



# Introduction to Hotel Management

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## On successful completion of this module, you will be able to:

- Describe the modes of Hotel management.
- Explain the classification of hotel departments.
- Define the organization structure of hotels.
- Identify the function of hotel departments.
- Explain what is meant by rooms division.

# Hotel Ownership

Another way to classify hotels is by their ownership, which can be:

- Private - An independent hotel owned by a person, or private enterprise.
- Local Group - Hotels owned by a local enterprise
- International Group - A hotel which is part of an international chain of hotels



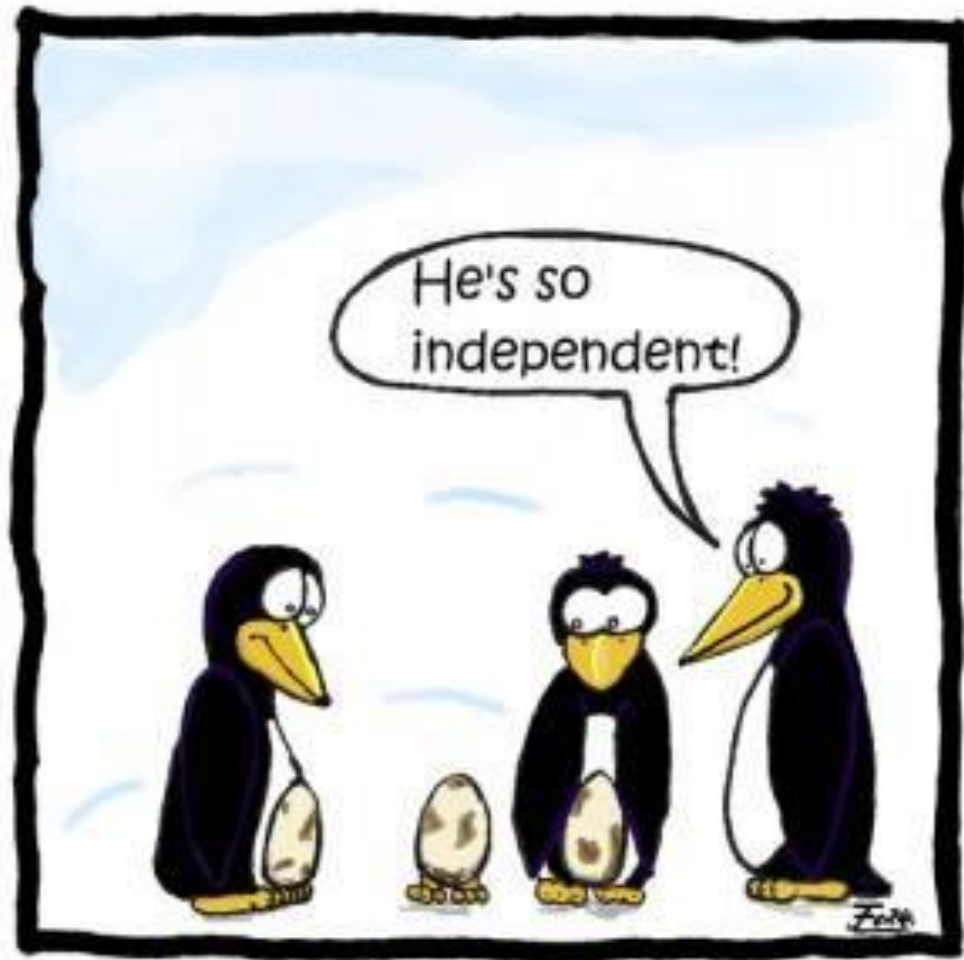


# Modes of Hotel Management

Hotels can be **operated** in one of the following ways:

- Independently
- By Contract
- Referrals
- Franchising

# Independently Owned and Operated



This means that the hotel would be independent, with no affiliation to hotel chains or groups. The hotel would be managed by the owners of the property.

# Management Contract



Management contracts are hotel management enterprises which operate properties owned by other entities. In some cases, the hotel owners may arrange to run their properties through a management contract with an enterprise that specialises in managing hotels.

The reason for this is that the owner may not:



- Have the necessary expertise.
- Desire to become involved in the operation of the hotel.



Advantages and  
disadvantages of a  
management contract for  
Management Enterprises.

# Advantages



- Receive a management fee during the contract period regardless of the hotel performance
- Little or no up-front financing or equity involved
- Management contract period can last for five, ten or twenty years

# Disadvantages



- Over dependence on owner for providing necessary funds in operations
- Minimum input in ownership decisions, such as the transfer of hotel ownership from the owner to another buyer
- No extra rewards for good business performance if the management contract is run in a fee structure without any incentive schemes

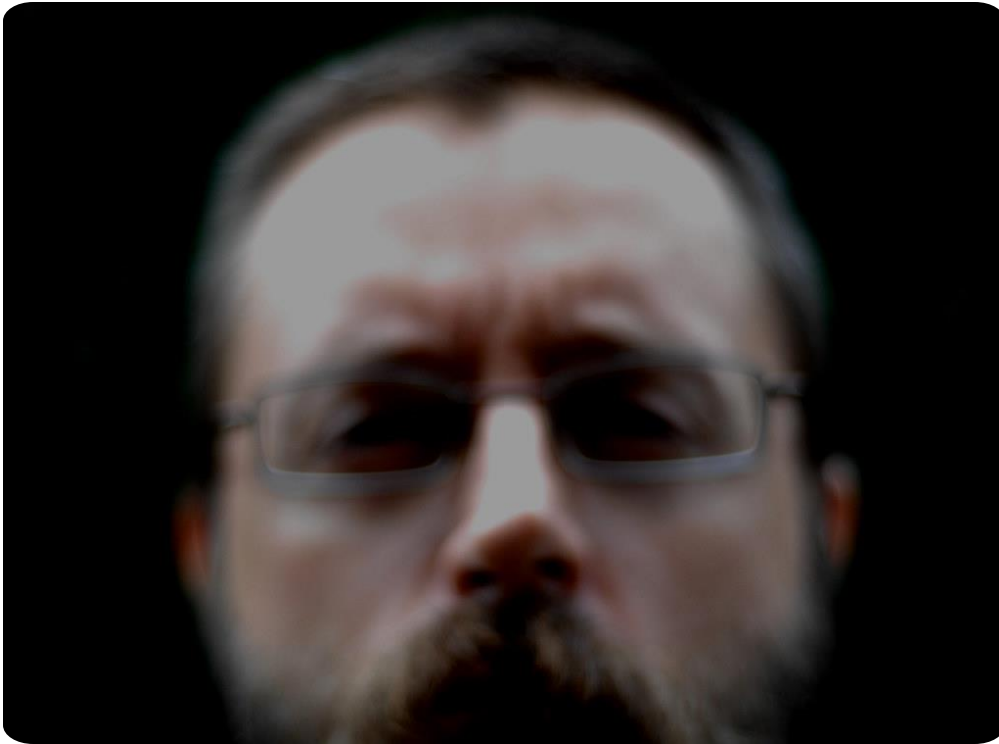


Advantages and  
disadvantages of a  
management contract  
for hotel owners



## Advantages:

- Acquisition of operational expertise which can reduce the chance of business failure and enhance the services quality
- Gain national or international recognition for the hotel if it is operated by a reputable management enterprise
- The owners are not required to be involved in hotel's operations



## Disadvantages:

- Lost of operational control
- Financially liable for all costs, expenses and losses of the hotel
- The management enterprise may have less incentive and morale in managing the hotel if only a fixed management fee is paid without any sharing of profits.

# Franchising



Some investors prefer to use the franchising concept in running the hotel. Franchising in the hospitality industry is a concept that:

- Allows interested investors to use an enterprise's (the franchisor) name and business format
- Is made up of properties where the franchisees agree to run the hotel in accordance with the strict guidelines set by the franchisor
- Allows an enterprise to expand more rapidly by using others' capital

# Expert

An expert is someone with extensive knowledge in a particular area. Experts are called upon for their expertise in problem-solving.

Advantages and disadvantages of franchising for franchisees.

## Advantages:

- Obtain expertise from the franchisors in doing business
- Acquire a brand name with regional or national recognition
- The franchisee has complete control and responsibility over the daily operation of the property



## Disadvantages:

- Need to follow the standard set by franchisors without modification
- Need to pay for a joining fee and an ongoing fee
- Risk of termination of contract or no continuation of new contract if franchisor wants to take back the rights of operation



Advantages and disadvantages of franchising for franchisors.

### **Advantages:**

- Receive a joining fee and an ongoing fee from the franchisee
- Expand the business and market share rapidly, without heavy investment
- Lower the risk of business loss by using franchisees' investment to expand the chains in new locations and markets

YOU SAY SPOILED  
LIKE IT'S A BAD THING.



## Disadvantages:

- Franchisees may fail to follow the standard set by the franchisors
- The trade name can be spoiled by bad franchisees
- The franchisor has to disclose confidential information to franchisees and this may constitute a risk to the business

# *The Leading Hotels of the World*

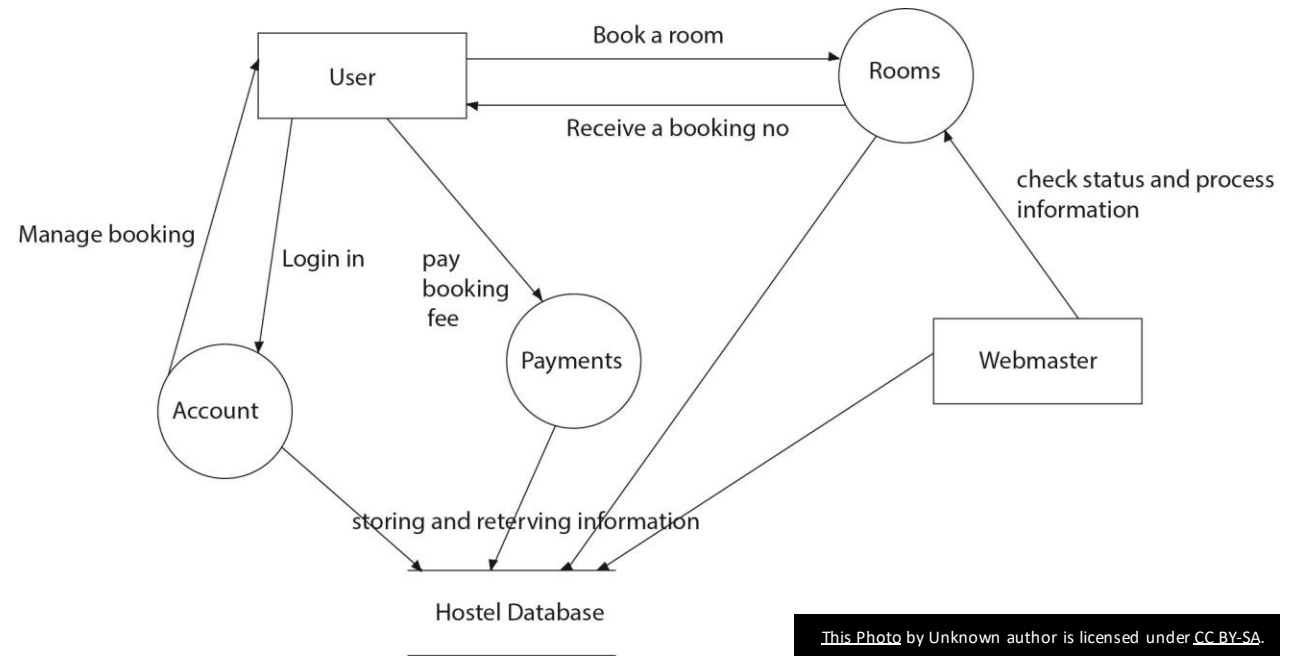
## 4. Referrals

Referral associations, e.g. Leading Hotels of the World (LHW), offer hotels similar benefits as franchising, but at a lower cost. Some hotels choose to become a referral property.

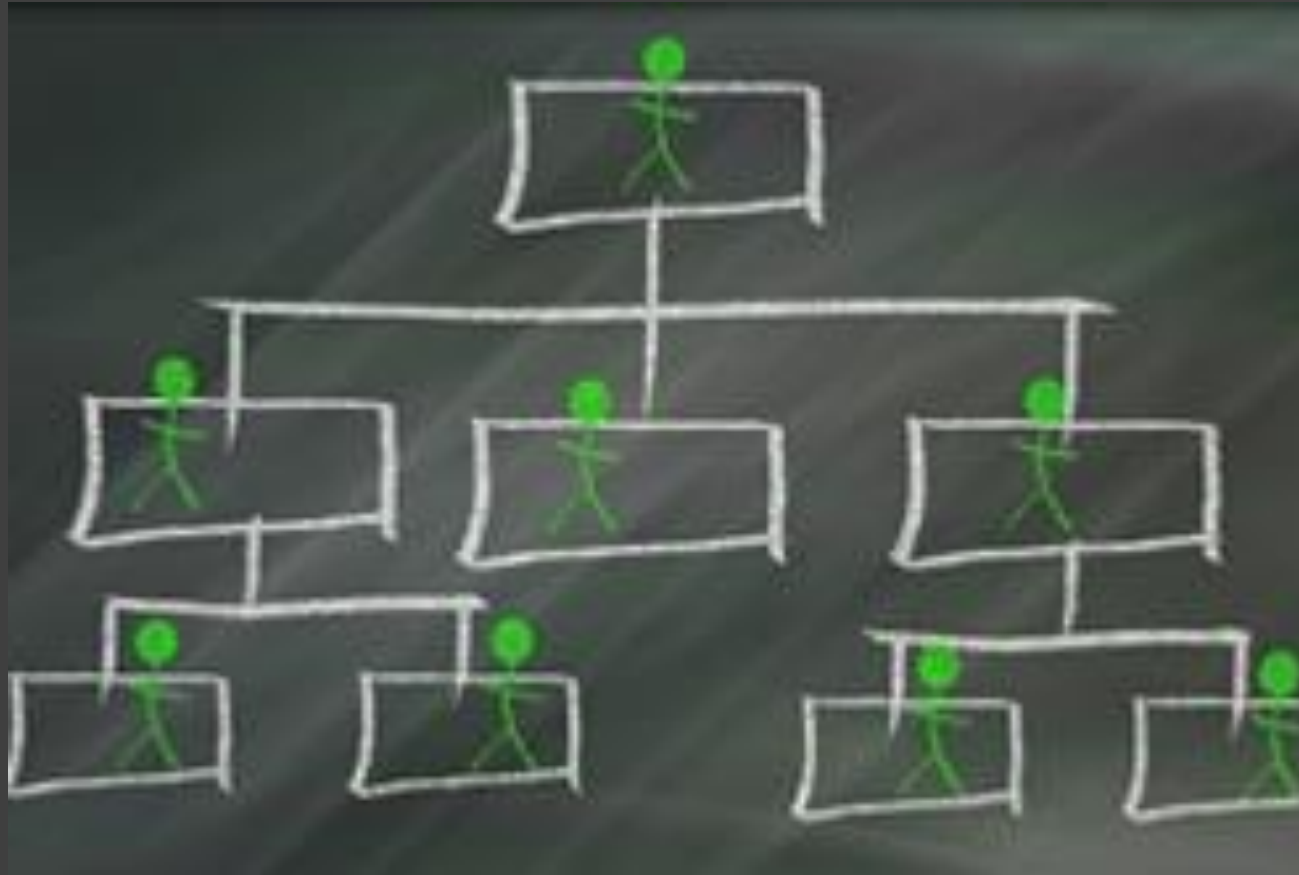
**This means that the property is being operated as an independent hotel in association with a certain chain.**

These hotels refer guests to one another's properties and **share a centralized reservation system**, a common logo, image, or advertising slogan.

Hotels pay an initial fee to join a referral association and further fees are based on services required. As the property has already been physically developed, the owner may want assistance only with marketing, advertising, management or reservation referrals



# Classifications of Hotel Departments



Instead of segmenting a hotel structure into departments according to their functions.

Some hotels would also group their departments or units into different categories.

These types of classification are known as:

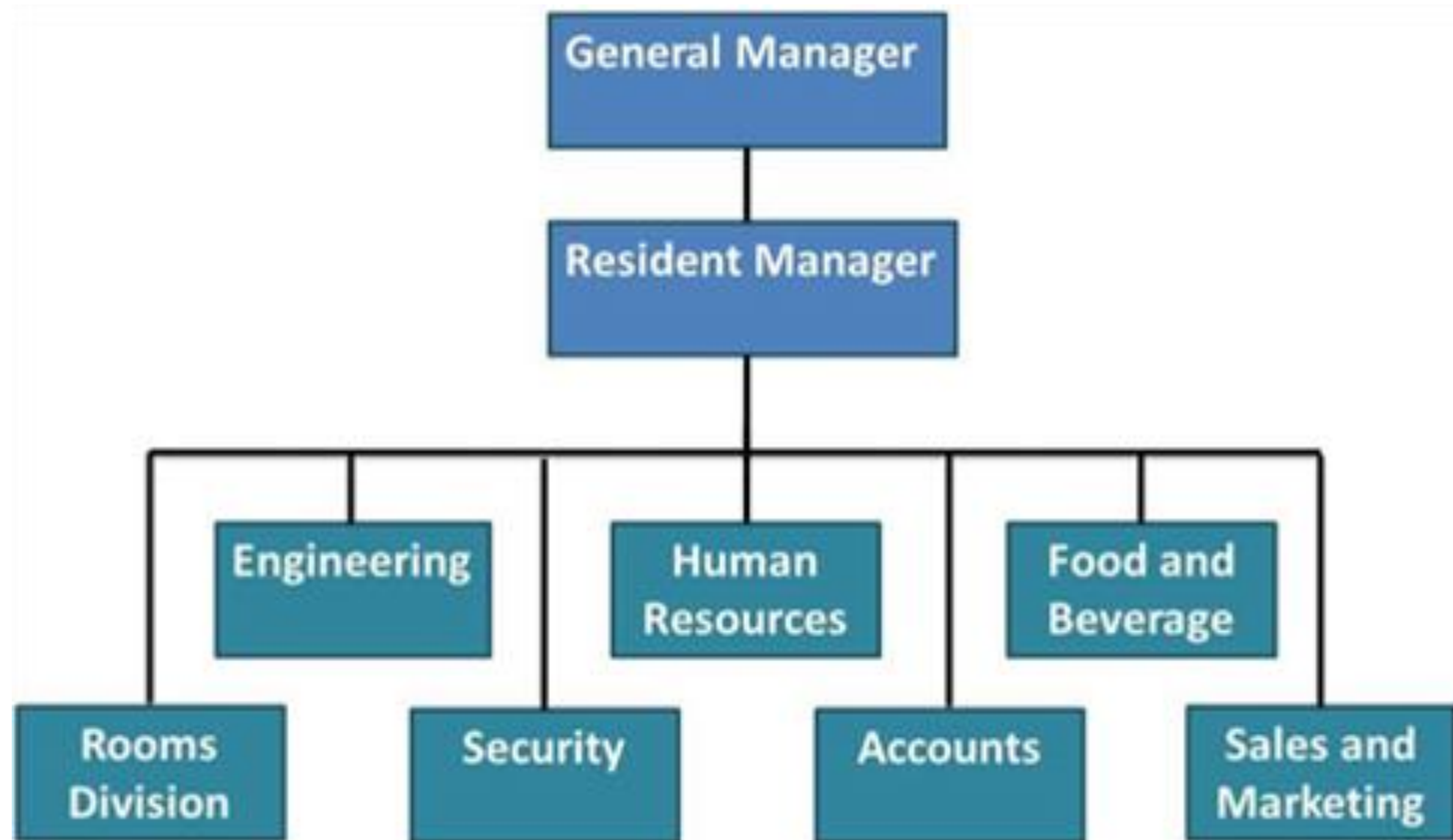
- Revenue centered and Cost centered Departments
- Front-of-the-house and Back-of-house Departments.



# Organization and functions of Hotel Departments

## Day-to-Day Operations

- The day-to-day operations of a hotel are the key factors determining the success or failure of its service.
- It is necessary to understand the structure of hotels in order to get an overview of how the organization fits together.
- Regardless of the size of a hotel, the **organizational structure** will be basically the same. It is usually **divided into several distinct departments**, each responsible for a particular area of work.



- **Hotel executives should have knowledge and experience** developing and managing hotels throughout the hospitality industry.
- **The head executive in a hotel would be the General Manager (GM).**
- The main responsibilities of the general manager would include the following:
  - Providing leadership to the management team
  - Coordinating the work of all departments
  - Participating in the formulation of hotel policies and strategies
  - Leading hotel staff in meeting, financial, environmental and community responsibilities
  - Assuming full responsibilities for the overall performance of the hotel

# The duties of Key Executives



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# Resident Manager

- Another key hotel executive is the resident manager. He/she is on-call any time of day or night and their purpose is to assist the General Manager with the smooth and profitable running of the hotel.
- 
- Resident Managers sometimes live on-site
  - The main responsibilities of the resident manager include the following:
    - Responsibility for developing and executing plans developed by the owner, general manager and other members of the management team.
    - Checking on operations, providing feedback and offering assistance when needed.
    - Completing, reviewing and summarizing statistical reports and sharing them with the general manager.
    - Assuming responsibilities for the daily operations and management of the hotel.

# Functions of major hotel department

- A hotel's different departments all play a crucial role in ensuring the success of the business.
- While **each department has its own functions, they must all work together** to provide a positive experience to the hotel guests.
- Two major hotel departments are **engineering**, responsible for all hotel mechanical systems, and **security**, responsible for protecting the safety and security of the hotel, the guests, visitors and employees.





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# Engineering Department

- The engineering department is responsible for maintaining the physical plant machinery of the hotel such as electricity, plumbing, air conditioning, heating and elevator systems.
- Engineering also oversee all the mechanical and technical conditions of the hotel.



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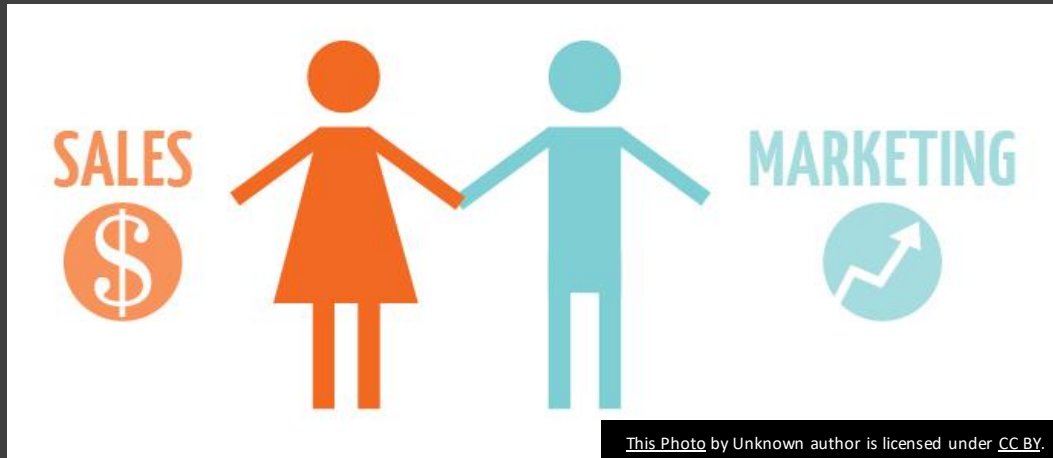
# Security Department

- The security department is responsible for implementing procedures which aim at protecting the safety and security of hotel guests, visitors, hotel employees and the hotel itself.
- Examples include monitoring surveillance equipment, patrolling the hotel premises and maintaining alarm systems.



# Human Resource

The human resources (personnel and training) department is responsible for hiring, orientation, training, wages and benefit administration, labour relations, employee relations, and staff development.



# Sales and Marketing

The main functions of the sales and marketing department involve generating new businesses for the hotel, coordinating advertising, as well as sales promotions and public relations activities aimed at enhancing the hotel's image.

# Accounts Department

- This department is responsible for monitoring all of the financial activities of a hotel.
- Examples include overseeing accounts receivable, accounts payable, payroll, and cost control systems, keeping records of assets, liabilities and financial transaction of the hotel and handling guests inquiries about billing.





# Food and Beverage (F&B)

- The food and beverage (F&B) department provides food and beverage services to the hotel guests and visitors through a variety of outlets and facilities/services.
- Examples include lounge, bar, coffee shop, restaurants, banquet service, room service (also called in-room dining) and cake shop.



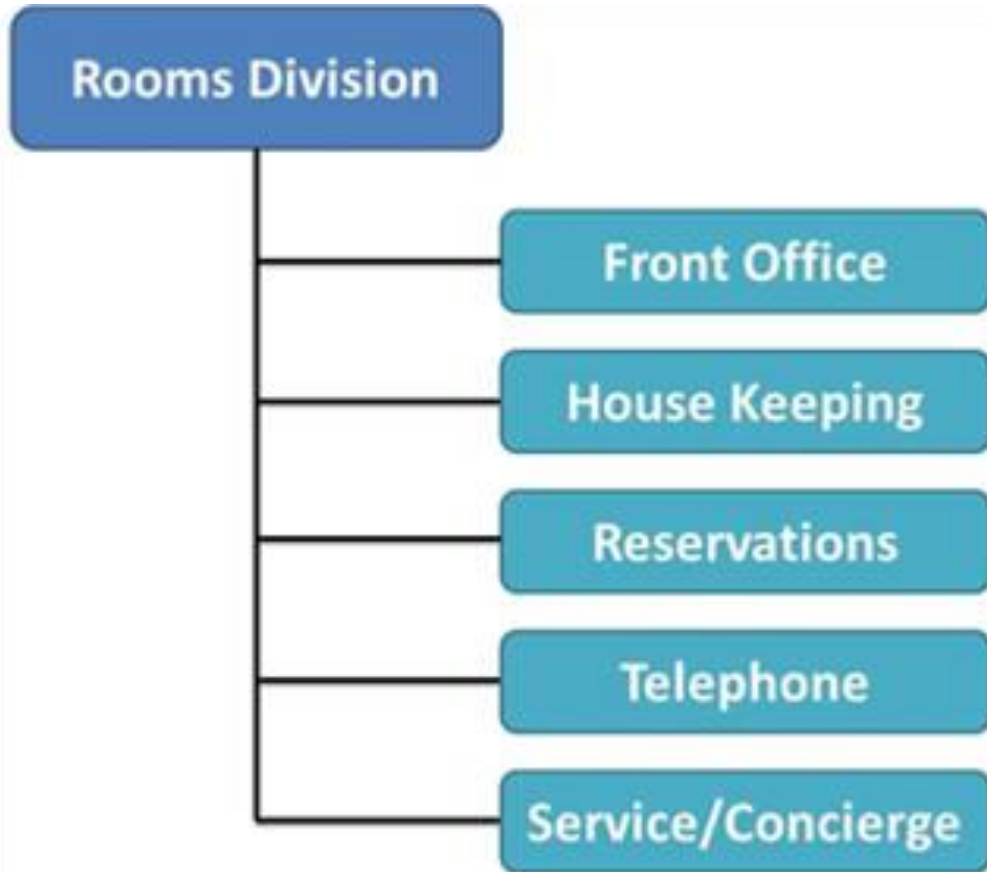


# Rooms Division

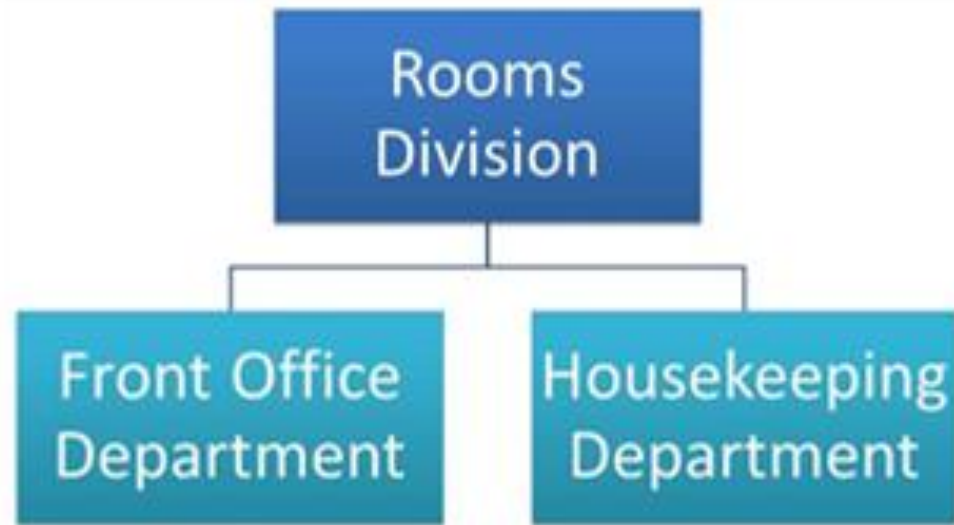
Rooms, as the core products of a hotel business are managed by the department of rooms division.



However, not all hotels, particularly some small-scaled ones have rooms division due to their limited room numbers and human resources. Rooms division usually comprises two major departments - **front office and housekeeping**. In fact, a typical structure of the rooms division also comprises other sub-units.



**In general, the rooms division comprises two major departments, the front office and housekeeping, which are involved in the sales or services of rooms to guests.**



- There are some reasons why hotels would prefer to combine the front office and housekeeping departments into one single division.
- As front office depends heavily on housekeeping for their cleaning of rooms before they can be sold to the guests, there are always **conflicts and pressure among the staff of the two departments.**

# Director of Rooms

- Managers of the two major departments would find it quite difficult to resolve problems and it is quite obvious that they may sometimes be biased in protecting their own staff.
- The position of **director of rooms** division helps solve this problem as he/she is the **only one who manages both departments**. The director of rooms is responsible to the general manager for the effective leadership and smooth operation of all the departments and staff that make up the rooms division.
- The position requires the manager to have solid **experience in both front office and housekeeping** who will have a better understanding of the operations and strategies in handling the conflicts between the two departments.

# Activity

## **Conflicts Between Front Office and Housekeeping Departments**

- Think about the following situations and how they may lead to conflicts between the front office and housekeeping departments:
  - A VIP repeatedly asked the front desk to change his room. (Over several times in one day).
  - A guest found out that the room she had just checked -into had not been cleaned.
  - Too many requests for rooms at 2:30 p.m. and not enough clean rooms were available.
  - A front desk clerk forgot to update and input the 'Do Not Disturb' request for a guest.