**Pueblo Hospitality, Inc.:**

**Rethinking Performance Measurement**

**Background**

Pueblo Hospitality, Inc. (PHI) operates a chain of 48 hotels. Founded in 1968 by Mark Bayer of Denver, Colorado, his first hotel was in the Denver suburb of Lakewood. Two years later, Mark opened his second hotel in Colorado Springs, a city about 75 miles south of his Lakewood hotel. By 1974, Mark expanded beyond his home state of Colorado, opening hotels in Oklahoma and Texas. One year later PHI opened in New Mexico. Exhibit 1 is a table of the number of hotels by state.

PHI’s hotels are in the economy lodging segment. Their brand competes with the likes of *Super 8*, *Days Inn*, *Motel 6*, *Econo Lodge*, *Microtel* and *Red Roof Inn*. With 114 hotels, PHI ranks as the 18th-largest operator of economy lodging hotels. A typical economy lodging hotel has an average of 84 rooms, although PHI’s hotels average 117 rooms. Properties are staffed by a general manager, front desk staff of 6 persons, a head housekeeper, 7 housekeepers, and a maintenance worker. With the exception of the general manager, employees are paid hourly and their assigned hours vary based on demand.

Now in his 80s, Mark is no longer involved in the day-to-day running of PHI. Stephanie Putnam, Mark’s daughter, is PHI’s President and CEO. Reporting to Stephanie are Senior Vice Presidents Adélaïde St. Olive and Laura McCarthy. The list of district managers and the reporting relationships of the operations group are shown in Exhibit 2.

**Present Situation**

It is December 30th. Stephanie has asked you, the Chief Financial Officer, to provide data and provide recommendations to the managers who will make presentations at the Annual Operations Review. The review is held at the company’s Denver headquarters each year on the last business day in January. In the past, district managers have compared actual results to the budgeted income statement. While this practice should continue, you’ve come to the realization that there is too little attention to non-financial measures. Having heard about dashboards and balanced scorecards (Exhibit 4), you decided to gather a variety of financial and non-financial data to forward on to the general managers, district managers, and area managers who will attend the meeting with Stephanie. The data you have collected is described in Exhibit 3.

**Performance Targets**

Since its founding, PHI has used a limited number of performance benchmarks to evaluate properties and its managers. Specifically, they have used profits per available room (ProfitPAR, a common industry benchmark) and customer satisfaction. The target for ProfitPAR is a 2% increase from the prior-year results and, for customer satisfaction, the target is a score of 7.5. Assume your cost of capital is 9%. Further, you’ve been thinking about productivity and decide that housekeeper productivity can be measured. After interviewing a number of general managers, you determine the expected time to clean a room should be 30 minutes (0.5 hour). Lastly, PHI has considered the minimum acceptable audit score to be 7.0. Stephanie wants you to develop a dashboard, proposing additional performance measures.

**Required:**

1. Use the data provided and information in the case to create performance dashboard recommendations for Pueblo Hospitality. Your dashboard should incorporate measures from each of the four perspectives of the Balanced Scorecard (see Exhibit 4).
2. Using visualizations create a Story that will be used to present your recommendations for performance measurement.[[1]](#footnote-1) Your presentation should include:
	1. The company as a whole.
	2. One of the firm’s two areas
	3. One district within the chosen area
	4. One hotel within the chosen district
3. A 1-page executive summary of your recommendations.

**Submission:**

* **Word file with your 1-page Executive Summary**
* **Tableau packaged workbook with your dashboards and story**
* **IF you used Excel or PowerBI to do your dashboards and story, submit your Excel file or PowerBI file.**

Notes:

* I recommend viewing the “Dashboards and Stories” videos on the Tableau website. There are 8 videos totaling 40 mins. You can find them via this link: <https://www.tableau.com/learn/training>
* Alternatively, instead of a Tableau story, you can create a PowerPoint presentation. Include your visualizations in the slides and the narrative for the presentation in the notes section for each slide.

**Exhibit 1** PHI Hotels by State

**State Count**

Colorado 5

New Mexico 7

Oklahoma 5

Texas 31

**Exhibit 2** Division, Area and District Managers (and Hotels Managed)

Panel A: Manager Names

**Area Managers**

1. Adélaïde St. Olive (22 hotels in Colorado, New Mexico, Oklahoma and W. Texas)

2. Laura McCarthy (26 hotels in Texas)

**District Managers**

1. Suk Choi (7 hotels in Colorado and the Texas Panhandle)

2. Ted Cooper (7 hotels in New Mexico)

3. Susanne Roeren (5 hotels in Oklahoma)

5. Maria Roth (6 hotels in the Dallas-Fort Worth Metroplex)

6. Aaron Barbera (4 hotels in West Texas)

7. Timothy Dolan (4 hotels in the Texas Hill Country)

8. Kiley Jones (8 hotels in South Texas)

9. Stephanie Tobben (7 hotels in Houston and East Texas)

Panel B: Organization Chart



**Exhibit 3** Data Description

*Property ID* A numerical code identifying each property.

*City*, *State* Hotel location (2 variables)

*General Manager* Name of the hotel’s general manager.

*Location Type* Description of the type of location. A third-party benchmarking company classifies locations as one of six types: urban, suburban, airport, interstate, resort or small metro/town.

*Number of Rooms* Hotel size. The number of rooms available for rent at the hotel.

*Year Opened* Year the hotel opened for business.

*Room Rentals* Number of rooms rented to guest during the period.

*Revenue* Total revenues during the period.

*Profit* Total profit during the period. Corporate expenses, depreciation and interest expense are not allocated to the properties.

*Refunds* Total amount of refunds provided to guests for service problems during the period. The company has a “100% Customer Satisfaction” policy and provides refunds to guests who are not satisfied with their guest experience.

*Compset Rooms Available* A third-party firm gathers and reports information from more than 95% of hotels in the United States. Hotels providing daily sales information can purchase aggregate data on a set of competitors (competitive set, or “compset”) identified by each participating hotel, subject to reporting restrictions that maintain the anonymity of individual data. *Compset Rooms Available* is the total number of rooms made available during the period by the competitors in the selected compset.

*Compset Rentals* Total number of hotel rooms rented during the period by the hotels in the selected compset.

*Compset Revenue* Total revenue of hotel rooms for the period by hotels in the selected compset.

*Satisfaction Score* Response to an online customer satisfaction survey regarding overall customer satisfaction. The score ranges from 1 (lowest = dissatisfied) to 10 (highest = completely satisfied).

*Complaints* Total number of guest complaints received by the company during the month.

*Risk Events* The total number of risk events reported at the property during the month. Risk events include, for example: theft of property, slips and falls, assaults, rape, murder, suicide and any other unusual events that could result in company risk and/or litigation.

*Internal Audit Score* The score achieved on the company’s internal audit. Scores range from 0 (no compliance) to 10 (complete compliance).

*Employees, Front Desk* Number of individuals that worked the Front Desk this year.

*Employees, GM* Number of individuals that worked as a general manager this year.

*Employees, Housekeeping* Number of individuals that worked in the Housekeeping Department this year.

*Employees, Maintenance* Number of individuals that worked on Maintenance this year.

*Employees, Other* Number of individuals that worked in other areas (e.g., security).

*Hours Worked, Front Desk* Total number of hours worked by Front Desk employees during the year.

*Hours Worked, GM* Total number of hours worked by the general manager during the year.

*Hours Worked, Housekeeping* Total number of hours worked by Housekeeping staff during the year.

*Hours Worked, Maintenance* Total number of hours worked by Maintenance employees during the year.

*Hours Worked, Other* Total number of hours worked by “other” employees during the year.

*Front Desk Turnover* Annual turnover of front desk employees. Turnover is measured as the number of employees terminated divided by the number of employees at year-end.

*Housekeeping Turnover* Annual turnover of housekeeping staff (housekeepers, laundry worker and head housekeeper).

*Year of Last Renovation* Year of the last renovation.

*Renovation Type* When undertaking a renovation, the company can do a minimal renovation (e.g., painting, replacing broken fixtures and replacing window shades), a mid-range renovation (minimal renovation plus flooring) or a full renovation (mid-range renovation plus television, bathroom fixtures [shower, toilet and sink], doors and climate control system).

**Exhibit 3** Data Description (*continued*)

*Amount, Recent CapEx* The total amount of capital expenditures at the property during the past three years.

*Total Assets* Total assets (in US$) at year-end.

*GM Tenure* The tenure of the current general manager, in days.

*Survey, Training Provided* Average survey response for several questions regarding training provided by the company to the respondent. (1 = No or little training provided; 5 = Training provided)

*Survey, Career Opportunities* Average survey response for several questions regarding career opportunities within the hotel. (1 = Unaware of career opportunities; 5 = Aware of career opportunities.)

*Area* The area number that the hotel is assigned to.

*Area Manager* The name of the area manager responsible for the hotel. The general manager reports directly to this individual.

*District* The district number that the hotel is assigned to.

*District Manager* The name of the district manager for the hotel. The hotel’s area manager reports directly to this individual.

**Exhibit 4: Balanced Score Card** [[2]](#footnote-2)

Measures performance in four key perspectives:

* 1. Customer perspective: Evaluates the organization’s performance from the viewpoint of the customer
	2. Financial performance perspective: Measures the organization’s progress toward financial goals
	3. Internal business processes perspective: Assesses the organization’s ability to produce and deliver goods or services
	4. Learning and growth perspective: Measures the organization’s ability to change and develop

The main concept is that no single measure can properly evaluate a business unit’s progress toward strategic success.

1. You can use Power BI or Excel to create visualizations and follow the alternative instructions in the “Notes” above. [↑](#footnote-ref-1)
2. *Kaplan, Robert S; Norton, D. P. (1993). "Putting the Balanced Scorecard to Work". Harvard Business Review.*

*Kaplan, Robert S; Norton, D. P. (1996). The Balanced Scorecard: Translating Strategy into Action. Boston, MA.: Harvard Business School Press.*[*ISBN*](https://en.wikipedia.org/wiki/International_Standard_Book_Number)[*978-0-87584-651-4*](https://en.wikipedia.org/wiki/Special%3ABookSources/978-0-87584-651-4)*.* [↑](#footnote-ref-2)