Institute of Hospitality

# FINANCIAL BEST PRACTICE

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# FIGURES OF SPEECH

**Data is now at the centre of business activity but the technology to aggregate it and help analyse it is often sorely lacking. This paper looks at the tools that are required and why they are a commercial imperative**

The human race is resistant to change; even when someone can see that another way would be more efficient and productive, it is still easier to cling to what is familiar. The familiar is reassuring.

But in the world of procurement, buying behaviour is changing and where finance directors were once at the top of the money tree, they are now data experts, with oversight of and insight into the inner workings of their company. They are the corporate conductor of a 100-piece orchestra, with all the nuances that implies.


## FIGURES OF SPEECH

As a result, finance departments from the bottom up need to be multi-skilled to understand all elements of running a hotel: food & beverage, rooms, reporting, revenue, supplier contracts and more.

In most hospitality businesses, and hotels in particular, there are many pockets of data; back of house, front of house, marketing, sales, restaurants and spa. All harbour valuable insights into those departments but collectively provide a 3D vision of the entire organisation.

The right technology not only gathers the information into one platform, but frees up accounting staff from mundane daily tasks. "If I and my staff had more time, we could scrutinise and analyse data, and see areas of the business where we could add more value," says group director of finance at Red Carnation Hotels Anne Wrigley MIH.

## THE GREAT DIVIDE

Conflicts of interest present another problem. Hotel owners will maintain the building to ensure they can sell at a profit. Their main priority is the top line or revenue, but general managers are looking at profitability.

As a result, it is difficult for hotel managers to persuade owners to invest in a new finance system that will create efficiencies and give greater insights. "When you explain to the board that you can save time with a new system, their response is, 'so you can have fewer people'; they do not see that it would allow the people you have to do their real job. It is cultural," says cluster director of finance – London, for De Vere Hotels, Carlos Tarrio.

Operating a hotel is a 24 / 7 endeavour. The figures from all activities such as covers, selling rooms, running restaurants and spas, and making those services available to guests, can show average rates, occupancy, where the business is coming from, who the customers are, what they are buying and more, but the data in many organisations is tucked away in silos and handled by legacy systems that don't talk to each other.

# THE GREAT DIVIDE

These systems have been 'modernised' by bolting on bits until they are unrecognisable, unusable, and crucially, confound innovation. The cloud is not a panacea and putting this carbuncle architecture into the cloud will still provide the same convoluted, Jurassic system you have.

In addition, the people using them may complain about their sclerotic technology and profess to be glad to see the back of them, but when it comes to taking the time to learn new software, suddenly the old way worked fine; it takes time out of the day job and individuals often do not put their head above the parapet to see how new tools will transform their lives.

It is essential that systems are easy to use and productive. Most importantly, that those using them are invested in the change so that they approach the project positively and with an open mind.

All these barriers to new ways of working are compounded by the way finance is taught in universities and colleges, using old-school accounting text books, which are uninspiring and lead to a lack of vision in finance departments.
Ways to palliate this include HOSPA's educational activities for graduate trainee level upwards which makes finance accessible to senior people, including general managers, who have a background in hospitality.

And Red Carnation's Anne Wrigley has drawn individuals from reception and food & beverage, ensuring she has teams who are steeped in hospitality; she then develops them in finance

## TOOLS OF THE TRADE

Accountancy systems such as SAP and ERP process basic accountancy jobs automatically, removing the need for repetitive tasks on which finance departments are spending a disproportionate amount of time. Instead, they could be analysing data to see trends, planning, measuring the business return on a marketing campaign or looking at where guests are spending money on top of the basic room rate, so that hoteliers better understand customers.

"If we don't do that, we lose the areas that are most profitable; data allows us to see the bigger picture quickly and dynamically," says financial practice lead EMEA for Invisors Anthony Hagreen. Alongside this is the need for finance to be aligned with other stakeholders in the organisation to ensure all parties' requirements are considered.

That said, data analysis is not simple; it may give access to great breadth and depth of knowledge, but it must be in the hands of those who know how to use it, and large swathes of data are not financial – online reviews, management information on performance and planning, and more. Data is a many splendored thing.

## TOOLS OF THE TRADE

Then there are the tools that facilitate that analysis, which brings us back to people's fear of change and the difficulty in defining the advantages to be derived from investing in this technology.

As organisations discovered during the series of lockdowns in 2020, agility is all, and canny use of data will allow businesses not only to see what customers are doing but to respond to that instantly.

Talent is key; if people don't like their job because it's boring, companies will lose them to other roles that are more interesting. Finding and keeping the brightest and the best, training them and giving them interesting careers is not an option; you cannot do anything without good people.

Technology holds everything on one platform, including individual's details such as payroll, ACM, their ambitions, experience, and training, so that in an assessment, each person's profile is immediately to hand, as is the availability of training budgets. All of which can be used to good effect to shore up retention.

## BEST PRACTICE

Best practice is catering for people's needs in an agile, relevant fashion and this is enabled by incisive data that allows finance to make strategic decisions at board level. To be useful, all data gathered from disparate departments must be available on one platform to enable a coherent vision.

However, a single solution in finance is not the answer and it is best to have separate systems to handle the front office from those running the back of house. Tools handling service delivery, products and customers need to be versatile to respond to quickly changing opportunities, competitive sets, customer demand, etc., and this is not necessary for back-office tools, which will slow the process. Flexibility also ensures procedures and systems remain aligned with the business objectives, and to that end, it is essential that these pieces of technology connect and can be integrated.

The bottom line is this: finance is not about debits and credits it is about making strategic decisions to improve business outcomes. This can only be done with good data and that means information from every corner of the organisation being  kept in one place. Data needs to be put into the hands of people who will understand and use it, and finance people who are trained to make sure data is accurate and reconciled so that it is trustworthy. This is an unassailable combination.

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