



# OPERATIONS MANAGEMENT In a Hotel & Restaurant Business

Awesome Hotel

Amelia Samson Roldan  
Marian Joyce Roldan Santos



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# **Operations Management in a Hotel & Restaurant Business**

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*A book designed for anyone involved in the operation and management of hotels, lodging establishments, restaurants and catering business. It is also an ideal textbook and reference material for students who are preparing for a career in hotel, food and beverage management.*

**By**

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## **PREFACE**

In my 25 years of experience in hospitality training and consultancy, I came across several client companies with sad stories regarding their business. One case was that of a beautiful resort in Luzon which was constructed out of 100 million pesos capital, borrowed from a bank, requiring a monthly amortization of P500, 000. On its fifth year of operation, it was encountering an accumulated deficit ranging from P300, 000-P 500,000 a month.

We were called to rescue the operations but the operational problems were very complicated and irreparable. Discrepancies in transactions have gone unnoticed and uncorrected, expenditures went beyond the allowable ceiling with food cost fluctuating at 50-65%, labor cost at 25-30%. The amortization cost alone consumes 50-60% of the gross revenues.

Another hotel in the region reported a sales attainment of 95-100% of its target, but to the disappointment of the owner, only 2% profit was generated. This simply indicated the absence of effective control systems.

A resort with a convention center, acclaimed as one of the leading resorts for several years, was forced to close when its patrons gradually shifted to competitors. Unhappy with the organizational climate, most of the demoralized officers and service staff resigned from their job. With a new batch of inexperienced personnel, the quality of food and service suffered, resulting to loss of patronage.

On the other hand, we also heard and witnessed a lot of success stories. A small canteen that started with a 20-seating capacity is now operating as a leading food chain. A certain hotel started as an inn with 10 rooms and is now a chain of hotels, with 10 branches nationwide.

What's behind the sad and beautiful stories of these establishments? When one fails in business, what is missing? What is wrong? When one succeeds, what are the trade secrets?

I had witnessed the glorious days of Hotel Nikko Manila Garden, at the time when it was still operated by Japan Development Corporation. For several years, the hotel maintained a top occupancy rating among other five star hotels, and was cited as the top performing hotel among the chain of Nikko Hotels worldwide.

As a Training Manager of the hotel for 10 years, I discovered, observed, and analyzed the secrets that made the Japanese successful in the hotel business. I summarized the success factors as: Corporate discipline governed by an effective control and operational system, administered by highly trained and satisfied managerial and service personnel who manage to maintain high quality service.

As I work with client companies, I tried to study and analyze their successes and failures, explore their strengths and weaknesses and learn from the

experiences of each one. Sad to say, what I consider as success factors at Hotel Nikko Manila Garden and other successful establishments are wanting in many hotel and restaurant establishments in the Philippines, most especially among small, family-owned corporations. No wonder many of them are short-lived or are barely surviving with little or no return on investment.

I also observed that almost all the establishments with sad stories are managed by owners and key personnel who have neither the experience nor technical training in food service or hotel management. The management staff operates on a hit-and-miss basis, making costly mistakes that generate undesirable results.

Another observation concerning failures in business are two major handicaps in management, namely: 1) The inability to create and sustain an organizational climate and a work environment that is conducive to maximum efficiency, productivity and profit and 2) the inability of operators, managers and other key personnel to effectively perform their managerial functions of planning, organizing, directing and controlling the operations in their respective units due to lack of technical training and work experience in hospitality operations.

With these observations, I have come to categorize the major ingredients for a successful business as follows:

1. Providing and maintaining a favorable organizational climate, where officers and staff can operate at maximum efficiency;
2. Performing basic management functions effectively, in accordance with the principles of rational management.

Along this framework, the contents of this manual are designed to provide the concepts, principles and strategies whereby the two major ingredients can be made to operate in order to reap the expected results.

The whole text is divided into 7 chapters. The first chapter starts with a description of the organizational climate that is favorable to efficient operations so that anyone contemplating to do business in the hotel and restaurant industry will be guided in making a good start. The next one gives an overview of management and specific management functions as applied in tourism related business. The third chapter provides extensive discussion on product development, costing and pricing, as well as marketing strategies, fourth chapter presents guidelines on controlling cost and maximizing profit, fifth chapter touches on organizing the work and managing work performance, sixth chapter is about leading and motivating employees and monitoring work performance and the last chapter provides guidelines on how to start a hotel and restaurant business.

My references were primarily derived from direct observations and learnings from Hotel Nikko Manila Garden and my client companies, enriched by my private readings and personal study. I also incorporated into this manual significant ideas and insights I learned and gathered from our consultants, most of whom served as resource persons in our public seminars at Hotel Nikko who are also occasionally tapped as consultants of our training and consultancy firm.

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# Chapter 1



## **CREATING A FAVORABLE ORGANIZATION CLIMATE**

An expert in Organizational Development remarked that even the most competent manager cannot succeed in an unfavorable work environment. A food company may have hired the best managers but if it fails to provide a favorable climate where people can move, inter-act and operate efficiently, then all attempts to produce expected results become a futile exercise.

Mervin Weisbord, in his book *Organizational Diagnosis*, mentioned six key elements that are necessary for any organization to achieve maximum efficiency. They are:<sup>1</sup>

