ■