



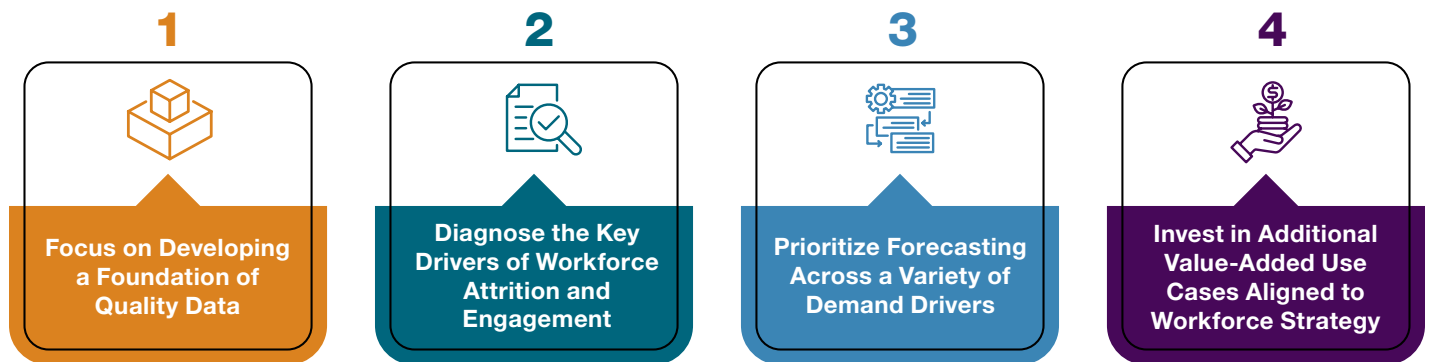
A TRAVEL, HOSPITALITY & LEISURE SERIES:

Staying Power – Optimize Hotel Operations to Combat Uncertainty

Part 2: Data, Analytics and AI are Critical Value Drivers for Workforce Strategy and Optimization

Workforce optimization processes are typically manual, paper-based and driven by tribal knowledge rather than hard data. Where data is available, it is often fragmented, siloed or incomplete. Additionally, most workforce-related reporting such as budgeting or time-and-attendance, focuses on documenting the past. This is critical, but advanced analytics allow for deeper insights into why things happen (diagnostic), what will happen (predictive) and what hoteliers should do next (prescriptive).

Here are four ways to leverage data, analytics and AI to solve the workforce dilemma:



1. Focus on a Foundation of Quality Data



“Garbage In, Garbage Out” is the concept that flawed inputs will produce equally flawed outputs. This is true for reporting, as well as the most sophisticated artificial intelligence applications. Unfortunately, the quality and availability of data to support workforce strategy and optimization is usually poor for several reasons:

| DATA CHALLENGE | EXAMPLE |
|--|---|
| Inconsistent KPIs: Even when data is available, how teams define metrics for workforce optimization vary across departments and properties. | A finance department built budgets on a flat minutes per room occupied (MPR) target and schedules based on an adjusted MPR target that differentiated check-out and stayover rooms, resulting in variance between budgeted and actual housekeeping hours. |
| Human Error: Failure to use upstream systems or using them incorrectly drives a large portion of incomplete and inaccurate data on property. | Banquet managers in a conference hotel frequently track expected covers in spreadsheets prior to putting confirmed numbers in the banquet system only days before an event. |
| Application Data: Data quality issues frequently result from how systems are designed. Field formatting for dates and names often vary across systems and many times columns are ambiguously named in back-end data stores. | The property management system (PMS) for a large hotel company doesn't automatically process mobile check-ins, so front desk associates manually add them, sometimes in batches, resulting in an inaccurate view of check-in times. |
| System Integration: Data from workforce and adjacent systems, like PMS, point of sale (POS), central reservation systems (CRS), are rarely integrated, making a clear picture across departments elusive. | A property can't accurately calculate or track revenue per employee because data elements reside across multiple systems. |
| Missing Data: Key underlying metrics might not be tracked in any system, creating ambiguity and gaps. | Hotel employees fail to take down room numbers for guests receiving continental breakfasts resulting in missing food and beverage covers for that entire meal. |

The underlying dynamics and expectations of the hotel workforce and guests are rapidly evolving, so having a solid baseline and the ability to monitor ongoing changes is imperative. However, data quality issues can make even basic tasks, like tracking adherence to staffing plans, challenging - let alone diagnosing and predicting problems or making recommendations.

Fixing data quality issues takes time, but hoteliers can act now:

- Define the critical metrics required to manage and optimize workforce performance including how those metrics are defined and what systems they come from
- Assess current workforce management processes and systems to identify any quick wins for data quality that don't require technical investment
- Engage with IT to define a data architecture and systems integration plan that considers finance and HR, as well as other adjacent operational systems (e.g., PMS, POS, spa services)

2. Diagnose the Key Drivers of Workforce Attrition and Engagement

As mentioned in the first installment of this series, 30 percent of workers who left the hospitality sector during the pandemic have said they never intend to return, and a large majority of hotels report difficulty filling open jobs. The most critical workforce analytics effort that hotels and management companies can undertake is to understand the mindset and challenges facing the workforce.

Although speaking directly with the workforce in focus groups and surveys is critical, data and analytics can be used to identify factors impacting turnover and employee satisfaction prior to, or in parallel, with those conversations:

- What is the impact of pay? Available training? Staffing levels? High or low demand? Supervisor quality?
- How have these factors changed over time?
- How does this differ across properties and property types? Markets? Employee groups and demographics?
- Which of these factors is a strong predictor of retention or employee engagement?
- What is the role of external factors like unemployment, labor demographics, etc.?

The answers to these questions will not be the same for every market, property type or employee, and so it is critical to examine these factors directly and on an ongoing basis. Moreover, it is imperative to discuss the issues with workers to understand their perspective.

Once these answers have been established, hotels can make a more targeted plan to address employee turnover and support improved employee engagement, which will ultimately lead to better service for guests.

Case in Point: Working across multiple client sites, A&M's root cause analysis showed that the number of employees under a direct supervisor's control ("span of control") was a primary predictor of attrition. Knowing this, the client freed up manager time to interact with employees and changed some team structures to create a better environment for employees.

3. Prioritize Forecasting Across a Variety of Demand Drivers and Time Horizons

Forecasting is a foundational analytics tool for any property. An accurate forecast supports decision-making across multiple workforce-related processes - from budgeting to scheduling - and makes all existing systems perform better. This is as true for the front desk and housekeeping as it is for banquets or the spa.

However, beyond occupancy, which is typically forecasted by revenue management, very few volume indicators that influence workforce requirements are predicted in any systematic or reliable way. This includes:

- Banquet and in-room dining covers
- Restaurant and bar covers
- Mobile check-ins

Even if they are forecasted, it is frequently not at the right level of granularity or over the right horizon to support the full spectrum of workforce planning processes. For example:

- To create a schedule, department managers need to know what time guests are likely to arrive, not just how many will arrive (granularity)
- To generate realistic budgets, hoteliers need to predict demand several months in advance (horizon)

Depending on property type, there will be many (potentially hundreds) of possible volume indicators. However, hoteliers can take the following actions to get started:

- Review existing labor standards to identify underlying volume indicators that drive workforce planning efforts
- Determine what is responsible for driving the biggest portion of workforce planning (e.g., occupancy, F&B covers)
- Whether non-existent, manual (gut feel) or analytics-driven, assess the accuracy of those forecasts and define the appropriate granularity and horizon needed for each workforce planning process
- Engage with a partner or your organization's data and analytics team to develop systematic forecasting for those key volume indicators that will make the most impact

4. Invest in Additional Value-Added Use Cases Aligned to Workforce Strategy



Although most of the investment in data and analytics has been on customer-facing use cases, the potential to unlock value across workforce management and operational activities is vast.

- Predictive analytics can be used to identify which employees are most likely to churn and when, providing HR and managers time to intervene or proactively fill a role
- Most scheduling systems are rules-based rather than analytics-driven, but new technologies are using machine-learning algorithms (such as those used to optimize sports betting) to identify which groups of employees are most effective as a team – rather than as individuals
- Additionally, optimization models can be coupled with long-term forecasts to define the optimal staffing mix across full-time, part-time, overtime and contract workers to fill expected demand three or more months out. This enables managers, HR and finance to be far more proactive
- Finally, there are numerous applications of advanced analytics and AI that fundamentally change and automate processes to optimize profitability and customer service

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