

The Art of Selecting & Making the Most Effective Use of a Hospitality Consultant

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Special Report

Today's hotel industry is so volatile, it's a wonder how hotel managers provide guests with any hospitality in such a stressful environment. Most of the stress, however, involves hotel owners, lenders, investors and the government. Due to mergers & acquisitions, impacts, litigation, reflagging, rebranding, re-positioning, and changes in hotel ownership structures, the typical hotel is being pulled in many different directions at once.

Result is, many hotels today are owned and managed by people who know real estate & finance but who lack understanding of the concepts of hospitality, service quality and guest satisfaction. Sooner or later these new hotel owners change their focus from rapid growth to operational improvement. Making the shift can be difficult. To successfully work in this stressful environment, some hotel owners and managers have recognized the value of having access to a variety of expert advice and counsel when hotel industry trends begin to shift. Demand for professional hotel consulting services continues to increase.

WHY SHOULD I HIRE AN HOSPITALITY CONSULTANT?

The most obvious reason for hiring a hospitality consultant is to obtain the expertise you need, when you need it, for as long as you need it, in order to solve a problem, make a decision or take advantage of some opportunity. The consultant worth hiring is the one who has years of experience, knowledge and skill in an area where you lack sufficient expertise to make an informed decision. When you need objective expertise and some sound advice about how to solve a problem, you should consider finding an expert. Ideally, the consultant has encountered many similar problems with other clients and is familiar with their different approaches to solving it.

Successful hospitality consultants are skilled at presenting better way of doing

things, gaining acceptance and changing behavior within your organization. They can say the same thing as an insider, but get the point across more forcefully, because outside consultants naturally command a certain respect. They have the independence to take a position.

DO I NEED A HOSPITALITY CONSULTANT?

How can you tell if you need a hospitality consultant? The answer comes in defining the problem. It is easy to know when you have a problem, but it is difficult to know what the problem is and what is causing it. Your employees may be able to define the problem for you, but often this self-appraisal method lacks the objective, unbiased expertise that accurately pinpoints the problem and what's causing it.

Using an independent consultant can be advantageous when you:

- need an unbiased approach.
- lack a special skill in a particular area.
- want a catalyst to complete an important task rapidly.
- need intensive application of knowledge on a temporary basis.
- have a sensitive situation to be handled with confidentiality.

A hospitality consultant will investigate and analyze facts, identify what has created and sustains the problem and recommend what has to happen to solve the problem or achieve the expected results. If you encounter a situation where you know you have a problem, but your own employees are unable to clearly define it, for whatever reason, you may need to hire a consultant.

WHEN NOT TO HIRE A CONSULTANT

There are times when you should not hire an outside consultant. These situations occur when you are unable or unwilling to recognize that a problem exists. Until you, as a prospective client, are totally committed to solving the problem with outside help, don't hire a consultant.

To avoid disappointment with a consulting engagement, the client should have a clear idea of the objectives, provide full management support with time, money and assignment of employees to work with the consultant. The client

should also plan for the time when employees will take over the consultant's implementation schedule.

HOW TO SELECT THE RIGHT HOSPITALITY CONSULTANT

Choosing the right consultant to fit your particular need is one of the keys to a successful consulting engagement.

Here's a guide to selecting the right hospitality consultant:

- Write down the purpose of the assignment before contacting a consultant.
- Consider numerous consultants whose qualifications appear to match your need and requirements.
- Select three consultants to call and discuss the situation.
- Ask these consultants how they would approach the problem.
- Ask them for a proposal.
- Evaluate the three consulting proposals.
- Review the costs.
- Make a final decision and commit full support.

The International Society of Hospitality Consultants has organized the collective knowledge and expertise of 135 professional consultants serving the hospitality industry. The purpose of ISHC is to upgrade of the quality of consulting services to hospitality industry through enforcement of a professional code of conduct and a consultant clearinghouse that potential clients can use. Potential users of hospitality consulting services can request the ISHC Directory on-line at www.ishc.com to find the right consultant by industry specialty and functional specialty. Industry specialties include: hotels, resorts, conference centers, clubs, arenas & convention centers, cruise ships, food service, gaming, golf, tennis, marinas, spas, timeshare, theme parks, attractions and tourism. Functional specialties include: research, strategy, design, development, construction, marketing, management, finance, accounting, human resources, law, litigation support, real estate and technology.

Once you determine the right type of consultant you need, you can select the names of several consultants whose primary expertise matches your area of greatest need. You can refer to resume listings to learn more about the consultants who are best qualified to help you. Then you can call several qualified consultants to discuss your situation.

Determine the nature of the problem and areas of expertise that best match your need. ISHC Consultants list their top three specialties as primary consulting areas. After matching consultant expertise with client need, call several consultants to ask how they would approach the situation. Ask for a proposal.

Prepare for your preliminary talks with several consultants by writing down the objectives of the assignment and the results you expect to achieve. By writing down your goals, you can better understand what you want the consultant to do.

You can communicate the assignment more clearly.

PRELIMINARY DISCUSSIONS WITH SEVERAL CONSULTANTS

Contact several consultants and describe your situation or opportunity. These conversations are confidential. Tell each consultant what you think the problem is and mention the various issues that are involved. State the objective of the project or the major question you would like to have answered. Then ask the consultant how he or she would approach the assignment. Explore the benefits you expect to gain. Give the consultant all the information needed to prepare a proposal.

The preliminary telephone discussion is a great opportunity for consultant and client to evaluate each other. While the consultant is evaluating the client's situation, the client can evaluate the consultant's ability to investigate. What questions does the consultant ask? Are they the right questions? Does the consultant probe to uncover the weak areas? Does the consultant ask why you think you have a problem? Does the consultant make any promises over the phone? Too little, too much? Does the consultant focus on behavioral objectives and results?

Most hospitality consultants do not charge for preliminary discussions over the telephone. However, if you want to have a preliminary discussion face to face in your office, the consultant may charge for time and expenses. You should ask about this to avoid any misunderstanding.

ASK THE CONSULTANT FOR A PROPOSAL

Letter agreements are most often used for proposing consulting engagements. Single projects are usually proposed in a one or two page letter agreement, while multiple projects and extended services usually require a longer letter agreement. In complicated or unknown situations, the proposal letter may divide the work into phases. The first phase may be described in more detail than later phases, when the situation requires a diagnosis of the problem before agreement can be reached on what further action is needed.

WHAT MAKES A GOOD CONSULTING PROPOSAL?

Letter agreements will vary from one consultant to another, but generally, a good consulting proposal will include these ten points:

- Situation: definition of problem or opportunity
- Objectives of the Assignment
- Scope of Work: areas to be covered
- Approach: general methods of accomplishing the work
- Project Team: who will do what work
- Time Schedule of Work
- Reports and Presentations
- Budget: an estimate of costs
- Professional fees, expenses, billing, payment schedules
- Acceptance: signature, advance funds, receipt of materials

A good consulting proposal will define the problem, outline the objectives and determine the scope of the assignment based on information given to the consultant. The consultant's proposal should replay what the client has said and provided to the consultant. If the client has left out some important factor, it will not be addressed in the proposal. The proposal should specify:

- What are the expected results from the engagement?
- What should happen differently after the assignment?
- What areas are to be excluded from the study?

Anticipated results of a consulting engagement may be to increase revenues, to reduce costs, to improve productivity, to establish a new reservations system, to computerize all hotel departments into local area network, to grow through hotel acquisitions, to determine a value for the hotel you want to sell, to

find hotel buyers, to select a hotel management company, or to analyze your hotel competition and determine your penetration of the demand for hotel rooms in your market.

The approach to the consulting project will specify some of most effective methods of gathering facts. Techniques include: interviews with management, employees, customers, competitors, vendors and bankers; surveys; organization charts; review of previous studies and financial documents; statistical models; facility visits; observation of processes and flow charts; and primary research that needs to be conducted.

The project team will specify who will do what work. Will the consultant perform all or most of the work? What consultant staff members will be used most? What other experts will the consultant use? What other resources can the consultant rely on?

A comprehensive proposal will outline a time schedule to accomplish the work:

- When will the work begin?
- What is the schedule for interviews and facility visits?
- When will periodic reviews be made?
- What is the target date for completion?
- Date for written report.
- Date for live presentation.
- Date for approval of recommendations.
- When will implementation begin?

The proposal should specify what type of reports and presentations will be made. Some informal consulting assignments will end with a verbal presentation from notes and observations. Normally, a written report is expected. Written reports will vary from interim memos to a letter report to a sizable document. Lengthy written reports are often digested into an executive summary. And the executive summary is often presented live with audio-video support. The work product may be a manual, pilot program or software. The type of report and end work products should be agreed upon before the engagement begins. Will the final written report be presented in person by the consultant?

COST OF THE PROJECT

Selecting a consultant based strictly on cost can be perilous. An excellent job is worth the expense while a poor one is not, no matter how attractive the price. When selecting a consultant based on the review of several proposals, consider the consultant's overall approach to the problem. It's the results that count!

Hospitality consulting fees should be evaluated against the value of the consultant's approach to the problem and the depth of resources that the consultant can apply to the problem and its solution.

In a review of proposals, you may notice a similar quality of presentation, yet consulting fees will vary widely based on the approach to the problem and the reputation of the particular consultant. Hospitality consultants with established national reputations and a deep knowledge in specialized areas are often in higher demand and may justify higher fees. You may receive more personal attention from the principle of a smaller firm. The project may be small enough that an individual consultant could handle it most effectively. On the other hand, when additional expertise is needed, Hopping says the individual consultant member of ISHC has access to many other experts and resources.

HOW CONSULTANTS SET FEES

When determining fees, a hospitality consultant includes all the costs involved with the assignment:

- salary costs of all people working on the project
- travel expenses including lodging and meals
- supplies and materials used
- outside services
- general overhead of the consultant's office

To better understand how fees are established and billed, here are four basic methods:

Hourly, Daily, Weekly, Monthly Fee. The consultant charges an agreed amount per hour, day, week or month based on actual time worked. Fees may vary with each person that works on the project. When using this method, the consultant will usually give the client an estimate of the fees or time required to do the

work over a period of time.

High-Low Quotation. The consultant quotes a maximum and minimum fee with the understanding that the work will be accomplished within this range, unless unforeseen conditions arise. This method is often used in combination with hourly fee method.

Lump Sum or Fixed Amount. This method is used only when the consultant has a completely known situation. From past experience with similar projects, the consultant knows the exactly what the time and expense will be. This method is used more with public organizations than with private companies. The fixed amount method usually gives way to the high-low method in hospitality consulting, especially when the assignment is exploratory.

Contingency Fee. The fee quoted is paid only when certain conditions are met or goals are reached within a specified time. Contingency fees are paid when certain dollar amounts are reach to the benefits of the client. The consultant requires independence and should not be impaired by the client in reaching the goals. This method requires a formal agreement outlining the responsibilities of both client and consultant.

FINAL SELECTION

Lack of communication and unwritten agreements can lead to misunderstanding and dissatisfaction. To avoid this unpleasantness, make sure the proposal you accept at least covers:

- services to be rendered
- time period involved
- fee amount and schedule of payments
- responsibilities of both client and consultant

There should also be an understanding that the client and consultant may terminate the assignment should uncontrollable circumstances arise. Usually, either party gives notice 30 days in advance, and the obligations of both client and consultant are honored up to the termination date. These terms are rarely a surprise when good communication is maintained during the assignment.

Once you select a hospitality consultant, it is wise, as a matter of courtesy, to notify the other consultants who submitted proposals and explain the reasons

for your selection. This way, consultants will take your business more seriously in the future.

ESTABLISHING THE IDEAL RELATIONSHIP

A successful consulting engagement means that both consultant and client understand their roles and responsibilities and work as a team.

Consultant's Role

Hospitality consultants solve problems by collecting pertinent facts. They analyze the separate parts of a whole system and then reconstruct it to work better. By identifying weak links and their causes, the consultant can recommend ways to strengthen the whole system and forecast what results can be achieved. Usually, a consultant will consider alternative solutions and then recommend the best one.

In some cases, the consultant will direct an inside team of people employed by the client. The consultant's role is to guide the work of the team, motivate people and be responsible for results. This participation by client employees helps the consultant better understand the problem and moves the work rapidly along.

In most hospitality consulting engagements, the consultant will follow four steps: research, analysis, recommendation and implementation.

Research Phase: Planning the engagement and gathering facts. Some planning and fact-finding has already been done for the proposal. Once accepted, the consultant will define the objectives and scope of the assignment in more detail. The approach or methods will be converted to definite tasks. Reports and other work products will be

formatted. Existing research will be reviewed and new research will be designed and conducted.

Analysis Phase: Evaluate steps in the process or parts of the whole system. Determine what factors led to the current situation. What sustains the problem? Define the areas for improvement. Focus on the objectives of the engagement. Develop alternative solutions for strengthening weak links that could improve the whole system.

Recommendation Phase: A hospitality consultant will focus on the most practical and acceptable solutions. Often the consultant will test alternative solutions with you to find the solution that makes the most sense to you, so you will want to implement their recommendations. Before fully developing the recommended solution, the consultant will try to reach agreement with you on the acceptability of the solution. Then the consultant will define the recommended solution in detail. He or she should provide a report of what needs to be done by whom, when, where, how and why. The report is

often written and presented to the client team so that all will understand the value of the recommendations and the implementation schedule.

Implementation Phase:
Once recommendations are accepted, the implementation may be accomplished by the consultant, the client or both. Some consultants provide turnkey implementation that is turned over to the client. Other consultants have support staff who contribute regularly to the client's team effort to achieve a goal over a period of time. A few consultants provide research, analysis and recommendations ONLY and do not provide implementation directly. However, these consultants may bring in associates who are more qualified to provide the implementation and direct support.

Client's Role

The client should assign an executive or a team of people to work with the consultant during the engagement. This will help the consultant get to the heart of the matter much faster. It will also provide an important communications link between the client and the consultant. Client team members who participate with the consultant will have a deeper understanding of the work being done. They will be able to justify its value after the consultant has left.

Clients should assemble their teams to work with the consultant before the

engagement begins. They should explain why the consultant is being hired. They should express total management support of the work being done during the engagement. The client should introduce the consultant to the entire management staff, announce that the consultant will be making requests of their time, and call for their cooperation to make the engagement go smoothly.

A good consultant will keep the client informed. As a good client, one who expects to receive the full value of using outside services, you will also take responsibility for getting progress reports. Discuss the findings informally along the way. Hold periodic meetings with the consultant. Evaluate the thinking of the consultant. Make sure you understand the reasoning behind the alternative solutions.

Review the consultant's recommendations thoroughly. Make sure you understand them. Determine whether your staff alone can implement the recommendations. Will you need the consultant to help? Does the consultant have support staff to help you or does the consultant have other associates that can help you implement the recommendations?

Misuse and Abuse

Don't make the consultant dig for information that should be readily available. Assemble as many facts as possible. Then open all the doors when the consultant requests additional information. Make good use of time. It's easy to get hooked on a consultant that produces great work consistently over time. The temptation is to find other things for them to do. However, if you come to depend upon a consultant as one of your employees, then it can be very expensive. And when you ask them to perform in areas outside their expertise, they have to quickly learn a new area. Ineffective use of a consultant also occurs as the original objectives of the assignment gradually change. Eventually, everyone is navigating uncharted waters!

Summary

When boy and girl get engaged, it is a period of time for the relationship to solidify --- to see if they are right for each other. Same is true between consultant and client. The consulting engagement is a working relationship to determine if consultant and client are right for each other beyond the first project. Why do some relationships fail? It is usually for the same reasons that boy and girl, or husband and wife, get into difficulty. Lack of trust and respect.

Lack of communication. Lack of understanding of needs. Lack of a sincere desire to satisfy those needs and expectations.

The International Society of Hospitality Consultants can help find the right consultant for you. Then be guided by all the things you remember about courtship. What makes a good proposal? What makes an ideal engagement?

If you have properly defined your problem, selected the right consultant,

worked as team with your consultant to solve the problem and, if you and your

consultant agree on recommendations and their implementation, then you have received the full value of using a hospitality consultant. Remember, the consultant cannot solve your problem, but can only suggest the best solution and urge you to take action. Ultimately, the final decision and responsibility for action is yours.

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