

Critical tasks for ownership change, renovations

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By Adam Zembruski
HotelNewsNow.com columnist

Story Highlights

It cannot be overstated how much ownership changes and renovations affect the staff at the property level.

GMs must enact a solid plan to lead their teams through the chaos and construction.

Communication and foresight are key throughout the process.

PKF Hospitality Research recently reported that 30 of the top 50 U.S. markets are projected to have supply increases of less than 1% during the next two years. Therefore, most hotel companies that want to grow guestroom counts must acquire existing properties, which they're increasingly doing. According to Jones Lang LaSalle Hotels, US\$14.8 billion in hotel assets changed hands globally in the first six months of 2011. Compared with the same period last year, this represents a 117% increase.

When a hotel is acquired, a renovation usually follows. Specifically, if the hotel is branded, the brand requires the new owner to commit to an ownership change property improvement plan. Many new owners also use the sale and renovation as an opportunity to reposition the hotel within the market.

No big deal. Change is good, right?

Sure, but it cannot be overstated how much these changes affect the staff at the property level. There's only one thing hotel leadership needs to start with in order for the benefits to outweigh the monetary and emotional costs of an acquisition and renovation: a plan.

Here is a list of immediate tasks for property owners and operators to complete before, during and after an ownership change and renovation.

Note: The subject of this column is not "How to renovate a hotel." The items below assume the renovation plans have been made, including, among other items, architectural design, brand approval, permitting and city/state requirements, etc. This is an educational piece directed toward property GMs on how to thrive during a time of change and how to emerge from the experience as a better, more complete leader. When successfully implemented, everybody wins.



Communication

Communicate with staff. Sweeping change can create uncertainty among the staff. Uncertainty creates fear. Fear doesn't create anything. It demolishes confidence, loyalty and innovation. The GM's first task is to eliminate any uncertainty. Do this by meeting with your entire staff. But before that, meet with your management team to extinguish any uncertainty or ambiguity. The best way to build confidence is to be confident yourself. In this meeting, set an expectation that your team echoes your confidence and embraces these changes. When meeting with your team, be honest. Tell them it will be uncomfortable, but you'll all be better afterwards with a better team, a better hotel and with more tools to take great care of each other and the guests.

Communicate with guests. Alert guests often and effectively via website, GDS comments and signage at the hotel. The same fear exists in guests when they are uncertain. Don't allow it. Ensure your front-desk staff and reservationists are well-versed in their pitch to guests. Also, create a half-page welcome for all guests checking in that details how the hotel plans to keep them satisfied, safe and comfortable during the renovation. Answering questions before they are asked is a sure way to start their stay in the right way.

Communicate with ownership. Create a daily report that informs ownership of the project's events. The smallest details might not be important. Think "big picture." Ownership might be planning more renovations, so they might want to learn everything they can to ensure

each renovation is easily duplicated. Keeping ownership informed also will add to your level of trust within the organization. Some call it “managing up,” or managing the expectations of your superiors.

Communicate with the brand. If the property is branded, create a monthly report that details how you are taking great care of guests during this time of change. The brand representatives will use this to help other properties thrive during these times. Monitor guest satisfaction scores daily, and attack any negative comments about the change or renovation like a five-alarm fire. **Small issues become big issues when left unresolved.**

Strategy Ad Will Appear Here

Planning and execution

[Harvard Business Review](#) states that one of the fatal flaws of strategic planning is “dodging strategy review meetings.” HBR reiterates this point in a [best-practice blog](#): “Strategic plans quickly become obsolete when there is no activity in place to keep them alive. Worse, managers sometimes feel freed from execution accountability when reviews are continually rescheduled or dropped from the calendar altogether. The most direct way to maintain a consistent focus on strategy is to schedule and hold regular strategy review meetings.”

Create a relationship with the renovation contractor. The GM is the link between financial results, renovation schedules, guests, brand reps and employees. Each one of these entities has particular expectations, and the one “unknown” is the general contractor. For example, the contractor will expect to be aware of any changes to the rooms forecast. Include the contractor in the weekly forecast meetings. Treat him as an honorary member of your team.

Identify ownership’s top two expectations. These expectations are most likely: 1) renovation is completed on schedule and on budget; and 2) their property proformas (forecast) are met or exceeded. Plan for the worst and your best will exceed expectations. For example, plan for unforeseen hiccups in the renovation schedule (mold remediation, contractor dispute, slow permitting, changes in the market, severe weather, etc.)

GM becomes chief communication officer. The GM is the glue that holds everything together and connects ownership with the brand, construction crew, employees and guests. The GM needs to set plans for communication and execution of: meeting the guests’ needs, details of the plan, guest path plan, signage, out-of-order floor plan/schedule, public relations for community, overflow plan for F&B/lobby renovation, PIP needs for business center, IT upgrades, back office, employee areas, etc. **There’s much to consider, and important items are often missed.**

Create an immediate “wish list” of items needed to match the new building. These items are often forgotten, miscounted or just not included. **Some examples include: guestroom and bath linens, guestroom supplies and amenities, uniforms, china/glassware/silverware, marketing material, housekeeping supplies, business center needs/IT, high-speed Internet access needs, etc.**

Words of advice from an industry professional. Mark Lynn, resident of HVS Asset Management and Strategic Advisory Services (www.hvs.com), offered some operational advice about managing hotel renovations: “Assess historical comments from the hotel’s guest base to hear what specific areas of the hotel may be obsolete or in need of modernization. Also, speak with other hotel operators and general managers that have recently completed a similar project and share some best practices.”

Complete a new 12-month rate analysis and rate plan. Create a master calendar, including a review of all holidays, high demand dates and potential blackout or extremely high demand dates, such as college graduation, homecoming, city-wide conventions or other major area events, and then create a tiered-rate strategy. Communicate this plan to the new ownership, along with the new sales and marketing plan for post-renovation RevPAR growth. A good way to start is to complete a new SWOT analysis with the help from the director of sales and other members of the staff.

Create/update property-specific website. Implement a search-engine-optimization plan with your IT guru on site or with your corporate office. **Announce your new building and updated décor to the world.** A “newly renovated” note on your hotel front pages, online-travel-agency and GDS sites is a significant booking factor for guests. Also: photos, photos, photos. Invest in high-quality photos for your website. If time and funds permit, consider a “before and after” video.

Have a party! There's no better way to show off your new hotel (and impress your new owners) than to have an organized, well-attended "grand re-opening" party with all of your top clients and community leaders in attendance. If ownership is concerned with cost, allay their fears with a detailed plan including a "creative" budget. Do the following and impress your new bosses with your savvy negotiating skills with vendors and community leaders. First, maximize the attendance by having your local chamber of commerce host their monthly networking mixer at the hotel. Then, minimize costs by having your food and beverage vendors supply the goods complimentary in return for some cross advertising and a moment to address the crowd during introductions.

When the dust clears, you'll a new property with ecstatic guests, loyal employees and happy owners. Everybody wins. Wasn't that the plan?

Jared Carpenter, senior analyst with Pharos Hospitality, also contributed to this column.

Adam Zembruski is the Chief Hotel Operations Officer for [Pharos Hospitality](#), a Charlotte, NC-based hotel investment platform explicitly designed to acquire, own and operate **franchised upscale select service hotels**. Adam oversees all operating entities at Pharos, including Property Assessments and Takeover, Sales and Marketing, Revenue Management, Human Resources and Culture Development, System Implementation, **Financial Analysis, and Talent/Performance Tracking**. Adam can be reached at 704-333-1818, ext. 12, or via email at azembruski@pharoshospitality.com

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