

CASE STUDY: RESTRUCTURING A DISTRESSED HOTEL ASSET LOCATED IN PAHANG, MALAYSIA

Contract Period: 2001 to 2002 • Services Model: Management Consulting Services

EXECUTIVE RESUME

An executive case review highlighting Sherwood's comprehensive, hands-on hotel advisory and restructuring turnaround intervention. Guided by the principles of the 4-Layer Restructuring Process, Sherwood supported the Corporate Office and CEO to realign operations, improve financial performance, and establish a sustainable hospitality management framework for a distressed 3-star hospitality asset.

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1. The Client and The Restructuring Mandate

1.1: The Client | Corporate Entity

A successful subsidiary of a holding company with core business in plantation and property development, mainly in Pahang. Very much a corporate set-up with an experienced management team headed by the CEO, the subsidiary diversified from its core business to acquire a hotel property asset with a long-term view of capital appreciation to its land and building and the strategy to earn recurring income from the hotel business.

1.2: The Distressed Asset

Initially, the operating model was Owner-Operator. However, the CEO and team realised that with little knowledge and experience in hospitality management, they faced many operational issues and that the business was no longer sustainable. The business was losing money, and occupancy was at a single digit. The Hotel Leadership Team lacked in-depth experience in all operating departments of the hotel. There was no consistency and sustainability in the operations of the hotel.

1.3: The Mandate

To assist the owner in restructuring the hotel asset to achieve consistency in the delivery of products and services > improve financial performance > establish a sustainable hospitality management framework.

2. Structuring a Pragmatic Restructuring Action Plan

To turn around the distressed asset, Sherwood structured a pragmatic restructuring action plan based on the client's available resources. This plan targets operational and cost efficiency, marketing optimization, human resource output, and financial performance across the contract timeline.

Key Focus Area	Strategic Objectives	Target Outcome
2.1: Restructuring towards alignment to improve Operations Efficiency and Cost efficiency	Establish operating policies, check-and-balance guidelines, and scorecard-based tracking to improve organisation work behavior and professionalism across all departments.	• Each department's efficiency is relative to its operations deliverable. • Productivity output based on efficiency in work and service delivery. • Hotel business delivers operating profit. • Measurable improvements based on previous years' scorecards (Financial Performance, Occupancy in key business sectors, and Workers' productivity).
2.2: Sales and Marketing Optimization	Develop and execute a strategic marketing plan, communicate product identity and brand experience, and improve customer engagement and relationships.	Established brand recognition, product positioning, and captured the right business mix and community support in rooms, Food & Beverage, and events.
2.3: Human Resource Output Productivity	Based on given resources by Client, structure policies with clear strategic action to improve delivery of services, customer relationships, and communication.	To achieve a high productivity output, build customer loyalty support, improve communication skills, and maintain regular engagement, especially with the community.
2.4: Financial Performance	Financial benchmarks for each department established as Key Result Areas (KRAs) to measure optimisation in savings, reduce wastages, and improve earnings.	Realistic targets set forth with Hotel Leadership in comparison to the same period last year.
Contract Mandate	Complete hands-on executive management and advisory within a defined timeline.	Comprehensive delivery within a 2-year contract.

3. The 4-Layer Restructuring Process

To bring the distressed hotel to a successful transformation (end in mind) and align with the Corporate Office | CEO mandate, the restructuring process was structured around the 4-Layer Restructuring Process. This methodology moves systematically from identifying gaps, pain, and friction points to implementing sustainable structural outcomes.

The Tracking Tool is used to recognise the progress and status of restructuring. Based on the 4 Key Focus Areas (2.1 to 2.4), it is structured in simplicity into a 4-Layer Restructuring Process: Issue > Cause > Process > Outcome. The end of the process is tracking the deliverables, which is the Outcome.

LAYER 1: THE ISSUES (Based on the 4 Key Focus Areas | 2.1 to 2.4)

- **Restructuring towards alignment to improve Operations Efficiency and Cost efficiency:** The vision and strategic direction for the hotel operating business were not well-communicated and implemented by the Hotel Leadership Team; the desired outcome was not achieved.
- **Sales and Marketing Optimization:** Hotel Leadership Executives lacked experience in strategic thinking and planning for marketing strategies, such as creating new products in rooms, food and beverage promotions, and events.
- **Hospitality Knowledge Deficit:** Hotel Leadership Executives lacked experience in deploying the best hotel management practices and lacked in-depth knowledge of hotel operations and marketing strategies as key challenges to achieve operational efficiency.
- **Distressed Asset:** The root cause of the distressed asset, with its many layers of challenges, leads to one primary factor: a weak Hotel Leadership Team.

3. The 4-Layer Restructuring Process (Continued)

LAYER 2: THE CAUSE (Root Cause Analysis based on the 4 Key Focus Areas)

- **Corporate Leadership Mentoring was Lacking:** The Corporate CEO does not have in-depth knowledge of hospitality management, resulting in the inability to guide, mentor, and offer crisis advice and solutions to the Hotel Leadership Team.
- **Hotel Leadership Team Lacked Experience:** The Hotel General Manager as the Leader was not an experienced GM with knowledge across all operating departments, resulting in the inability to lead with strategy and direction for the hotel.
- **Communication Gaps:** Communication among Hotel Executives in discussions and meetings lacked cohesiveness due to a lack of a strategic agenda to move forward action plans.
- **Hotel Work Culture:** The team was not seen as proactive, lacking the right service culture behavior.

LAYER 3: THE PROCESS AND METHODOLOGY (The Transformation Intervention)

- **Hands-On Intervention by Hotel Consultant:** Scope of work and mandate clearly defined in Target Outcomes.
- **Team Communication Workflow:** Developed a cohesive communication workflow at all levels. Identified gaps in communication and the way forward to better communication, emphasizing the end in mind: common goals, common journey.
- **Consulting Process Targeting Key Focus Areas (2.1 to 2.4):** Structured the action plan process to address the key focus areas. Pragmatic SMART option initiatives and strategies were put in place for implementation. Discussed with the Hotel GM to execute the implementation of the action plan, with the CEO updated via regular meetings.
- **Patience and Coaching:** Implemented a process of patience and coaching, as we were dealing with the entire Hotel Executive Team.
- **Restructuring Action Roadmap:** Implemented a structured, phase-by-phase action plan with in-depth consultation involving the Hotel Leadership Team. Challenges and issues were identified, with forward-moving solutions in place and progress tracking to ensure results were delivered.

3. The 4-Layer Restructuring Process (Continued)

LAYER 4: THE OUTCOME (Restructuring Outcome)

- **Successful Hotel Restructuring:**

- **Comparative Financial Performance:** Yearly improvement compared to previous years.
- **Occupancy Increase:** Achieved an occupancy increase between 35% and 38% in the 2nd year, up from single-digit occupancy when we initially started.

- **Operating & Business Model:** Established and operationalised a consistent and sustainable hospitality operating framework. Operations and cost efficiency were fundamental to ensure cash flow was not stressed.

- **Marketing Optimization Strategies:**

- Implemented successful marketing strategies focusing on the right business and market mix with the right pricing strategies.
- The Marketing Team adopted improved communication skills, both verbal and in correspondence, and most of all, the right timing in follow-ups to close proposals on MICE events.
- **Product Identity and Branding:** Enhanced through better communication and media promotions, especially to the local community and various business sectors for corporate and event activities.

- **Cohesive and Professional Teamwork Culture:** Established direct, transparent, and respectful communication. Facilitated a shift from working in silos (among some executives) to team deliverables as one team outcome.

- **Established Clear Oversight from CEO Corporate Office:** With a clear mandate and target deliverables to achieve by the Hotel Leadership Team, ownership and accountability of performance were clearly defined. Regular management meetings between the CEO Executive Team and the Sherwood Leadership Team facilitated better communication with clear reporting channels established.

4. Key Working Relationship Insights on Role of CEO and Hotel Consultant

The success of the Hotel Transformation relied heavily on the role and responsibilities between the company CEO and Hotel Consultant. This work collaboration translates into trust, understanding, and transparent communication at all levels.

CEO In-Charge Responsibilities	Hotel Consultant Responsibilities
Clear Outcome Mandate: Based on the 4 key focus areas as identified.	Target Outcomes: The 4 Key Focus Areas have outcomes described. Based on past records, customer reviews, and client feedback (MD GM and Hotel Team).
CEO Role Defined: Give space, allow discretion and "quiet enjoyment" to the Consultant to discharge responsibilities.	Check & Balance: Check and balance in place, with corporate CEO oversight recognized.
Hotel Building Repairs & Procurement: Approving CAPEX items and hotel infrastructure (M&E, FF&E; fixtures, etc.).	Hotel Leadership Team: Routine OPEX at Hotel GM discretion in consultation with the Consultant. Floor limit established for discretionary approval.
Final Approval: All CAPEX procurement, infrastructure, and building maintenance.	Consultant Compliance: In support and compliance as per approved guidelines.

THE BIGGER PICTURE OF IT ALL: THE LEGACY ISSUE – THE HOTEL LEADERSHIP WORK CULTURE AND BEHAVIOUR CHALLENGE

The Laid-Back Attitude from the Leadership: It all starts from the Leadership Legacy—the Hotel GM and some key HODs. The mindset of accountability and ownership to deliver performance was not in their "DNA", and this cascaded down to others. The strategic motivation was to identify their respective KRAs and expected Outcomes, and relate those to merits of recognition, promotion, increment, and bonuses. Working alongside the team was crucial as they needed to be guided.

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