PLANNING IN
HOSPITALITY MANAGEMENT

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Chapter 16

THE PURPOSE OF THIS CHAPTER

Planning is a necessary everyday activity both in life and in managing. Planning should go on at every level of the organization, from dishwasher to the chair of the board. Unfortunately, it often gets overlooked at all these levels. Planning for your life's work is as essential as planning today's menu. Accordingly, this chapter presents planning as an active process related to both long-range organizational goals and day-to-day work. Although the concepts we present are most clearly related to planning in organizations, they need only be adapted to be useful to students considering their career goals.

THIS CHAPTER SHOULD HELP YOU

1. Provide an example illustrating the necessity of planning at all levels.
2. Explain why it is important that the supervisor/manager's role involve both planning and acting on the plans of others.
3. Provide an example illustrating how the needs and wants of a guest/client drive the goal-setting and planning process.
4. Describe planning as a general management function (strategic planning), as an operation management function (tactical planning), and as work done by individuals for the organization and for themselves.
5. Understand how planning as a personal process can help shape your career.
6. Explain why policy development and long-range planning are important, and describe these tools related to these activities: return on investment and cost-benefit analysis.

WHY STUDY PLANNING?

Planning is something that everybody agrees is important—from students, to stay-at-home parents, to entrepreneurs. Planning, however, is often neglected, probably because it requires hard thinking and involves the uncomfortable work of dealing with uncertainty.

An absence of conscious planning in the workplace leads to two potential types of problems. First, because employees must know what their employers expect of them, an absence of management planning leads to confusion at work. Second, to settle that confusion, employees often plan for themselves. Their plans may be aimed at goals completely unrelated to the organization's goals. For example, if management fails to develop a seating chart for the dining room, the servers will almost certainly work out their own system. Such a system may or may not be good for guest service, but you can bet it will suit the convenience of the servers.

Failure to plan invites trouble. Three different examples illustrate why planning is necessary at all levels of the organization. Consider, first of all, the server who does not plan his or her next trip to the dining room in light of the needs of the entire station. He or she probably will have to run back and forth to get one or two items that could have been brought all at once. In this way, two precious resources are wasted: time and energy. By the end of the day, the server has worked harder than his or her coworkers and probably has earned less in tips from those customers who had to wait.

If you have ever been in a restaurant that ran out of eggs at breakfast or bread during a rush on the sandwich station, you have seen our second example—the results of poor operational planning. And you know its costs: dissatisfied guests, upset employees, and the loss of some of those inconvenienced customers and perhaps some of the people to whom they will talk. In general, the operation's reputation suffers.

For our final example, you are asked to recall the discussion in Chapter 11 regarding the difficulties that the hotel industry has had over the years—illustrating the importance of planning on a larger scale. The higher the level of decision making, the more widespread the effects of poor planning are. The decision-making process (of building new hotels) is one that leads to periodic overcapacity even while building continues. As noted in Chapter 11, the hotel industry lost $33 billion in the 11-year period ending in 1993, but for most of that time, building continued at a brisk pace.

The failure to plan entails serious risks at any level. Your own plans are most important to you. Just as the server wasted time and the restaurant that ran out of eggs lost profit opportunities, you may waste a good deal of effort and miss opportunities if you fail to plan in both your personal and professional life.

First, you need to plan for yourself at several levels:

1. Whatever work you do (desk clerking, college homework, or motel housekeeping), your work will be easier and quicker if you can plan it.
2. As a supervisor or manager, you must learn to plan the work of others. (Moreover, senior-level managers must not only plan work—how to do—but must also plan on the grander scale of organizational goals—what to do.)
3. In addition to planning the work you do for others, you must think of your own career as a business, as we suggested in the last chapter. Thus, your career development means planning for the kinds of services you want to be selling at some future point—banquet manager, sales representative, food production supervisor, general manager, and so forth—and then planning how to achieve that position within a reasonable period.

Second, you probably will have to accept that, as a member of an organization, you are part of somebody else's plans. The point is that understanding the planning process helps you understand the need of a well-managed company for carefully developed plans. As an understanding participant in planning, you should be a more effective employee and find greater meaning in your work.

The following discussion should help you work effectively by improving your readiness to plan your work and the work of others. Moreover, the basic approach to business can be applied to your own career planning. Case History 16.1 gives an example, from ARAMARK's experience, of operations planning in action.

PLANNING IN ORGANIZATIONS

Planning is the work that managers (and workers) do to visualize the future in a concrete way and to determine courses of action that will achieve the organization's goals over a definite period.

As we have noted, planning at the different levels of the management hierarchy has different characteristics. The pyramid in Figure 16.1 provides a convenient way of symbolizing some of these characteristics. (Although we recognize the newer, preferred "inverted pyramid," this traditional one serves our purposes here.) The higher in the organization the planning activity takes place, the fewer persons will be involved in

CASE HISTORY 16.1

Planning on an Olympic Scale at ARAMARK

In the ancient Greek Olympics, athletes confined themselves to vegetables, figs, nuts, barley, and porridge—and after the games, in celebration, they ate roasted oxen. No such simplicity is possible, however, in planning for the feeding of modern Olympians.

ARAMARK has provided food service at 13 Olympic Games since 1968 (in Mexico City), including recent games in Atlanta, Sydney, and Athens. The company also served the 2008 Olympics in Beijing. Such a complex undertaking calls for a lot of planning. In fact, ARAMARK estimates its managers spend 100,000 hours in planning before the first meal is served.

Consider the nature of the challenge. In Beijing, ARAMARK served more than 3.5 million meals over a two-month period (which includes not just the Olympics but the Paralympic Games). At its peak, the company prepared more than 100,000 meals per day. The planning process starts, of course, with the needs of the customer. Meals have to provide for the nutritional needs of athletes and, at the same time, offer diners a taste of home and choices that suit their religious, cultural, and ethnic preferences. The ARAMARK Culinary Center in Philadelphia, the company's research and development arm, plays a huge role in the massive project of planning for the Olympics. ARAMARK's managers compile data on Olympic meals served since 1968, their popularity, and potential production problems; moreover, they take into account nutrition, flavor, texture, color, and variety. From this planning process comes a ten-day rotating selection of recipes that suits people from all corners of the globe—from Russian borscht to Japanese miso soup and Korean kim chee, Moroccan fish tagine, and kangaroo prosciutto. As was the case in Atlanta (in 1996), where southern-style fried chicken was a staple, about 30 percent of all food produced consisted of Asian cuisine, of which about a third was authentic Chinese dishes and the rest Japanese, Korean, or Indian. Extensive recipe testing and "preview dinners" take place to give ARAMARK opportunities to train members of the Olympic staff in diverse locations. In total, ARAMARK estimates that it trains about 6,500 people to plan, prepare, and serve Olympic meals.

Preparation can involve erecting off-site production facilities, complete modular kitchens, and the necessary energy supplies. In Atlanta (in 1996), an aboveground dining tent was installed to provide air-conditioned dining in the Georgia summer weather as well as space outside of the tent to install the additional electrical, plumbing, and gas lines a food service operation requires. In total, the plant erected by ARAMARK provided a 150,000-square-foot food service operation, including a tented seating and serving area of 75,000 square feet, a modular kitchen measuring 25,000 square feet, and an additional 50,000 square feet for food storage, employee services, and office space.

In preparing for the Bejing Olympics, ARAMARK had to design and construct the kitchen and dining facilities for the primary Olympic catering venues. The catering services provided for the athletes' village, media villages, the international broadcast center, and the main press center.

To manage this complex process from a standing start is a challenge for ARAMARK. Of course, its experience in managing food service at previous Olympic events stands the company in good stead, but in the end, the task would be next to impossible without detailed, meticulous planning. Indeed, the company's broad experience in all kinds of food service had long ago convinced its management of the vital importance of planning.

Sources: The information in this note was compiled from a variety of sources, including ARAMARK's Public Information Office, *Food Management*, *Nation's Restaurant News,* and www.ARAMARK.com.

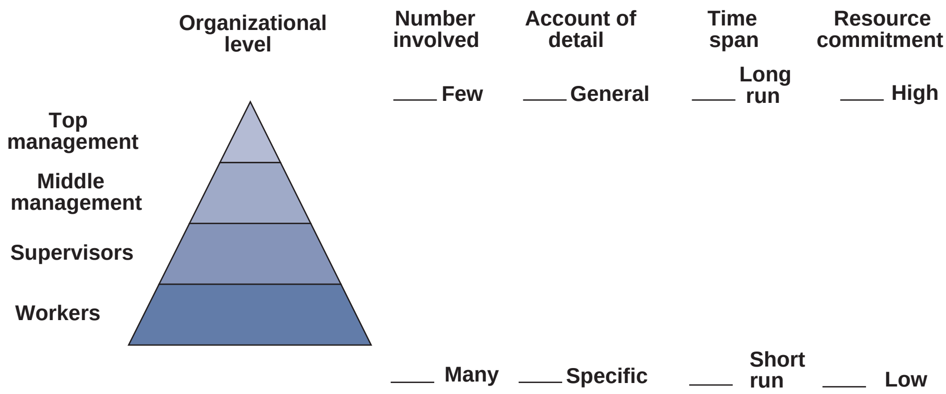

Figure 16.1
Dimensions of planning in organizations.

the planning and the more general the nature of the plan and commitment will be. At lower levels, planning involves more people and more detail. For example, the server's work plans might cover a period of one meal or, perhaps, just a turn on her or his station (the time it takes to serve a party—to "turn" the table). Purchasing at the operating level seldom covers a period of more than a week, and usually just a day or two. These are good examples of short-range planning.

Although short-range planning is absolutely essential, it differs from long-range planning, in which resources are committed on a much larger scale. Not surprisingly, specialized tools for long-range planning have been developed to assist managers at that level. We examine these long-range planning tools at the end of this chapter.

Formalized business planning is increasingly common in multiunit chains. A survey of chain food service executives revealed that nearly three-quarters of their companies made annual strategic plans with five-year future projections.[1]

A full-fledged plan is complex. A marketing plan, for instance, will contain a research summary, a statement of marketing goals, a statement of both **strategy** and **tactics** for achieving the plan's goals, and provision for measuring progress toward the goals and for revising the plan if conditions change. It is important to remember, though, that the banquet manager's plan of how to serve tomorrow's banquet is no less a plan, even if it is more straightforward.

SOME PLANNING CONCEPTS

The term *planning* denotes anticipating several different sets of circumstances for different purposes. Several other key concepts will help explain completely the idea of the planning process.

Policies are general guidelines for dealing with the future. They don't tell what to do; they indicate how to reach a decision. Policies leave much to the discretion of the decision maker. However, they provide a predetermined, agreed-on basis for decisions.

Consider this example: The unit manager of a large chain of restaurants is approached every week for small contributions to local charities. The company's policy does not say what to give or to whom to give. Policy does say what general kinds of organizations can be considered, what the limits on the manager's discretion are, and what the maximum amount is that can be given each year. (The manager may be able to give, for instance, as much as $100 to a single organization without approval—but only if the total budget has not already been spent.) It is still up to the unit manager to gauge the situation and decide whether to make any particular donation and how much to give up to the maximum set by the guidelines of policy.

A plan is a reasoned means of moving toward some selected goal. A plan reflects policy and may include **rules**, **methods and procedures**, **standards**, and **budgets**. A plan may have both strategic and tactical elements.

The most comprehensive of plans may not be written down in one place. However, the operations manual of a well-run company is a useful example of a group of plans. Some companies, particularly larger ones, develop strategic plans over a long period; these plans express management's vision of the organization's future and elaborate goals, methods, budgets, and the like. These examples suggest that a full-fledged plan is complex. But your plan for tackling the week's work is no less a plan just because it is less complex. Complex or simple, a plan attempts to describe future events of whatever complexity in a way that shows how they will be ordered to achieve the organization's goals. Rules state what must be done (or must not be done) in a given situation. Rules leave no discretion in their execution. For example, the rule "Food production employees must wear hairnets in the kitchen" answers a question about one aspect of an employee's future behavior. Most companies have a rule that certain paperwork must be done before a new employee can go to work, receive a paycheck, or take a vacation.

Methods and procedures resemble rules. Methods indicate how a standard job is to be done. The method for performing a repetitive task may be determined by a food service operator with the help of industrial engineers. As a result of these studies, waste motions are minimized, and the time required is reduced to a minimum and standardized. Procedures are really a sequential set of rules. Most hotels have a procedure that specifies the process that a guest's records should go through during his or her stay—just as most health care institutions have a similar procedure for patient records.

Standards may specify both procedures and outcomes. For instance, a standard may dictate how a food product is to be purchased, such as calling for three quotes. Or a standard may dictate a predetermined figure, such as a restaurant's food cost (as a percentage of food sales).

A budget is a numerical plan, generally expressed in dollars, although sometimes units of weight or time may be used as well. The budget specifies the dollar results expected from a plan of operation.

Most well-run operations prepare budgets that express in dollars the results they expect. Those budgets may be supported (e.g., in their estimates for housekeeping payroll) with a statement about hours budgeted at various levels of occupancy as a base for departmental payroll projections.

Strategy and tactics are concepts borrowed from the military to denote level of importance and time dimensions in plans. Strategy implies large-scale, high-level, and long-term commitment. In Figure 16.1, strategy would lie at the upper end of the pyramid. Tactics are often of great importance, but they are intended to implement the strategy. To give one set of examples of the difference between strategy and tactics, Taco Bell embarked on a diversification strategy. A further strategic decision Taco Bell took was that diversification would be accomplished by acquiring successful companies whose concepts were already a proven success rather than develop new concepts itself. Finally, Taco Bell determined that, once acquired, the companies (such as the drive-through chain Hot n' Now or Chevys, a Tex-Mex chain) would be expanded aggressively.[2] These were strategic decisions and, as such, were concerned with overall goals (diversification and expansion) and the general means of achieving them (buy companies and grow them). Tactics, in contrast, are specific, relating methods to individual circumstances. In this example, the question of where to expand a new concept or when and where to open a new store is a tactical decisions.

GOAL SETTING

Planning also includes **goal setting**. But how does one go about setting goals in organizations? Some traditionalists insist that we should already know what our goals are. For example, in answer to "A great hotel is . . ." generally they fill in the blanks with a description of the way things have always been done. If we press them, however, we find they really don't intend to offer the same level of service as the "great hotel" offered a generation or two ago. In most operations, anyway, this goal is just not possible. Costs, particularly labor costs, have risen astronomically, and the supply of labor for some jobs has decreased to the vanishing point even in the current economy. So it turns out that what the traditionalist really proposes is for us to come as close as we can to "what we've always done."

The traditionalist's eyes, you see, are set firmly in the past. He or she defines what's to be done in terms of the standards derived from past experience. We, of course, do not argue that we can't learn from experience; we can and we must. The past, however, is not where one begins goal setting in a consumer-oriented society.

The logical place to begin goal setting is with the person who indirectly sets the goals: the guest. Accordingly, we should take a marketing approach to our operations.[3] If the guests' needs and wants aren't met, they will take their business elsewhere. (If guests in a congregate meals program, in contrast, don't like what they are served, they will complain to the agency, to their representative in Congress, or to the newspaper.)

Examine these examples of goals and see how they relate to the guests' needs and wants: Elaborate service requires highly skilled servers, an attentive maître d', and a large backup staff. This is great service, most restaurateurs would agree. However, we would never put it in a truck stop. The reasons are obvious but revealing.

Our guest at the truck stop wants a hearty meal of the kind of food he or she is used to eating. Correct classical service would seem "snooty." This guest wants friendly and fast service, simple food, and modest prices. Traditional forms of formal service may still be effective in some operations, but we can no longer assume uncritically that the traditional way is the only way. Moreover, we certainly cannot uncritically accept traditional forms of service as goals to strive for.

Health care, which is a field with close ties to hospitality, presents an unusually interesting example of shaping products and services to guests' needs and wishes. For example, most hospitals now realize that the meals they serve can, to an extraordinary degree, raise or lower the morale of their patients. For some, the meal may be nearly the only pleasant thing that happens to them all day. For this reason, many hospitals have begun to spend more effort and money on food service than would ordinarily be necessary. Providing special diets is, of course, an even more obvious example of how guests' needs determine service.

Guests' needs may, however, be only one of the goals to be met. Our society has made school systems largely responsible for feeding children their noon meal. In specifying the approved plan lunch requirements, the U.S. Food and Nutrition Service amplifies the young guest's goal (a good lunch) to include the need for the lunch to contain an adequate and balanced diet. The agency has yet a further goal mandated by Congress: nutrition education. A school must use the approved plan lunch to help teach young people what a balanced diet is. However, the school lunch manager still must design a menu that will appeal to the students, or else he or she will face complaints from the students and their parents.

CHARACTERISTICS OF WELL-THOUGHT-OUT GOALS

"Our goal is better service." This is a very subjective goal statement. Specifically, what does it mean? In the process of setting goals, we might better ask ourselves, "How will I know when I achieve the goal?"

Some people suggest a checklist nicknamed the "Five Ws and an H" to help a manager make sure that the issues have been examined from every angle:

Who
What
Where
When
Why
How

Perhaps most important, though, is to set objective and measurable goals: "How will I know when I get there?" A related component is the time allotted for you to achieve the goal. For example, if your goal is to reduce food cost, then you need to identify the time at which you will measure and realize this goal.

The front-desk staff of a motor hotel in the middle of a large city was criticized for being cold and impersonal. A number of unsuccessful "courtesy campaigns" were tried but had little effect—this front desk was very busy, and the clerks felt themselves under pressure during periods when customers were waiting in line and the like. Finally, a clerk suggested that everybody adopt a rule: Always smile at the guest during your first words. Then a "police officer" was appointed to remind those who forgot. Within a week, the smile had become habit, and—just as that clerk thought—many of the guests responded with a smile too. Overall, the interchange became much friendlier.

Goal: Be friendlier
Objective behavior: Smile
Measure: Informal inspection
Time: One week

A hotel that served mainly a business clientele felt that a fast breakfast service would attract guests. The guests at this hotel generally had appointments to keep and planes to catch. When management began to talk about fast service, though, it specified that "fast enough" was:

- The guest gets a menu when he or she takes a seat.
- The guest gets water and is offered coffee within two minutes.
- The order is taken within three minutes (of seating) if he or she is in a hurry.
- A "jiffy breakfast" will be served within six minutes (of seating) if a guest orders it.

From this list of specific goals, the hotel established seating procedures throughout the following month that tried to ensure that a server would arrive on the station or one of the two adjoining stations at the time of seating. (If there was no server, the host would detail a busperson to get water or coffee, or get it him- or herself.) Servers were prepared to take orders on the station next to theirs and turn over those orders to the appropriate person later. A special serving point (and procedure) was established in the kitchen for the jiffy breakfast.

Goal: Fast service
Objective behavior: Follow schedule
Measure: Management could (and did) time the service
Time: One month

Neither of these useful approaches would fit in every operation. In a small-town motor hotel with a fairly slow pace, the extreme effort on the part of employees to get a smile out of themselves wouldn't be needed. It might even make a nice friendly person look like a windup doll. In a resort hotel where guests come to relax, attentive service may be appropriate, but the hurry-up breakfast pattern would make them feel rushed. Our examples do not represent solutions; they represent goal-setting procedures that solve problems in such a way that we can tell when we have, in fact, reached a solution.

GOAL CONGRUENCE

In setting its goals, an organization should be realistic. If a service goal requires a server to lose tip income, we can expect the server, one way or another, to resist the goal. For example, restaurants sometimes promote their wine sales. Management reasons that the increased beverage check will increase tips. It urges the servers, "You really ought to want to sell wine." However, if the restaurant's procedure makes it difficult for a waitress to obtain a bottle of wine quickly for the guest because of inadequate stocking (and staffing) of the bar where the wine is kept, the server finds that he or she loses more in slow turnover and guest dissatisfaction because of delays in getting the wine that has been sold. Management cannot understand why the servers don't try to sell wine—"they really ought to." When people don't do what they "ought to," though, management should look at the system design to see what went wrong rather than urge compliance because "you ought to want to."[4]

Management scholars often use the term **goal congruence**. This refers to the need to design and present an organization's goals in such a way that organizational goals and individual employee goals mesh rather than clash. Goals of different people in an organization should also fit the goals of the organization if maximum harmony and efficiency are to be achieved.

GOALS AND POLICIES

Once an organization has established its goals, it is ready to develop policies to implement them. Policies, you may recall, are general guidelines for dealing with the future. They leave much to the decision maker's discretion while providing a basis for reaching decisions.

There are goals at all levels of the organization, of course, but policies address goals that affect the entire organization; they have, in short, a significantly broad effect. In the hospitality industry, one major policy issue centers on guest self-service, an idea that arises largely from the goal of holding down costs and menu prices as much as possible in spite of rising wages, food costs, and utility bills. Eliminating or reducing the bell staff in motor hotels is one example of a policy decision; so is the increasing use of buffets and self-service salad bars. Once a company has established its policy on self-service, decisions on individual issues become clearer.

Companies often regard policies on unionization as especially important. Some companies set a goal of avoiding unionization and resist it by every legal means available, whereas others are indifferent to an organizing drive. A few companies actually encourage union representation. We take no position here on the pros and cons of a union. We merely point out that these differing stances illustrate how policy serves as a guide for action. In the three instances just cited, an incipient union-organizing drive would trigger three quite different reactions: a hurried and worried call to the home office, a yawn, or a friendly greeting.

As policies evolve, they call forth programs of action, strategies, and tactics to implement policy and achieve goals through action.

PLANNING IN OPERATIONS

When management establishes goals and determines policies, its planning work has just begun. It needs a plan of action to specify how the policy will be implemented. Those two concepts borrowed from the military—strategy and tactics—distinguish between levels of plans. Strategy tells you where you want to go and why you want to get there. Tactics deal with how to get there.

STRATEGIC ISSUES

Strategy concerns long-range basic plans. Our discussion focuses on examples in three strategic areas out of many that could be considered: product and service strategy, human resources strategy, and community relations. These three areas conveniently illustrate how policy guides decisions and is implemented by both planning and action.

Operational planning is critical no matter what the setting. (Courtesy of Digital Vision.)

PRODUCT AND SERVICE STRATEGIES. In food service, a menu is a plan; the general pattern of an operation's menus represents a strategy; and the customer you intend to reach dictates the strategy you will develop. Consider a steakhouse such as Fogo de Chão, an authentic Brazilian restaurant. (The chain was started in 1979 and now has locations across the country.) The menu reflects a policy of limited selection. This limited selection simplifies production and service. A strategy of self-service for salads represents a decision to give up portion control in return for the advantage of having the guests serve themselves. The advantages of self-service are (1) the server has one less course to serve and (2) the guests can eat salad while their steaks are being cooked. A server can carry a larger station, and so fewer servers are needed. Moreover, the guest begins to eat sooner, the wait between courses is shorter, and table turns are more rapid. With faster turns, a restaurant can serve more guests during peak meal periods. The trade-off for portion control on salads is more than worth the advantages gained.

In a similar vein, McDonald's and other quick-service operators have chosen a menu strategy (developed a particular menu) that dictates most everything that takes place in their operations, from staff selection to layout and design. Similarly, the economy motel's product and service strategy defines the market it will aim for, the kind of building it will construct, and the size of its staff.

HUMAN RESOURCE STRATEGIES. Here we briefly examine two important personnel-related issues to suggest the policies and strategies they dictate. Many companies wishing to avoid unionization use a compensation strategy that offers pay and fringe benefits well above union scale.

In other cases, a company may adopt an aggressive compensation strategy not because of unionization but simply to help it hire the cream of the crop in its labor market. Such a strategy dictates the rule that whenever the wage level in the local labor market rises, the company raises its wages. To follow this strategy, the company must initiate a procedure of regular wage surveys in the area.

COMMUNITY RELATIONS STRATEGIES. Not surprisingly, different sectors of the hospitality industry court community favor in different ways. Let us look briefly at policy—and resulting strategy—in the commercial restaurant, hotel, health care, and school food service sectors.

The traditional way to market the goods and services of a fast-food chain is to buy advertising in various media. Although a hotel or a local independent, high-quality restaurant may also purchase advertising, many of these kinds of operations rely more on public relations activities. Thus, a local innkeeper may devote a great deal of time to public service activities in order to build a favorable public image for the inn. This active public relations strategy may differ from that of a nearby quick-service food operation that depends on advertising to bring the public through the door. The quick-service manager must spend his or her working time closely supervising operations; public relations may well be a minor part of the job.

In health care, usually just proprietary facilities advertise, and even then, that advertising tends to be low-key. Community hospitals, however, actively involve themselves in public relations. Although they do not generally seek sales per se, hospitals do rely on periodic fund drives to raise capital for expansion or improvements. Thus, a favorable image in the community is helpful to them too.

In recent years, school lunch programs have discovered that an active, interested group of supporters in the community can help them obtain the financial and moral support of the school board and school administrators. Consequently, a strategy of community involvement for school lunch managers dictates their being active with parent groups and other influential groups, especially those interested in nutrition in the community.

Each of these institutions—fast food, restaurant, hotel, hospital, and school lunch—needs financial support from the community in the form of sales, donations, or appropriations. Each has a policy of seeking community support, but their strategies differ according to the operational circumstances of each and the guests or clients they serve.

FROM STRATEGY TO TACTICS

Tactical issues are generally concerned more with short-range and localized actions. Like strategies, however, tactics are plans, the means of implementing policy.

In one high-occupancy chain hotel in a busy city, the property's marketing strategy was dictated by its franchise affiliation. This affiliation attracted the middle-income traveler who wanted comfortable accommodations but could not afford a luxury hotel. The property's downtown location gave it a special appeal to businesspeople. The manager realized, however, that a very large number of hotel rooms were being built in this market area. It became apparent that when all the properties under construction opened, the area would have an oversupply of rooms for several years to come. To prepare for this future marketing problem, the manager developed what was dubbed "FIRM Service."

A list of the largest firms in the area was compiled, and the hotel's sales representatives' work concentrated almost exclusively on these firms. At each of these firms, contact was established with one or more individuals who placed rooms business, and they were given a special number to call for reservations.

Furthermore, the manager instructed the front-office staff to hold a small number of rooms each day for FIRM Service accounts and to release them only as the house was filled. Only in exceptional circumstances was a FIRM Service request refused, and FIRM Service reservations were never "pulled" (canceled in the evening on the assumption the guest would not arrive).

The manager was too shrewd to assume that the property could keep business simply out of loyalty or gratitude; customers can be pretty fickle. What the manager did think—and rightly so—was that when the market became more competitive, the hotel's sales personnel would be in a good position to reach key people at important accounts in the community. This tactic cost practically nothing, and it dealt with the problem of heavy future competition by gaining an advantage in that local market, which seemed most promising.

THE INDIVIDUAL WORKER AS PLANNER

If an operation is to be successful, individual workers must begin to consider themselves as planners. Notice the planning that a server automatically engages in when moving from kitchen to dining room and back. As the server steps out of the kitchen, the server quickly sums up the situation in the station: One of the three tables (Table A) has just been seated. A second party has finished its main course (Table B). A third party (Table C) is waiting for the dessert (which the server is carrying). The server's priorities might be as follows:

1. Serve dessert (Table C).
2. Greet and assure return while serving water (Table A).
3. Take dessert order (Table B).
4. Take appetizer and main course orders (Table A).
5. Return to kitchen.

In carrying out this plan and heading back to the kitchen, the server realizes that she also must plan her movements in the pantry to minimize wasted time and effort. On the way out of the dining room, she asks the busperson if he can clear Table B. With his assurance on that, she plans her moves in the kitchen:

1. Call dinner orders (for Table A).
2. Pick up appetizer (for Table A).
3. Pick up dessert (for Table B).
4. Return to dining room.

Her pattern is not necessarily the right way to handle a three-table station, and an actual situation certainly would not be this neat. The point is that a server relies heavily on planning, whether she is conscious of it or not.

When the head cook arrives at work at 8:00 A.M., she realizes that three meals confront her with immediate problems: Breakfast is now in progress and unusually busy. The short-order cook is in trouble because he's running out of his setup (raw food stored in a nearby refrigerator). The turkey on the menu for dinner needs to come out of the freezer right away. A round roast has to go in the oven immediately to be ready for an early banquet.

A great many different steps, the cook realizes, must be taken later in the day, but these immediate matters are of pressing concern. She takes these steps in order of priority and with a view to saving time and effort.

She enters the walk-in with a cart, steps into the adjacent freezer (which can be reached only from the walk-in), and places the turkeys on the cart. Back in the walk-in, she places the round roast on her cart. These actions delay her only a minute. Now she loads the bacon, sausage, and eggs the short-order cook needs and proceeds to the kitchen, giving the supplies to the short-order cook.

Her solution here may not be absolutely correct, but the incident should illustrate how essential planning is for that cook: Grab a cart so she can carry everything. Take one minute while she's in the walk-in to get the two other things she needs from there. While she is there, solve the breakfast cook's problem. It's going to be a busy day, so she shouldn't make three trips when one will do.

Not surprisingly, the hospitality industry rejects those management "experts" who assert that planning is exclusively a management function. Planning obviously pervades the well-run hospitality operation at all levels, from the housekeeper who checks the stock on his or her cart to the general manager who orchestrates all the planners in her operation.

PLANNING AS A PERSONAL PROCESS

In Chapter 1, we discussed the notion of knowledge as retained earnings. We suggested that someone interested in a hospitality career can begin to accumulate useful learning experiences in the earliest, least-skilled jobs. Now it is time to reinforce that concept with the conviction that personal career goals need to be identified as early as possible (without an artificial forcing).

These goals may well dictate a policy of putting skill learning first and income second in choosing jobs while in college and perhaps for those first years out of college as well. This learn-first-earn-second strategy ensures practice. If income is more important (or essential), however, you may have to alter your strategy. Planning, policy, and strategy are not something somebody else does. No plan is more important to you than your own plan for yourself.

LONG-RANGE PLANNING TOOLS

You can often plan for today and tomorrow "in your head." The situation may be simple enough for you to grasp intuitively. However, when you make decisions that will have an effect for months or years, you need more sophisticated planning tools. These tools are usually considered at some length in courses on management accounting and finance. Moreover, we might properly include them in a later chapter on control. We discuss them here, however, in order to emphasize the quantitative side of planning.

Planning is carried out at every level of the organization. (Courtesy of Bon Appétit Management Company.)

RETURN ON INVESTMENT

When an organization makes an investment, it generally expects to earn that investment back within some definite period. Take the following simple situation: A new vacuum sweeper for use in public areas costs $2,000. The larger machine is more efficient, and it reduces the number of hours required to vacuum the area from 100 a month to 90. If the operator's time costs $8 per hour, we can calculate two crude measures of value, and these measurements are common, simple decision aids. They are called the **payback period** and the **return on investment**. A useful formula is

$$P = \text{Payback period}$$

$$OS = \text{Operating savings}$$

$$NI = \text{Net investment}$$

$$P = NI / OS$$

For our problem

$$OS = 10 \text{ hours} \times \$8 = \$80 \text{ per month}$$

and

$$P = \$2000 / \$80 \text{ month}$$

$$P = 25 \text{ months}$$

Notice that we have specified the monthly savings, so the payback period is also expressed in months. These calculations tell us whether we can plan on this investment paying for itself in a reasonable period of time.

Another way of analyzing this problem is to determine the return on investment (ROI). Here, we just invert our formula, but the results are usually expressed in annual terms, and so the monthly savings in the previous problem are multiplied by 12.

$$\text{ROI} = \text{OS} / \text{NI} = \$960.00 / \$2{,}000$$

$$= 0.48 \text{ or } 48\%$$

In a business in which money to invest is at a premium and many departments require funds for new equipment, these techniques give us the means to establish investment priorities. Most organizations have specific rules for investments that relate to return on investment. Thus, these calculations help to consider the purchase in the context of those rules, sometimes called hurdle rates. (The word *hurdle* is adopted from the track-and-field sports scene. The hurdle is something you have to be able to reach or surpass, much as a runner must clear the hurdle in a race.)

In more complex cases, a time-adjusted **rate of return** may be used as the hurdle. This tool recognizes that a dollar today is worth more than a dollar will be a year from now because of the interest today's dollar can earn in a bank. The interest rate (called in these problems the discount rate) can be changed to reflect varying costs of capital and risk assumptions.

Another common quantitative planning tool is the **break-even point** computation. This technique is similar to the payback period method. Suppose a new banquet room is proposed. Management expects the banquet check average to be $9 and the banquet check food costs to be 33 percent. All other costs of the proposed banquet department are fixed. If the fixed costs (the monthly payroll; heat, light, and power; depreciation; etc.) for this room amount to $15,000, how many banquet covers must be sold per month to cover the cost of the banquet room (in other words, to break even)? Our new formula follows:

BEP = Break-even point

FC = Fixed costs (the costs that will occur regardless of volume of sales if the decision is made to go ahead)

S = Sales

VC = Variable cost

$$MR = S - VC = \$9 - \$3 = \$6$$

$$BEP = FC / MR 5 \$15{,}000 / \$6.00$$

$$= 2{,}500 \text{ meals}$$

Thus, 2,500 meals per month will cover all costs for this room. Management can now plan whether to build this room based on its judgment about the number of meals it will probably serve.

COST-BENEFIT ANALYSIS

In business, the measure of dollar profit earned is not just useful—it is the principal decision-making guide. In school lunch or congregate feeding, however, such a measure is not enough. To begin with, revenue from guests is not always a significant factor, because the cost of the program is covered by government funds. The program's goal is not to earn a profit. Moreover, the decisions cannot always be measured in dollars. (In school lunch, how much is a hungry child worth?)

Although the variables cannot all be measured in dollars, a first step in **cost-benefit analysis** (or **cost-effectiveness analysis**) is to make explicit those costs and savings that can be identified.

Suppose a congregate meals program is trying to decide whether to use 20 small feeding sites distributed throughout the county or to transport all its clients to a central point. The costs and savings to be specified would include the savings in food production and service staff in the central location and the reduction in food distribution expense (trucking food to 20 sites), in contrast to the cost of transporting clients to a central site.

Once this calculation is done, however, it is still necessary to weigh the possibility that some aged clients might not feel up to the long trip and that others might feel uncomfortable in a strange neighborhood. For these reasons, participation might decline. These problems would actually reduce costs and subsidies, but that is hardly what the staff wants! Planning in the public sector is sometimes more complicated than in private business, because not all costs and benefits have dollar values. Public programs, however, still must do their homework so they can report what cost effects result from changes in plans.

Goals and policies provide the basis for developing plans, both strategic and tactical. As the goals addressed relate to longer periods, however, those responsible for planning cannot rely on intuition. They must use more formal and often complex means of analysis.

To conclude, planning, strategy, and tactics are important at every level of the organization. At the top levels of the organization, leaders must plan for action—taking into consideration various expectations and the possibility of unforeseen events. As one final example, a recent report by the Conference Board—a global, independent business membership and research association—asked several industry leaders about their top challenges and priorities in the upcoming years. Not surprisingly, many of them were directly related to planning and corporate strategy including: (1) sustained and steady top-line growth; (2) profit growth; (3) consistent execution of strategy by top management; (4) speed, flexibility, and adaptability to change and; (5) and customer loyalty and retention.[5]

SUMMARY

Planning in organizations was the principal topic of this chapter. We first explained the reasons for planning and its different levels.

We defined and described several planning concepts: policies, plans, rules, methods, procedures, standards, budgets, strategies, and tactics.

Next, we discussed goal setting, and after defining and illustrating it, we turned to some of the subsets of goals. These included the characteristics of well-thought-out goals, goal congruence, and goals and policies. We also noted that goals must be obtainable, measurable, and time specific.

Planning in operations requires strategy and tactics. We considered product and service strategies, human resources strategies, and community relations strategies. We then gave an example of successful tactics.

The last section covered the individual worker as a planner, which we illustrated with examples of a server and a cook. We ended with a short discussion of planning as part of career preparation.

The long-term planning tools we explored were return on capital and cost-benefit analysis.

Key Words and Concepts

Planning
Strategy
Tactics
Policies
Rules
Methods and procedures
Standards
Budgets
Goal setting
Goal congruence
Payback period
Return on investment (ROI)
Rate of return
Break-even point
Cost-benefit analysis
Cost-effectiveness analysis

Review Questions

1. Outline some of the reasons why you should study planning.
2. Define these terms: policies, plans, rules, methods, procedures, standards, budgets, strategies, tactics.
3. What are the five questions that might be asked when setting goals?
5. What does the term *goal congruence* mean? What is the importance of this concept?
6. Is planning part of your study habits? Explain.

Internet Exercises

1. **Site name:** Starwood Hotels & Resorts Worldwide, Inc.

   URL: www.starwood.com/corporate/company_info.html

   Background information: Starwood is one of the world's largest hotel and leisure companies. The company's brand names include St. Regis, The Luxury Collection, Sheraton, Westin, W, Four Points by Sheraton, and Le Meridien. Through these brands, Starwood is well represented in most major markets around the world. The company's operations are grouped into two business segments, hotels and vacation ownership operations.

   Exercises:

   a. What are the goals and objectives (business strategy) of Starwood?
   b. What are its competitive strengths?
   c. Is there goal congruence (organizational goals and individual employee goals mesh rather than clash) at Starwood?

2. **Site name:** Planning for Life

   URL: www.planningforlife.info

   Site name: Mind Tools

   URL: www.mindtools.com/page6.html

   Background: Many sites help people plan for the next stage of their lives. Some focus on careers, some on finance, and some are more holistic.

   Exercises:

   a. Click through these sites. What is the common theme related to planning?
   b. Use the information to develop a five-year plan for your career starting with your life as a student and extending into the beginning of your career.

3. **Site name:** Accor

   URL: www.accor.com/gb/groupe/accueil.asp

   Background information: With more than 150,000 associates in nearly 100 countries, Accor is the European leader and one of the world's largest groups in travel, tourism, and corporate services, with two major international activities: Hotels and Services.

Exercises: Compare the Accor and Starwood Web sites

a. Which company provides more information on its goals and objectives?

b. Which company identifies its role in employee and community relations as part of its business strategy?

c. Since environmental issues are very important, what plans do these companies have to sustain the environment?

4. **Site name:** Alliance for Nonprofit Management

URL: www.allianceonline.org

Background information: The Alliance for Nonprofit Management is the professional association of individuals and organizations devoted to improving the management and governance capacity of nonprofits. The alliance is dedicated to assisting nonprofits in fulfilling their missions.

Note: Nonprofit organizations are private organizations whose primary objective is to benefit their members or people within society by supporting an issue of private interest or other endeavor for the public good. Even though their mission is not to generate a profit, all the functions of management still apply because nonprofits must still generate income to meet their expenses. Among the many nonprofit organizations related to hospitality are the following: Chefs for Humanity (www.chefsforhumanity.org), Share Our Strength (www.strength.org), Meals on Wheels (www.mowaa.org), and City Harvest (www.cityharvest.org).

Site name: The Free Management Library: Planning in Organizations

URL: www.managementhelp.org/plan_dec/plan_dec.htm

Background information: The Free Management Library provides easy-to-access, clutter-free, comprehensive resources regarding the leadership and management of yourself, other individuals, groups, and organizations. The content is relevant to the vast majority of people, whether they are in large or small for-profit or nonprofit organizations. Over the past ten years, the library has grown to be one of the world's largest and best-organized collections of these types of resources.

Site name: QuickMBA

URL: www.quickmba.com/strategy/strategic-planning

Background information: QuickMBA is an online knowledge resource for business administration. The goal is to help you to quickly find the business knowledge you need, when you need it, wherever you may be. Topics are presented as frameworks and summaries in the various subjects of business administration, as taught in the world's top MBA programs.

Exercise: Choose one of the "chapters" on any of the three Web sites above that is of interest to you. Lead a class discussion on the management function of "planning" in an organization, and describe why this information would be important to a hospitality manager.

Notes

1. Bryan G. Herron, "Strategic Planners or Restaurateurs . . . One and the Same?" *Proceedings of the 12th Annual Chain Operators Exchange* (Chicago: International Foodservice Manufacturers Association, 1985).
2. "Yum Brands Bets on Taco Bell To Win Over Customers Overseas," *Wall Street Journal*, May 14, 1993, p. B4, and May 19, 1994, p. B6.
3. For the best statement of this point of view, please see Peter Drucker's work, particularly *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1974).
4. For an excellent and witty discussion on this point, see Robert Mager and Peter Pipe, *Analyzing Performance Problems or You Really Oughta Wanna* (Belmont, CA: Fearon Publishers, 1970).
5. G. Karpian & H. Silvert, *Mid-Market CEO Challenge 2006,* Conference Board, May 2006. www.conference-board.org/publications/publicationdetail.cfm?publicationid=1146.