

SHERWOOD TRANSFORMATION ADVISORY

CONSULTING • COACHING

CASE STUDY: TRANSFORMING A HOTEL ASSET LOCATED IN SELANGOR, MALAYSIA

Contract Period: 2016 to 2018 • Services Model: Pre-Opening to Post-Management Services

EXECUTIVE RESUME

An executive case review highlighting Sherwood's comprehensive, hands-on hotel advisory and turnaround intervention. Guided by the principles of Blue Ocean Strategy and the 4-Layer Transformation Framework, Sherwood supported the Managing Director to launch and secure robust operating cash flows for a newly developed 3-star hospitality asset.

TABLE OF CONTENTS

1. The Client and The Transformation Mandate	Page 2
2. Structuring Phase-by-Phase Pre-Opening Plan and Post-Management Operations	Page 3
3. Applying Selective Blue Ocean Strategies (BOS) Framework	Page 4
4. The 4-Layer Transformation Framework	Page 5
5. Key Working Relationship Insights on Role of MD and Hotel Consultant	Page 7
6. The Bigger Picture: The Cash Flow Challenge	Page 7

1 : The Client and The Transformation Mandate

1.1: The Client:

A prominent successful SME Business Owner, with core business in property development, mainly in Selangor and Klang Valley area. Managing Director | MD incharge deeply involved across all operating branches of the business. Seeking to expand its businesses, the owner intended to diversify into hospitality asset ownership. An industry that the Owner lack indepth knowledge and experience.

1.2: The Hotel Asset:

The client developed serviced apartments with hotel facilities on a model of leaseback to Unit Buyers with a percentage return as income. The Asset has potential to fall into distressed as the business model has a cash flow stressed challenge to the operating model. As Client lack experience in the hospitality industry, they were exposed to various challenges and implementation to execution during pre-opening phase and thereon, post management of the property once completed.

1.3: The Transformation Mandate:

To assist Owner in execution of all pre-opening services, establish business and operating model, execute sales and marketing optimisation and establish all HR ecosystem as in, recruitment process, HR policies, training and coaching resources. End in mind is to ensure sustainability in operations with a return in operating profit.

1.3.1: The GUARANTEED RENTAL REVENUE | GRR CHALLENGE

Ensure business has surplus cash flow to pay Unit Buyers the GRR as a SPA 'promise' to pay Unit Buyers.

2 . Structuring phase by phase Pre-Opening Plan and Post Management Operations

Key Focus Area	Strategic Objectives	Target Outcome
2.1: Ready Asset to Open Pre-Opening services	Assist in fit-out installations, procurement and M&E advisory, etc. All services to ready the property for operations and business.	Product Identity and branding: Deluxe 3 star business class hotel
2.2: Operating Model - its not a traditional Hotel business model	Lean, efficient and well structured with best cost efficiency and operating margin	The goal is to achieve operating efficiency with operating profit within 2 years
2.3: Marketing Optimization	Develop and execute a strategic marketing plan, brand recognition and customer engagement strategy.	Realised 3 star product positioning, capture the right business mix and community support in rooms, FnB and events.
2.4: Human Resource Ecosystem	Based on given resources by Client, structure policies in key areas: Compensation, Recruitment process, Training and Coaching sessions.	To achieve a high productivity output and an efficient Organisation work culture
Contract Mandate	Complete hands-on executive management intervention within a defined timeline.	Comprehensive delivery with 5 months pre-opening and 2 years post management services contract.

3. Applying selective Blue Ocean Strategies (BOS) framework to selective Key Focus Areas

Within BOS framework, there are structures and models that support implementation. So it is a methodology and system process that guide Consultant to strategise to achieve breakthrough and alignment towards purpose and goals. The BOS strategy framework is specific and measurable. The following framework were applied:

The Strategy Canvas | Key Focus Area 2.2

it's a diagnostic tool used to analyse Hotel business model and structure the right operating model, applying realistic SMART model strategies across operating departments. End in mind is to establish the right structure to optimise business and operations.

The Six Paths Framework | Consultant apply Path 3 & Path 4 | Key Focus Area 2.3

Path 3 - Look across Buyer Groups: focus on actual Buyer who is the Influencer | The Boss, not necessarily the one who pay the bills. Community networking brings in events.

Path 4 - Look across complementary offerings: create leaps in value in product and delivery of services as in before, during and after Customer consumption.

HODs Leadership Alignment using ERRC Grid and Executive Coaching | Key Focus Area 2.4

The intervention of Executive Coaching session and Team workshop provide clarity in alignment to their purpose and KRAs in their scope of work. The application of Eliminate * Reduce * Raise * Create is a Leadership tool that stretch the thinking process of Executives to have a pro active and solution focused mindset. The ability to work independently with minimal supervision.

The Buyer Utility Map | Key Focus Areas 2.1 to 2.4

The Buyer Utility Map is an analysis tool to recognise value delivery against blocked delivery. It is then strategise in simplicity into a 4-layer transformation process: Issue -> Cause -> Process -> Outcome. End of the process is tracking the deliverables which is Outcome.

4. The 4-Layer Transformation Framework

To bring the hotel to a successful transformation and align to MD mandate, the transformation framework was structured around the 4-Layer Transformation Framework. This methodology moves systematically from identifying gaps | pain | friction points to implementing sustainable structural outcomes.

LAYER 1: THE ISSUE (Pre-Opening challenges and Post Management Operating Model)

- **The 4 Key Focus Areas:** Hotel Consultant had five (5) months to render all needed pre-opening services. Implementation timeline on key activities were most crucial with support and timely decision making from MD Team.
- **Availability of needed Resources:** procurement, fit out installations, logistic supply of various operating FFnE supplies from vendors, all these have to be timely and coordinated.
- **Marketing Optimisation based on approved plan:** clear strategy implementation in the following: communication of product and brand identity, field marketing to the right business mix, community relations, usage of the right marketing online platforms
- **Human Resource Ecosystem based on approved plan:** the entire HR activities of recruitment, training, welfare planning and compensation - getting all these activities in order before opening
- **Hotel Property Asset:** The sustainability challenge of the property: the business model has to be right to ensure profitability with no cash flow stress. Operating model has to be sustainable to ensure delivery of services are at the highest level with product identity recognised in the market place.

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

- **Key Focus 2.1:** the mandate from Client to ready the Hotel in 5 months for opening. It's a challenge that we accepted to deliver the mandate based on available resources.
- **Key Focus 2.2 and 2.3:** the Hotel Operating model has to be structured inline with the Hotel Business Model with the GRR concept as part of the Hotel fixed cost in operations. It's a business challenge to return operating profit and marketing challenge to bring in sales.
- **Communication Gaps:** To improve communication between MD Team and Consultant, regular, open communication to minimise gaps, improve speed to respond in decision making.

4. The 4-Layer Transformation Framework (Continued)

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
- **Consulting Process targetting all Key Focus Areas: 2.1 to 2.4** Structure the action plan process to address the key focus areas. Discussion with MD before implementation. Thereon, Consultant will hands-on the implementation to the respective Team Leader.
- **Coaching Process targetting Key Focus Areas of 2.4:** There are 2 parts to this Coaching process: Executive Coaching > Team Coaching Workshop
- **Cash Flow and Capex procurement:** Cash flow monitoring during pre opening and post management closely supervised as operating funds was limited during the 1st year of opening. The application of ERRC Grid (Eliminate * Reduce * Raise * Create) serve as Consultant guideline. The GRR cost factor and Hotel OPEX, these were the 2 high variable cost to the entire hotel business model.
- **Team Communication workflow:** Developed cohesive communication flows at all levels with a flatten management structure where workers are freely encourage to share ideas, opinion, learn from mistakes and practise mutual respect at all times.
- **Transformation Action Roadmap:** Implemented a structured phase-by-phase action plan backed by hybrid check points and transparent communication lines. The application of specific BOS tools and Coaching sessions strategy support alignment towards the objectives in pre-opening and post management activities.

LAYER 4: THE OUTCOME (Transformation Outcome)

- **Successful Hotel Launch:** Timely Opening of the hotel property fit and ready for commercial operations with a distinct product and brand identity.
- **Operating & Business Model:** Structured a sustainable, business and hospitality operating framework. Operations and Cost efficiency structures in place to ensure cash flow is not stressed. The business model of outsourcing, collaboration and smart partnership helped to contain OPEX, improve efficiency and minimise wastages.
- **GRR Payment to Unit Buyers:** During the 2 years in operations, the hotel business was operating with surplus cash flow. So, Buyers received their GRR as promise by Developer
- **Marketing Optimization Executed:** Implemented successful marketing strategies to drive immediate occupancy and brand visibility to the local community and various business sectors for corporate and event activities. The Sales Team were guided with clear marketing activities to implement.
- **Discretion, Empowerment, Check and Balance policies:** MD office and Hotel Executive Team have a clear overview of the entire business and operations of the Hotel. Space given to Hotel Team to operate professionally with clear reporting channels established.
- **Cohesive and Professional Team Culture:** Established open, transparent, and respectful communications, minimising operational silos and team friction.

5 : Key working relationship Insights on role of MD and Hotel Consultant

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

MD Responsibilities	Consultant Responsibilities
Construction & Core Project: Managing physical building contractors, infrastructure, and timeline.	Business & Operating Model: Developing standard operating procedures and hospitality systems.
Fit-Out & Mechanical/Electrical (M&E): Finalizing interior fit-outs and engineering systems.	Marketing Optimization: Implementing branding, product identity, pre-opening sales strategies, and community relations.
Operating Supplies Procurement: Approving CAPEX for property management software, OS&E, and furniture.	Executive Alignment & Training: Sourcing, hiring, and aligning key hotel management executives.
Final Executive Approval: Retaining final decision rights on major executive roles and budget approvals.	Transformation Accountability: to support MD mandate by realising all deliverables in Key Focus 2.1 to 2.4

THE BIGGER PICTURE OF IT ALL - THE CASH FLOW CHALLENGE

The Leaseback Model with GRR: this marketing model by Developers have been around till today. From Developers perspective, it hedge some level of capital outflow towards overall property development. It's a Promise to Buyers. To the Hotelier, it's a financial challenge as there are 2 layers of cash flow to overcome: hotel operating expenses and paying the monthly or schedule GRR to the Unit Owners. We had to do our research and diligence to ensure we can deliver the Owners mandate. In our 2 years of management contract, we delivered from the very 1st year and 2nd year.

Lee Sherwood | Transformation Partner

SHERWOOD TRANSFORMATION ADVISORY

An extension of Sherwood Hotel Management Sdn Bhd (established since 1997) • Co. Reg: 200001001189 (503794-U)

✉ leekf.sherwood@gmail.com | lkf@sherwood-hotels.com | WhatsApp / Call : +6 019 311 9383

www.sherwood-transformation.com • www.sherwood-hotels.com