

World's First Agile Transformation in the Hospitality Industry



Crimea



www.hotel-portomare.com

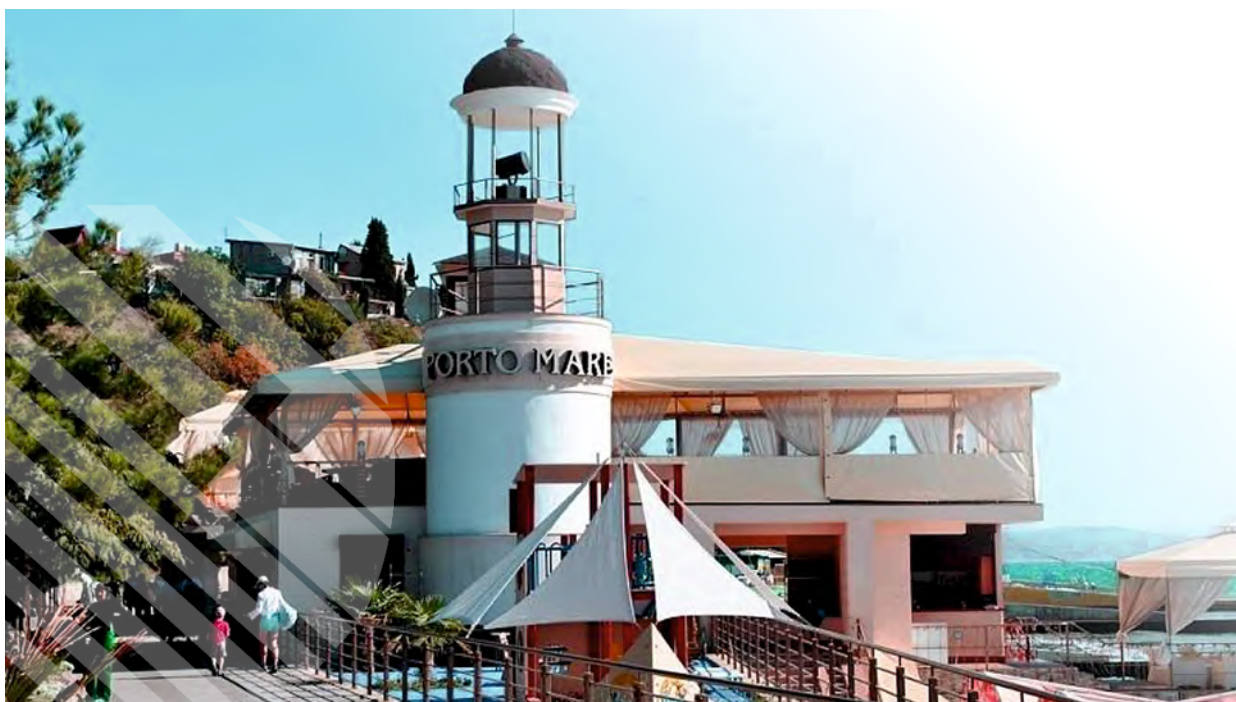


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Company Description



Park Hotel Porto Mare is located in the center of the city of Alushta on the southern coast of the Crimean peninsula. The hotel specializes in organizing quality holidays for families with children of all ages.

The hotel was built almost 60 years ago. Back then, it was called «Recreation and retreat center Yunost». For many years, it had been a popular vacation destination in the USSR.

In 2009, Yunost was completely renovated. Due to modern state-of-the-art facilities, the hotel acquired a unique style and atmosphere of a magnificent luxury holiday destination. The hotel complex adopted a new name («Park Hotel Porto Mare»), embraced a new philosophy, and was awarded a 4 star rating.

Every year Park Hotel Porto Mare wins various competitions. It has been recognized as the best family hotel in Russia. The hotel proudly endorses the principles of environmentalism and is a regular donor to charitable organizations and foundations.

Twice voted
"The Best Family Hotel"
in Russia

4[★]

Agile Transformation: Rationale & Challenges

External Factors & Challenges. In 2014, after Crimea controversially became part of Russia, numerous sanctions were imposed by the international community. It could not help but significantly impede the development of Porto Mare. As Ukrainian tourism stopped all together, Porto Mare remained largely unknown to potential Russian and European customers. For example, online travel platform did not even allow users to make reservations in any hotels in Crimea.

Financial performance indicators fell by* **15%**

* in comparison with the previous year

In addition, Porto Mare faced difficulties attracting professional staff.

All things considered, financial performance indicators fell by 15% compared to the previous year.

Internal Factors & Challenges. Hotel management relied on strict control of the personnel, thus, discouraging personal responsibility of employees.

There were too many supervisors and inspectors. For instance, over 400 people were responsible for servicing just 160 rooms. Undoubtedly, that number of people could have attended to three times as many rooms no less efficiently.

Guests complained about cleanliness.
Bad service reviews on social media.

Due to multiple regulations and protocols, decision making process was slow and cumbersome. A purchase from a new supplier required a minimum of seven approval notifications.

Employees are afraid of discussing problems and making mistakes.

Resorted to protecting their long-occupied positions, managing directors were afraid of making mistakes and take initiative. Concealing each other's mistakes, employees endorsed a so-called conspiracy of silence. So, when errors were detected, associates tried to shift responsibility to their colleagues. For example, once a guest asked for a changing table to be placed in the room. After the request was not honored, the housekeeping blamed the reception, who, in turn, accused the sales personnel who, in turn, blamed the guest. Further, marketing and sales departments clashed constantly. The marketing blamed the sales for poor sales performance, yet the sales accused the marketing of ineffective advertising and lack of leads.

Most financial losses were sustained in low season: about 40% of summer profit was spent during the winter time. In order to retain staff, the hotel was open all year round.



Mikhail Bychenkov, General Director of the Park Hotel Porto Mare:

«I wanted my associates not to be afraid of making mistakes, yet share responsibility for the final result. I wanted everyone to have the right to make decisions, and I believed that employee effectiveness should be determined not by the managers, but by the team. Changing my own mindset was the most challenging task. I was a «command and control» type of a leader. I was making all decisions by myself and dished out instructions to others. It was hard for me to switch and adjust, to learn how to listen and restrain myself, and to let the team make mistakes».

Implementation of SWAY. Stages

1. In 2019, Marina Alex, an international Agile expert and the creator of the SWAY system, took the lead of the Agile transformation of Park Hotel Porto Mare.

The first task: find an HR Director who was familiar with this methodology.

2. The transformation was commenced at the height of the season, in August 2019.

The goal: work through an unprofitable winter season 15% better than the previous one. At a joint meeting involving all the associates, Marina explained how Agile worked and why it was important for Porto Mare to endorse it.

3. Three pilot teams were formed shortly:

- marketing + sales - 18 people
- housekeeping- 22 people
- healthcare- 22 people

3 pilot teams



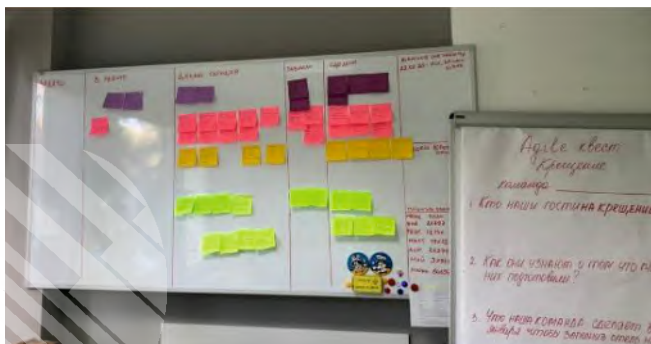
The worst performing teams were of primary focus. For example, the housekeepers had the lowest rating in terms of guest satisfaction. Marketing and sales failed to work together, so a joint team consisting of professionals of both divisions was launched to combat that issue. The team had set goals and a sales plan and was to share responsibility for the final performance.

In Agile companies, there are no bosses; positions and titles are replaced by roles.

4. The role of *the Business Owner* in the housekeeping and hospitality team was assumed by the Chief Operating Officer whereas General Director Mikhail Bychenkov took the role of the Business Owner in two other teams.

The tasks of the Business Owner include creating a product vision and effective strategy, prioritizing team goals as well as addressing clients' pain points and needs. In traditional company, the managing director controls the process while providing answers to such questions as «What shall we do?» and «How shall we do it?» In Agile organization, the Business Owner sets the target («What shall we do?») but leaves it up to the team to decide **how** the target should be approached and achieved.

The Coach is chosen by the team. Usually, the role of the Coach is assumed by the Head of the Department. Other employees comprise *a Team*.



5. The Team sets goals, breaks them into tasks, and appoints those who are responsible for each tasks. Together, the team denotes the tasks as «in progress», «completed», or «problematic» by making notes on the whiteboard. It is advisable to switch to the electronic board in the CRM system.



Once a week, an extensive Planning session takes place where the teams discuss current objectives and set tasks for the Sprints. 15-minute Daily is another SWAY event where the team plans tasks for the day and demonstrates the results. In a nut shell, the purpose of the event is to ensure that Sprint tasks should be moved from the column «in progress» to the column «completed».

A new self-organizing team was collecting feedback, testing hypotheses, and implemented improvements.

152
improvements

At the end of the week, the teams demonstrate the results at the Demo session. Finally, at Retrospective, the team analyzes the obstacles that stopped the team from achieving the goals, identifies the help that is still needed along the way, and makes a list of improvements to be implemented in the next sprint.

Business Owners are expected to participate in the Planning Session and the Demo session, yet are invited to the Daily Session only for the first three minutes, when the team discusses financial results and makes adjustments to each Sprint.

6. Two months after the beginning of the Agile transformation, a top management team consisting of 14 people was launched as well. It included key managers of sales, marketing, and logistics departments. Marina Alex conducted coaching sessions every week.

- Close collaboration across departments
- Continuous feedback collection
- Hundreds of hypotheses and improvements



Agile Transformation: Difficulties

First of all, financial indicators fell significantly. Second, the hotel started losing employees. Not all managing directors were able to accept the changes. For example, the marketing director left the company. From August 2019 to January 2020, 140 people terminated their employment. The housekeeping team lost 50% of its employees in the first two months of the transformation.

In general, the transformation was met with some resistance from the associates who thought the General Director simply had nothing better to do. In fact, people did not believe that one can be proactive, make mistakes, and test hypotheses - all without punishment or penalties.

On average, when implementing Agile, 30% of employees tend to quit the company.

of employees quit
the company **40 %**

performance
indicators
dropped **from 30% to 20%**



Marina Alex:

«Within six month period, the team personnel has been changed by more than 40%. Those who were not ready to live by new values, take responsibility, and develop have left the company».

Changes **> 40%**

Agile Transformation: Results

2.7 million rubles were invested in the Agile transformation. In the beginning, financial indicators sank by 15% compared to the previous year. Now the hotel team is gaining momentum (despite the impact of the coronavirus-related pandemic).

The General Director has abandoned micromanagement «operating mode», so now he has time to search for new business opportunities for the hotel.

The new system «highlighted» employees who were pulling the work down. As the indifferent ones have gone, the engaged ones have arrived.



Associates are no longer afraid to express their opinions and test hypotheses; they learned how to work as a team.

Tasks have become more transparent. On the electronic board in the CRM system, one can see how tasks are moved from one column to another and who does not fulfill their obligations. It is now easy to identify the ones who letting the team down. Such employees usually leave on their own.

There is less control and less bureaucracy. The speed of decision-making has increased.

At the time of Agile implementation, the hotel employed 360 people.

Salaries have already increased by 15%, while the salary pool has remained the same.

The housekeeping team - once the worst performing one - has become the leader. Women generate ideas. For example, in the CRM system, they created a group where small but mighty improvements are to be recorded. So, if a guest asks to have a table put near the window in the room, this is duly noted, and by the next visit, the table will already be placed near the window - just where the guest likes it to be. Likewise, the housekeepers reduced their spending by using monetary resources more efficiently. In addition, the associates began to study English. All in all, the housekeeping and hospitality team raised the guest rating from 4.6 to 4.9.

Hotel occupancy increased

from **30%** to **100%**

Improvements

> **400**

Marketing and sales are working together and discussing joint operations and actions. For example, the team built a joint sales funnel.

The number of rooms has been increased by 15 percent as Porto Mare purchased a small hotel nearby.

Only medical center team failed to succeed. There, associates did not manage to get rid of the feeling that no good deed - as in «initiative» - goes unpunished. This team is to be relaunched.

170 improvements were successfully implemented. For example, Porto Mare guests have access to the internet in hotel transfer cars and buses since there are some problems with internet providers in Crimea. The guests are given presents: tangerines, sweets, water. Restaurants fenced off so-called «desert areas» as the guests were complaining that children tend to miss lunch as they choose to run straight to cakes and sweets. The hotel introduced their own currency - «Porto», which can be used to buy branded mugs, toys, cosmetics, etc.

Today the hotel is still open all year round and it is considered one of the most visited resorts in Crimea!

Remuneration increased

by **15%**

Double the profit

2020

Plans

- Find an Ambassador who will convey the values of the Agile culture to each employee.
- Change the company structure.
- 20% increase in salaries (in comparison with other hotels).
- Double the profit within one year period (the year in Porto Mare starts on April 1).
- Continue improving the staff.
- Handle the increased number of rooms.
- Build a chain of Porto Mare hotels around the world!

Increase remuneration by **20 %**

Invest in professional training of staff

Build a chain of Porto Mater hotels around the world!