



By Rick Swig

## Asset Success Hinges on Relationship Between Owner, Asset Manager, GM

**THE RELATIONSHIPS BETWEEN THE OWNER, asset manager, management company and general manager are crucial to the success of a hotel. The GM is the critical link between the vision of ownership and its interpretation by the management company. More often, this link is not necessarily linear but in the form of a triangle, when the owner, possibly through a designated asset manager, takes an active role in the hotel's operations.**

With all due respect to owners/asset managers and management companies, the GM is the person who really operates the hotel. The GM implements the owner's vision and achieves the goals, nurtures and sustains the hotel's human resources and is the person who must take ultimate responsibility for the success or failure of the asset.

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The GM reports to multiple masters, responding both to the owner's and management company's expectations. As a result, clear protocols of communication and accountability must be established, as well as a measurement technique for success.

Ownership should strive to identify and communicate a clear set of goals to the management company and GM. Each hotel owner has different expectations and exit strategies for assets from short-term custodial roles to a long-term holds. The GM must understand the priorities of the owner/asset manager to fulfill his or her mission, including the development of a realistic business plan that covers financial budgets, cash flow projections, capital improvement requirements and marketing strategies. A focus on the basics, such as customer service, human resources, product and profit is also an integral part of the GM's role, as are active participation in hotel sales department activities, financial management and communication to the owner/asset manager regarding the property's operating status.

Returning phone calls and completing projects for both the owner and management company can inhibit a GM's ability to manage the hotel properly. Preventative mechanisms include scheduling meetings with the owner to dis-

cuss periodic progress, adherence to the business plan and general physical plant issues, with notes taken and action steps assigned with deadlines; the distribution of daily reports plus monthly financial statements with written explanation of operational progress and deviation from plan; and the immediate disclosure and distribution of information regarding unexpected challenges related to ownership risk or deviation from the business plan.

There are no good surprises. Information, positive or negative, should never be withheld by management. In all cases, communication must be proactive and truthful without assumption or ownership's pre-existing knowledge or awareness. The GM's goal is to educate the owner whenever possible and to supply solid information, which builds trust between ownership and the GM. Information flow should abide by the requirements of the management agreement and the needs of the owner.

Owners measure success by achievement of the business plan and expected cash flows. In some circumstances, success might also be measured on the ability of the manager to enhance asset value for sale to another party. Alignment of interests between owner and manager should be basic and include maximized market RevPAR penetration; above-average customer satisfaction; the highest potential of competitive operating margins; employee retention percentage, employee morale and safety; and physical asset preservation

Owners today involve themselves in their hotel assets and in dialogue with the GM. This does not mean that management companies have become less valuable, as it is still important to recognize that the management company is hired to supply resources that an owner is not prepared to provide. A smart owner should gain an understanding of and exploit the depth of its management company's resources as part of the management agreement and the associated fee.

The synergies created by the owner-management company-GM relationship allow a "win-win-win" for all parties. Alternatively, without proper vision, planning and communication, the relationship can be adversarial and destructive. ♦

*The views expressed in this article are those of the author and not Real Estate Media or its publications.*

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