RETHINKING FINANCE AND HUMAN RESOURCES IN HOSPITALITY: BUILDING RESILIENCE AND EFFICIENCY IN A HEAVILY DISRUPTED INDUSTRY

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Introduction

Recent global disruption, shaped by the pandemic and geopolitics, has pushed the hospitality industry (including dining and travel) to undergo rapid and dramatic change toward omnichannel business model innovation. Successfully navigating the new dynamics requires technology investments that support resilience and agility in the coming years. As restaurants, lodging companies, and travel organisations are operating through a time of rapid digital acceleration, both the IT department and all lines of business and functions — from finance to marketing, customer experience, human resources, and planning — are called upon to have a clear strategy for how technology investments will benefit organisations and achieve business goals.

AT A GLANCE

By 2026, 50% of hospitality and travel operators will solve data visibility and integration challenges to fully automate intelligent tasks and open communications between employees and data processes.

KEY STATS

Almost 50% of organisations can still improve a hybrid multicloud architecture.

For 22% of hospitality organisations, IT investments will be focused on new contactless capabilities and workflow automation.

Today's top business objective is to achieve business resilience through real-time experience personalisation. It is, therefore, crucial for hospitality organisations to hire and retain digital talent, leverage AI and ML analytics to automate and support agile planning processes, achieve a single version of the truth through data democratisation, and increase operational agility. Automation for both operators and consumers is driving fundamental changes in hospitality, dining, and travel. As a result of the increased adoption of automated solutions, there is growing focus on analytics and democratised access to data.

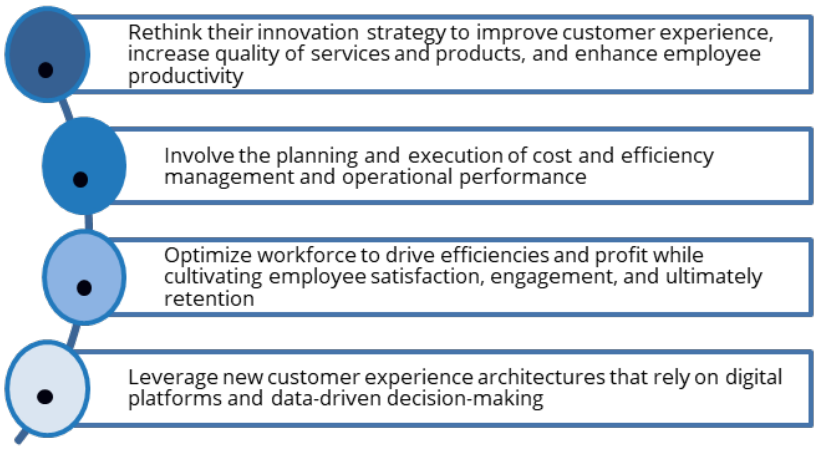
Winds of change have inevitably raised a new set of priorities in the hospitality industry:

- Managing mixed/hybrid models for different sub-industries poses unique challenges in terms of managing finances, people, and planning.
- Hospitality businesses will require new tools to manage front-end and back-end operations, while improving customer and employee experiences.
- Adopting technology solutions, leveraged by AI and ML analytics, revolves around building a robust business case and showing the potential impact with real numbers.
- Increasing customer demand, driven by real-time personalisation and bespoke experiences, makes each interaction and each business transaction unique.

The Industry Today: What Trends Are Reshaping the Future of Hospitality?

Hospitality business model innovation is driven by the need to rapidly respond to changes with agility. In response to these challenges, hospitality organisations had to focus on resilience by clearly prioritising some key actions.

FIGURE 1
Key Actions for Hospitality Business Model Innovation



Source: IDC, 2022

According to IDC's 2021 Hospitality and Travel Survey, almost a quarter of hospitality and travel operators (24.1%) say they are increasing IT budgets to keep pace with guest demands. Roughly 22% of operators say that IT spend will be bolstered specifically to enhance existing or add new contactless capabilities and improve operational efficiencies by adding the IT budget to automate workflows. The role of the CIO is, therefore, critical in driving the organisation's technology infrastructure innovation process and integrating all capabilities and applications across business functions. Thus, resilience strategies result in flipping traditional models to find new revenue streams.

- Restaurant brands, such as Pret-à-Manger, Papa John's, and Domino's, leveraged AI technology to increase frictionless services (e.g., concierge chatbot and personalised content via mobile apps, ghost kitchens offering pickup and delivery orders, and social media ordering) and improve guest and employee experiences. Meanwhile, Chipotle Mexican Grill, a chain of fast casual restaurants in the US, UK, Canada, Germany, and France, launched the Chipotle app, which allows for unlimited customisation to mimic in-store experience and offers concierge chatbot Pepper and social ordering via Facebook.
- Takeaway ordering service companies such as Just Eat, PrestoFood.it, and Frichti, have increased collaboration with branded local restaurants as part of their partner ecosystem.

Glovo is also partnering with supermarkets like Carrefour and pharma and florist outlets to expand the range of products offered.

- Hotels are constantly seeking to improve personalised journeys. For instance, InterContinental Hotels Group (IHG) started a comprehensive business model transformation journey to provide frictionless customer experience through data accuracy and data privacy management while innovating and improving their portfolio management, financial planning, human capital management, and supplier performance management. Moreover, the Eccleston Square Hotel in London offers a 24-hour chatbot concierge service as part of its smart rooms service. The Hilton chain adopted self-check-in service mobile keys, while Marriott's IoT Guestroom Lab is experimenting with new personalised and environmentally sustainable experiences.

In its *IDC FutureScape: Worldwide Hospitality, Dining, and Travel 2022 Predictions (IDC #US47777521)*, IDC predicts that "by 2023, 85% of guest-facing experiences in travel and hospitality will be conducted through autonomous channels, improving customer satisfaction scores by 20% and achieving labor savings of 15%." Moreover, "by 2026, 50% of hospitality and travel operators will solve data visibility and integration challenges to fully automate intelligent tasks and open communications between employees and data processes." Therefore, while automated and AI-enabled solutions will enable labor efficiency and effectiveness, the importance of data being democratised to be seamless, secure, and accessible will continue to rise.

Although new operations models might differ from one segment to another in hospitality (e.g., hotels, restaurants), common factors need to be considered:

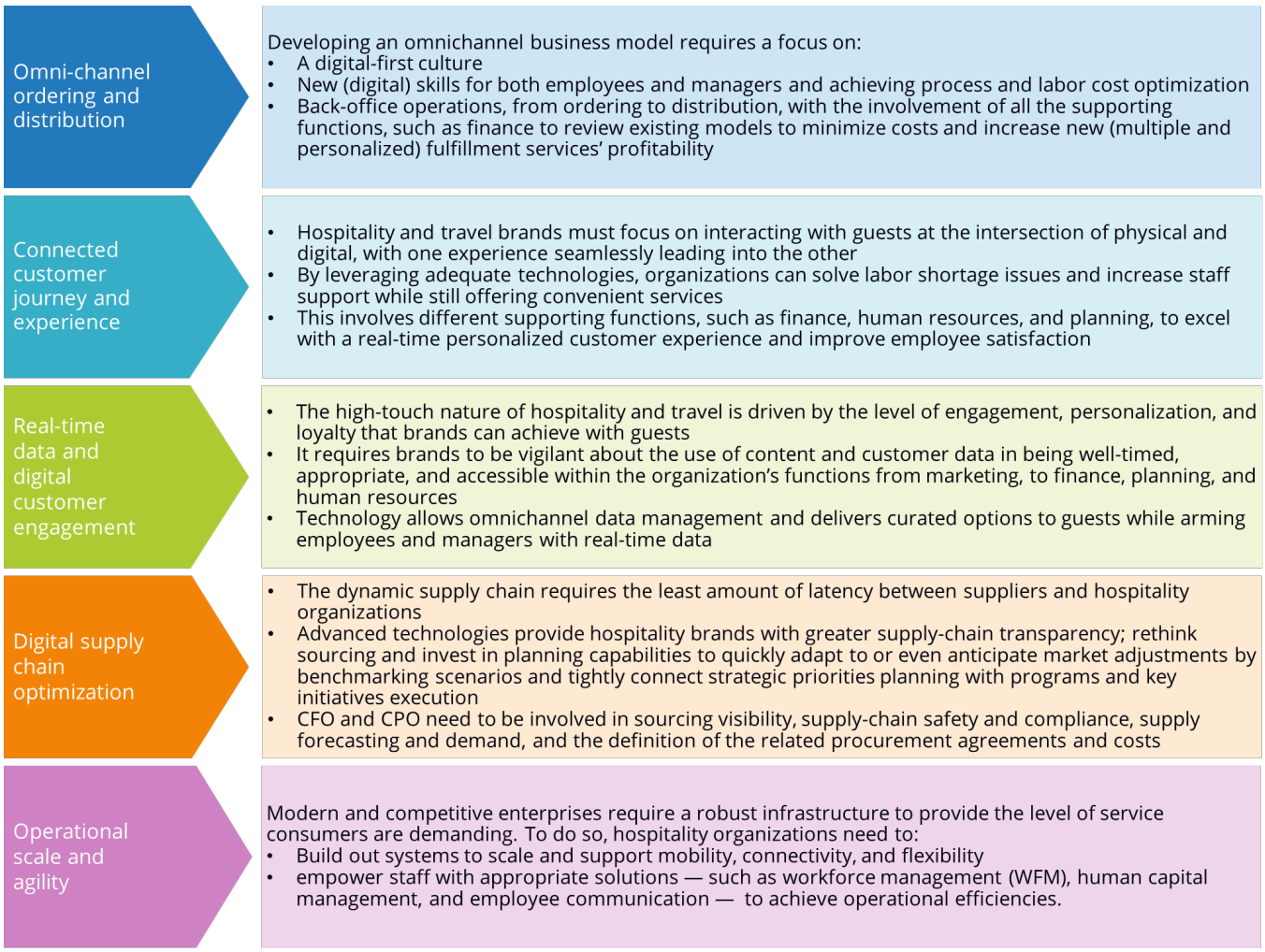
- Changes in the workforce, new types of contracts, new types of contingency, part time or flexible work relationships that affect training, onboarding, efficiency, and workforce management.
- Adjusting to market dynamics by manipulating scale and exposure to react to market volatility, changes in policy and regulations.
- Protecting the workplace and reshaping employee engagement, employee satisfaction and efficiency.
- Increased financial and operational risk would call for better deployment of resources, margin management, and greater data visibility, while creating better shared services, and streamlining companywide performance.
- The "cost of doing nothing" vis-à-vis the technological backbone of the business, in a time when technology can be a force multiplier, is increasing and can lead to business failure; updating and improving tech capabilities is tied to business success.

Five Strategic Priorities in Hospitality Digital Transformation

Five strategic priorities enable hospitality companies' business model transformation in the perspective of fulfilling the overall digital mission. These are omnichannel ordering and distribution, connected customer journey and experience, real-time data for digital customer engagement, digital supply chain optimisation, and operational scale and agility (Figure 2).

FIGURE 2

Experiential Hospitality DX Use Case Taxonomy



Source: IDC, 2022

According to IDC's Worldwide Digital Transformation Use Case Taxonomy, 2021: Experiential Hospitality, Dining, and Travel (IDC #US47863921, June 2021), the execution of these five strategic priorities through a set of coherent and consistent DX programs and underlying DX use cases allows hospitality companies to fulfil short-term profitability and long-term growth objectives. This requires the involvement of the hospitality organisation's key personas. On the one hand, CIOs are looking to orchestrate and coordinate the technology applications architecture of hospitality businesses in response to severe macroeconomic disruption and new operating models. On the other hand, supporting functions such as finance, HR, and planning play a critical role in developing a companywide innovation culture and driving an omnichannel business model transformation.

Barriers to Implementing these Strategic Priorities

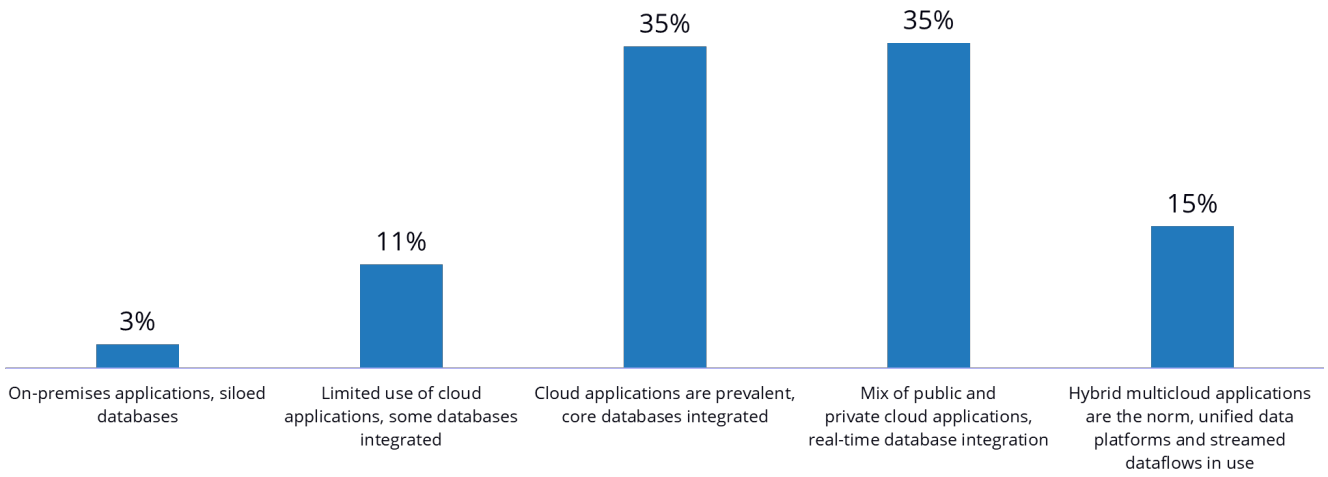
In recent years, the process of transformation in hospitality organisations has affected the strategic configuration of their applications architecture (Figure 1). According to IDC's Global Retail Core Business Processes and Applications 2021 Survey, almost 50% of organisations can

still improve their cloud architectures to enable an omnichannel business model on a hybrid multicloud architecture. To do so, hospitality organisations need to overcome existing challenges.

FIGURE 3

Applications Architecture Maturity in Hospitality

Q: Which of the following statements best describes the strategic setup of your company's overarching applications architecture?



Source: IDC Global Retail Core Business Processes and Applications 2021 Survey (N=805)

The critical barriers that hospitality companies need to overcome to achieve the above-mentioned strategies priorities are:

- Skills shortages — Hospitality is facing a big challenge due to staffing shortages. According to IDC's Future Enterprise Resiliency and Spending Survey, May 2021, almost half (49.5%) of hospitality and travel organisations say that reduced staff levels and lack of skill sets are a top barrier to achieving digital resilience. Organisational transformation requires operational and digital skills to drive new processes and increase efficiency.

- Disconnected operations — Hospitality operators are investing in new digital core, multi/hybrid cloud platforms and new architecture that enables adaptation and swift program execution. According to IDC's data, over the next two years, 36.8% of hospitality organisations will drive business objectives through innovation. To do so, hospitality organisations need to break down organisational silos and operational legacy to ensure resilience.

- Siloed data/legacy landscape — In this fast-changing context, integrating data silos and implementing an AI/ML platform remain key challenges for hospitality organisations in achieving contextual customer experience at scale. Risks associated with poor data quality

extend throughout the value chain and negatively impact business initiatives, such as customer relationship management (CRM) and loyalty program subscriptions. Data management capabilities support structured and comprehensive CX personalisation initiatives and foster expansion into innovative CX personalisation applications.

- Regulatory compliance — Security and cybersecurity are critical in hospitality. Hotels, airports, and restaurants need to guarantee customers' confidence that their transactions and personal information are secure and compliant with existing national and international regulations, such as GDPR. This requires solid infrastructure, embedded into an enterprisewide security strategy locked and shared among responsible C-level executives by leveraging adequate technologies.

Creating an Enterprisewide Digital Roadmap

Digital transformation is an imperative for all hospitality businesses, from international organisations to small, medium, and large enterprises willing to stay relevant and get an edge over the competition. Nonetheless, a complete and successful digital transformation is not happening in a fortnight, and more than a spot investment in tech, it is rather a long path taken by both the company and its employees that requires a precise road map detailing the what, who, and how.

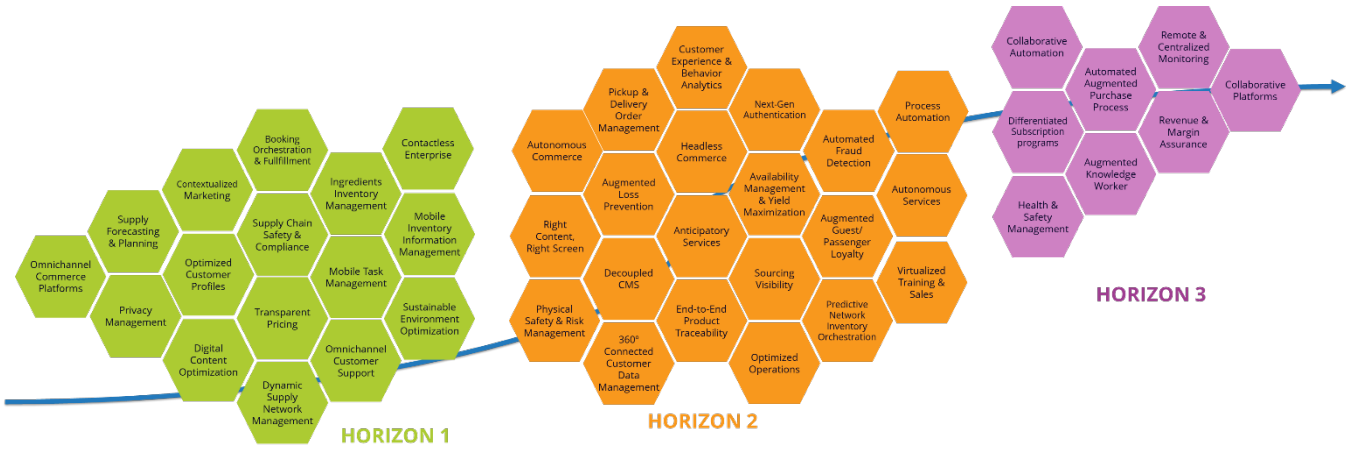
To achieve their strategic goals, hospitality businesses should plan their journey ahead. The digitally determined have a single strategy following a single road map spanning multiple horizons extending over the typical three-to-five-year timeframe.

IDC advises building a road map segmented in 3 horizons, each with its composable use cases servicing specific strategic priorities.

- The first horizon includes the use cases scheduled to be rolled out quickly with the supporting technology. It is focused on resource and process optimisation and creating a stream of clear information allowing visibility over the macro and micro aspects of the value chain while laying the path for further automation and optimisations.
- The second horizon focuses on the use cases that are being incubated now, made to give hospitality enterprises the tools to deliver a strong, fully customised secure digital service.
- The last horizon focuses on the possibilities of future use cases that will support deep changes in processes and the workforce itself based on technology that might not be available today. An important part of the road map allows organisations to have perspective when making strategic decisions.

FIGURE 4

Digital Transformation Use Cases for the Hospitality Industry



Source: IDC, 2022

Horizon 1: Intelligent Foundation

The hospitality sector suffered massive disruptions leading to a record attrition rate and loss of revenues. Employees are looking for better work conditions while customers are looking for fully or partially digitised experiences whether ordering food or reserving a hotel night. Providing employees with the best possible experience is a key point in building resilience as both attrition rates and overall customer experience are dramatically impacted by employee satisfaction.

The main goal of the digitalisation of the finance function is to provide organisations with the necessary tools to streamline and automate their processes. A flexible platform will give a holistic view over the business as a whole, enabling organisations to get rid of worksheet-heavy workloads, get back hours of work that can be spent servicing customers, and spot potential bottlenecks. Given these benefits, organisations will be able to optimise their supply forecasting and planning abilities and identify patterns in consumption and procurement leading down the road to optimal resource allocation and better risk management

Key points for the CFO at this stage include:

- Improved visibility through a comprehensive dashboard giving insights into macro and granular levels of the business
- Better forecasting and planning abilities due to the increase in data streams, allowing stock management on a tight flow and control of supply risks
- Better understanding of human and operational resources and how they can be efficiently allocated

At this stage of the journey, employee experience in hospitality is becoming a key differentiator, and CHROs are aware that engaging with the workforce requires solutions with advanced listening capabilities, as well as the tools necessary to create a tailor-made experience from onboarding to learning and engagement.

The digital optimisation of the HR function should leverage digital workforce management tools to foster employee success, allowing organisations to:

- Connect with and get feedback from employees
- Foster the transmission of know-how and reskill employees to face new industry challenges and practices
- Use collaborative automation to improve productivity and employee satisfaction

Horizon 2: Dynamic and Agile

The second step of the digital road map is composed of use cases requiring an intelligent base of tools infused with AI to take the HR and finance functions to a level of hyper agility. Machine learning and AI technologies are the crux of most use cases; decisions are taken partially or fully by software as the streams of data increase, enabling anticipation and prediction. For both the HR and finance functions, next-level process automation will allow a shift to a proactive approach to resolve issues before they arise.

For the CFO, an intelligent platform of applications is capable of transforming cross-functional data streams into automated action or alerts. They enable real-time cost optimisation, fraud pattern detection, and opportunity identification to maximise every transaction and business spending.

Moreover, the addition of external data streams allows for an even more precise data dashboard. Adding suppliers' data gives the finance department an actual view the right business partners to choose at a given time. With industry HR data, an organisation can adjust compensation and promotions to keep the business attractive. Furthermore, data fuelled AI applications enable the creation of continuous what-if scenario modelling for sharp financial forecasting.

Key moments in Horizon 2 for the finance function are:

- Building an agile platform allowing near-real-time spending monitoring, opportunity identification, and operational performance
- Creating competitive advantage with streamlined supply chain planning and spending optimisation
- Breaking information silos and fostering data sharing across the business functions

In Horizon 2, the HR function is relying heavily on information coming from all sources interacting with the business, from customers to employees and suppliers of services and goods. The crossing of those streams within AI powered apps gives a new level of dynamism at which gaps in human resources are filled real time; schedules are tailored considering skill sets and expected client traffic. CHROs are leveraging technology to follow individual employee development and provide training to the right person at the right time to ensure no shortage of specific skills while managing compensation and career progression.

Key moments in Horizon 2 for the HR function include:

- Reducing gaps in service and operations

- Building dynamic talent management — from recruitment, to training, to career development
- Breaking information silos and fostering data sharing across the business functions
- Enabling agile recruitment of temporary workforces

Horizon 3: Collaborative Ecosystem

The use cases of the last horizon are capitalising on a platform of applications to support collaborative ecosystems arming the future enterprise with the tools to evolve the business model. Hospitality enterprises have a linear value chain including a small array of partners (supplier, provider of services, and support) increasing as organisations shift from just pricing optimisation and differentiation to ecosystem-based value creation.

For the finance function, a trusted ecosystem makes the next level of financial analysis possible as the single business now has an industrywide perspective. All collaborators of the ecosystem benefit from enhanced resilience and efficiency as well as a broader view of the impact of potential decisions they could take.

With these new streams of data, autonomous software can align the offering to match the industry's standards in real time. Competitive intelligence is produced instantly with reliable data through a single architecture giving a unique version of the truth.

The ecosystem works in concert to uplift all members' digital capabilities. The value chain is under constant scrutiny to detect gaps in capabilities and offering to fit evolving customer demands in a reactive and proactive manner, ensuring that the global ecosystem is using and providing the digital tools required by the business functions and the clients.

As the ecosystem pools its resources, the risks linked to tech investments are better managed, and key investment areas are decided at the industry level and tailored for each individual organisation based on their place within the ecosystem.

At this stage, the CFO's key moments are:

- Automatic collaboration on the data sharing platform in the industrywide ecosystem
- Dynamic alignment and finance planning against goals
- Focus on the overall value proposed by the ecosystem's participants
- Enhanced risk management with macro and micro data analysis

For HR departments it means collaboration on an industrywide level between all actors, pooling resources and sharing information to work in synergy, with a single HR system managing resources on an industry level to support innovation, supply chain, operation, and servicing.

The ecosystem provides full visibility of the human resources available and the gaps in both people and skills at an industrywide level to optimise resource allocation. Employees are trained and their career managed through all their time as hospitality employees and not only in a single organisation.

Key moments in Horizon 3 for the HR function are:

- Centralised skill development opportunities available for all ecosystem participants
- Scalable pool of shared talent within the ecosystem
- Trans-organisational career plans

Realising the Importance of the Digital Platform

To tackle the many challenges of today's hospitality industry, organisations willing to thrive are fully betting on the uplift of their digital platform to create a new work environment with employee success at its heart — a steppingstone toward a better customer experience.

Acting like the conductor of an orchestra, the CIO's role in the hospitality business is crucial as they are responsible for developing and implementing the technology strategy for the organisation, including identifying the technologies that will enable the organisation to be more agile, efficient, and customer centric. The CIO must have a deep understanding of the industry, the digital trends that are shaping it, and the technical expertise to select and implement the right solutions. They must also be able to partner with other members of the senior leadership team, manage and motivate the IT team, and communicate effectively with all stakeholders, especially the CFO and the CHRO. In the latter stages of the digital uplift, the CIO will have an overview of the global platform and ensure that the data coming from all departments is shared in a single place, enabling the organisation to implement the tools to compete effectively in alignment with the other lines of business. For the CFO, new KPIs, a single source of truth, and integrated accounting tools give new capabilities in line with evolving business needs.

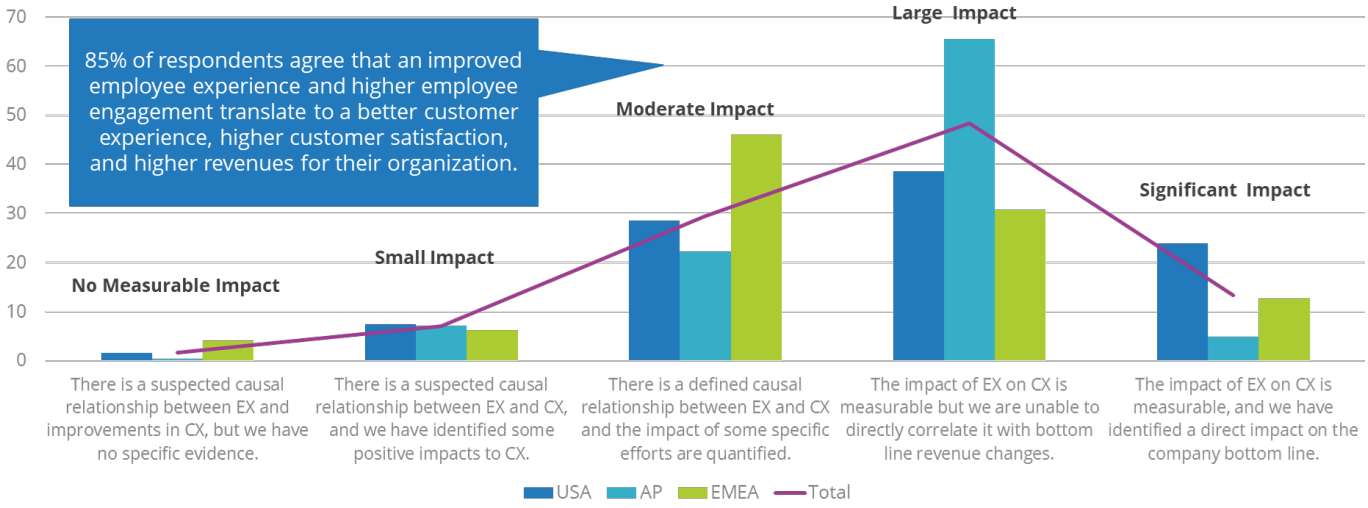
For the CHRO, creating a more robust and engaging employee experience becomes easier, as engagement metrics, learning plans, career development, and frequent check-ins are efficiently managed.

According to IDC's Future Enterprise Resiliency & Spending Survey of July 2021, improved employee experience and employee engagement leads to a better customer experience and higher customer satisfaction.

FIGURE 5

Impact on Customer Experience Observed by Improving Employee Experience

Q: What impact does a positive employee experience have on improvements in customer experience?



Source: IDC, Future Enterprise Resiliency & Spending Survey (IDC #US48114321), Wave 6, July 2021, n = 655

Committed hospitality workers will deliver their best and will be more productive. As most of the hospitality workforce is client facing, it directly impacts the clients' experience leading to client loyalty and increased spending. Moreover, clients will be more likely to recommend an establishment they are satisfied with, reducing the overall cost of new customer acquisition.

As business keeps growing and the complexity of handling operations becomes more difficult with legacy software, the finance and the HR functions need to invest in state-of-the-art software tools. On the one hand, CHROs can leverage smart career development tools to efficiently reward the workforce and recruit the employees with the necessary skill sets. On the other hand, financial dashboards, modelling tools, and intelligent data analysis software are bringing a new level of financial efficiency. The digital platforms feed on data and applications that are exchanging information within the platform to match needs and resources to improve planning, reduce risk, and allow intelligent enterprisewide decision making for greater resilience.

Conclusion & Recommendations

The digital mission in hospitality is to continually create and innovate exceptional experiences that not only attract and engage guests but connect them to other hospitality partners in the ecosystem. Hospitality must transcend the focus on transaction and transform to a focus that blends connected operations, overall process optimisation, innovative use of technology and IT, and analytic use of information to deliver a rich and satisfying experience.

- Ensure buy-in from the entirety of the executive team:
  To make deep, cross-functional changes in an organisation, it is imperative to onboard executives that will implement, pilot, and measure the effectiveness of new strategic investments as well as educate on the potential added value that they can bring. Changes that are not followed by explanation and training can be perceived as an added hassle by

low-level employees that didn't partake in strategic discussion, lowering their engagement.

- Leveraging technology to improve customer experience through better employee experience, planning and financial management:
  To react to swiftly changing customer demands, hotels and restaurants must leverage technology to stay connected with guests along every step of the customer journey. Technology strategies must improve the overall customer experience by focusing on human capital management, planning, and financial management. Predictive analytics and digital touch points can predict issues before they happen and help guide guests through a frictionless, customised journey, smoothing the entire travel experience.
- Build in flexibility and resilience based on the industry's seasonality:

The capacity to change recruitment levels, plan for periods of turmoil, switch operational models, and create a leaner, more agile business is essential. To do this, hospitality organisations need to implement intelligent automation of transactional finance processes, employ real-time metrics and KPIs that will allow hospitality organisations to adapt their business based on the fluctuation of demand, and enable more meaningful and transparent reporting to business.

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