



## *Effective Communication in Asset Management*



*Alex Sogno graduated from Ecole Hotelier de Lausanne Switzerland. Currently, he is MD, Asset Management, Global Asset Solution*

In any industry, communication has always played a key role in the success of the company. Effective and balanced communication has enabled a better understanding of each party's objectives and views. This results in streamlined actions and developments leading to success and profit.

The asset manager's main role is to help bridge that sometimes vast gap between the interests of the hotel owners and management companies. We have recently noted that management companies have increased their transparency as hotel owners have demanded a clearer understanding of how the operators' businesses are going. With everyone looking to cut costs and gain a greater return on their investments, the role of the asset manager is more valuable than ever.

There is a much better understanding today with regards to the value of asset management. A good asset manager benefits both parties by being partial, fair and provides an 'outside eye' on the business. This could be by getting insurance costs down, maximizing retail space, promoting sale of real estate and so on.

While asset management is not yet as prevalent in the Middle East and Asia, the structure of hotel ownership is changing from hotels being owned and operated by the same parties (either families or hotel chains) to more outside investment fund ownership. Therefore the demand for professional asset managers will increase in order to better align both parties' interests.

At this point in time, asset management has been mostly applied to upscale, full-service hotels operated by regional and international hotel companies. The complexity of the market and the specialized and varied service industry, will now lead to higher demand for the professional asset manager to identify each party's responsibilities and assist them in developing their product. All this while assuring a better return on investment for each.

Although the ultimate responsibility of the asset manager is to maximise profit and value of a specific hotel, the job has evolved beyond a solely "checking the books" function. Asset managers today offer expertise in areas as diverse as real estate, operations, sales, capital expenditures, strategic positioning, marketing and liability.

The role of the asset manager has evolved dramatically. He represents the owner, manages the relationship between owner and operator and acts as liaison. He has a broad range of responsibilities with two objectives: to optimise the performance of the hotel and protect the life of the physical asset. To accomplish this, the asset manager has to dig in at the property

level. He has to study how it's run and review capital expenditure. He focuses on booking pace, on the types of groups coming into the hotel and anything that is going to impact the profitability of the property. This knowledge sharing is to the benefit of owners and operators as asset managers can offer a "fresh eye" perspective to problem solving.

With a focus on open communication between all parties, the relationships continue to improve. Full transparency between the Asset Manager and the General Manager with open and fair lines of communication will enable a success formula for the development of the property as well as try to define the best equity for the relationship. Balance is mandatory in any relationship and will therefore enable an equitable share of the rewards/profits which will benefit the well-being and the sustainability of the long term relationship between the owner and operator.

It is also very important for the Asset Manager to understand the capabilities and limitations of the General Manager's decisions. This will enable him to assess what needs to be addressed at a different level than the property. The partnership the asset manager is creating with the management team of the property, by encouraging suggestions, creative ideas and new developments will also assist in opening up lines of communication and encourage transparency.

We previously noted that asset managers were seen as referees, with aggressive behavior and forcing operators to change how they run their businesses. The relationship between the two nowadays tends to work more harmoniously. Operators as well as owners have more financial risk in projects today and are being held more accountable. The need of the hour would be to recruit professional asset managers that are dedicated, passionate and have a wide knowledge of the variety and complexity of the lodging markets. This new approach will lead to open communication between the parties and therefore smooth the way to have their goals aligned.

The growth of the asset manager's role has been considerable in recent years and with the complexity and diversity of new projects around the world, asset managers will always play a key role in the partnership between owners and operators. Building effective, fair and trustworthy relationships between both parties are the keys of a successful asset manager as well as bringing his overall and diverse experience that will lead the company to profitability and therefore great returns for both parties. H