FLORIDA INTERNATIONAL UNIVERSITY

VOL. 22, No. 1 Spring 2004

# Hospitality review

A School of Hospitality and Tourism Management Publication

Florida International University's Biscayne Bay Campus

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In October 2003, Florida International University signed a Memorandum of Understanding with the government of the city of Tianjin, China, and Tianjin University of Commerce to deliver our bachelor and master of science degrees in both Hospitality Management and Travel and Tourism Management. After months of work, we have agreed upon a contract which defines the duties of all parties in the agreement. We have learned much in those past months and have much more to learn.

I noted in a recent article in *Nation's Restaurant News* dated February 23, 2004, that a significant number of the leading hospitality management programs were considering collaborating on programs in China, South Korea, South Africa, India, and other developing and developed countries throughout the world. It seems that not only are American hotel and restaurant companies expanding globally, so are American universities. This technology transfer offers many benefits to the programs: international recognition, expanded alumni base, operating revenue, and study abroad opportunities for domestic students, to name a few. There are pitfalls for the unwary. It is important to develop a strong relationship with the international partner. In China, the interpersonal relationship between the principals is of utmost importance. We were fortunate in hiring a Chinese faculty member who is well respected and trusted by both his university colleagues and our Chinese partners. His insight has been instrumental in guiding us to a contract which is acceptable to all parties in a remarkably short time.

Delivering the entire American university experience to the students of another culture is quite different from conducting a weekend program offshore. We have experience with delivering undergraduate degree programs in Switzerland and Jamaica. While this has assisted us in our planning, it hasn't completely prepared us for Tianjin. Expanding into China presents us with an interesting situation – our Tianjin program will almost certainly be larger (2,000 students) than our Miami program. It will have newer, state-of-the-art facilities, and a China-based faculty similar in size to our Miami based faculty! Other than in Miami, we have never undertaken a project of this magnitude. We are only beginning the construction of the 80-acre campus and the selection and training of our Chinese faculty. The next few years will certainly be interesting! I will be sharing insights learned in the coming issues.

Please feel free to contact me if you have any questions concerning global expansion. I certainly have opinions!

Joseph J. West, Ph.D.
Publisher

# FIU HOSPITALITY REVIEW

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**The article should**

- provide a cover sheet with an article title and the name, title, school, address, telephone number and e-mail address of business affiliation of author(s).
- have a preface or abstract, usually two to three sentences, which summarizes the article. This is printed on the first page of the article prior to the body of the text.
- be written in the third person. The policy of the *FIU Hospitality Review* is not to print first or second person articles.
- include no more than five tables, charts or exhibits, with a preferred vertical format which must not exceed 35 lines in depth and 40 characters in width so each can fit on a single page.
- follow standard footnote/endnote format, which the *FIU Hospitality Review* runs as "References." Use consecutive numbers in the text and follow the style set forth in the MLA Stylesheet or Kate L. Turabian, *A Manual for Writers of Term Papers, Theses and Dissertations,* 6th ed., (Chicago: University of Chicago Press, 1996). The *FIU Hospitality Review* will not accept articles with internal footnote citations or textnotes. Do not include bibliographic references.
- range from 10 to 25 pages (2,500 to 7,000 words), with references and tables included.
- include major subheads within text; each should consist of a subject/verb construction and be short.

# Web-based training for Native American tribes

by Grace M. Marks,
Tim Foster, Paul J. Wiener,
and Hubert B. Van Hoof

*The authors describe a project undertaken at the School of Hotel and Restaurant Management at Northern Arizona University in which the Internet is used to present Native American tribes in Arizona with customer service training. It discusses why the project was instigated, looks at its development and funding, and highlights the educational and technological challenges that had to be overcome. This is the second in a series of articles on the uses of the Internet in educating non-university student constituencies interested in hospitality management.*[1]

The unique culture, history, and social contexts of Native Americans strongly influence how they learn. Learning for Native Americans tends to be experiential, and is influenced by the socio-economic context in which it occurs. Research on Native American learning styles has described them as having four major characteristics:

- **Experiential learning:** Following the Kolb model, observation and practice are valued over questioning, oral argumentation or rote learning.[2]
- **Practical learning:** Learning should have relevance to one's everyday life. Native Americans prefer an activity-based curriculum to traditional textbook-oriented styles, and research on how Native Americans acquire mathematical skills confirms a need to expand the use of technology, modeling, games, and other forms of active learning.[3]
- **Group learning:** A supportive and cooperative group setting is critical to learning success. Native American culture stresses that the goal of individual effort is to benefit the group, unlike European traditions in which the goal of individual effort is to benefit the individual. Native Americans prefer to be trained among their own people, and learning

is seen as a holistic process that occurs best in the cultural and social context of the tribal setting.[4]

- **Mentoring:** Support and guidance from family, peers, elders, and community leaders is critical to learning success and well-suited to Native American pedagogy.

## Technology ranks high

Research has also shown, perhaps contrary to conventional stereotypes, that Native Americans respond well to technology-based and distance education,[5] and many tribal colleges are now making significant strides in this direction. This program addresses all four of these learning styles:

- Technology allows for experiential learning to take place, and technology will allow individual students their own best way to learn.
- Hospitality distance education is practical, and directly addresses the job training needs of reservation enterprises.
- Technology-based programs can be structured to contain group learning components.
- Technology-based education can support mentoring, and personal contact can be reinforced through the use of e-mail. Two-way interactive television allows for personal contact between teachers and students.

Native American educators have emphasized that their young people need access to technology to bridge the growing digital divide,[6] and studies of Native American learning styles have found that technology is a good fit for Native American learners. They have recommended the expanded use of technology, cooperative learning, active learning, student – centered learning, modeling, games, and other forms of experiential and active learning.[7]

Likewise, numerous studies have demonstrated that high school and post-secondary students perform equally well in traditional and distance education classes at remote sites.[8]

Studies of community college students using instructional television found that the offering of distance courses not only made attendance easier, but that a location that was close to home reinforced students in taking and attending classes.[9] Many tribal colleges in the U.S. have used learning technology to build bridges between Indians and non-Indians, and Native American people have been ready to adopt technology when it meets their needs.[10]

Finally, a recent invitational workshop sponsored by the Alfred P. Sloan Foundation in late September 2002 established five "pillars" for quality online education: learning effectiveness, student satisfaction, faculty satisfaction, cost effectiveness, and access. These are the values, principles, and goals that Sloan-C identified for asynchronous learning networks.[11] The Internet-based customer training program that was developed and offered to the Fort Mohave and Colorado River Indian Tribes also offers all five "pillars."

## Tribal needs drive training

Two Indian reservations straddle the Arizona-California border along the Colorado River. The northern reservation belongs to the Fort Mojave Tribe (FMIT) and is located near Needles, California. The Mojave represent one of the largest groups of Yuman speaking people along the Colorado River. They have occupied lands surrounding the river for thousands of years, and the traditional southern boundary of their reservation is near the present town of Blythe, California.

The southern reservation is inhabited by a collection of four tribes: Mohave (these are different from the Mojave in the northern reservation), Chemehuevi, Hopi, and Navajo. These tribes are jointly known as the Colorado River Indian Tribes (CRIT).

Tourism, recreation, and hospitality have become major economic drivers for these tribes in recent years. They live in an area that has near-perfect weather conditions year-round, which, combined with the beauty of the Colorado River and its surroundings, attracts many tourists. The many miles of Colorado riverfront, the extensive hunting and recreation areas, and the three casinos on the reservation (Blue Water Resort & Casino on the Colorado River Indian Reservation, and the Avi Resort & Casino and Spirit Mountain Casino on the Fort Mojave Indian Reservation) attract thousands of vacationers and their dollars to these reservations annually.

## Challenges are created

However, this influx of visitors and revenues has also created some new challenges for the tribes. Tribal hospitality enterprises, such as casinos, hotels, restaurants, RV parks, and golf courses must find skilled employees to staff both entry-level and management positions, and skilled employees are hard to find in these very scarcely populated areas. Additionally, the remote locations of these rural tribes make access to job training or college programs very difficult.

The Fort Mojave Tribe's AVI Resort & Casino opened in 1994, and caters to many of the visitors to the reservation. The tribe is small, as compared to, for instance, the Hopi and Navajo tribes, and it has not been able to staff this operation by itself, simply because there are not enough tribal members available and capable of working in the casino. Only 20 percent of the roughly 900 employees in the casino are tribal members.

All 900 employees in the casino need to be trained, and job training needs therefore exist at two levels: training for tribal employees, which not only addresses job specific but also tribe and Native American issues and learning styles, and training for non-tribal employees.

### Grant supports efforts

To address the tribe's need for hospitality training, Northern Arizona University's (NAU) School of Hotel and Restaurant Management (SHRM) submitted a proposal to the United States Department of Labor, Employment, and Training Agency (DOL-ETA) with a twofold intent: to assess employee skills and industry needs on the reservation and to close the gap that existed between the needs of the casinos and resorts and the skills of the tribal members.

With an 18-month funding grant of $750,000 awarded in March 2000, SHRM first conducted a training needs assessment of tribal hospitality enterprises. Managers of hospitality enterprises completed a survey that prioritized their training needs. Hands down, customer service training emerged as the number one training priority. With this new information the goal then became to develop and design the first on-line customer service training program in the nation for front-line tribal hospitality employees.

Because of the tribe's remote location and, therefore, the need for convenient and accessible training, it was decided to offer the customer service training on line. Sending tribal members off reservation for training had not been successful in the past. They tended not to do well without family and cultural support, yet they did adapt well to technology-based training.

### Internet access needed

Before the actual training program was developed and presented, the tribes first needed access to the Internet. So in the first year of the grant, the first step was to equip the Colorado River and Fort Mojave Indian Tribes' Workforce Investment Area offices with 10 computers, a server, and state-of-the-art satellite two-way high speed data and Internet connectivity.

The Starband system which was selected proved to be an efficient and cost effective way to provide Internet and distance learning services. It had the capacity to deliver satellite television as well as provide a two-way computer data connection to the Internet. Starband was more cost effective than T-1 lines in rural locations and more efficient than a modem connection with the marginal quality of phone service on the reservations. As part of the Starband system, each tribal computer lab was connected to the DishNetwork and the University House Satellite Channel. This meant that each tribe obtained access to a variety of learning alternatives, from certificate programs to the distance delivery programming that was offered by the university and other educational institutions on the University House Channel, all of this in an effort to enable tribal members to receive an education in their own communities.

With the technology and equipment in place, the design and development of the on-line program was initiated in the twelfth month of the grant period. At this stage, a graphic designer and an instructional designer were added to the original grant team of a program director and research assistant. After months of writing and re-writing the curriculum, of testing and re-testing content and technology with focus groups of Native Americans, and of meetings with hospitality managers, supervisors, tribal leaders, and cultural experts, 11 hospitality customer service lessons were created. The resulting self-teaching, self-paced program was written specifically for a Native American audience. The training incorporates interactive audios and visuals, cultural graphics and cultural content – music, art, and symbols – plus quizzes and exams and an accompanying workbook to reinforce learning.

### Lessons deal with issues

Offered in two sections, Basic and Advanced, the 11 lessons deal with the following issues:

- **Mastering the Basics:** Being professional in appearance and work habits, communicating a positive attitude, greeting guests in person and on the telephone, listening with a service attitude, handling customer questions and requests, and giving helpful directions.
- **Advanced Customer Service:** Taking responsibility, saying "no" nicely, responding to complaints, using stress relief techniques, and exceeding expectations.

Depending on the student, each lesson, along with the accompanying workbook activities, takes approximately one hour to complete. As a matter of internal policy, the tribes set an 80 percent passing grade for both the Basic and Advanced sections. Upon successful completion, Certificates of Completion are awarded by the NAU School of Hotel and Restaurant Management.

Tribal case managers and supervisors were trained by SHRM on how to assist their customers and thus are actively involved in the training process. In the nine months since the tribes officially began offering the on-line customer service training, almost 200 Native American adults and youths have successfully completed the training.

### Technology is challenging

This training program is not offered as a typical web class. Whereas synchronous and asynchronous two-way communication between student and instructor exists in regular on-line delivery, this course is completely learner driven. It is not restricted to a college semester schedule, but allows for open entry and exit at any time. Each lesson of the course has an on-line quiz that is self-graded. Students can retake the exam until they pass it.

The 24/7 availability of the training program presented some technological hurdles that needed to be overcome. Most of the challenges faced by the technical team started with the hardware and the resulting Starband installation. The Starband system is designed for one dish installed on one computer. The technical team was able to use the Internet connection to a Windows 2000 professional server and route Internet access to eight workstations on the local network, enabling eight people to complete the training at the same time.

After the Starband installation, several bugs had to be worked out. The most prevalent problem was losing access to the network printer. The printer had to be re-addressed several times. This procedure usually meant setting up the printer so that other computers in the lab could use it.

### Professionals are lacking

Some issues still remain with the Starband system upgrades. These include problems with satellite modems and software settings using the new and improved satellite services. One of the problems faced by the tribes is the lack of on-site trained proficient IT professionals. This made it necessary for the grant team to send out a systems analyst to identify and correct hardware, software, and networking services in the labs on a regular basis. The systems analyst also had to travel to the reservations for several Starband upgrades and various server maintenance issues.

In hindsight, establishing remote control of the server and lab computers would have made it unnecessary to travel to the labs as frequently. The most significant server issue was the attack and infection of the systems with several viruses, even though new viral signature files were provided. The attacks were mostly from macro viruses such as Nimda.

The software installation of the Destinations package used by the tribes was the next hurdle. Destinations is a computer lab interactive assessment and training software package for workforce and individual development. This software includes over 12,000 different learning activities ranging from "Reading and Writing" to "Problem Solving and Employability Skills." It is delivered in instructional months, has an advanced management system, and is third party compatible, meaning that additional customized training material can be added and managed with the existing management and delivery system. Unfortunately, this program required several administrative tweaks to the system, which slowed down the process considerably.

Finally, the design and implementation of the on-line customer service training had its own set of challenges. The initial stages of program development were focused on the high-speed aspect of the Internet service, and the interface for the training program was initially designed in the same fashion as a college level web course. This included several interface features that allowed the user to move in a random fashion to any section of the training, and a reading level of the materials set between the tenth and eleventh grade benchmark.

After the initial focus group tested the program, it was determined that the interface was acceptable and that the media worked well. This initial focus group consisted of Native American SHRM students on the school's local area network. Yet, this group provided a false sense of how the program would operate in the field, since the participating students were tuned in to an academic environment and were used to the reading level of the language used.

## Second group differs

The second focus group that went through the program provided results that were dramatically different. Staff and clients of the tribal Workforce Investment Area offices (previously called JTPA - Joint Training Partnership Act) were involved, and provided a more realistic picture of the usability of the program and its delivery of media elements. Participants had considerable difficulty using an interface that had too many options, and they struggled with the reading level. It also became apparent that the media were much too large even for a high-speed connection, and the load of eight computers on one server using one satellite dish was substantial. The interface design had to be refitted, and the media had to be molded into a more efficient format.

With these new focus group results in hand, the interface was simplified to a menu button and a "forward" and "previous page" option. This made the program much more linear in its delivery. The video media and audios were changed to provide a much more hands off delivery of the media, reducing the challenges for the lab supervisors and program participants.

The final changes incorporated into the program were the addition of more instructions for beginning computer users and the lower level of language used. Components on how to use a mouse or scroll down a page were incorporated, and the language was re-fitted at the sixth grade level.

The resulting program was then tested over a 24-baud modem in Internet Explorer 5.5. The goal was to deliver each media image in less than 30 seconds. The media file sizes were reduced up to 90 percent of their original size and the download time goal of 30 seconds or less was met.

## Program meets needs

The current on-line program interface is simple and straight – forward. The background is white and the pages are designed to fit a monitor set at 800x600 resolution. There is an introduction to customer service, and an explanation of the benefits of learning the material. Next, animated instructions are provided for the beginning user explaining how to move through the materials. The first lesson starts with a Carlos Nakai flute music segment, a banner image describing the lesson, and an introduction to the lesson. Each page is customized with a variety of multi-culturally sensitive photos, animations, audios, and text. Most of the graphic elements are local and specific to the tribe using the program. The options for the user include going to a menu of all the lessons, going to the next page, or going to the previous page.

At the end of each lesson, a set of practice questions is presented, followed by a 10-question quiz, which is graded and returned to the student automatically. The student then prints the results of the quiz and moves to the workbook activities. The workbook includes a section of activities for each lesson and provides a resource for students to take with them.

The caseworker or supervisor in charge reviews the quiz results and each lesson's workbook activities with the student, which reinforces learning. Then, the next lesson is undertaken and so on. At the end of both the basic and advanced sections of the material, a 25-question comprehensive test is presented and taken on line. The results are sent electronically to the School of Hotel and Restaurant Management for data monitoring and record keeping. The final step is generation of the Certificate of Completion by SHRM. The web site address for a demo version is http://www2.nau.edu/~hrm-demo.

## Opinions provide feedback

Included in the on-line program are two evaluations, one for each of the sections. The resulting information from participants has been enlightening. An obvious difference exists in the opinions of the adult learners versus those of adolescent learners. One recurring theme with younger students is their dislike of the reading, while conversely they appreciate and benefit greatly from the stress reduction lesson. A number of younger learners also requested more media in the training. In general, both adults and younger participants have provided many positive comments, including the following:

- "The most helpful skill I learned was giving directions. Now I can give them with no hesitation." ........ Fort Mohave Indian Tribe WIA participant.
- "I liked the fact that the training program explained all the steps and provided audio instructions - very creative and useful." ........ Colorado River Indian Tribe WIA participant.
- "Good visual and audio examples to show tone in person's voice and body language."........Colorado River Indian Tribe WIA participant.
- "I learned that it is very important to show a positive and helpful customer service attitude even if you are not feeling that way." ........ Fort Mohave Indian Tribe WIA participant .
- "Learning these skills ahead of time will help me be ready for any job that may come up."........Youth Opportunities Program participant.

**Unexpected outcomes generated**

Since the program's inception, this On-Line Customer Service Training Program has had some unexpected outcomes, has generated inquiries from other constituencies, and has resulted in new partnerships.

Don Eddy, director of the Colorado River Indian Tribes Employment Development and Training Office, and a partner with SHRM in the original grant, had a unique idea. He made special arrangements with the tribe's BlueWater Casino and Resort to provide office space for one of his employees to recruit resort employees into the program. Transportation was provided for those who needed it, and now front-line casino and resort employees are able to learn new skills or improve existing skills by earning this certificate. The On-Line Customer Service Training Program is giving them a better chance for success and promotion on site in the casino.

Another unexpected partnership developed with the Fort Mojave Indian Tribe summer Youth Opportunities Program. Youth between the ages of 14 and 21 were given access to the training program, and more than 100 youth participated in the program this summer. Most have found the skills very beneficial and say they would recommend the training to their friends.

Word of the program's success has spread to the additional tribes that live along the Colorado River. The Hualapai Reservation, home to 1800 Native Americans, recently went on line with their own customized version, and negotiations are in progress with Cocopah, Quechan, and Chemehuevi, the remaining tribes on the Colorado River.

The Gila River Indian Community located in central Arizona with almost 12,000 tribal members has also purchased this training program. Their diverse hospitality enterprises that could benefit from the program include three casinos, two golf courses, an equestrian center, and a new resort and spa. Firebird Raceway and the Bondurant School of High Performance Driving are also located on reservation land.

### Spanish version needed

While promoting the On-Line Customer Service Training Program to Arizona's Native American tribal enterprises, another underserved audience emerged. A large number of housekeeping, kitchen, and other staff in the tribal casinos and resorts in the state are Spanish speaking, and have an immediate need for a Spanish or bilingual version of the program.

At present, 13 percent of the total United States population is Hispanic, with a large portion finding employment with the hospitality and tourism industry. To make Spanish-speaking employees feel more confident in their abilities to communicate with English-speaking guests and co-workers, the NAU SHRM has begun to work with translators to customize the Native American version of the program for Spanish-speaking employees.

A feature of this Spanish-language version is the ability to choose Spanish or English – in essence English as a second language for training. The program provides a toggle that allows users to choose which language version they prefer for the training. This allows both student and teacher to understand the materials in both English and Spanish, and to go back and forth, reinforcing learning.

### Program caters to needs

Unique educational needs exist among Native American learners; they learn better when they are close to their homes, and when they are surrounded by their peers and elders. They flourish when education is part of a group activity, and when it is practical and activity based. Moreover, they respond well to technology-based distance education that is relevant to their day-to-day living and working environment.

This program was developed with all these in mind. It is unique in that it is the first of its kind in the nation, and the initial responses have been very positive. Technology can be used in educating different constituencies successfully, even those that are geographically dispersed, and that have limited access to computers. Where there is a will, there is now a technology super highway.

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[11] Information regarding the five pillars of asynchronous distance education can be found at www.sloanconsortium.org.

***Grace M. Marks*** *is project director and* ***Tim Foster*** *is senior support systems analyst in the Arizona Hospitality Research and Resource Center and* ***Paul J. Wiener*** *is assistant professor and* ***Hubert B. Van Hoof*** *is assistant dean and professor in the School of Hotel and Restaurant Management at Northern Arizona University.*

# Job satisfaction of club financial executives

by Ray Schmidgall
and Agnes DeFranco

*Studying the job satisfaction of financial management personnel in the club industry may offer additional information to management of clubs to better work with and retain their associates. It is also hoped that the results of this study will provide hospitality students aspiring to become financial management personnel in the club industry with a glimpse of the job satisfaction level of financial executives in the club industry.*

In the arena of human resources, recruitment and retention are two of the most important issues. This is especially true in the hospitality industry. While this may appear to be strictly human resources in nature, the effect it has on the financial picture of an organization can be tremendous. The cost to replace an individual is not simply the cost of the advertisement in the Sunday paper. It is the advertisement costs in all the media, the cost of printing application forms, the cost of the human resources personnel, the cost of management personnel in interviewing, the cost of training, etc.

Hinkin and Tracey built a turnover computer software model consisting of five categories of costs: separation, recruitment, selection, hiring, and productivity loss.[1] When comparing the turnover costs for a front-desk associate in two hotels in Miami and two in New York, costs varied from $5,965 to $12,882. Therefore, making sure employees are satisfied so that they will remain loyal to their companies and stay with them, is very important.

What are the factors that motivate hospitality associates? What are those factors that, if absent, will make them look for another position in another organization? As the position becomes more and more specialized and more training is needed, the harder it would be to replace the individual, and thus the costs may increase also.

Financial management is an area that requires individuals with certain specific skills. Thus, the satisfaction of these individuals is pertinent for the organization to understand. Research was conducted in 2001 to study the job satisfaction level of financial management personnel in the lodging industry.[2] While the lodging industry is a critical part of hospitality, the club industry is also another giant player. The Club Managers Association of America (CMAA) consists of more than 6,000 members who manage more than 3,000 country, city, athletic, faculty, yacht, town, and military clubs.[3] Gross revenues of these 3,000 clubs totaled $11.25 billion in 2000 and employed more than 299,410 employees.

### Job satisfaction studied

Many studies have been performed on various segments of the hospitality industry around the world on the topic of job satisfaction. On the international scene, the International Hotel Association, headquartered in Paris, France, published a study in 1995 of the 1990 class of international hospitality alumni and found that low pay and inadequate working conditions were the two main causes that young managers left the hotel industry.[4]

In Asia, Li surveyed expatriates in Asian Pacific countries and determined that role clarity, skill variety, participation in decision-making, cultural adjustments, and cross-cultural training were the five most important predictors of job satisfaction for this sample.[5] Leung and Smith narrowed the field that Li investigated and concentrated on the joint-venture hotels in China. They reported that procedural and performance-based distributive justice and comparison with other local employees were related to job satisfaction.[6] Moreover, employees who worked with overseas Chinese and Japanese expatriates were less satisfied than those who worked with expatriates from the West. You also tested a model of turnover and applied it to the Korean hospitality industry and concluded that job level, meeting expectations, leadership consideration, and perceived alternative employment showed significant direct paths in the psychological turnover process.[7] In Europe, Riley, Lockwood, Power-Perry, and Baker examined the public housing industry in the United Kingdom and discovered a usual characteristic when compared to previous research, that pay satisfaction is isolated from job satisfaction and commitment.[8]

### Restaurants tested

On the restaurant side, Lam, Baum, and Pine measured managerial job satisfaction in Hong Kong's Chinese restaurants and reported that work environment, the job itself, and rewards are critical factors in predicting managers' satisfaction in this specific sector.[9] In the United States, studies on job satisfaction in the restaurant area are numerous. Prewitt attributes many of the causes of dissatisfaction to employers. He cites employers' unwillingness to increase pay, shifts with long hours, and poor corporate recognition of good performance as some very obvious reasons for job dissatisfaction.[10] Crandall, Emenheiser, Parnell, and Jones add to the list that excessive work hours and threat of physical harm on the job are two other important variables.[11]

To counteract job dissatisfaction, Klara encouraged restaurateurs and owners to pay greater attention to this issue, as these employees can easily leave the industry and find other jobs.[12] Sheridan offers suggestions for addressing employee concerns and complaints, advising that listening is a key element.[13] Berta also reported on how a restaurant in New Jersey wins its employees by stressing that "employees are important – as important as the guest." In this particular case, the restaurant executives work with employees on flexible scheduling so that there can be a balance in life between work and home.[14]

**Hotels also researched**

For the hotel segment in the United States, Buick and Thomas detailed the results of burnout of middle management within a 50-mile radius of Cincinnati, Ohio, and concluded that there was an average increase of 32 percent from 1989 across the three dimensions of the burnout inventory used in the studies.[15] The one function in the hotel business which does not seem to suffer in the turnover issue is the sales and marketing department. Hotel Sales and Marketing Association International reported in 1999 that 47 percent of 645 individuals surveyed had been with the same employer in the same job for at least two years; 71 percent expected to remain with their current employer for another two years.

In the resort segment, LaLopa found that when employees are satisfied with benefits that are important to them personally, they are more likely to be committed to the organization . Testa, Skaruppa, and Pietrzak also examined cruise line employees and found that satisfaction with the company itself is a lead factor in employee job satisfaction.[16] Satisfaction with supervisors and work environment is also cited to be helpful in increasing employee satisfaction.[17]

Finally, in the club industry, Gustafson reported that developing a team environment in the workplace is crucial to increasing loyalty, and thus reducing turnover.[18] Lowry, Simon, and Kimberley also conducted a study with the top 200 registered clubs in New South Wales, Australia, and encouraged management to involve and empower their employees, provide feedback and behaviorally-based formal performance appraisals, and assist employees in enhancing and developing their career paths.[19]

These attributes of job satisfaction need to be explored to ensure that the needs of employees are being addressed and met. A satisfied employee is more loyal, has better performance, is less likely to leave the company, and can contribute to better profitability.[20] So, what might be the attributes of job satisfaction that are pertinent to financial management employees, specifically those of the club industry? And how are such perceptions compared to their counterparts in the hotel industry?

### Survey is replicated

In 2001, DeFranco and Schmidgall designed a survey questionnaire to incorporate the most frequently cited job attributes. A pilot study was first conducted to obtain feedback from the general financial and technology professionals. The final survey was first administered to the lodging segment.[21] To ensure validity and reliability, the same survey was used for this study for the club segment. The only difference was that the demographic questions were changed to reflect the club segment of the hospitality industry. The survey included three parts. Part I contained eight questions designed to collect demographic data on respondents and their club operations. Parts II and III each consisted of a list of the 40 job-related attributes. Part II asked the respondents to rate their level of satisfaction with each of the attributes, while Part III asked the respondents to rate the importance of each of the 40 attributes. A Likert scale, with "0" being none, "1" being the minimum, and "5" being the maximum, was used in these two sections. At the end of the survey, two questions regarding overall satisfaction with their current position and their professional career were also included.

The simple random sampling technique was used in selecting the sample from the population. A total of 500 club financial and technology executives were chosen from the 2001 membership list of the Hospitality Financial and Technology Professionals.

The questionnaire was sent to the sample in January 2002; data received were analyzed using SPSS for Windows and descriptive statistics and cross tabulations were produced.

### Controllers are majority

A total of 142 responses were received from the 500 questionnaires, yielding a 28.4 percent response rate. Respondents were mainly club controllers (80.4 percent) working in country clubs (85.1 percent). The size of the clubs, as classified by annual sales level, fell mainly into three categories, with the $3 to $5 million level making up close to a third of the sample (32.1 percent). This was followed by the smaller clubs at below $3 million sales (29.3 percent), and the larger ones at the $5 to $10 million range (27.1 percent).

Nearly half the respondents (48.7 percent) received a base salary of $50,001 to $70,000, with an additional 22.8 percent earning $70,001 to $90,000. Another 11.4 percent reported over $90,000. As for bonuses, the average amount was $4,250. However, about 7 percent of respondents reported a bonus of more than $10,000, with the highest amount recorded at $36,000.

Club professionals also reported a strong educational background. More than half (54.2 percent) earned a bachelor's degree and another 17.6 percent the master's. In addition, many pursued industry and professional certifications with 19 percent being recognized as Certified Hospitality Accounts Executives, 24.6 percent as Certified Public Accountants, and 8.5 percent as Certified Hospitality Technology Professionals.

Table 1 summarizes the job titles, distribution of the types of clubs, annual sales levels, and respondents' annual salary and bonuses.

Respondents were asked to rate their satisfaction with their current positions and their professional careers on a five-point scale of "1" for strongly disagree to "5" for strongly agree.

Mean and mode responses were as follows: current position, mean, 3.94, mode, 4.00; professional career, mean, 3.97, mode, 4.00.

Only two respondents (1.4 percent) strongly disagreed and nine (6.5 percent) disagreed with the statement, "I am satisfied with my current job." with regard to professional career, eight (5.8 percent) disagreed and no one strongly disagreed. Therefore, it appears that respondents overall are satisfied with their current positions and professional careers.

To ascertain how satisfied club professionals were with their job attributes, 40 attributes were provided with a request to rate each on a scale of 0 to 5 with "0" representing none, if the attribute is nonexistent, "1" being minimum satisfaction, and "5" representing maximum satisfaction. Thus, the higher the score, the more satisfied the respondents.

## Security scores highest

Of all 40 attributes, only job security scored more than a 4.0 average. This response may be expected given the number of recent corporate layoffs following the downturn in the U.S. economy. With respondents being in the hospitality industry, the "hospitality spirit" prevailed as the attribute the respondents rated second highest was the "opportunity to give assistance to others" with a rating of 3.98/5.00, with a standard deviation of 0.81.

The next top nine attributes, though not rated over 4.0, received quite respectable ratings from 3.75 to 3.95. It is interesting to note that of the top 11 attributes, the only one that had to do with compensation was "health benefits," which ranked 7. It appeared that respondents were satisfied with their health benefits more than their salary (19) and pension plan (13). Thus, in the top 10 order were job security (1), opportunity to give assistance to others (2), opportunity for independent thought and action (3), respon-

## Table 1
## Demographic data of respondents and their properties

| Titles of respondents | Percentage |
|---|---|
| Club Controller | 80.4 |
| Chief Financial Officer | 7.0 |
| Assistant Controller | 4.2 |
| Office Manager | 1.4 |
| Others | 7.0 |
| **Total** | **100.0** |

| Types of club | Percentage |
|---|---|
| Country Club | 85.1 |
| City Club | 5.0 |
| Yacht Club | 3.5 |
| Racquet Club | 0.7 |
| Others | 5.7 |
| **Total** | **100.0** |

| Annual sales level | Percentage |
|---|---|
| Below $ 3,000,000 | 29.3 |
| $ 3,000,001 - 5,000,000 | 32.1 |
| $ 5,000,001 - 10,000,000 | 27.1 |
| $ 10,000,001 - 15,000,000 | 3.6 |
| Over $15 million | 7.9 |
| **Total** | **100.0** |

| Annual salary range | Percentage |
|---|---|
| Below $30,000 | 0.7 |
| $ 30,001 – 50,000 | 16.4 |
| $ 50,001 – 70,000 | 48.7 |
| $ 70,001 – 90,000 | 22.8 |
| Over $ 90,000 | 11.4 |
| **Total** | **100.0** |

| Annual bonus range | Percentage |
|---|---|
| None | 12.7 |
| Less than $10,000 | 80.6 |
| $10,000 – 20,000 | 4.5 |
| Over $20,000 | 2.2 |
| **Total** | **100.0** |

sibility given to position (4), authority connected to position (5), flexible work time (6), health benefits (7), prestige of position outside the organization (8), work conditions (9), and both availability of company policies and procedures and interpersonal relationships with supervisor (tied for 10).

While another 22 attributes garnered a score of 3.0 or more, the remaining seven attributes were rated 2.99 and under. The three attributes that received a score of less than 2.5 were opportunity for advancement (2.48), signing bonus (2.05), and stock awards and options (1.50). However, noting that most clubs are equity clubs and not corporations, they do not have stocks traded on a stock exchange, so stock awards and options are not available. Thus the low score is a reflection of the financial structure of the club segment of the hospitality industry.

Once the ratings are complied, it would also be important to compare and examine the importance the respondents placed on the attributes. If an attribute receives a low satisfaction rating but is ranked very high in the importance rating, this can signal a gap in the expectation and reality of that attribute in the mind of the associates. It also indicates room for discussion and improvement between owners, management, and associates.

### Importance rates high

While only one of the attributes for the satisfaction section obtained a rating of 4.0 or above, 18 of the 40 attributes received at least a 4.0 importance score. The top 10 attributes, according to their importance, were job security (1), feeling of self-esteem obtained from the position (2), work conditions (3), opportunity for independent thought and action (4), salary (5), pension, 401k plan, etc. (6), responsibility given to position (7), health benefits (8), opportunity of position in setting company goals (9), and vacation time (10).

The average mean for "satisfaction" across the 40 attributes was only 3.38, while the average mean for "importance" across the 40 attributes was 3.81. The difference in these averages was 0.43. In general, across the 40 attributes, respondents clearly placed more importance on them than being satisfied.

Table 2 provides a direct comparison of mean importance score to the mean satisfaction score for all attributes with at least a mean score of 3.00 in satisfaction and a difference between their respective mean scores in Tables 2 and 3 of at least the average difference across all means of 0.43.

Nineteen attributes are listed on Table 2. The attribute with the largest difference is "enforcement of company policies and procedures." This attribute received only a 3.25 score as a satisfier but a 4.09 score for importance, with a difference of 0.84. Attributes with major mean score differences of .70 or more are salary, bonus, feeling of self-esteem, growth of personal life, and opportunity of my position in setting company goals.

Firms in the club industry should perhaps consider re-evaluating their positions in these areas of major differences. There appear to be opportunities to increase the satisfaction of their financial executives. To have satisfied associates is to have good retention.[22] Satisfaction breeds a supportive work environment, which eventually increases customer satisfaction and profitability.[23]

## Overall satisfaction ranked

After calculating the means and standard deviations of these attributes in terms of their satisfaction and importance ratings, cross tabulations were also performed. The 40 attributes in terms of satisfaction and importance were first cross tabulated with the satisfaction rating of their current position, and then with the satisfaction rating of the respondents' professional careers to ascertain if any significant relationship existed.

When the satisfaction levels were cross tabulated with the satisfaction of the current position, 33 out of 40 were deemed significant (See Table 3). This means that as the satisfaction level of the current position increased, so did the satisfaction level with the attributes. For the seven remaining attributes, the cross tabulation results were insignificant: bonus, company picnics and gatherings, encouragement to be in community activities, opportunity for advancement, pension, 401k and other plans, signing bonus,

**Table 2**
**Comparison of satisfaction and importance ratings**

| Attribute | Difference* |
|---|---|
| Enforcement of company policies and procedures | 0.84 |
| Salary | 0.79 |
| Bonus | 0.75 |
| Feeling of self-esteem | 0.73 |
| Growth of personal life | 0.71 |
| Opportunity of my position in setting company goals | 0.70 |
| Work conditions | 0.67 |
| Pension, 401k, etc. | 0.63 |
| Personal time off | 0.60 |
| Training available | 0.60 |
| Vacation time | 0.59 |
| Job security | 0.55 |
| Health benefits | 0.50 |
| Prestige of position within organization | 0.49 |
| Recognition of time of service | 0.47 |
| Opportunity for independent thought | 0.46 |
| Quality of training | 0.46 |
| Flexible benefits | 0.44 |
| Responsibility given to position | 0.44 |

*For each attribute, the importance rating is greater than the satisfaction rating.

and stock awards and options. The results are quite interesting, especially when compared to a similar study where the respondents were from the hotel segment.[24] The hotel group also had 33 out of 40 attributes that were at a significant level. Of the seven that were not significant, three were the same (encouragement to be in community activities, signing bonus, and stock awards and options). Thus, it can be inferred that the satisfaction level of these three attributes has no bearing on the overall satisfaction of an employee's current position in either the lodging or club industry.

When the importance ratings were cross tabulated with the current position satisfaction level, only seven attributes were reported at a significant level (See Table 3). Feeling of self-esteem obtained from the position, interpersonal relations with peers, job security, opportunity for independent thought and action, opportunity for independent thought and action, opportunity for setting company goals, opportunity to give assistance to other, and work conditions all contributed to the satisfaction of the current position. As the level of satisfaction of the current position increased, so did the importance of these seven attributes.

### Career is determinant

If people are not happy with their careers, they may not stay in the club financial and/or technological areas for long. The cross tabulation of the satisfaction of the 40 attributes and professional career yielded similar results with that of the current position. Of the 40, 31 were deemed significant (See Table 3). Of the nine that were not correlated to professional career satisfaction, six were the same as that of the current position satisfaction. The other three were authority connected to the position, encouragement to be in professional activities, and sabbatical leave, while opportunity for advancement was deemed significant in professional career satisfaction and not in current position satisfaction.

Finally, the importance of the 40 attributes was cross tabulated with the professional career satisfaction rating (See Table 3). While only seven were significant in the current position satisfaction rating, 13 were significant in the professional career satisfaction. It is also interesting to note that six of the seven attributes that were significant in the current position also held up in the professional career satisfaction. This perhaps supports the notion that, in the short term, certain attributes are important.

However, in the long term, very similar attributes and some additional others also needed to be taken into consideration. The seven additional attributes that were significant were authority connected to the position, flexible benefits plan, flexible work-time, interpersonal relations with

## Table 3
## Cross tabulations between degree of satisfaction with current position and career and level of satisfaction in and degree of importance of job attributes

| Attributes | Current Satisfaction p-value | Position Importance p-value | Career Satisfaction p-value | Importance p-value |
|---|---|---|---|---|
| 1. Authority connected to my position | 0.000* | 0.097 | 0.099 | 0.034* |
| 2. Availability of company policies | 0.000* | 0.637 | 0.002* | 0.075 |
| 3. Bonus | 0.358 | 0.790 | 0.916 | 0.411 |
| 4. Company picnics and get togethers | 0.218 | 0.315 | 0.343 | 0.153 |
| 5. Creativity in daily tasks and projects | 0.000* | 0.265 | 0.000* | 0.121 |
| 6. Encouragement to be in community | 0.075 | 0.357 | 0.151 | 0.372 |
| 7. Encouragement to be in professional activities | 0.000* | 0.078 | 0.110 | 0.220 |
| 8. Enforcement of company policies and procedures | 0.000* | 0.729 | 0.000* | 0.485 |
| 9. Feeling of self-esteem obtained from my position | 0.000* | 0.003* | 0.000* | 0.001* |
| 10. Flexible benefits plan | 0.002* | 0.140 | 0.000* | 0.020* |
| 11. Flexible work time | 0.006* | 0.446 | 0.004* | 0.031* |
| 12. Growth of personal life | 0.000* | 0.768 | 0.000* | 0.138 |
| 13. Health benefits | 0.008* | 0.386 | 0.001* | 0.193 |
| 14. Interaction with guests | 0.000* | 0.179 | 0.004* | 0.325 |
| 15. Interpersonal relations with peers | 0.000* | 0.048* | 0.000* | 0.141 |
| 16. Interpersonal relations with subordinates | 0.000* | 0.118 | 0.001* | 0.023* |
| 17. Interpersonal relations with supervisors | 0.000* | 0.286 | 0.000* | 0.228 |
| 18. Job security | 0.000* | 0.001* | 0.001* | 0.342 |
| 19. Opportunity for advancement | 0.103 | 0.698 | 0.006* | 0.009* |
| 20. Opportunity for personal growth | 0.000* | 0.085 | 0.000* | 0.302 |
| 21. Opportunity for independent thought and action | 0.000* | 0.001* | 0.000* | 0.000* |
| 22. Opportunity of my position in setting company goals | 0.000* | 0.045* | 0.000* | 0.001* |
| 23. Opportunity to give assistance to others | 0.000* | 0.028* | 0.000* | 0.000* |
| 24. Pension, 401k, and other plans | 0.106 | 0.332 | 0.125 | 0.494 |
| 25. Personal time off | 0.000* | 0.619 | 0.000* | 0.250 |
| 26. Prestige outside my organization | 0.000* | 0.287 | 0.000* | 0.038* |
| 27. Prestige with my organization | 0.000* | 0.233 | 0.000* | 0.000* |
| 28. Quality of training | 0.000* | 0.625 | 0.000* | 0.025* |
| 29. Recognition of achievement | 0.000* | 0.293 | 0.000* | 0.147 |
| 30. Recognition of time of service | 0.000* | 0.345 | 0.000* | 0.078 |
| 31. Responsibility | 0.000* | 0.094 | 0.000* | 0.081 |
| 32. Sabbatical leave | 0.026* | 0.495 | 0.113 | 0.568 |
| 33. Salary | 0.000* | 0.947 | 0.002* | 0.386 |
| 34. Security of the property | 0.000* | 0.403 | 0.018* | 0.097 |
| 35. Signing bonus | 0.701 | 0.433 | 0.556 | 0.071 |
| 36. Stock awards and options | 0.960 | 0.195 | 0.588 | 0.450 |
| 37. Technical supervision | 0.039* | 0.774 | 0.002* | 0.137 |
| 38. Training available | 0.000* | 0.793 | 0.023* | 0.398 |
| 39. Vacation time | 0.016* | 0.989 | 0.002* | 0.123 |
| 40. Working conditions | 0.000* | 0.027* | 0.000* | 0.001* |

*0.05 significance

subordinates, opportunities for advancements, prestige outside the organization, prestige within the organization, and quality of training. The one attribute that was significant in the current position satisfaction, interpersonal relations with peers, is found not significant in the professional career satisfaction. This attribute was replaced by interpersonal relations with subordinates.

There is no doubt that good employees are hard to find. In today's competitive labor market, keeping employees happy is essential. Losing club members due to irate employees can directly impact in the financial health of the business. As mentioned, financial professionals, due to their specific skill set, are sometimes harder to attract. It is therefore imperative that employers evaluate the satisfaction of their financial management employees, learn what attributes are most valuable to them, and take action. Employees are the internal customers. As seen from the data, job security, feeling of self-esteem obtained from the position, and working conditions are the top three most important attributes that financial and technological employees would like to see.

In addition, the factors that lead to employee dissatisfaction are also very crucial. Victor Vroom's theory of motivation stated almost 40 years ago that while people are more apt to attribute the causes of job satisfaction to their own achievements, they are more likely to attribute their dissatisfaction to the obstacles presented by their supervisors or company structure.[25] Employers need to treat their employees as colleagues and not subordinates. Respect also needs to be present in the workplace. When everyone feels that he or she is part of the team, the team wins.

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***Ray Schmidgall*** *is a professor in the School of Hospitality Business at Michigan State University and* ***Agnes DeFranco*** *is an associate professor in the Conrad N. Hilton College of Hotel and Restaurant Management at the University of Houston.*

# Health, wellness focus within resort hotels

by Misty M. Johanson

*This study analyzes the rising importance of the development and enhancement of a health and wellness focus within resort hotels. Market trends, consumer demands, revitalization efforts, and bottomline impacts are examined as they relate to the resort spa industry of today.*

Once only sought after by the rich and famous, the spa segment of the lodging industry has evolved from a luxurious amenity offered only at elite resort destinations to a necessity for resort hotels as spas have become an integral amenity for a growing number of travelers today.[1]

Gone are the days when resorts focused their spa marketing and development efforts on designing fitness facilities to attract guests. Today, resorts are focusing on wellness tourism as a more holistic approach to physical conditioning, essentially redirecting marketing and development efforts on spa amenities that center on mind, body, and being.[2] As fitness still remains an integral part of the wellness experience, the exercise-focused spas of the early '90s no longer can compete with modern facilities that offer life-enhancing, stress-reducing, and skin-improving techniques.[3] Resort properties that identify this trend and allocate their resources toward a health and wellness focus will dominate the resort market.[4]

## Trend is growing

Some organizations have successfully capitalized on this growing trend. The Charleston Place in South Carolina, for example, recently completed a six-month spa renovation in order to enhance its facilities to focus on health and wellness; marketing efforts are now targeted toward high-end customers.[5] Several other resort properties such as the Peaks Resort (Colorado), the Golden Door Spa (California), the Regent Spa (Hong Kong), and the La Quinta Resort and Spa (California) have taken the same approach and have found the renovations to be a tremendous revenue builder for all operational departments throughout the properties.[6]

Changing demographics and a pursuit for healthier lifestyles have produced a strong demand for wellness spas. "If there is a single reason for spa owners to look to the future with confidence, it is the fact that its target audience – adults with disposable income – is growing and aging. There are 80 million baby boomers and none of them are getting any younger."[7] Health Fitness Dynamics, a Florida spa consulting firm, recently conducted a study on user trends of over 36 resort spas focusing on health and wellness tourism, asking nearly 3,000 spa-goers if they would choose one resort over another because of the enhanced spa center; 82 percent of women participants and 78 percent of male participants responded affirmatively.[8]

Compelling statistics have sparked a flurry of resort spa renovations aimed at attracting guests by offering the best services and facilities money can buy.[9] In addition, properties without existing spa services are implementing and expanding their facilities at an unprecedented rate.[10]

## Chains are varied

Spa experts have suggested that the recent renovations are creating different types of new and emerging spas. First is the amenity spa, or resort spa, and second is the destination spa, or spa resort. The difference is that within an amenity spa the resort's bottom line is not necessarily built around the success of the spa. In this type of property the spa is viewed by the guest as added value, not necessarily acting as the main profit center for the organization.

However, the spa resort is a destination spa, where the resort's main function and purpose for being is built around the success of the spa amenities offered. Here the spa is a revenue generator for the property rather than existing to cover costs. While both types of spas have grown in number over recent years, the majority of the growth has occurred with amenity or resort spas.[11]

## Spas need updating

Throughout the 1990s spa amenities relaxed resort guests and kept owners rich.[12] However, to compete effectively in today's market, resort operators need to update and refurbish their spas to meet the changing demands of spa-goers. In a recent study, researchers probed to find out why spa travelers visited resort spas; 41 percent of men stated stress was the reason, while only 22 percent of women suggested this was their purpose for going. On the other hand, 45 percent of women said they visited because they "felt like splurging"; 26 percent of men so responded. While 39 percent of women admitted going to the spa to "take care of themselves," only 19 percent of men suggested that was the reason for their visit. In addition, males do not seem to value the experience as much as women, since only 30 percent wanted to return, versus 50 percent of women.[13]

These statistics suggest that spas may not be currently focusing on or sufficiently delivering their promise in terms of customer satisfaction, creating a memorable experience, having a well-maintained and well-staffed spa, or being male-friendly.

## Spa focus detailed

A series of case studies details sthe successful implementation of a health and wellness focus within the resort spa setting of today.

• **Domestic resort hotel:** In an effort to reposition Hawaii's visitor industry products, a strategic plan was created to position the islands as the health care and wellness center of the Pacific. Resort hotels throughout the Hawaiian Islands are doing their part to enhance their existing facilities in an attempt to meet the needs of the growing demand, of travelers for a health and wellness focus in the market.

The Hilton Hawaiian Village in Oahu, a four-star, 2,545-room resort, has currently undergone a $95 million spa marketing and development enhancement in its existing property, the largest of its kind world-wide. In 2001 the Hilton opened a 42,000 square foot Spa and Wellness Center in the newly-built Kalia Tower. The spa is equipped with high tech treatment facilities and staff, including an open air, state-of-the-art Cardiovascular Center labeled "Holistica Hawaii." The Holistica Center markets advanced wellness amenities such as electron beam topography scanning equipment that allows for the detection of internal diseases and pre-cancerous conditions.

• **Business resort hotel:** The Peabody Orlando in Florida is yet another example of a resort which revitalized its spa to offer wellness and health amenities to guests. Their wellness center focuses on cholesterol screenings, stress tests, exercise consultations, risk assessments, and other health-related demonstrations by a team of exercise physiologist lifestyle specialists.[14] These enhancements have been found to benefit the resort because of added revenue from the traveler who otherwise would not have taken the time from a busy schedule to try these procedures.

"A major advantage to installing cutting-edge equipment is that people who exercise regularly are fascinated with new paraphernalia. Using it while they are attending a meeting or on vacation eliminates the need to search for a club at home and spend extra money to try the equipment. A combination of being ahead of the curve in knowing about the equipment and saving guests time and money is tough to beat."[15]

• **International resort hotel:** The successful implementation of health and wellness within the resort spa setting can also be found within the operations of the Movenpick Resort and Spa Dead Sea in Jordan. At this resort, the marketing and development strategies are centered around "a strong sense of place," as only "beneficial rays" from the sun can extend to this level below the sea; virtually no UV radiation exists to cause skin-related problems.[16]

For these reasons individuals from all over the world suffering from such illnesses as psoriasis travel to the sun, fun, and beach resort in Jordan without hesitation. Interestingly, German health funds pay for visitors' single occupancy at the spa.[17] "The wellness business not only provides a ready market, especially since the lower cost of Jordan's labor force would mean very competitive rates, but also a long-stay market that could help balance seasonal troughs."[18]

### Spas incur growth

According to the International Spa Association's 2000 Spa Industry Study conducted by Pricewaterhouse Coopers, U.S. spa revenues increased 129 percent in the latter half of the 1990s; half this growth is accounted for by an increase in spa visitor spending, while the other half represents nearly a 20 percent annual growth rate in the number of resort spas. More astonishing is that over a two-year period, between 1997 and 1999, resort spa visits increased by nearly 60 percent, while revenues climbed 30 percent during this same period.[19]

Most convincing are the findings from a nation-wide study of resort spas suggesting the following would increase as a direct result of renovation of existing spa facilities:[20]

- room rate, 57 percent
- perceived value for room rate, 70 percent
- occupancy, 73 percent
- length of stay, 43 percent
- marketing advantage, 97 percent
- revenue per occupied room, 83 percent
- number of people per occupied room, 27 percent

### Spas are focus

Resorts that focus on wellness tourism as a more holistic approach to physical conditioning by essentially redirecting marketing and development efforts on spa amenities that center on mind, body, and spirit will dominate the resort market since spas have become an integral amenity for many travelers today.

Future research in the area of spa management needs to be expanded in the area of service quality. As the demand for and number of resort spas continue to increase, marketing for the guest will become even more competitive. Service quality is the key factor that is suggested to differentiate one luxurious spa from the other.[21]

Future studies will need to address specific research questions such as the following:

- What is the relative importance of various health and wellness spa attributes within the resort?
- What is the performance of resort spa employees in providing these services to their guests?

One reliable and valid way to measure these research questions is by using quantitative methodology such as an importance/performance analysis (IPA). A study analyzing data evaluating the importance and performance of health and wellness attributes offered at a resort spa in Hawaii using a software program called PINPOINT is currently being conducted. Final tabulated results of the importance/performance scores will present a two-dimensional grid revealing the strengths and weaknesses of the variables (services and features) being offered by the resort spa. As a result of such research, significant marketing and management implications as well as the identification of areas for service quality improvements for the resort spa can be determined.

Few authors have applied the IPA technique to identify service failures and successes within the hotel industry. Hudson and Shepard measured service quality expectations through the IPA method within an Alpine ski resort.[22] Verhoven and Masterson used the IPA technique in measuring time-share owners' satisfaction within the interval vacation segment of the lodging industry.[23] Martin employed the IPA method when evaluating guests' perceptions of service quality within budget hotels.[24]

However, this type of analysis has not been implemented in order to determine health and wellness importance or performance within a resort spa environment. Future research should focus on the implementation of the IPA technique within the resort spa industry as a powerful tool in marketing and development for those properties developing or enhancing their spa facilities.

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***Misty M. Johanson*** *is Assistant Professor of Hospitality Management in the School of Travel Industry Management at the University of Hawaii at Manoa.*

# Leadership training in hospitality

by Romy E. Saunders

*Researchers and practitioners contend that hospitality management curricula tend to focus on teaching students technical skills they need to function effectively in the workplace but do not emphasize human and conceptual skills, one of which is leadership. Universities and companies strive to address leadership training, acknowledging that leadership is perhaps one of the most important roles any hospitality manager will fill and is probably least prepared for.*

*"If we ever think that it is not about leadership, then we don't get it."*
*– Michael Kaufman*

In developing their model for teaching leadership in hospitality management programs, Scheule and Sneed identify leadership as one of the most important roles any hospitality manager will fill but often is the least formally prepared for. They contend that hospitality management curricula tend to focus on teaching students the technical skills needed to function effectively in the work environment without the same emphasis on human and conceptual skills, which include leadership.[1]

In another study, Nelson and Dopson found that hotel executives, human resource specialists, and graduates ranked leadership skills as extremely important among the required skills and knowledge for graduates of U.S. hospitality programs beyond the year 2000.[2] This has remained consistent from previous studies[3] and supports the fact that while several authors have concluded that leadership skills should be taught in hospitality curricula, they have not reached a consensus on how this should be done.[4] This dilemma also extends into the workplace, as hospitality companies often rank leadership skills high on their list of criteria for new managers, many implementing their own training and recognition programs to develop those identified with leadership potential.[5]

Between the post-recessionary years of the early 1990s and the slow economic downturn evident between 2000 and 2001, economic growth, more demanding consumers of hospitality services, and low unemployment rates challenged managers to develop effective leadership styles in order to be successful.[6]

The events of September 11, 2001, raised the ante, and hospitality managers must be even more prepared to fill leadership roles in an industry profoundly affected by world events. Will the new generation of managers be able to create caring cultures as companies merge and labor issues become more acute? Will they be able to inspire their followers to achieve higher levels of productivity, creating value for employees and shareholders? Will they be able to embrace the multicultural, multiethnic, and multilingual realities of global expansion in a world rocked by uncertainty and risk? Will they heed the wisdom of those who have "walked the talk"? In short, will they be good leaders?

## Who is a leader?

This begets two questions: Who is a leader? What is leadership? Webster's dictionary defines a leader as "a person who by force of example, talents or qualities of leadership plays a directing role, wields commanding influence, or has a following in any sphere of activity or thought."[7] The qualities of leadership so displayed are defined as an individual's capacity to lead.

While it may be debated that leaders are born, not made, this study examines the literature that addresses the training of leaders in the hospitality industry.

## Databases are searched

A preliminary search of the ABI/Inform database was done on June 10, 2002. A decision was made to retrieve any current relevant articles combining the keywords "leadership" and "hospitality." The ABI/Inform search, with dates set from 1999 to present, produced 50 records; 16 articles that seemed directly related were printed.

Further research was conducted on July 19-20, 2002. Again, ABI/Inform, from 1999 to present, was the database searched. Using the keywords "leadership" and "hotels," the database produced 179 articles, 14 of which seemed applicable. Ten were duplicates of the articles printed after the first search. Four were printed. Combining "leadership" with "restaurants" produced 180 records, 13 of which seemed relevant. Eight were duplicate articles. Five were printed. The keyword "leadership" was also combined with "professional development" to produce 156 articles, 11 of which seemed relevant. Two were duplicate articles. The other nine were printed (See Table 1).

The search was then narrowed, using the keywords "leadership training" combined with "hospitality." This time, the ABI/Inform, from 1971 to present,

**Table 1**
**Descriptors by database and search results: leadership**

| Leadership and | ABI/Inform | Total number of articles to be printed |
|---|---|---|
| Hospitality | 50 | 16 |
| Hotels | 179 | 4 |
| Restaurants | 180 | 5 |
| Professional Development | 156 | 9 |
| **Total** | **565** | **34** |

and WilsonBusiness databases were searched. The ABI/Inform search produced one record, which was a duplicate article from the initial search. The WilsonBusiness search produced six articles. Four seemed relevant; three were duplicates, and one was printed.

The keywords "leadership training" were also combined with "hotels." The ABI/Inform search produced three articles, one of which seemed relevant and was printed. The WilsonBusiness search produced 15 articles. Six seemed applicable; three were duplicates, and three were printed.

When the keywords "leadership training" were combined with "restaurants," the ABI/Inform search produced two records, one of which was a duplicate. The WilsonBusiness search produced 19 records, with the seven relevant ones having already been printed from previous searches.

The keywords "leadership training" were also combined with "professional development." The ABI/Inform search produced 18 records. Three seemed relevant. One was a duplicate article, and the other two were printed. The WilsonBusiness search produced 29 records. Only two seemed relevant to the purpose of this paper and were printed (See Table 2 and Table 3).

**Table 2**
**Descriptors by database: leadership and training**

| Leadership training and | ABI/Inform | WilsonBusiness | Total |
|---|---|---|---|
| Hospitality | 1 | 6 | 7 |
| Hotels | 3 | 15 | 18 |
| Restaurants | 2 | 19 | 21 |
| Professional Development | 18 | 29 | 47 |
| **Total** | **24** | **69** | **93** |

Table 3
Search results: leadership and training

| Database | Total number of records | Total number of articles to be printed |
| --- | --- | --- |
| ABI/Inform | 24 | 3 |
| WilsonBusiness | 69 | 6 |
| **Total** | **93** | **9** |

A search of Volume 13 of the *Journal of Hospitality & Tourism Education* also produced some relevant articles, as did a search of the *Cornell Hotel and Restaurant Administration (H.R.A.) Quarterly.*

## Articles are reviewed

The next step was to review the articles and categorize them by type of article (academic, practitioner or popular), leadership categories, and concurrent themes.

Findings are discussed by number or articles; type of article; leadership categories, i.e., leadership in industry segments and leadership training; and concurrent themes. Leadership training further examines issues related to leadership training both in the classroom and in the workplace.

During the database search, many more articles were found about leadership in hospitality and its segments than were found about leadership training. This seems to underscore the fact that while a lot is said about leadership, comparatively little is done to actually prepare those who will assume leadership roles in the hospitality industry. A few articles were found in the *Journal of Hospitality & Tourism Education* and other relevant articles were found in the *Cornell H.R.A. Quarterly*. This may indicate that the field is open to more research.

Academic articles were articles published in scholarly journals. Practitioner articles were published in journals and magazines aimed at working professionals. Popular articles were publications meant for the general public. The majority of the articles were written for professional publications, with some academic journals also focusing on leadership. This would seem to emphasize the importance that industry professionals place on the issue and may encourage further academic research.

## Articles are classified

Articles were classified as leadership (or leadership training) in hospitality, hotels, and restaurants, and as professional development. As evidenced by the duplication of articles, they were not mutually exclusive. The disparity between the articles found that when "leadership" was used as a descriptor versus when "leadership training" was used is very noticeable. However, the literature does support the fact that the construct of leadership is vital in the industry. The way employees perceive a hotel's leadership affects the leader's effectiveness, employees' attitudes, and employee performance.[8]

When one hears of problems in the hospitality industry, one usually hears of poor working conditions, low wages, ineffective training, or a bad image. Very rarely does one hear that leadership is to blame, even though most people acknowledge the critical influence that leaders have on their organizations. Leaders, in the very act of leading, mold the organization into their own style. Hence, good leaders inspire their followers to greatness, producing good organizations and vice versa.[9]

## Leaders need vision

Employees in a service industry such as the hospitality industry need a vision to which they can commit, a culture that challenges them to fulfill their potential, a supportive team, and leader role models to show them the way.[10] Successful leaders and companies take more steps than others to engage employees in the business, create an inclusive environment and culture, and support employees' quality of life.[11] The industry can hardly dispute this deduction when there are success stories such as Marriott International and Choice Hotels to follow.[12] In examining leadership and leadership training, therefore, it is imperative to review the major themes that comprise this construct and constitute good leadership.

- **Vision, mission, values:** Leaders act as role models for their followers. They must have vision and the charisma to communicate it to their employees, involving them in creating the company's mission and values and practicing what they preach.[13] The vision, what the company wants to become, gives rise to its core values and its mission, which identify the organization's key constituencies. These, along with the management principles and performance standards, create the plan.[14]

Leadership is having that plan, "getting a group of people to follow you down a certain path, and encouraging them along the way that will lead to successful achievement of the plan."[15] Does the leader clearly communicate the vision of the organization and lead by example? Does the company's value system include respect, trust, ownership, accountability, recognition, and work-life balance? Are employees offered opportunities for training, growth, and promotion? Do employees have all the tools they need to carry out their various responsibilities? Are they part of a system of excellence, molded by their leader?

- **System and culture development:** Leaders owe their followers a legacy. Once they have involved their employees in the process of creating a mission and values, they must also ensure that suitable practices and policies are in place to carry out the mission and exercise those values. Can employees truly be accountable, sharing in the ownership, the risks, and the rewards of the company, always striving for improvement and to reach their fullest potential? Or will their attitudes reflect their disillusionment in such pronouncements as "This is the people's job; I'm only passing through"? Leadership must inspire people to put forth their best effort and provide the room for them to do so.[16]

• **Relationship building:** Cain makes a distinction between the extrinsic nature of inspiration and the intrinsic quality of motivation.[17] Leaders must be able to inspire their followers to delve deep into their inner motivations and make meaningful contributions to each other for the collective good of the team and the organization. They must create an environment where followers feel involved, empowered, and appreciated. Such positive energy will inevitably translate into relationships based on trust and respect with customers and industry partners. In cultivating these relationships, they broaden their followership, strengthening their influence and enhancing their leadership skills.

Bill Marriott espouses an "employee first" philosophy. In its simplest form, happy employees mean happy guests, and happy guests mean happy shareholders.[18] Kelley further explains that companies that link work-life programs to improved employee satisfaction also link them to improved customer satisfaction and the bottom line.[19]

Carolyn Clark and Lalia Rach agree that there is a huge demand for those who can create employee and guest loyalty, which, in turn, creates and sustains profitable growth.[20]

• **Leadership characteristics:** Leaders cannot hope to create vision, develop culture and systems, or build relationships without the characteristics of passion, integrity, honesty, discipline, responsibility, perceptiveness, and tenacity. They must cultivate the art of listening, paying attention to words and the nuances, and observing the behaviors of everyone they come in contact with. They must teach. They must make an effort to continue learning and anticipate change.[21] They must embrace the cultural diversity of the world in which their industry operates, providing the educational tools needed in developing countries, even as their companies benefit financially. They must be problem-solvers and risk-takers.[22] In other words, they should "strive daily to be the consummate example of the performance standards and behavior for which they hold others accountable."[23]

## Leaders: born or made?

The hospitality industry is not immune to the debate about whether leaders are born or made.[24] While some skills may be innate, there is the view that "leadership comes from such things as being given responsibility when young, taking the opportunity to manage in a number of contexts to get broad skills, and being coached by someone who encourages you to ask people for feedback."[25] Fred Pamenter contends that there have to be leadership traits in the individual and then leadership can be developed.[26] Mayo adds that good leaders develop through a process of self-study, education, training, and experience.[27] Innate skills and leadership potential have to be identified and honed into a finely tuned leader, one who practices key behaviors and habits that will make him or her successful in the role. But, where does that process start?

Ever since Congress passed the School-to-Work Opportunities Act in 1994, business/education partnerships have taken off. Many companies are involved with career development programs, career fairs, workplace tours, internships, apprenticeships and cooperative education programs.[28] Colleges have also joined forces with elementary and high schools in these initiatives, and leadership development and training can begin as early as middle school.

In programs such as Florida International University's Gear Up, for example, students in grade eight, preparing for high school, participate in a six-week long program that introduces them to various career options, programs of study, and related businesses. Not limited to academics, the program tries to instill a sense of the discipline that will be required of them and create awareness of the major adjustments they will need to make, both qualities of future leaders. While this may be a simplistic view, many of the students have not had the opportunity to learn from example at home, and the school environment substitutes as a training ground. The School of Hospitality and Tourism Management actively participates in Gear Up as well as other summer tourism-training programs.

At the University of Houston's Conrad N. Hilton College of Hotel and Restaurant Management, Alan Stutts believes that finding and developing outstanding people who take pride in providing service is one of the top priority steps that educators and industry employers should take. Consequently, the college has established a hospitality education elective for high school juniors and seniors in Texas. It is envisioned that these future leaders of the industry will be instilled with a strong sense of service-mindedness as they head to college.[29]

## Experience is lacking

In the food service industry, there has been the view that new leadership positions are being filled by a generation steeped in business school acumen but lacking in experience.[30] Indeed, many universities are criticized for turning out graduates unprepared for the challenges of leadership.[31] How will these new leaders carry out their roles effectively, communicating the importance of the journey, inspiring followers to excellence, and leading by example if they do not share experience with their employees? For the college student in a faster paced world, some of that shared experience can be gained while pursuing a course of study.

Hospitality programs use various techniques to hone leadership in the new generation of leaders that pass through their hallowed halls. Some like FIU's School of Hospitality and Tourism Management offer a specific course in leadership. Students have the opportunity to discuss the various aspects of leadership, examining the styles of some of the most renowned leaders in their fields and internalizing those that best define their own styles.

Other courses are more experiential. The ropes course in the team-building course, for example, offers participants the opportunity to develop trust, take charge, and understand personal strengths and weaknesses. Many courses incorporate exercises in order to identify and build leadership skills. Projects are often the result of a team effort, where one group member may assume the role of leader but where each member exhibits leadership skills on various aspects of the project. Successful functions may be the result of students leading the way. While not spearheaded by students, the Annual South Beach Wine and Food Festival, for example, gives FIU's hospitality students a myriad of opportunities to exercise their leadership skills—supervising other students, organizing stations, and coordinating seminars.

## Teaching methods vary

Service learning is another aspect of teaching leadership in college environments. Often incorporated into organizational behavior courses, this type of training allows students to focus on the needs of other constituencies, enabling them to draw on their strengths and examine their weaknesses. It is also an integral component of developing those identified as leaders in honors programs. For example, Eta Sigma Delta, the hospitality honor society, requires its members to participate in various community service projects.

Hospitality programs may also partner with industry to afford students the opportunity to gain insight about successful leadership practices through internships or mentoring.[32] Working on a one-on-one basis with industry leaders and having the chance to implement theoretical knowledge practically in the workplace provide students with invaluable insight into their own leadership capabilities.

Hospitality leaders also share their stories as guest speakers. Scheule and Sneed have actually designed a course at Kent State University that focuses on providing students with opportunities to interact with hospitality leaders to learn first hand about leadership.[33] Students have to identify principles of leadership and how they are applied, common characteristics of hospitality leaders, and trends and issues before developing and reshaping their own philosophies of leadership. The aim is to "help students synthesize leadership experiences in their courses and work environments into a cohesive experience that would further develop and broaden their understanding of leadership in today's hospitality business."[34] FIU's School of Hospitality and Tourism Management employs a similar idea in its Michael Hurst Guest Lecture Series. Once a month in the fall and spring semesters, industry leaders address the students and answer questions directly and indirectly related to their leadership styles and ensuing successes and failures.

### Workplace skills observed

Similar concepts are applied with developing leaders in the workplace. Leaders should be problem solvers, risk takers, and change makers. Often, these qualities, and the actions that result, are observed in the day-to-day operations of the company, and those who exhibit them are groomed for leadership positions. They may be transferred to various departments or even overseas to determine how well they adapt to changing environments, how decisive and intuitive they can be. With increasingly multicultural followers making up the workforce, this is especially crucial in developing leadership skills.[35]

The new millennium demands a new set of leadership competencies, and outdoor adventure-based training, like the ropes course, is one method used to develop teamwork and leadership skills. The debate remains, however, on whether or not the skills learned in outdoor environments constitute leadership development and whether or not they can realistically be transferred back to the workplace.[36]

Testa proposes that any disparity may be addressed by focusing on the relationship between leaders and their followers. He believes that "if leaders know that their employees perceive the leadership climate as being less effective than what the leaders believe, the leaders may well be forced into a process of self-reflection, which aids in developing leadership ability." He also supports the use of joint leadership training where seminars and workshops are conducted jointly with leaders and followers. This helps develop a clear model of leadership, while enabling both groups to share concerns, misconceptions, and expectations.[37]

Another widely used mechanism for leadership development in the workplace is mentoring.[38] Mentors give advice and listen to their protégés, offering encouragement to overcome obstacles and sharing their wealth of experience with their charges. Both gain leadership skills from this shared experience, developing personally and professionally. Whatever the mechanism, however, leadership development is a crucial factor in the life and success of many hospitality companies and ensuring that development programs have a firm foundation, whether in high school, college, or the workplace should be priority number one.

There are seven steps to establishing a foundation for leadership development:

- Commit to investing the time, resources and money needed to create a culture that supports leadership development
- Identify and communicate the skills associated with leadership abilities
- Develop the tools and measures necessary to support leadership skills
- Make leadership skills a focus of management training: communication, team-building, planning, interpersonal
- Implement ongoing programs that focus on leadership skills, such as managing multiple priorities and creating change
- Know that in the right culture, leaders can be found at every level
- Recognize, reward, and celebrate leaders for their passion, dedication, and results

Leadership training, once properly defined and implemented, will undoubtedly keep the hospitality industry in good stead for many years to come.

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***Romy E. Saunders*** *is a 2003 graduate of Florida International University with a master of arts degree in hospitality management. She is also a lecturer in the School of Hospitality and Tourism Studies at The College of The Bahamas. This paper was awarded the first annual Norman Ringstrom Prize.*

# Beverage ethics: education for alcohol responsibility

by Carl J. Pfaffenberg

*The study looked at the processes in the development of an alcohol responsibility program for post secondary students in the service management major at the University of Tennessee. The program has been certified by the State of Tennessee to satisfy the Alcohol Beverage Commission requirement for server training related to the handling and service of alcoholic beverages. A managerial viewpoint was adopted so as to provide the greatest benefit to service management graduates.*

Few local papers report a day's news without some incident related to alcohol consumption. It may be a relatively harmless act of public urination or it may be a tragedy resulting in the death of an innocent third party.[1] Frequently the articles indicate that a minor and/or a college student was a party in the incident.

Fewer than 20 years ago, the ability to consume alcohol was viewed as one of the aspects of manhood. The more one could consume, the better "man" he was. This virtue is not unique to the United States, as it is emulated in many cultures.[2] However, since the early 1980s, perceptions about alcohol consumption, if not the activities, have definitely changed.

The founding of Mothers Against Drunk Driving (MADD) was a major blow to the machismo of drinking.[3] Shortly after MADD, Students Against Driving Drunk (SADD) was founded. They have since changed their formal name to Students Against Destructive Decisions.[4] These organizations made a serious impact on the psyche of the public at large. Simultaneously, an emphasis on health and fitness arose that exacerbated the condemnation of inebriates. It was no longer cool or okay to get drunk, let alone drive while drunk. These groups had an impact on restaurants and drinking establishments. Traditionally, the producers of alcoholic beverages would be primarily concerned with marketing and sales of products. Now they were promoting tolerance and responsible consumption.[5]

## Drinking culture exists

There is an epidemic of alcohol consumption among young people.[6] However, there is not a public outcry like that of the 1980s. Perhaps it is true that the consumption of alcohol by youth is like living next to a fish cannery; pretty soon you get used to the smell.[7]

The drinking culture truly exists. Nowhere does it exist more vitally than within the Greek community. Virtually every fraternity has a song that glorifies the consumption of alcohol. From the drinking song in the *Student Prince* to the Whiffenpoof song of Yale University and all manner of tunes in between, drinking has been romanticized in the university environment.[8] As the refrain from the Whiffenpoof song indicates, "We're poor little lambs who have lost our way, Bah, Bah, Bah. We're little black sheep who have gone astray, Bah, Bah, Bah." Today's society knows that someone who abuses alcohol and gets behind the wheel of an automobile is not a "poor little lamb who has lost his way."

The *Princeton Review* surveys 100,000 students at 345 top colleges on many issues, the results of which comprise a number of rankings. In 2002 Northwestern University in Evanston, Illinois, had the best academics overall. The U.S. Air Force Academy was the best-administered college, and Rice University in Houston offered the "Best Academic Bang for Your Buck." Lists of the top 20 ranking colleges in these and 60 other categories from financial aid to campus amenities appear in the new 2003 edition of the *Princeton Review's* annual college guidebook. The list that seems to get most publicity is the list of top party schools. In 2002 Indiana University had the top spot. The University of Tennessee was ranked number one in 2001.[9]

About the same time that the *Princeton Review* released its findings, the MADD organization released its survey of the top 25 cities for having alcohol – related deaths. Tennessee placed four cities in the top 25. The study found that the average number of alcohol-related traffic deaths per 100,000 residents from 1995 through 1997 was 6.3 in Knoxville, the 25th highest among the 97 largest cities surveyed. Nashville-Davidson was fourth, with 8.4 deaths per 100,000; Chattanooga, eighth, with 7.9; and Memphis, 12th, with 7.5.[10] Additionally, the MADD report card of states for 2002 indicated that the state of Tennessee received a C- overall for its efforts related to controlling drinking and driving, with a D in the area of controlling minors drinking and driving.[11]

## University develops program

A local distributor of malt beverage products indicated a desire to assist in the education of college students related to responsible alcohol consumption by providing support for the development of an alcohol awareness program directed at post-secondary students. University of Tennessee instructors would develop such a program with original materials and present it to a class of students enrolled in the service management degree program each semester. The presentation would be updated each semester. The distributor declined any credit or publicity for this altruistic gesture. The University of Tennessee indicated that the program could be adopted in the general student orientation program.

The first objective of the study was to provide a sample of students with a program of alcohol awareness, the intent of which was to educate them to the realities of alcohol consumption personally, and to the responsibilities of alcohol service as managers. The sample was to be service management majors in two programs: Hotel, Restaurant, and Tourism Management, and Retail and Consumer Sciences.

The state of Tennessee requires that anyone serving liquor and/or wine by the drink must have a five-hour training session in the proper handling of alcoholic beverage service. It was felt that the program to be developed could satisfy the state requirement. Additionally, the five-hour program would contain additional information applicable to the management of alcohol service.

The second objective of the study was to have the Tennessee Alcoholic Beverage Commission certify the training program to satisfy the state of Tennessee requirement for alcohol service, which would represent a value added dimension to graduates and potential employers of the service management program.

**Certification requires course**

It was felt that the first objective could be obtained by establishing learning outcomes and teaching to those outcomes. The faculty of the service management program has many years of practical experience in the management of alcohol service. The second objective related to state certification would prove more daunting. The author found six approved courses that satisfied the server training requirement in the state of Tennessee and attended the training session of one in-state and one out-of-state school to experience what was being presented locally and nationally.

The in-state program was conducted at a local Knoxville restaurant. Nine students took the five-hour session which included a break and examination. It was apparent that the attendees were there because of the state-imposed requirement. After successfully completing the course, the author was certified to serve alcoholic beverages in the state of Tennessee.

The out-of-state program was held in Philadelphia in conjunction with a trade seminar and show supporting the beverage industry. This course was similar in content to the in-state program. The one obvious difference was in the attitude of the attendees. The state of

Pennsylvania does not require server certification. The attendees were present because they wanted to be educated in the specifics of beverage service related to possible abuse. Materials and information presented in the two programs were somewhat similar. The format was primarily lecture with some interaction about experiences.

Upon successful completion of the program the author was certified as having taken this specific alcohol awareness class. After seeing both programs, it was decided that the following objectives for the program would be adopted. The program would do the following:

- build on the experiences of participants
- be grounded in research, supporting the academic standards of higher education
- demonstrate an understanding of the higher education culture
- provide up-to-date publications and other reference materials
- be interactive and dynamic and utilize group problem-solving exercises
- provide academic rigor in the standards used to assess progress

The first objective would be achieved upon completion of the materials and presentation to the students. A course on "Legal Aspects of the Service Industry," a required course in the degree program, was selected to be the vehicle for the presentation. The second objective would be achieved when students were granted certification by the state.

## Two segments presented

It was decided to break the presentation into two major segments. First would be the science of alcohol awareness, including chemical composition, breakdown of alcohol in the body, absorption of alcohol into the bloodstream, the metabolic process, blood alcohol concentration (BAC), and factors that affect BAC all related to the science of alcohol consumption.

The second major segment would be the art of alcohol awareness. Students would look at the visible signs of intoxication, what constitutes acceptable identification, how to check identification, how and when to intervene in alcohol service, documentation of intervention, specific laws related to the state of Tennessee, and the unique circumstances of a university environment that impact the need for awareness.

A real life experience from the local area brings home the point that alcohol abuse can be quite destructive. A real life video was chosen to open the program. In it, a Knoxville police officer crosses the street on foot in a crosswalk. Approximately one third of the way across, the officer is hit by a vehicle then tossed upon the hood of the vehicle, sliding off the hood to the pavement in front of the vehicle. The driver was an 18-year-old female who had a BAC in excess of .12. She alleged that she received alcohol from a local bar. The criminal and civil outcome of this case is still pending.

Interactive learning was achieved through role playing in the form of what the student would do if confronted with certain situations. A set of six situations was developed that might be encountered in a restaurant/bar operation. Students were assigned to groups to discuss the various options that might be available. A spokesperson was chosen and solutions to the situations were presented to the group.

One of the final items in creating the program was to select a name; the program at the University of Tennessee is titled Beverage Ethics: College Level Education for Alcohol Responsibility, or BE CLEAR.

## Class is offered

The first session was presented in two, three-hour segments as part of a course, "Legal Aspects of the Service Industry," scheduled for 3:35 to 6:35 p.m. on concurrent Mondays, November 4 and 11, 2002. Class attendance was the same 45 students for each session. A second session was conducted on February 24 and March 3, 2003, with 30 students.

Both sessions followed the same video and PowerPoint presentation. The instructors were identical and were careful to provide consistent phraseology and presentation for both sessions. At the end of each session attendees completed an examination consisting of 50 multiple choice and true/false questions.

As a result of a post presentation evaluation the instructors were confident that the first objective of the study was accomplished for both groups. The first group, however, did not achieve the second objective of obtaining certification from the state of Tennessee. The BECLEAR program and the Tennessee Alcoholic Beverage Commission (TABC) successfully concluded their agreement about the certification process in early February 2003. The first class to receive certification was the second session in February/March 2003. Therefore the second objective had been accomplished.

Post-secondary education in the United States is considered by many to be the best in the world. A typical four-year program has approximately 40 courses representing a broad spectrum of educational offerings. Approximately 25 percent of the courses represent a general education consisting of English, mathematics, science, humanities, and history. Some argue that the remaining 75 percent allowed for specialization is insufficient. Many seem to feel that a university should concentrate on developing professional curricula that produce so many doctors, lawyers, engineers, chemists, managers, etc. While that goal is laudable, the idea of an educated man is still worth pursuing.

The need to include alcohol education seems to be axiomatic, especially in a program dedicated to the creation of entry-level managers of restaurant facilities. The power and influence of alcohol on individuals is well documented. Tragic anecdotes appear on a regular basis in academic and public media. Because of the influence of alcohol on society, it would seem that educators, alcohol producers, and sales outlets need to take the lead in educating college level students to the realities of alcohol beverage service. The knowledge should not be limited to service management graduates.

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***Carl J. Pfaffenberg*** *is an assistant professor in the Department of Consumer Services Management at the University of Tennessee.*

# Trends for meetings and expositions industry

by Marvin J. Cetron
and Fred J. DeMicco

*During the last decade, the meetings and expositions industry has flourished, even as it has struggled to cope with difficult challenges. This is a taste of things to come. In the years ahead, the global population will continue to grow and change, science and technology will tighten their hold on business and society, and the world will knit itself ever more tightly into a single market. As a result, both opportunities and trials will abound.*

More and more industries are relying on meetings and expositions to accomplish a variety of important goals. Industries set up expositions to introduce new products and services, to gauge their appeal, and to keep existing products before the public eye. Companies use meetings to promote the exchange of ideas with co-workers and competitors, and to train their people to deal with new products and procedures.

People attend meetings for contracts and contacts—to "press the flesh" with colleagues whom they ordinarily meet only through the impersonal media of telephones, faxes, and e-mail. They also attend in order to escape the daily routine in a way that still "counts" as doing business. All of these functions are becoming more important as technology raises the pressure to increase productivity and strips away opportunities for human interaction; contrary to early fears, high tech makes "high touch" even more necessary, not less so.

However, technology has its downside as well. Meetings and expositions remain important for building new relationships, but the business world's growing reliance on e-mail has begun to reduce the need for personal contact in maintaining those associations. Thus, one primary impetus for meetings and expositions may have begun to wane.

Until recently, another major reason for industry expositions was the introduction of new products. By compressing the product cycle, technology is displacing that function as well. In high-tech especially manufacturers who finalize a new product in January can no longer afford to delay its introduction for a major trade show that may not take place until June; by then it probably will be obsolete. For this function, smaller, task-specific meetings are displacing the giant industry blow-outs that once hosted product announcements. This may help to explain the sense of emptiness reported by attendees at the recent autumn Comdex in Las Vegas, a meeting once renowned for sardine-can congestion.

### Industry faces challenges

The meetings and expositions industry faces other challenges as well. Wall Street has been a continuing problem for meeting organizers. Its relentless focus on earnings per share, and its refusal to look farther into the future than the next business quarter has forced corporate executives to cut corners wherever they can, even if it means eliminating functions that could have been profitable in the longer term. Often it is meetings that get the ax.

Mergers and acquisitions are another major factor driven in part by investor expectations. As a result of mergers, the hardware industry now is dominated by just five major companies. Forecasting International has long predicted that there will be only three major airlines in the United States by 2005, a target date that now seems very likely to be met. And when two companies become one, there are fewer potential exhibitors for the next meeting in that industry. Merging companies also tend to shed employees in the duplicated functions, and thereby reduce the number of possible attendees for future meetings.

This is one aspect of a trend that FI calls "the bimodal distribution of institutions." As large companies merge and drive mid-sized competitors out of business, thanks to their economies of scale, small "boutique" participants are cropping up to serve niche markets in almost every industry. Working to attract more exhibitors and attendees from among these micro-scale competitors may be one way to make up for the losses at the top end of the corporate food chain.

### Key accounts change

Another trend that makes life harder for meeting managers is key account selling. When companies focus their attention on the 20 percent of customers who provide 80 percent of their sales, they are in daily contact with the clients who matter to them most. Inevitably, they feel less need to see them in person at large industry gatherings. This too has worked to slow the growth of demand for meetings and expositions.

It also has helped to promote the growth of another important trend. Private events are quickly eroding the market for industry trade shows. Not only for key accounts, but for potential customers companies increasingly prefer to meet their contacts in seclusion, where they need not battle competitors for attention. Some of these closed meetings are enormous, and they will continue to make up a growing part of the total market for meetings and expositions.

Though most meetings count on the local market for their success—an estimated 40 percent of attendees come from within 400 miles of the meeting—international factors also are becoming significant for many exhibition managers. In recent years, exotic meeting places have grown increasingly popular, both for small, high-end gatherings of top executives and for the promotion of international trade. Some of the developing countries are particularly in favor as venues for meetings and expositions—despite occasional problems getting equipment in and out of the country—because they have low labor costs, likely participants want the "bragging rights" for having been to them, and the countries themselves are eager to showcase their assets. This trend, too, will continue to promote the spread of meetings and expositions and increase the difficulty of managing them.

### Economy is important

Yet with all these industry-specific factors to buffet the market for meetings and expositions, the most general factor for the immediate future is still the most important. This is the global economy. If it improves, a rising tide raises all ships, and the meetings and expositions industry is likely to grow rapidly. However, a global recession would bring problems for all.

In general, there is optimism about the next 10 years. The global economy may be troubled, but it remains fundamentally sound. The economic union of Europe, America's stubborn refusal to slip into recession, and many other indicators suggest that it will be stronger in the future. Thus, the number of meetings and expositions to be managed each year will continue to grow.

Yet a number of unresolved economic issues are crucial to the world's future. If they are handled successfully, global economic growth could return quickly. If not, it may be delayed, slowing the near-term growth of this industry. Several such issues stand out:

- Japan's economic crisis clearly is not over. Industrial production fell by 8.7 percent in June 2001; compared to the year before, consumer spending fell by 3.7 percent in the same period, and unemployment in June stayed at a record 4.9 percent. In June, also, the Nikkei stock-market average hit its lowest point in 16 years. A healthy Japan will spur global trade, while a crippled one could drag at the world's economy for years.
- Russia's economy is the second imponderable. Moscow must find some way to pay its military, support its pensioners, and pay the coal miners who

keep the nation alive in the harsh Russian winter. On the way it needs to modernize its public infrastructure, which is largely worn out, where it exists at all. And it must accomplish all this without creating enough money to trigger uncontrolled inflation. Through the 1990s, it reeled from one crisis to the next, barely staying on its feet. However, the Economic Ministry claimed that the country had enjoyed strong growth of 5.4 percent in the first half of this 2001. If this growth rate can be maintained, Russia may finally have turned the corner.

- Argentina, too, must set its economic house in order. If it continues to pay its international debts, it will reassure nervous lenders to many of the world's troubled economies. If not, the shock could inhibit much-needed lending to debtor nations for several years to come.
- The collapse of America's boom in information technology sent much of Asia back toward recession, and the global contraction of 2001 has made things worse for lands dependent on international trade for their growth. In 2000, some 40 percent of GDP growth in the smaller East Asian economies came from IT exports to the United States. The loss of those exports helped to shrink global trade growth from 13 percent in 2000 to just 4 percent in 2001. At the same time, last year's prosperity encouraged Asian leaders to delay needed economic reforms, which now are even more necessary but are much less likely to occur.
- Finally, there is the course of America's "war on terrorism." A quick end to Taliban rule in Afghanistan and a decisive unraveling of Osama bin Laden's Al Qaeda terror network before it can commit further atrocities would go a long way toward restoring consumer confidence in the United States and ending any risk of deep or prolonged recession. The first half of this equation now seems likely. The second is much less certain. (Figure 1)

The authors feel reasonably confident that enough of these problems will be solved, at least well enough to prevent the current slowing of global economies from turning into a deep or lasting worldwide recession, and the forecasts have been made accordingly. However, the course of the next few years depends heavily on how successfully Japan, Russia, Argentina, and Asia deal with their challenges. It will be at least another year before the outcome of any of them is known. Anyone with even a passing interest in the future must follow events in these lands closely.

**Figure 1**
**The impact of crisis events on the stock market**

| Event | Reaction dates | % change in Dow Jones | | | |
|---|---|---|---|---|---|
| | | Between reaction dates | After reaction dates | | |
| | | | 1 month | 2 months | 3 months |
| Pearl Harbor | Dec. 6-10, 1941 | -6.5 | 3.8 | -2.9 | -9.6 |
| Korean War | June 23-July 13, 1950 | 12.0 | 9.1 | 15.3 | 19.2 |
| Sputnik | Oct. 3-22, 1957 | -9.9 | 5.5 | 6.7 | 7.2 |
| JFK assassination | Nov. 22, 1963 | -2.9 | 7.2 | 12.4 | 15.1 |
| Nixon resigns | Aug. 9-29, 1974 | -15.5 | -7.9 | -5.7 | 12.5 |
| Financial panic 1987 | Oct. 2-19, 1987 | -34.2 | 11.5 | 11.4 | 15.0 |
| Gorbachev coup | Aug. 16-19, 1991 | -2.4 | 4.4 | 1.6 | 11.3 |
| World Trade Center bombing | Feb. 26-27, 2001 | -0.5 | 2.4 | 5.1 | 8.5 |

## Opportunities do exist

Whatever happens in this macro world of global economics, the meetings and expositions industry is in for some interesting times. Growth may be more difficult to achieve than it was in the boom times of the 1980s and 1990s. Yet even in a world of e-mail, videoconferencing, and the Internet, human beings will always need to meet each other, if only to "press the flesh." Expositions may be smaller and meetings may shift to private venues—like any other industry, meetings and expositions will change with the times. However, they will still take place, and they will need professional managers to arrange and conduct them. There are not only challenges ahead, but opportunities and rewards—and for savvy participants in this industry, the opportunities will be very rewarding indeed.

## Trends are cited

There are 12 trends for meetings and expositions.

**1. Economic growth:** The economy of the developed world will continue to grow for at least the next five years. Any interruptions will be relatively short-lived.

The September 11 attack triggered one of those interruptions. On September 20, the Dow Jones Industrial Average was 14 percent lower than it had been just 10 trading days earlier; airline shares had lost 30 percent of their value in a single day. In one day alone, five Broadway productions closed their doors for lack of business. Hotels in New York City, usually filled to capacity, had occupancy rates around 40 percent. Throughout the economy, spending was down sharply and similar trends were seen throughout the industrialized world.

Yet if consumers are temporarily sitting on their wallets, there is no sign of panic in the air. People are alarmed, and they grieve for the dead. Many are grieving even more immediately for their lost jobs. Yet auto sales are strong, buoyed by zero-percent financing, and few Americans say they plan to cut back on Christmas shopping. Consumer spending will rebound, and it accounts for roughly two-thirds of the American GDP. Eventually, that engine will help to propel America and the world out of recession. Incidentally, productivity is at its highest in years because it is taking fewer workers to deliver the same production.

That is not to say that the months ahead will be easy. Export markets are weak, and managers suddenly have discovered a new aversion to risk and an uncomfortable awareness of the fragility of a just-in-time economy. For a time they will struggle to adjust, not only to immediate uncertainty, but to new doubts about long-term strategy. Goldman Sachs portfolio strategist Abby Joseph Cohen believes that economic growth will resume by the second quarter of 2002. As other countries bring their economies under control over the next two or three years, that growth will accelerate to the comfortable levels seen in recent years.

The stock market probably will come back even earlier. There simply is no other place for most Americans to invest their money. A generation of Baby Boomers nearing retirement needs the capital growth that only the stock market can give them.

The outlook for Europe remains mixed, but relaxation of borders within the European Union has brought new mobility to the labor force and is making for a more efficient business environment on the Continent.

Japan may turn the corner in 2002. The banks' write-off of bad debts, coupled with better lending practices and other reforms, could set the stage for an economic recovery, which would make Japan a much healthier trading partner for the West.

The Brazilian economy—a mainstay of the Latin American region—has proved much more resilient than some onlookers feared at the turn of the millennium, but Argentina is slipping badly. Argentina's rich are shipping their wealth overseas, always a warning of possible trouble ahead.

Many nations of the former Soviet Union are bringing order to their economies, proving themselves viable markets for goods from Western Europe. Recently, even Russia appears to be stabilizing its economy, long the weakest link in its region. The discovery of oil in Kazakhstan and new interest in the other "stans" as potential partners in the war on terrorism should further this process.

Worldwide, improved manufacturing technology will continue to boost productivity and reduce the unit cost of goods. At the same time, workers who remain on the job longer will offset slow growth in the labor force, while the globalization of business will keep pressure on salaries in the developed countries. Thus, both prices and wages should remain under control.

Oil prices have proved difficult to sustain at artificially high levels.

Despite occasional spikes when OPEC acts to reduce supplies, they will generally remain between $20 and $25 per barrel for the foreseeable future.

**Implications:**

The current economic downturn is very likely to prove relatively short lived. It will be followed by generally solid growth throughout the developed world for the remainder of this decade.

Economic unification will boost all manner of trade within Europe. In the long run, the newly capitalist lands of the former Soviet Union should be among the fastest growing new markets. In the longer term, India will expand faster than any other market in the world.

Labor markets will remain tight, particularly in skilled fields. This calls for new creativity in recruiting, benefits, and perks, especially profit sharing. This hypercompetitive business environment demands new emphasis on rewarding speed, creativity, and innovation within the workforce.

Part of American society's affluence rests on the use or overuse of credit cards. Extension of excessive credit could result in government-imposed limitations, especially on credit rates.

The growing concentration of wealth among the elderly, who as a group already are comparatively well off, requires an equal deprivation among the young and the poorer old. This implies a loss of purchasing power among much of the population; in time, it could partially offset the forces promoting economic growth.

**Implications for industry:**

Steady economic growth will ensure that major corporations and business organizations provide steady demand for meeting and exposition management and related services.

The current economic slowdown offers an opportunity for expansion, with prosperous hotels, resorts, conference centers, airlines, and management companies buying up the assets and operations of their less fortunate competitors.

The growing unification of the world into a single market will bring faster-than-average growth in demand for international meetings and expositions.

The largest international managers of meetings and expositions are likely to be among the fastest growing segments of the industry, thanks to their established record of being able to operate effectively on the global scale.

As the developing countries work to build international trade, demand for meeting and exposition services in relatively out-of-the-way places will grow rapidly. This will provide a ready market for management firms with strong local ties in these areas.

Modest oil prices will mean that air travel remains relatively inexpensive, and thus that airline traffic will recover quickly once the current uneasiness about terrorism has dissipated. This will further promote the growth of international meetings and expositions.

Some of the hottest new markets for meeting and exposition managers will be in the newly capitalist countries of Eastern Europe. Russia will join them as soon as it gets its economic and political house in order. However, the largest emerging markets are likely to be in India and China, where the cost of doing business is low (and therefore meetings cost less) and trade will continue to expand rapidly for many years.

This industry is likely to be consolidated as the largest participants build regional expertise and contacts by absorbing established local firms.

As the international market grows, particularly in lands now relatively isolated, the meetings and expositions industry will find itself increasingly exposed to the political and economic instability of Asia, the Middle East, and Latin America. The possibility of terrorist threats, kidnappings, and similar incidents will have to be taken into account in planning events in these areas.

There are financial risks as well. Meetings and expositions managers working in some developing countries have found that local legal systems were not up to the task of making sure they got paid. Others have brought costly equipment into a developing country, but without an export visa, which proved impossible to obtain, they could not take it out again.

Business goes where politics leads. For several years now, meeting managers from Europe and Asia have been staging events in Cuba with great success. Within three years, Cuban sites should be a major location for the American meetings and expositions companies as well. It could happen even sooner if Fidel Castro passes on or Congress experiences a significant change of heart.

**2. Elderly population grows:** The elderly population is growing dramatically throughout the developed world.

Those over age 65 made up 12.4 percent of the American population in 2000. By 2010, they will be 13 percent, by 2020, more than 16 percent.

In Europe, the United States, and Japan, the aged also form the richest segment of society. In the U.S., 44 million seniors own an estimated 77 percent of the nation's wealth.

These 21st century old folks are much healthier and more active than the elderly of previous generations. At the same time nostalgia also is a strong influence on them. Many older people still want to indulge in the same activities and entertainment they enjoyed in their youth, and they now have more disposable income to spend on them.

In Germany, the retirement age population will climb from under 16 percent of the population in 2000 to nearly 19 percent in 2010 and 20 percent a decade later.

Japan's over-65 population makes up 17 percent of the total in 2000, rising to 22 percent in 2010 and nearly 27 percent in 2020.

This is also true of certain developing countries. India's over-60 population is rising from 56 million in 1991 to 137 million in 2021 and 340 million in 2051.

The number of centenarians in the world will grow from 135,000 in 2000 to 2.2 million by 2050.

### Implications:

Not counting immigration, between 2000 and 2050 the ratio of working-age people to retirees needing their support will drop from 5.21 to 2.57 in the United States, 4.11 to 1.75 in Germany, 3.72 to 1.52 in Italy, 5.51 to 2.41 in Russia, and 3.99 to 1.71 in Japan. Over all, the "support ratio" in the European Union will decline from 4.06 to 1.89. This has already reduced the retirement expectations of Baby Boomers. By 2020, it will place a significant new burden on national economies throughout the industrialized lands.

Workers in the traditional retirement years represent the fastest growing employment pool, which has yet to be fully or efficiently tapped.

Barring dramatic advances in geriatric medicine, the cost of health care is destined to skyrocket throughout the developed lands.

### Implications for industry:

A wide range of new goods and services will cater to the needs of the elderly, and particularly for healthy, active seniors throughout the developed world. At the same time, the health care industry will continue to grow rapidly to meet the medical needs of less fortunate seniors. The need to introduce these products and services and keep them before the public will provide a fast-growing market for meeting and exposition management.

Exhibitions will also be used to test market products redesigned for older consumers, providing an active niche market for this industry.

The skills required by the meetings and expositions industry overlap to a considerable degree with those required for some of the services likely to be aimed at tomorrow's active seniors. It may be possible for larger participants to spin off profitable endeavors in this new market.

Retirement-age workers are especially well suited to this industry because they are polite, available for travel, available for part-time work, and can get senior citizen discounts when they travel!

**3. Information is basis:** The growth of the information industries is creating a knowledge-dependent global society.

Telecommunications is removing geographic barriers. A message e-mailed from New York to Hong Kong arrives essentially instantaneously—and costs less than a phone call to New Jersey. Copies can be sent to hundreds of different destinations all over the world with little added cost.

The Internet makes it possible

for small businesses throughout the world to compete for market share on an even footing with industry leaders.

Thanks to technology, the product cycle is becoming increasingly compressed. As recently as World War II, it took 30 years to go from theoretical idea to the release of competing products in an established market; in computing, it now takes 18 months or less. Competition among service providers is essentially instantaneous.

By 2005, 83 percent of American management personnel will be knowledge workers. Europe and Japan are not far behind.

By 2005, half of all knowledge workers (22 percent of the labor force) will opt for "flextime, flexplace" arrangements, which allow them to work at home, communicating with the office via computer networks.

In the United States, the so-called "digital divide" seems to be disappearing. In early 2000, a poll found that where half of white households owned computers, so did fully 43 percent of African-American households, and their numbers were growing rapidly. Hispanic households continued to lag behind, but their rate of computer ownership was expanding as well.

The "integrated information appliance" will combine a computer, a fax, a picture phone, and a duplicator in one unit for less than $2,500 (in 1995 dollars) by 2003. The picture will appear on a flat screen of 20 inches by 30 inches. By 2005 or so, such units will include real-time voice translation, so that conversations originating in one of seven or eight common languages can be heard in any of the others.

Company-owned and industry-wide television networks are bringing programming to thousands of locations. Business TV is becoming big business.

Computer competence will approach 100 percent in U.S. urban areas by the year 2005, with Europe and Japan not far behind.

Eighty percent of U.S. homes will have computers in 2005, compared to roughly 50 percent now.

No fewer than 80 percent of Web sites are in English, which has become the common language of the global business and technology communities.

**Implications:**

Anyone with access to the Internet will be able to achieve the education needed to build a productive life in an increasingly high-tech world. Computer learning may even reduce the recidivism rate of the growing American prison population.

Knowledge workers are generally better paid than less skilled workers. Their proliferation is raising overall prosperity. Even entry-level workers and those in formerly unskilled positions require a growing level of education. For a good career in almost any field, computer competence is mandatory. This is one major trend raising the level of education required for a productive role in today's workforce. For many workers, the opportunity for training is becoming one of the most desirable benefits any job can offer.

**Implications for industry:**

This is the technology responsible for unifying the world into a single market, and thereby expanding the global role of meetings and expositions. As the Internet spreads through South America, Africa, the Middle East, and Asia, these regions will offer greater scope for the meetings and expositions industry.

Online conferences will not replace real-world events, but will frequently supplement them. Staging these events is one skill set that meeting and exposition managers may wish to develop.

Web skills are needed in any case, as Internet sites are increasingly important in managing and marketing meetings and expositions.

Thanks to the World Wide Web, resorts, conference centers, and other destinations are finding it increasingly easy to market themselves directly to clients, rather than relying on intermediaries.

Many observers imagined that e-mail, instant messaging, and video conferences would replace in-person contact. They were wrong. In a high-tech world, executives increasingly need the "high-touch" (press the flesh) reassurance of personal relationships with their colleagues. Meetings are becoming more necessary, not less so, thanks to modern communications technology.

However, e-mail and other communications technologies are bringing new efficiency to the management of meetings and expositions over long distances.

In the next few years, when telephone systems include hardware that can translate conversations among the most common languages in real time, the process of doing business internationally will be easier still. However, the Internet is quickly making English the world's common tongue; by the time automatic translators reach the market, they may no longer be needed.

Use of high technology also makes it more difficult to find employees with the technical and computer skills required to make it work. Those who are most adept with automated booking, billing, and inventory systems and other high-tech business processes will merit higher salaries, bonuses, and other "perks" to ensure job loyalty. Those with the best people skills will be in equally high demand, as clients require both high-tech efficiency and a "high-touch" escape from the technology that dominates their working lives.

Use of high-tech communications by political activists is making extremist movements much more effective, as seen in protests against recent meetings of the G8 and other groups associated with economic globalization. This is likely to be a growing problem for meeting and exposition coordinators whenever they work with organizations or companies in conflict with anarchists and political, economic, or environmental protest groups.

**4. Diversity is influence:** Growing acceptance of cultural diversity, aided by the unifying effect of mass media, is promoting the growth of a truly integrated global society. However, this is subject to change.

Throughout the United States, people have long seen the same movies and TV programs. These media are achieving global reach. In 1999, American films took in about $29.8 billion of the $33.4 billion earned by the world's movie industries.

Information technologies promote long-distance communication as people hook up with the same commercial databases and computer networks, and above all with the Internet.

Within the United States and Europe, regional differences, attitudes, incomes, and lifestyles are blurring as business carries people from one area to another.

Intermarriage also continues to mix cultures geographically, ethnically, socially, and economically.

Minorities are beginning to exert more influence over national agendas as the growing number of blacks, Hispanics, and Asians in the United States is matched by the expanding population of refugees and former "guest workers" throughout Europe.

The rapid growth of travel for both business and pleasure throughout the European Union is quickly blurring the distinction between national cultures. In the U.K., some 21 percent of young adults answering a recent poll viewed themselves as primarily European, rather than British. Some 31 percent of French Gen Xers, 36 percent of Germans, and 42 percent of Italians also said they thought of themselves as primarily European.

**Implications:**

Over the next half century, growing cultural exchanges at the personal level will help to reduce some of the conflict that plagued the 20th century. This is likely to produce a reactionary backlash in societies where xenophobia is common. Some of the most fervent "culturist" movements will spring from religious fundamentalism. Would-be dictators and strong-men will use these movements to promote their own interests, ensuring that ethnic, sectarian, and regional violence will remain common. Terrorism especially will be a continuing problem.

Companies will hire ever more minority workers and will be expected to adapt to their values and needs.

Cultural conflicts may become more common, and dealing with them will require awareness and sensitivity. For example, Western business traditions hold that negotiations are over once an agreement has been reached; in the traditions of some Asian cultures, negotiations continue until both delivery and payment has been received. Western companies doing business in these regions often find it helpful to require security deposits, payments held in escrow, and other forms of economic guarantee.

**Implications for industry:**

In the most heavily traveled lands, management of meetings and expositions is quickly growing easier, with less risk of unfortunate incidents owing to cultural conflicts.

However, political risks are likely to grow in areas where there are strong religious or ethnic movements, especially when they may target Western or American interests. Anti-foreign movements are increasingly common in Europe, but anti-American sentiments are common throughout the developing world.

**5. Tourism will grow:** Tourism, vacationing, and travel (especially international) will continue to grow by about 5 percent per year for the next decade, as they did throughout the 1990s.

People have more disposable income today, especially in two-earner families.

The number of Americans traveling to foreign countries, excluding Canada and Mexico, increased at 5 percent per year from 1981 through 1996. Growth will continue at that rate for the foreseeable future.

Through at least 2002, depressed Asian currencies will make it cheaper to visit the Far East.

Tourism will benefit as Internet video replaces printed brochures in promoting vacation destinations. Web sites cover not only popular attractions, but current, detailed information on accommodations, climate, culture, currency, language, immunization, and passport requirements.

Multiple, shorter vacations spread throughout the year will continue to replace the traditional two-week vacation.

More retirees will travel off season, tending to equalize travel throughout the year and eliminate the cyclical peaks and valleys typical of the industry.

**Implications for industry:**

Perhaps a bit ironically, the hospitality industry is likely to become the largest single user of meeting and exposition services, both to promote their offerings to consumers and to handle their own increasingly large and frequent gatherings.

Many resort areas will become increasingly crowded, making it harder to schedule major meetings in them and degrading the attendees' experience during leisure time at the meeting.

**6. Transportation advances:** Advances in transportation technology will speed travel and shipping, both on land and in the air.

By 2010, New York, Tokyo, and Frankfurt will emerge as transfer points for passengers of high-speed, large-capacity, long-range planes with greater fuel efficiency than today's models.

Following European practice, the U.S. airline industry will begin to replace the spokes of its existing hub-and-spoke system with high speed trains for journeys of 100 to 150 miles.

Advances in automobile technology are rapidly giving us the "smart car." Standard features soon will include equipment available now only as costly options--antilock brakes, active suspension, and global positioning receivers that make it all but impossible to get lost--and gadgets still under development, including road-condition sensors, computer-orchestrated fuel-injection systems, continuously variable transmission, automated traffic management systems, smart seats that tailor the air bag's inflation to the passenger's weight, and many other innovations. These all will be in common use by 2010.

New highway technologies such as automated traffic management systems that route cars around congestion are beginning to make auto travel faster and safer in Europe and Japan. However, the United States is lagging in installing this equipment.

To reduce the number and severity of traffic accidents, trucks will be exiled to car-free lanes, and the separation will be enforced.

By 2010, air travel for both business and pleasure will reach triple the 1985 rate. Larger capacity aircraft, such as that being built by Airbus Industries, will contribute to this trend. The new Airbus plane is so large that companies will be able to hold onboard meetings while still on their way to meetings, just as they do on cruise ships today.

Airline crashes will decline and will involve fewer fatalities, thanks to such technical advances as safer seat design, flash-resistant fuels, and the use of satellites for navigation and communication in transoceanic flights.

**Implications:**

Door-to-door air travel should become noticeably quicker and cheaper over the next two decades.

Auto travel is becoming easier and more efficient wherever new highway technologies are installed.

More efficient vehicles, especially with hybrid power trains, should begin to reduce the demand for oil by 2008. This will ease one of the few remaining sources of inflation and also will help to control the high cost of driving.

**Implications for industry:**

Travel planning is likely to become somewhat easier, particularly in Europe. This will reduce the lead time needed to arrange smaller corporate meetings and other short-notice gatherings.

A "cruise-to-nowhere" will become increasingly popular for meetings where it is harder for colleagues back on land to contact and interrupt attendees.

**7. Specialization spreads:** Specialization is spreading throughout industry and the professions.

For doctors, lawyers, engineers, and other professionals, the size of the body of knowledge required to excel in a particular area precludes excellence across all areas.

The same principle applies to artisans. Witness the rise of post-and-beam homebuilders, old-house restorers, automobile electronics technicians, and mechanics trained to work on only one brand of car.

The information-based organization is dependent upon its teams of task-focused specialists.

Globalization of the economy calls for the more independent specialists. For hundreds of tasks, corporations will turn to consultants and independent contractors who specialize more and more narrowly as markets globalize and technologies differentiate.

**Implications:**

This trend creates endless new niche markets to be served by small businesses. It also brings more career choices as old specialties quickly become obsolete but new ones appear even more rapidly.

**Implications for industry:**

Each subdivision of an industry or market will create new companies and trade and professional organizations requiring meetings and expositions management services.

Specialization is for the meetings and expositions industry as well. Some of the most successful participants in the years to come will build their expertise in serving these new niche organizations. Others will specialize in providing high-tech media services, electronic polling, arranging leisure activities such as shopping and touring, catering to the needs of certain religious or ethnic groups, holding meetings for specific industries, or arranging travel, accommodations, and other services in exotic locations. Each of these niche opportunities will spawn a host of successful new meetings and expositions "boutiques."

**8. Women approach equality:** Women's salaries are beginning to approach equality with men's.

Women's salaries in the United States grew from 61 percent of men's in 1960 to 74 percent in 1991. This figure soon will top 83 percent.

In the future, women's average income could exceed men's. College graduates enjoy a significant advantage in earnings over peers whose education ended with high school. Today, some 70 percent of young American women enroll in college, compared with only 64 percent of young men.

To the extent that experience translates as prestige and corporate value, older women should find it easier to reach upper-management positions. They will strengthen the nascent "old-girl" networks, which will help to raise the pay scale of women still climbing the corporate ladder.

Women are the most aggressive business users of the Internet, according to "Marketing to Women Owners of Small Business," a recent study from CyberDialog. Some 42 percent of online B2B spending in 2000 came from the retail and business services industries, two fields to which female entrepreneurs gravitate. Total online spending for women-owned businesses reached $18.5 billion, representing 46 percent of the total for all businesses.

Thus far, this is largely an American phenomenon, but the number of women in the upper reaches of corporate management in Europe is growing. Only Asia seems immune to this phenomenon, and that is likely to change as today's younger workers reach positions of authority.

**Implications:**

More new hires will be women, and they will expect both pay and opportunities equal to those of men.

Competition for top executive positions, once effectively limited to men, will intensify even as the corporate ladder loses many of its rungs.

The glass ceiling has been broken. There are more high level jobs, and headhunters are looking for anyone who can fill them. In the current tight labor market, being a woman is no longer a disadvantage.

**Implications for industry:**

An industry already largely staffed by women will find it easier to deal on an equal footing with its peers at client companies.

Pay and benefits packages are likely to rise as women find more high quality opportunities in other industries.

Similarly, meetings and exhibitions managers are likely to find it harder to hire top candidates, thanks to growing competition from industries once reluctant to give women authority and compensation equal to that of male executives.

Since the meetings and expositions workforce contains an unusually high proportion of women who have proved willing to use Internet-based business methods, B2B marketing and other Net-oriented business practices are likely to play a larger role in this industry than in most others, and will be adopted more quickly.

With more women going to college, it will not be long before they are running a far larger proportion of the world's meetings and expositions. As the gender-blind Gen Xers and Dot-coms rise to positions of authority (see Trend 10), even Asia will join this trend.

**9. Work ethic erodes:** Tardiness is increasing; sick-leave abuse is common.

Job security and high pay are not the motivators they once were because social mobility is high and people seek job fulfillment. Some 48 percent of those responding in a recent Louis Harris poll said they work because it "gives a feeling of real accomplishment."

Fifty-five percent of the top executives interviewed in the poll say that erosion of the work ethic will have a major negative effect on corporate performance in the future.

In 1993, 60 percent of college freshmen business students surveyed said they would have been willing to spend three years in jail, be considered a criminal, and have a jail record if their crime would net them $5 million. In other polls, two-thirds of American children said they would cheat to pass an important examination; 90 percent of adults admitted that they regularly lie; and 38 percent of the under-30 population said that being corrupt was "essential" in getting ahead.

### Implications:

• From here on out, productivity gains will depend on new technology and procedural efficiency. Expecting today's workers to strive harder or put in longer hours is likely to send them looking for other employment.

• Motivation cannot be taken for granted. Managers must actively recruit workers to each new project.

• Employers may find themselves paying more for less work, especially among entry-level and low-seniority workers if job markets tighten.

### Implications for industry:

The motivated self starters on whom this industry depends will be increasingly hard to find. So will employees capable of working reliably on their own far from the home office. Finding them, grooming them for greater responsibility, and keeping them on staff will be among the greatest management concerns of the next 20 years.

**10. Generations have influence:** Generations X and Dot-com will have major effects in the future.

The 19-year Baby Boom of 1946 through 1964, when birth rates peaked at 25.3 births per 1,000 population, was followed by the 11-year "baby bust" in which birth rates fell to a low of 14.6 per 1,000. Generation X thus produced the smallest pool of workers since the 1930s; there are just 44 million Gen Xers in the United States, compared with 77 million in their parents' generation.

There are approximately 50 million people in Europe between the ages of 15 and 24; 30 million more are between 25 and 29. The under-30 cohort represents about 22 percent of the European population.

They should be renamed "Generation E," for entrepreneurship, education, English, and e-mail, assets that members of this generation share throughout the world. Gen Xers, and especially Generation Dot-com, now entering their twenties, have more in common with their peers across the globe than with their parents' generation.

In the United States, the Dot-coms and their younger siblings are almost universally computer-literate. They view computers and the Internet not just as high-tech conveniences, but as normal parts of life, and use them as automatically as their parents picked up the telephone. Their peers in Europe and parts of Asia are not far behind them.

Members of Generation X watched their parents remain loyal to their employers, only to be downsized out of work. As a result, they have no corporate loyalty at all. Many will quit their jobs at even the hint of a better opening, even if it means moving from one coast to the other just to apply for the position.

This is just one expression of a general distrust of institutions that extends to government, political parties, big business, and other foci of authority and power. More Gen Xers and Dot-coms think of themselves as independents or libertarians than as loyalists for any political party.

Self-sufficiency is almost an obsession among Gen Xers. They have seen the effects of the Baby Boom generation's failure to prepare early for a sound career and financial life. They know in their hearts that securing their personal future is their own responsibility; no one will do it for them.

This independent streak extends to the workplace. When working for others, they want management to set the goals, then get out of the way and let them get the job done however they think best.

Throughout the world, Gen Xers are starting new businesses at an unprecedented rate.

The Dot-coms are proving to be even more business oriented, caring for little but the bottom line. Twice as many say they would prefer to own a business rather than being a top executive. Five times more would prefer to own a business rather than hold a key position in politics or government.

Almost paradoxically, the new generations work well in teams, cooperating easily to achieve shared goals. This may result from growing up in two-earner households and having to take responsibility for themselves and their siblings for large parts of the day.

They are universally color-blind and gender-blind. In the workplace, very little matters to Gen Xers and Dot-coms but skills and the willingness to use them.

However, jobs are seen increasingly as an adjunct to life, not as its focus. For Generations X and Dot-com, work is only a means to their real ends: money, fun, and leisure.

According to the Bureau of Labor Statistics, Gen Xers on average have two more years of college than their parents did. In addition, the percentage of Xers receiving advanced degrees is the greatest of any generation. This trend is also seen in Europe. The under-20 cohort is remaining in school even longer and taking longer to enter the work force than before. The age at which at least half of young Europeans either have a job or are seeking one has risen from 18 in 1987 to 20 in 1995. EU-wide, 59 percent of all 18-year-olds in 1995 were exclusively in education or training.

In Europe, the drive to learn includes a strong tendency to become fluent in other languages to facilitate travel and work throughout the EU. Among affluent Gen X professionals in Europe, speaking three to five languages is taken for granted.

Many in Generation X are economically and socially conservative. On the average, those who can do so begin saving much earlier in life than their parents did in order to protect themselves against unexpected adversity. They also marry later, are more concerned with family and a stable home life, and are showing signs of being less divorce prone than the boomers have been.

They get information very quickly, from CNN and USA Today. Time is everything to them. They are not concerned with in-depth reporting.

**Implications:**

Employers will have to adjust virtually all of their policies and practices to the values of these new and different generations. Corporate cultures built by boomers for boomers are a poor fit for tomorrow's workers.

Baby Boom executives cannot count on a position of authority to win them the respect, or even the obedience, of their younger subordinates. Gen Xers expect them to be self-important, unable to work well as part of a team, and of course clueless about technology. They will not automatically obey boomer superiors, whom they view less as leaders in a job than as obstacles to getting it done. They must be recruited into the team each time they take on a new assignment, and each new boss must earn their trust from a standing start.

Managers will have to find new ways to motivate and reward new-generation employees. Generations X and Dot-com thrive on challenge, opportunity, training--whatever will best prepare them for their next career move. Cash is just the beginning of what they expect.

Education is one more aspect of the Xers' and Dot-coms' focus on their own advancement. If institutions cannot be trusted to take care of them, they must acquire all the career tools that schooling can provide. This makes them some of the most desirable workers that have ever been available. If their job requires a skill, there is a good chance they already have it. If not, they will work diligently to acquire it. It also provides one of the best ways to motivate and retain them. The opportunity for new training and broader experience is often the deciding factor in whether they will accept or keep a job.

Generations X and Dot-com are well equipped for work in an increasingly high-tech world, but have little interest in their employers' needs. They also have a powerful urge to do things their way.

Universal computer literacy will make the youngest generations much more productive than even Gen Xers if these management challenges can be met successfully.

The ruthless bottom-line orientation of the new generations could drive corporations to new levels of efficiency.

**Implications for industry:**

With a relatively young workforce, this industry will experience all the benefits and challenges of working with the new generations, and incorporating them into upper management, sooner and more emphatically than many other fields.

Their capacity for both independence and teamwork makes Gen Xers and Dot-coms a good bet to succeed in assignments far from the home office.

However, being completely "at home" on the Internet could mean that Dot-coms and the generations that follow them are more comfortable dealing with colleagues they have never met in the real world, and thus feel less need for in-person gatherings.

**11. Time is precious:** Time is becoming the world's most precious commodity.

Computers, electronic communications, the Internet, and other technologies are making national and international economies much more competitive.

In the United States, workers spend about 10 percent more time on the job than they did a decade ago. European executives and nonunionized workers face the same trend.

In this high-pressure environment, single workers and two-income couples are increasingly desperate for any product that offers to simplify their lives or grant them a taste of luxury–and they can afford to buy it.

**Implications:**

Stress-related problems with employee morale and "wellness" will continue to grow. Companies must help employees balance their time at work with their family lives and need for leisure. This is particularly true with younger workers, for whom work is an adjunct to life, not a central part of it.

Brand names associated with efficient, reliable service are coming to seem even more desirable among Baby Boomers and seniors. Among younger buyers, this is no more than a foot in the door.

As time for shopping continues to evaporate, Internet and mail-order marketers will have a growing advantage over traditional stores.

**Implications for industry:**

Small corporate retreats and other low-stress, high-productivity gatherings are likely to be one of the fastest-growing segments of the market for meetings and expositions.

In meetings of any size, many clients will appreciate cost-efficient, novel opportunities to relax in the leisure hours of their gatherings. Meeting and exposition managers who handle these secondary features well, without losing focus on central issues, will have a significant marketing advantage over more task-oriented competitors.

**12. Business will differ:** A typical large business in 2010 will have fewer than half the management levels of its counterpart in 1990, and about one-third the number of managers.

Computers and information-management systems have stretched the manager's effective span of control from six to 21 subordinates. Information now flows from front-line workers to higher management for analysis. Thus, fewer mid-level managers are needed, flattening the "corporate pyramid."

Downsizing, restructuring, reorganization, outsourcing, and cutbacks of white-collar workers will continue through 2006.

In fact, the span of control could be stretched even further, bringing new opportunities for reorganization, as tech-savvy Gen Xers and Dot-coms rise into positions of authority.

However, many companies are finding it necessary to bring back older workers, so as to preserve an effective corporate memory.

Opportunities for advancement will be few because they will come within the narrow specialty. By 2001, only one person for every 50 will be promoted; in 1987, it was one person for every 20.

Information-based organizations will have to make a special effort to prepare professional specialists to become business executives and leaders.

**Implications:**

Top managers will have to be computer-literate to retain their jobs and must make sure they achieve the increased span of control that computers make possible.

One reason there are fewer managers is that the work they oversaw is now being contracted out. This offers new markets for the firms that now handle their chores.

Finding top managers with the broad experience needed to run a major business already has become difficult and can only grow more so as the demand for specialization grows.

Executives increasingly will start their own companies, rather than trusting the old-fashioned corporate career path to provide advancement.

One way to keep the best employees where promotion is not an option is to encourage intrapreneurship and offer profit-sharing.

**Implications for industry:**

One function certain to be farmed out to specialty firms is the organization of meetings and expositions. Even companies still retaining this function in house will come to recognize that management of these events is not one of their core profit centers.

Retaining workers without the promise of promotion will be especially challenging in an industry that is heavily dependent on Gen X and Dot-com employees. This could increase the rate of personnel turnover in the next decade.

Profit-sharing plans may be the most effective substitute for promotion opportunities. It should be especially easy to tie them to performance in a field so oriented toward specific projects, rather than continuing production.

During the last decade, the meeting and exposition industry has flourished, even as it has struggled to cope with difficult challenges. This is a taste of things to come. In the years ahead, the global population will continue to grow and change; science and technology will tighten their hold on business and society, and the world will knit itself ever more tightly into a single market. As a result, both opportunities and trials will abound.

More and more industries are relying on meetings and expositions to accomplish a variety of important goals. This will provide opportunities in the future for the meeting and exposition sector.

***Marvin J. Cetron*** *is president of Forecasting International, Ltd. and* ***Fred J. DeMicco*** *is professor and ARAMARK chair of the Hotel, Restaurant and Institutional Management Program at the University of Delaware.*

# Securitization of lodging real estate finance

by A.J. Singh

*In the early 1990s, the U.S. lodging industry witnessed a severe shortage of debt capital as traditional lenders exited the market. During this period hotel lending was revolutionized by the emergence of real estate debt securities. The author discusses key factors which have affected the growth and development of commercial mortgage backed securities and their changing role as a significant source of debt capital to the lodging industry.*

An historical review of financing in the lodging industry indicates a cyclical pattern. During certain periods, capital has been readily available, while during other periods the industry has suffered from a dearth of capital.

In the 1980s, for example, excess capital availability resulted in a period of overbuilding, whereas the early 1990s were characterized by a financing drought. During the cyclical downturn and retrenchment of traditional lending sources, alternative sources of financing emerged to partially fill in the credit gap and take advantage of the depressed values of hotel real estate. In particular, new debt instruments such as commercial mortgage backed securities (CMBS), collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs) emerged during this period as new investment vehicles which revolutionized the way in which commercial real estate is financed.

Today capital sources for mortgage debt are more than four times the size of equity markets, and as of September 2001, non- government CMBS issuance was at $247.8 billion, constituting about 15 percent of the $1.676 trillion debt market.[1] Undoubtedly, CMBS's have become a major source of capital for commercial real estate.

## Historical approach taken

Given the importance of debt securities in financing commercial real estate, the study was designed to comprehensively review and analyze the evolution of mortgage-backed securities which emerged in the 1990s to finance the lodging industry. During each phase of their evolution, the study will highlight specific factors and events which have shaped the innovative debt instruments and their market. Furthermore, the study discusses the outlook of the CMBS market and the impact of securitization on real estate finance.

This is historical research which relies upon secondary literature, including texts, relevant articles, research studies, and other significant documents from each of the periods studied. Commenting on historical research, Baumgartner states that "using the historical approach, the researcher endeavors to record and understand events of the past. In turn, interpretations of recorded history hold to provide better understanding of the present and suggest possible future directions."[1]

## Topic is not new

The need to create liquidity and a secondary market in commercial real estate is not new. Some of the early initiatives in this area included the "mortgage backed bonds of the 1920s, the real estate (mortgage) trusts of the early 1970s, the industrial revenue bonds and mortgage participations and the syndications of the 1980s."[2]

As interest rates skyrocketed in the late 1970s, capital flow to commercial and residential mortgages ceased because portfolio lenders viewed illiquid real estate loans unfavorably. To resolve this capital crisis, the federal government intervened by setting up federal government agencies such as the Federal National Mortgage Association (FNMA or Fannie Mae), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), and Government National Mortgage Association (GNMA or Ginnie Mae). They began purchasing mortgages from lenders such as banks and life insurance companies, and issued mortgage-backed securities to investors. Investors were mainly attracted to these securities because of the default guarantees provided by the government agencies.

The involvement of the federal government on such as large scale played a critical role by providing early momentum which helped establish the secondary mortgage market. In the 1970s this direct-sale program, as it was known, was further extended by the creation of mortgage-backed securities. "This was the beginning of one of the most important developments in real estate lending that has occurred since the invention of the mortgage itself—the securitization of mortgage debt."[3]

## Commercial securities sold

The 1981 Economic Recovery Tax Act (ERTA) real estate tax incentives, declining interest rates, and deregulation of the savings and loan association created a conducive setting for the development and sale of commercial securities. As capital flow increased for commercial real estate, a few insurance companies, banks, and savings and loans started to utilize commercial mortgage originators, albeit slowly. The secondary market in real estate began when lenders in a particular geographical area who had more available capital than demand for it bought mortgages from lenders in geographical areas that had a shortage of capital. By 1985, the total issuance of commercial mortgage securities was $2.7 billion, growing to $8.3 billion by 1991.

While the size of this capital market was relatively small in 1980, and growth rate very slow, significant developments during this period helped organize this emerging market for commercial real estate debt securities. First, investment banks such as Salomon Brothers, First Boston, Morgan Stanley, Drexel, and others began to take notice of this market and used their expertise in the residential secondary market to design similar issues for commercial securities. Second, as banks became involved in the sale of these securities they created multiple financial securities (products which they could sell) based on the risk/return appetite of the investors, called "tranches," which refers to the multiple risk classes in a commercial real estate loan pool; this further deepened the market for debt securities. Third, the creation of tranches required the assignment of a risk rating to each class; as a result, Standard and Poor's began to assign risk ratings during this period. Thus began a period of formal analysis and evaluation, which provided investors with information and transparency about these new financial products.

Finally, the Tax Reform Act of 1986 ushered in a new era of securitization by creating Real Estate Mortgage Conduits (REMICS). This new structure facilitated the pooling and securitization of mortgages, broadened the appeal of the mortgage security to a wider group of investors, and gained preferred tax treatment for both issuers and investors.

### 1990s brings maturity

The Tax Reform Act of 1986 directly contributed to the development of the market for commercial mortgage backed securities (CMBS) in another significant way. The legislation made investment in commercial real estate less attractive by reversing tax and other accounting benefits accrued from previous legislation. Hotel and other commercial real estate projects initiated before the passage of the TRA were conceived as tax-sheltered vehicles which now became unprofitable and resulted in an overbuilt commercial real estate industry by 1989.[4]

As the industry collapsed under the burden of highly leveraged real estate assets, lenders foreclosed on numerous delinquent loans and were consequently saddled with a large portfolio of non-performing loans. Congress passed the Financial Institutions Reform, Recovery, and Enforcement Act in 1989 (FIRREA), which chartered the Resolution Trust Corporation to help liquidate the savings and loan loans and real estate owned properties. Investment banks were hired by the RTC to underwrite and dispose these non-performing loans. By 1993, the RTC had disposed of approximately $14 billion in commercial real estate assets through the CMBS market.

A variety of factors made the CMBS product attractive to institutional investors and lenders during this period. Most traditional lenders facing recent losses from direct lending to commercial real estate were more comfortable with the liquidity of a real estate security. Furthermore, FIRREA imposed stricter lending regulations that required them to maintain higher loan loss reserves and provided traditional lenders, such as life insurance companies a reason to shift debt capital to CMBSs. The impact of these factors resulted in a dramatic growth in the issuance of CMBs from 1990 to 1992 (See Table 1). The confluence of these factors resulted in a significant transformation of the secondary market for securitized debt in the early 1990s; as a result, by 1993 the total issuance of CMBSs increased to $17.5 billion.

**New period begins**

Weak real estate markets and the RTC's need for an efficient loan exit strategy drove the CMBS loan pools in the early 1990s.[5] By 1993, the original pools of non-performing loans dried up and issuers needed a fresh allotment of loan pools to sustain the emerging market for CMBSs. Therefore, beginning in 1993, securitization entered a new period called "conduit lending."

Working with correspondent mortgage lenders (the conduits), investment banks purchased mortgages expressly for creating debt securities for sale in the secondary market. From 1993-95, loan conduit lenders and investment bankers actively solicited and searched for mortgages and "manufactured" them into securities for sale in the secondary market. Their efforts sustained the CMBS market, which grew by 40 percent, for the next two years (See Table 1). Whereas CMBS was a "problem solving" tool in the early 1990s, it now became an "opportunity tool."[6] The conduit market slowed down in 1995 as portfolio lenders such as life insurance companies returned to real estate capital markets, making direct commercial real estate loans, and competed directly with issuers of debt securities.

With a growing economy and low interest rates, there was a strong interest in real estate investments from 1996 to 1998. This period also saw strong growth and maturation of the CMBS market, with a cumulative growth of 183.5

**Table 1**
**Total issuance of commercial mortgage backed securities 1984 to 2003 (August 29)**

| Year | Total Issuance (Billions) | Growth Percentage |
|---|---|---|
| 1984 | $0.2 | |
| 1985 | 2.7 | 1250% |
| 1986 | 1.1 | (59.25) |
| 1987 | 0.9 | (18.2) |
| 1988 | 1.2 | 33.0 |
| 1989 | 1.7 | 42.0 |
| 1990 | 4.8 | 182.3 |
| 1991 | 8.2 | 70.8 |
| 1992 | 14.0 | 70.7 |
| 1993 | 17.5 | 25.0 |
| 1994 | 20.2 | 15.4 |
| 1995 | 18.9 | (6.0) |
| 1996 | 29.7 | 57.1 |
| 1997 | 44.0 | 48.2 |
| 1998 | 78.4 | 78.2 |
| 1999 | 67.9 | (13.4) |
| 2000 | 61.0 | (10.2) |
| 2001 | 97.0 | 59.0 |
| 2002 | 94.9 | (2.16) |
| 2003 (Aug 29) | 53.7 | |

**Source:** Commercial Mortgage Alert

percent from 1996 to 1998 (See Table 1). The CMBS market started to slow down after reaching a market peak in 1998 with a total issuance of $78 billion. From 1996 to 2000, the lodging industry witnessed its strongest performance in terms of demand, revenue, and profitability growth, and growth through mergers and acquisitions. Consequently, during the period from 1997 to 1999 the percentage of hotel loans as a component of securitized loans also increased, with a peak in 1998 of 12 percent (See Table 2).

### Market in 2000 declines

The new millennium saw a relatively softer CMBS market in the United States. Total issuance that year was $61 billion, as compared to $67 billion in 1999, with total hotel issuance of $4.7 billion as compared to $6.7 billion in

**Table 2**
**Issuance of hotel CMBS**
**1995-2002**

| Year | Total Hotel Issuance (Billions) | Hotel CMBS Percentage To Total Issuance |
|---|---|---|
| 1995 | $0.0 | 0.0% |
| 1996 | .7 | 2.3 |
| 1997 | .4 | 9.4 |
| 1998 | 9.7 | 12.3 |
| 1999 | 6.7 | 9.9 |
| 2000 | 4.7 | 7.7 |
| 2001 | 5.9 | 6.0 |
| 2002 (Q1) | .5 | 3.9 |

**Source:** Commercial Mortgage Alert

the previous year. A lack of properties in need of refinancing combined with rising interest rates were two factors which influenced the low CMBS volume in 2000. Specifically, as of August 2000, CMBSs backed with hotel and retail mortgages waned in popularity.[7] Nevertheless, in the more recent environment of 2001-02, CMBSs preserved their status as a mature financing vehicle and an important source of debt capital for the commercial real estate industry.

Two issues have affected the current environment of the CMBS marketplace. First, the terrorist attacks on September 11, 2001, accelerated the already weakening economy and real estate markets. Second, while the "event crisis" generated by the attack affected all property types, the effect on certain property types, such as hotels, was much more catastrophic. These two combined effects of the terrorist attacks resulted in a reduction of CMBS issues in 2002. The outlook in 2003 is more positive, with the issuance as of the first half of 2003 at $41.22 billion as compared to $31.74 billion for the same period last year, an increase of about 30 percent. Commercial mortgage backed securities spreads also continued to narrow, a further reflection of the shortage of new issues (See Table 3).

## Downgrades expected

Most market analysts expect to see more downgrades versus upgrades as rating agencies take stock of the current environment and as delinquency rates on loans rise, resulting in loan defaults. Ninety percent of the participants responding to a *CMBS World* survey expected delinquency rate to rise. The most pessimistic projec-

**Table 3**
**Commercial mortgage backed securities trading spreads above 10-year treasury bonds (in basis points) 1998-2002**

| Class | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|
| **Returns of 10-year treasury bonds** | 4.87% | 6.44% | 5.11% | 5.05% | 3.81 |
| **CMBS trading spreads** | 1998 | 1999 | 2000 | 2001 | 2002 |
| **AAA** | +140 | +124 | +147 | +130 | +93 |
| **AA** | +165 | +144 | +162 | +150 | +107 |
| **A** | +190 | +164 | +177 | +175 | +122 |
| **BBB** | +270 | +210 | +235 | +225 | +183 |
| **BBB-** | +350 | +295 | +280 | +265 | +224 |
| **BB** | +575 | +525 | +525 | +575 | +450 |
| **B** | +825 | +800 | +815 | +1000 | +950 |

**Source:** Morgan Stanley Dean Witter

tions were 5 percent with optimistic estimates being 1.22 percent.[8] Compared to 1.6 percent in 2000 and .67 percent in 1999, this is a monumental increase. Examples of recent downgrades by rating agencies Moody's and Fitch's default projections outlined in Tables 4 and Table 5 illustrate the current mood of CMBS analysts. The downgrades in Table 4 were loans collateralized by five upscale Hilton hotels, a segment which was most impacted by the recent downturn in travel. Interestingly, recent survey results reveal that CMBS market participants were more concerned about limited service hotels versus full-service hotels with regard to loan originations and inclusion in CMBS loan pools.[9]

While the short term forecast for the lodging industry is pessimistic, industry analysts are more confident of growth and recovery in 2003. In a recent interview, Jacques Brand, managing director with Deutsche Bank,

**Table 4**
**Moody's downgrade of HHPT 2000-HLT March 14, 2002**

| Class | To | From | Notches |
|---|---|---|---|
| C | Aa3 | Aa2 | 1 |
| D | A3 | A1 | 2 |
| E | Baa1 | A2 | 2 |
| F | Baa3 | A3 | 3 |

**Source:** Moody's, Merrill Lynch

stated, "There is virtually no hotel supply coming online in the late 2002 and certainly not any in 2003. Therefore, with virtually no new supply and with demand historically growing with GDP, the industry should be poised for growth in 2003. As the U.S. comes out of this economic downturn over the next year, I expect the lodging sector to fare extremely well."[10]

The results of Table 5 indicate an overall increase in expected defaults and delinquencies in the CMBS portfolio. Not surprisingly, hotels are expected to default at a higher rate than the core properties (4.0 percent versus .60 percent). The expectation of increasing defaults in the hotel sector partly explains the reason why CMBS originations and issuances are low this year. In a recent interview, Arthur Adler of Jones Lang LaSalle Hotels said that lenders are having difficulty underwriting the hotel industry based on the uncertainty in their future performance as an aftermath of September 11.[11]

Analysts at rating agencies such as Moody's and Fitch are being extremely cautious and conservative in including hotels in the loan pool and rating hotel mortgages. Moody's believes that it might take a year or more for travel patterns and lodging demand to reach normalized levels. Additionally, in their opinion, recovery will not be uniform but based on the market segment and location.[12]

### Conservatism is present

In a similar vein, Fitch plans to take a very conservative approach in underwriting hotel assets by reducing the 12-month trailing REVPAR by 20 percent. Furthermore, their analysis will inflate fixed and variable expenses in light of recent increases in costs. In particular, the cost for insurance for commercial properties has risen since September 11. Hotels in particular expect these costs to increase from 15 to 50 percent, depending on the line of coverage. Referring to insurance costs, Tony Rodolakis, vice president of risk management for Starwood Hotels & Resorts, recently stated, "The biggest increases are on the prop-

**Table 5**
**Default/delinquency rate outlook**
**2000 vs. 2002**

| Property Type | 2000 Default Rate | September 2001 Delinquency Rate | 2002 Default Rate | 2002 Delinquency Rate |
|---|---|---|---|---|
| Core* | 0.40% | 0.80% | 0.60% | 1.55% |
| Hotels | 1.50 | 2.50 | 4.0 | 7.50 |
| Healthcare | 3.50 | 9.50 | 3.50 | 13.88 |

*Core properties (office, retail, multi-family and industrial)

**Source:** JP Morgan and Fitch

erty side. We are in the midst of renewing now and anticipate a 50 percent increase."[14]

## Losses less severe

While CMBS issuances are expected to pick up in the second half of 2002, the outlook for the balance of 2002 is lower than 2001 levels. This is the combined result of rising delinquency rates, concern over the health of the hotel, health care, and retail sectors, potential for increasing interest rates, decline in loan maturities, and the threat of new terrorist activities. Overall, the CMBS issuances and secondary market volume should remain healthy throughout the year, responding to events as they unfold in an orderly manner.[15]

Key results from *CMBS World*'s recent survey further strengthen this expected outlook. Survey participants indicated that losses will be less severe than the last recession, with more than 56 percent of the participants believing that the CMBS market will survive the economic downturn and actually emerge stronger; another 33 percent believe that it will survive but remain the same. As testimony to the purported market discipline imposed by the securitization process, two thirds of the respondents indicated that underwriting on deals would be tougher, with a strong consensus on this question among investment bankers, investors, originators, and rating agencies.[16]

Finally, as the CMBS market continues to evolve, three events will affect the future development of the secondary market. First, since November 2000, new ERISA (Employment Retirement Income Security Act) legislation has allowed pension fund managers to invest in CMBS tranches rated BBB or higher. With this change, the eligible securities for investment increased by about 25 percent, which in turn may increase the capital flow into the CMBS market. Second, recent analyst research has identified a strong correlation between the movement of CMBS spreads and spreads of similar maturity interest swaps. Using this information, a portfolio manager could "reduce interest rate risk on warehoused loans by building hedge positions as the warehouse portfolio grows, then unwind the hedge upon issuing the CMBS securities collateralized by the loans."

Finally, the biggest issue in today's market is the lack of buyers for the lowest CMBS tranches, termed as "B-piece buyers." Since there are very few firms which purchase these lowest rated and highest risk tranches, they exert a strong influence on the process of securitization. They have a strong voice in determining which loans are included in the securitized pools, and can demand the removal of loans which they feel are too risky. In effect, their actions raise the quality of tranches they purchase and increase the overall quality of the security issue. In the future, the extent to which the CMBS issuers are successful in retaining and attracting more firms to absorb these lower-rated tranches, the secondary market will remain flat, grow, or decline.[17]

As the 21st century progresses, the interrelated events and lessons learned in the past decades have restructured capital sources and redesigned lodging industry finance in many ways. With the introduction of new sources of finance, the lodging industry is no longer dependent solely on the traditional lending sources such as commercial banks and life insurance companies. Securitization created a new financing vehicle by introducing a public source of capital. With the creation of new and alternate sources of financing and resultant increase in competition within the capital markets, borrowers may benefit by a reduction in the cost of capital. While competition may favorably impact the cost of capital for borrowers, they are now faced with more stringent underwriting terms with the introduction of rating agencies that critically analyze and rate securities based on the quality of the mortgage collateral. This, however, is beneficial to the industry as a whole by introducing market discipline, which should prevent the overbuilding excesses of the 1980s.[18]

**Base is broadened**

With the introduction of tradable securities, the investor base for commercial real estate has broadened. Previously, capital sources for the industry were restricted to those who were knowledgeable about a particular property type, such as hotels. With the introduction of securities backed by a diversified asset base and rated to suit the risk tolerance of investors, knowledge of hotel industry dynamics is not a prerequisite for investment.

As real estate and public markets become more integrated, capital market factors exogenous to the property markets have an impact on the flow of capital to real estate. For example, the Asian currency crisis disrupted fixed-income markets and triggered widening CMBS spreads in the fall of 1997. None of these events had anything to do with local property market dynamics.[19] Conversely, however, positive global market factors will result in increased capital flow to real estate.

When hotel borrowers are not able to meet their payments, they were previously accustomed to dealing with their neighborhood banker who worked with them based on past relationships. However, with securitization, pooling and servicing agreements transfer the administration of delinquent loans to special servicers who then will decide in favor of a workout or foreclosure, purely on the merits of the case.

After receiving their early impetus in the 1970s with the involvement of the federal government in providing liquidity to the residential capital markets, the secondary mortgage markets continued to grow through the 1980s with the involvement of investment banks that engineered specific investment bonds to suit the commercial investor. As traditional lending sources reduced significantly, the CMBS markets grew rapidly and matured in the 1990s. While the growth in issuance of CMBS offerings has slowed in the past few years, they are recognized as a significant financing vehicle comprising 15 percent of the market for debt capital.

The increased competition, which this new source of financing brought to the capital markets, has resulted in lower financing costs for hotels, while exposing them to changes exogenous to the hotel property markets, as well as to more merit-based foreclosure risks.

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***A. J. Singh** is an assistant professor in the School of Hospitality Business at Michigan State University.*

# Obesity and air travel: weighing up the issues

by Martin A. O'Neill

*It may soon be the norm for many airline passengers arriving at the check-in desk of any international airline with both stow-away and carry-on luggage to be asked to step onto the weighing scale as the airlines attempt to compete and remain operationally viable in what has become for most a cut-throat and highly litigious operating environment. The author's commentary seeks to highlight a number of the issues surrounding the current impasse. It is also intended to catalyze a more healthy and informed debate aimed at finding an acceptable resolution to this crisis prior to one being imposed which fails to satisfy the needs of either camp.*

This issue has found its way onto the boardroom table of most air carriers because of obesity. The one common denominator shared by affluent and underprivileged members of global society alike is threatening to, at the very least, change the economics of the airline game and, at the very worst, potentially ground carriers for what may be perceived as active discrimination and contravention of the civil liberties of obese travelers.

At first glance it seems that yet another section of the community is being victimized by an industry that has long since been accused of flouting the needs of the traveling public in the interests of increased efficiency savings and the bottom line. On scratching a little deeper, however, it quickly becomes clear that the issues (health, safety, legal, and ethical) are a little more complex with logic and common sense prevailing on both sides of the debate. While the academic press has been slow to react to this issue and the very real threats posed to both the airlines and the traveling public, the news media have been making much play of the issues.

## Obesity is global

Obesity as defined by the British Heart Foundation[1] refers to an excess amount of body fat. The whole body or just a specific part can be affected, but there appear to be two main types. Central obesity, for example, refers to fat which has gathered around the abdomen. This may heighten the risk of cardiovascular disease and diabetes. Lower body obesity on the other hand is when these same fat cells choose to settle around the thighs and hips. This is more prevalent in women and has a lower risk of heart disease.

According to the North American Association for the Study of Obesity[2] it is the number one nutritional problem in the United States. Indeed, NAASO statistics suggest that more than half of all U.S. adults are now considered overweight, with a 61 percent increase recorded from 1991 to 2000.[3] As shocking as these figures are, the U.S. is not alone with obesity rapidly becoming a world problem associated with many chronic diseases including heart disease, diabetes, hypertension, and many other common forms of cancer characteristic of industrialized societies.

Nutrition Australia[4] for example suggests that almost 47 percent of Australian women and 63 percent of Australian men are overweight or obese, and it is estimated that by 2010, 70 percent of Australians will be above their healthy weight range. Similarly, the Association for the Study of Obesity[5] in the United Kingdom suggests that England and Scotland have one of the fastest growing obesity rates in the world. According to ASO, the obese population more than doubled between 1980 and the early '90s, with latest obesity rates showing 21 percent of men and 23.5 percent of women over 16 years in England being classed as obese.

## Obesity affects airlines

Given the global reach of the phenomenon and the fact that at the same time the international air travel sector has been experiencing one of the most difficult operating climates in its history, it is not surprising that some form of conflict should have arisen. Two issues more than any other have come to the fore as of late: first, the recent increase in venous thromboembolism and the likely causal effects associated with air travel (ATVT) and, second, the issue of so-called pricing discrimination by the airlines in relation to obese people. The former, of course, more commonly referred to as deep vein thrombosis (DVT), has been a recurring subject in the media over the last five years, with many suggesting a link between actual air travel and the incidence of this illness. While the medical jury is still out on this issue, it seems, for the present at least, there is no confirmed link between air travel and DVT. That said, evidence presented at a World Health Organization[6] Conference held in Geneva in 2001 to discuss this very issue did suggest that "any link between air travel and DVT mainly affected passengers who already had additional risk factors – such as obesity, a history of venous thrombosis, hormone treatment , etc."[7]

Unlike the latter of the two issues, however, arguments surrounding the DVT debate do not in any way suggest any form of discrimination against obese people; rather the most serious charge to date relates to blind negligence on the part of the airlines in relating their health tips for all travelers, whether obese or not. It should be pointed out that, for the most part, the airlines have responded well to this threat, even in the absence of inconclusive medical proof regarding the existence of such a link, with the International Air Transport Association now issuing a guide entitled "Health Tips for Air Travelers."[8] This document is particularly wide ranging and is intended to serve as a guideline for airlines to use when providing health information to their passengers. It addresses many issues, ranging from dealing with the cabin environment, to travelers with special needs, to stress, fatigue, and jet lag and immobility and circulatory problems. In turn, this has led most airlines to offer in-flight health advice to all travelers in order to minimize and/or prevent any such problems.

### Pricing is contentious

The issue of pricing policy, however, is proving a much more contentious subject for all concerned. Enter Southwest Airlines, long heralded as a breath of fresh air within the U.S. travel sector. Southwest has been at the forefront of recent efforts to re-humanize the airline industry.[9] Under the guidance of Chief Operating Officer Herb Geller, Southwest has revolutionized the U.S. airline sector over the last 20 or so years and set the standard for others to follow by re-injecting service back into a sector that seemed to forget what business it was in.

From its very inception, Southwest has become synonymous with both service excellence and value for money. However, recently Southwest was pilloried by sections of the regional and national press for its supposed unfair treatment of obese travelers and faced accusations of discrimination, insensitivity, and victimization in relation to its treatment of such individuals. At the heart of the debate is Southwest's pricing policy (Contract of Carriage) which requires that any customer occupying more than one seat be required to pay for that extra seat. This has enraged passions on both sides of the debate causing a frenzy of media stories in relation to what is an already well accepted and practiced airline pricing policy.

One news staff columnist for example, asked, "Would smaller passengers be able to ask for a discount? Do double seat passengers get extra peanut snacks? Wouldn't airlines prefer larger passengers who could help overpower would-be terrorists?"[10] It is unfortunate that the debate has sunk to such levels of ridiculousness and the respective view-points of both sides overshadowed in the interests of increased copy sales, for as the following will show, the issues are very real and very sensitive for all concerned.

## Complaint is filed

Acting for the plaintiff (so to speak) is the American Obesity Association and the National Association to Advance Fat Acceptance (NAAFA). In June 2002 the American Obesity Association filed a complaint against Southwest's policy of charging overweight passengers for an extra seat; the rationale used to challenge Southwest's policy was discrimination based upon size. The case for the plaintiff is best represented by NAAFA's public relations officer Jeanette DePatie, who at a 2002 think tank entitled "Airlines and Fat Passengers" offered the following statement in defense of the rights of obese people:

> We at NAAFA are saddened and angered by Southwest Airlines recent decision to enforce their 'person of size policy.' We believe that every person, regardless of body size, has the right to travel free from harassment. Airlines routinely accommodate other groups of passengers with special needs, such as those in wheelchairs, older persons with mobility problems, and children traveling alone. Yet they consistently ignore the special needs of fat passengers.[11]

DePatie goes on to outline a number of discrepancies with Southwest's supposed fair and impartial policy, stating that among other things it is not always clear when a passenger will be required to buy two seats. She states that the decision often seems somewhat arbitrary and not always handled with appropriate sensitivity.

NAAFA also has a problem with what might be perceived as the rather unfair practice of charging a person for two seats, but preventing them from earning double frequent flyer miles. While Depatie levels much of NAAFA's criticism at the airline's treatment of obese people, the airline manufacturing industry also comes in for criticism:

> We feel that today's aircraft simply are not equipped to deal with larger passengers ... The seats do no meet the needs of many of today's passengers. We at NAAFA don't want to take anyone else's space and don't believe anyone should have to be uncomfortable. But at 17 inches to 20 inches, airline seats are very small. In addition, the restroom facilities are extremely small and difficult for large passengers to navigate.

This, of course, is an accusation that most seasoned air travelers, regardless of size, would have no hesitation agreeing with. See Table 1 for a summary of the arguments for and against this policy.

**Table 1**
**Arguments for and against differential pricing policy**

| Airlines | Traveling Public |
|---|---|
| • Good business sense – customers pay for what they consume | • Perceived price discrimination based upon size |
| • Safety concerns for *all* travelers | • Policy not applied uniformly |
| • Comfort for *all* must be considered | • Routine accommodation of other passengers with special needs without penalty |
| • Fairness and equity in price of carriage | • Poor aircraft design |

At the heart of NAAFA and other cases is the notion that this is a form of discriminatory pricing and a violation of civil rights laws.[12] Flouted by some as a "fat tax" [13] it is felt that the practice is inherently unfair and disadvantageous to an already stigmatized section of the community, a charge it seems that other sections of the community are also happy to level in the airline's direction. The Tall Club, for example, which represents the interests of U.S. citizens over the height of 5 feet 10 inches for women and 6 feet 2 inches for men, filed a suit in 2001 in San Mateo County Superior Court asking airlines to allocate seats with more leg room to tall people who identified themselves to the airline 48 hours in advance.[14] As Thomas Cohen, attorney for the Tall Club, puts it, "We're not telling them build new seats. We're saying, you already have 'em, just don't put short people in them."[15]

Similarly, the Canadian Transport Agency has recently been forced to deal with this very same issue following a 1997 complaint lodged by a passenger who was forced to pay for one and one-half seats on an aircraft because of her size. At the heart of this complaint was the notion that this individual considered her obesity a disability, which if upheld by the transport agency may have led to the more serious accusation of discrimination. Following a four-year debate, the CTA finally issued a decision on the question of whether obesity could be considered a disability for the purposes of transportation, concluding that "obesity, per se, is not a disability for the purposes of Part V of the Canada Transportation Act."[16] Further, the agency stated that it could find no evidence which "would support the conclusion that obese persons necessarily experience participation restrictions in the context of the federal transportation network." This, of course, is similar to the U.S., where the Justice Department, which administers basic civil rights laws, and the Americans with Disabilities Act, has never held that obese people are a protected class or that obesity is a disability.[17] Not withstanding this, the CTA did find that the evidence presented suggested there may be individuals within society who are obese and who in fact "have a disability for the purposes of the Canada Transportation Act." The outcome was that the agency would look into the merits of individual cases on a case by case basis.

So what of the airlines in all of this? Are they really that insensitive and uncaring as to the needs of obese travelers? There is no doubt that in many cases things could be handled a little differently and with a greater degree of sensitivity, but as the following will show, their logic is for the most part sound.

### Four issues surface

From a review of the very sparse literature, there appear to be four issues of concern, which by and large relate to both the airlines and the needs of other passengers. These include common business sense, safety concerns, comfort, and equity.

Looking first at the issue of business logic, the justification is clear; present day economics dictate the need for such a policy. From its humble beginnings following the end of World War I, the international air travel sector has witnessed unprecedented growth and expansion and at the same time has had to learn to survive during some of most catastrophically turbulent times in recent business history. None is more so than from its entry into the new millennium, when the long-feared threat of global terrorism at last forced its way onto billions of television screens. This, coupled with the ongoing crisis in the Middle East, has led to heightened fears among many travelers over the safety of air transport and a corresponding drop in demand for international air services. While great news from a domestic tourism perspective, this dire operating environment has forced many carriers into liquidation and brought many more dangerously close to the abyss that is the airline graveyard at the Evergreen Air Centre, North of Tucson, Arizona.[18]

Indeed, it is one of the great paradoxes of the airline business that in over half a century when air travel has been central to the growth of the mass tourism phenomenon, industry performance has been characterized more by economic hardship, receivership, and bankruptcy than the wealth, growth, and prosperity ordinarily associated with its dependent, tourism. The operating environment of the international airline business has always been such that margins are at best slight and costs for the most part uncontrollable. To make matters worse, of course, and as has already been shown, the marketplace is characterized by volatility and prone to events and fluctuations far and away beyond the control of any within this sector. While the airlines have been reasonably successful in bringing a form of scientific method to bear upon their capacity in problem solving efforts, the nature of the present-day operating environment dictates that, for many, this is still very much a crystal ball exercise.

It is not surprising therefore, when so many jobs are on the line that airlines should seek to earn as healthy a return as is possible from seat sales. Put simply, there is very little margin for error, given the present cost structure of the business. The Southwest policy is only to charge the appropriate discounted child's fare if an extra seat is determined necessary and to offer a full refund if the aircraft is shown not to be full to capacity.

In defense of the Southwest policy, Steve Dasbach, Libertarian Party chief executive, posits the following, "Why shouldn't a business be able to charge customers more money if they use more of a particular product?"[19] This is the exact point the airlines are making; they are in business to make a profit, and each seat sale contributes to that profit. As such, it makes perfect business sense that the traveler pays for what he or she consumes. Southwest is not alone in this practice. According to Andrew Compart, a columnist with *Travel Weekly*, "Many of the major U.S. airlines have similar policies. For example, American also requires purchase of a second seat. So does Northwest, which won't offer a refund even if seats fly empty."[20]

## Safety issues surface

The second argument, safety, relates to the interests of all travelers, whether large or small, and is even the subject of a present Federal Aviation Authority inquiry into load factors for smaller regional and or local commuter aircraft. The FAA is seriously investigating whether inaccurate estimates of passengers' weight played a role in the crash of a U.S. Airways Express commuter plane in North Carolina on January 8, 2003. This accident, of course, led to the deaths of all 21 people aboard. In a recent commentary on the progress of the investigation, *USA Today* reported "Using government guidelines, the airline calculated the plane's weight at close to its capacity of 17,000 pounds. But because of passengers' expanding girth, those calculations may underestimate the real load."[21]

This has forced the FAA to insist that commuter plane operators check passengers' weights to determine whether a better gauge is needed. Beginning in May 2003, commuter plane passengers are given a choice: either step on the scale or confess their weight, which airlines will add 10 pounds to in order to account for cheaters. Precise passenger and luggage weight is crucial on small planes, where several people with a few extra pounds can tilt the plane away from its center of gravity.[22]

Before any plane can take off, the pilot must calculate the weight of the aircraft, its passengers, their luggage, and the crew. This is necessary in order to determine what seats should be occupied in order to ensure even weight distribution and balance. This, of course, only relates to small planes, but nonetheless serves to highlight the very serious nature of the obesity problem as faced by the regional commuter airline sector today.

It is difficult to fathom, however, how this argument holds up in relation to the larger national and international carriers and the load-bearing capacities of today's jet aircraft. Clearly, weight isn't as significant a factor when it comes to both getting and remaining airborne.

### Comfort concerns arise

The third argument relates to comfort and the in-flight health and safety of all passengers. This, of course, is where the argument gets just a little distasteful for many. According to DiCarlo, "The airlines are in an impossible situation here, and appear to be caving into political correctness: catering to the complaints of a vocal minority while ignoring the comfort of the majority."[23] When confined to single seats, most obese people have a tendency to invade the space of others around them so much so that they even restrict mobility for other passengers.

This was well publicized in a 2001 high profile dust-up involving a trans-Atlantic commuter and Virgin Atlantic Airways. The commuter apparently suffered leg injuries after being seated next to an obese woman "who spilled over into her seat, reportedly squashing her." This resulted in an out of court settlement of approximately $20,000 compensation, paid to the commuter in April 2003. The issue is one of disturbance and discomfort for other travelers who feel every bit as justified in voicing their concerns and can be every bit as vocal as those representing the interests of the obese community. It is not surprising then that on this issue the airlines find themselves stuck between a rock and a hard place, where the only fair and reasonable solution is to insist that the rights of all passengers be protected.

### Equity must be applied

The final argument concerns this very issue, equity and justice for all air travelers. A case in point is a person of average height, weight, and build, arriving at the airline check-in desk being told that he or she has exceeded the luggage allowance by some 20 pounds. The attendant points out that the flight is full and that extra baggage costs will have to be applied. However, if the next person in line exceeded the previous person's body weight by as much as 50 pounds, but remained below the normal baggage allowance, he or she would incur no extra charge.

This, of course, is a situation confronting many travelers on a day-to-day basis, and one that on the face of it seems very unfair. Indeed, from a social exchange theory perspective it is unfair. The issue relates to that of both distributive and procedural justice, where procedural justice relates to resource allocation and the perceived outcome or exchange.[24] Procedural justice, on the other hand, relates to the means by which decisions are made and conflicts resolved.[25] In much the same way as obese passengers feel aggrieved by having to purchase two seats, so also non-obese passengers may feel they have a legitimate grievance in relation to what they perceive as a relatively disproportionate luggage allowance. So where, if at all, is the middle ground on this issue?

### Middle ground is critical

Clearly the issues are not as straight forward as the press has made out, with strong and heartfelt arguments on both sides of the debate. The challenge, however, is not to find an accommodation that suits one or other party, but one that is perceived to be fair and equitable to the needs of all travelers. Some have suggested the provision of just a few larger seats on all planes, which could be assigned specifically to the few obese travelers availing of a carrier's services. Evidence suggests, however, that obese travelers are no longer the exception they once were, and such a small scale solution may not cater satisfactorily to the needs of an ever-increasing obese community.

Airline economics also shoot this proposal down, as such an accommodation would most probably mean increased fare structures for all travelers in order to maintain existing profit margins. This, of course, might be countered by increasing the fare structure for these seats only. It is unlikely, however, that obese travelers will risk paying an increased fare for such a seat when a plane may not fill and extra seats may ordinarily be available free of charge.

Perhaps a more workable solution might be to set a body weight allowance for passengers in much the same way as the airlines currently do for luggage allowance. Simply decide upon a price per pound, set an upper limit above which all passengers are required to pay for two seats, and charge the same poundage rate for all. Passengers would be required to declare their weight at the time of booking their flight; this would be verified at the time of check in by asking all passengers to step on the scale. If a passenger is found to have deceived the airline, he or she should be offered a simple choice, either pay the extra money due for excess body weight or don't board the flight. As much of an inconvenience and as invasive as it might seem, this is most probably where commercial passenger carriage is heading.

Needless to say, the issues are complex and much research needs to be conducted in order to attest to both the airlines' and the consumers' attitudes to each of the issues raised, i.e., safety, comfort, equity, and justice for all.

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***Martin A. O'Neill** is an associate professor in the department of Hotel and Restaurant*

# In my opinion... Good intentions don't count

**by Alan J. Parker and Marcel Escoffier**

*While simple guest surveys can be poorly constructed with little negative consequence, often surveys are used in making important policy decisions. Researchers and policy makers must carefully construct their research instruments in order to avoid biases which may result in muddled or incorrect responses. The authors review the process of creating, administering, and analyzing surveys with an eye toward reducing survey bias to a minimum. Reliable results require a rigorous and careful approach when creating and using instruments.*

With the rise of the Internet, information is more available, more widely disseminated, and, potentially, more unreliable than ever before. The idea of information being more readily available is one of the greatest contributions of the Internet, especially for students and faculty in academic settings. A problem arises because the information is not evaluated by some reputable or knowledgeable source prior to its posting to the web. While academic journals have their peer review, and even popular journals have some editor review articles before they go to press, the net allows just about anyone to post just about anything. Students are particularly susceptible to accepting as truth most information obtained through the Internet unless it clearly comes from some obviously ridiculous source (e.g., www.lies.com). Even then, if the information is relevant to their needs (i.e., term paper due in the morning), they may use it.

In the hospitality industry surveys and opinion polls are frequently produced and widely disseminated via the Internet. Unfortunately, many studies are flawed, some irreparably so. Even though a researcher may be "pure of heart" and driven by the highest motives, unless a study conforms to the basic tenants of good research statistics, it may be useless.

As a case in point, a study was put on the HOTEL-ONLINE site as a special report. Obvious errors were committed by the investigators, but, perhaps most maddening, the report's conclusions are of great importance to the hospitality industry. The results showed that 90 percent of those in the United Kingdom (UK), 70 percent of Australians, and nearly a third of all Americans believe that tourism development is in danger of destroying the environment.[1] If the report is true, such an important finding would have important ramifications in the industry. But in order for such a conclusion to be valid, certain steps must be taken to ensure the reliability of any study. These issues will be discussed.

### Methodology is an issue

At issue in the methodology is if the survey instrument (the questionnaire) makes sense as to its content (construct validity, understanding by those who are asked to fill it out, etc.), length, and internal consistency (i.e., do the questions asked seem to relate to one another and are the responses similar to similar questions?) Perhaps more importantly, a prime source of research bias is the incorrect choice of a sample of subjects.

One obvious problem with any study is that those asking the questions (the interviewers, or the ones who wrote the survey) usually have much more knowledge of the subject matter than do those answering the questions. A group interested in pandas and their preservation probably know a wealth of facts concerning panda physiology, range of habitat, eating preferences, etc., that would be well beyond the level of even a moderately interested member of the general population. It becomes too easy to ask respondents very detailed questions which they know little or nothing about. Most people tend to be helpful, friendly, or interested, so they answer these types of questions as best they can (i.e., trying to satisfy perceived expectations of the person who is administering the survey).

Just this past month, one author experienced such an event in dramatic detail. A major university is building married student dorms in the community. University surveys showed no strong community opposition to the project. The questionnaire was clearly written, short, to the point, and personally administered by a university official who knocked on every door in the neighborhood. Aroused neighbors formed a neighborhood group which conducted its own survey of all neighbors in the immediate area which found very strong negative feelings toward the proposed project. The same sample group is responding strongly both positively and negatively to the same issue. The only difference was the group administering the survey and how they phrased their questions.

It seems apparent that if researchers are to produce surveys that fairly reflect the attitudes of those surveyed, they must guard against such biases lest they cloud the results to the extent that the survey becomes useless.

### Broad biases exist

Survey questionnaires are subject to numerous biases which can be broadly classified as concerning the creation, the administration, and the evaluation of the instrument. Biases at the point of creation may be further broken down into those concerning the constructs to be measured, those concerning the selection of methodology, and those which arise due to poor or unprofessional instrument layout. When the time comes to actually administer the survey, choices made concerning when and where it will be administered, how it will be administered, and who will administer it all contain a potential for biases to significantly affect survey results. Finally, once the surveys have all been returned, there are biases which may creep into the analysis phase, such as choice of statistics, comparison to other surveys, and inferences made concerning the results of the survey. While no instrument can be completely free of bias, a survey can be made as bias-free as possible and residual biases can be accounted for in the final analysis stage.

### Biases identified early

Generally, the process begins with the initial idea that there is something of interest to be studied. Scientists refer to this idea as a hypothesis, but in most surveys done in the hospitality industry it might be closer to the truth if the term "idea" is used. Numerous disciplines have studied theories relevant to the hospitality industry. Management, psychology, sociology, anthropology, and many other fields have literally dozens or hundreds of theories which may be used to explain the behaviors seen in guests, employees, investors, and, in fact, everyone associated with the industry.

A researcher about to conduct a survey probably will have trained in one or more of these fields of research. Each approaches any human behavior from a different perspective. This inherent research bias is probably not a bad thing, but it exists nonetheless and can become a problem when a survey is done by someone in a field where the issue being studied is tangential to his or her field of expertise, for example, say a sociologist studying the choice of retirement investments, an issue that may be more relevant to the field of economics or finance.

Furthermore, construct biases occur when the researcher is a strong advocate of one position or another. Certainly a survey of attitudes concerning swimming as a recreation could be constructed in a very different way by a researcher who is a non-swimmer and who is afraid of the water than if the survey had been created by someone who enjoys swimming, diving, and other water sports.

It's convenient and relatively cheap for college professors to survey college students. But one wonders if the convenience sample is appropriate for some studies. Similarly, the choice of a mail survey versus interviews, or a telephone survey versus the Internet, may impart a certain bias to any survey.

**Sample is important**

A decision must then be made as to the number of those to be surveyed. Since the hospitality industry is so large, it might be argued that meaningful surveys must adequately sample a very broad spectrum of the population. Even a survey done for one airline or one hotel company may require a sample size of a thousand or more people to be statistically significant. It is at this point of creating the instrument that a decision must be made concerning the types of measures to be used. By far most industry surveys use a Likert-like scale of one sort or another. Research into this form of question has shown that it works best when there are five or seven choices, with "neutral" not being one of them. The center choice should say, "neither ___ nor ___" with the blanks filled in with the terms used at either end of the response field. Alternative response choices include faces (smile for approval, frown for disapproval) or other questioning methods. Obviously, how the question gets written greatly effects the responses. One could imagine how the personality tests of the 1930s that asked, "I like to go to gay parties," might engender a very different response today.

Finally, the actual construction or layout of the instrument may contain hidden biases. A typed, poorly organized, and poorly laid out instrument can tell those being surveyed that this is not very important and that they shouldn't think too much about it. Along the same lines, an interview survey done while people are rushing to take a train or to get a taxi might have respondents spending a few hurried moments to complete. It is this last bias that caused lawmakers in most states to enact legislation which limits the number of words that can be used for a ballot question. The theory is that voters are rushed to cast their votes and make way for the next voter. In their rush they may not read and understand fully what they are voting on if presented with a verbose proposal full of legalese. This principle of getting to the point and asking the respondent a direct question can be good advice to anyone wishing to conduct a survey.

Finally, research shows that the choice of administration method and the construction of the instrument itself are not interchangeable. That is, a written survey instrument cannot just be scanned into a computer and used as is as an Internet survey. It is advisable for professional surveys to be laid out by a graphic artist so as to ensure a professional looking instrument. A professional survey helps assure careful, thoughtful responses. On mailed surveys, the response rate has been shown to be higher when the instrument looked really professional.

### Bias can be reduced

A consideration which needs to be made is how to go about assuring that the survey accurately reports the beliefs and attitudes of a representative sample of the population of interest. Convenience samples are probably the norm. But, statistically, a good survey should draw its sample of respondents randomly from the population in question. For example, if the purpose of a survey is to address the special needs of seniors when they travel, then seniors are the population of interest. Once the term "senior" is defined, a cursory analysis of relevant demographic data would indicate that there are more females than males. Further data analysis might also indicate that seniors who are female travel more often than those who are male. If this were true, then the survey sample should reflect these demographic realities.

For surveys of the general population, a sample must be drawn that more or less reflects the general population. Statisticians agree that for a sample to be valid anyone in the population of interest should have an equal chance of being selected to participate in the survey. This may place too great a burden on most surveys, but some attempt should be made to ensure that at least a quasi-random sample has been selected. Administering a survey to a group of people on one flight, say to Australia, would certainly produce questionable results.

Determining the other size and composition is tied into the question of how, when, and where to administer the survey. A survey to determine airline seat preferences logically could be done at an airport. The results might vary if respondents were about to leave on a flight versus those just arriving, especially from a very long flight. Obviously, such a survey would probably be less reliable were it to be administered to people traveling on Amtrack, or to those who had just driven to Disneyland. It could be argued that a survey of hotel guest attitudes might logically be administered to those staying at a hotel. If such a survey were to be administered at an airport, one might wish to prequalify the respondent to be sure that he or she actually plans to stay at a hotel, rather than flying to visit family or some other destination.

In order to capture as broad a range of respondents as possible, survey administrators often use telephone surveys, mass mailings, and the Internet. Each method has its strengths and weaknesses. Telephone surveys are probably statistically viable now; they were not some years back before universal phone service. They would still be suspect in many third world situations. Mass mailings work well, but the mailing list can be subject to bias. A mailed survey of attitudes toward the environment sent to members of the Sierra Club might engender a different response than one sent to the members of the National Rifle Association. Because of the industry's high turnover, hospitality surveys often go out to hotel or restaurant managers and are undeliverable. A third approach is the use of the Internet. Two biases come to mind. First, Internet use is very closely associated with a person's age and socio-economic status. Second, some Internet users delight in sending in multiple responses to a survey.

### What works?

There is no method that is unbiased, but the direct interview is very common. Provided certain conditions are met, the interview method produces the least biased results. Obviously, the interviewer must be trained so as not to bias the response. Professor Escoffier participated in an interview where the interviewer let out a giant sigh when the response was not as anticipated. Such oral and visual cues can greatly influence the results, as any marketing textbook can detail when explaining how a focus group works. But, given appropriate training, a skilled interviewer can avoid these gross biases and operate as a good bias eliminator. If he or she sees someone is hurried, exasperated, fatigued, or just plain irritable, the interviewer can thank the respondent and move on to someone else. He or she can detect other biases such as not understanding the language, puzzling over terminology, collusion, and the like. The use of an interviewer also provides more uniform and complete responses than when subjects are left to their own devices.

Finally, administering a good survey includes the ability to assure that one respondent does not see the completed surveys of other respondents. Mailed, telephone, and direct interview methods can assure this; mass mailings where no attempt is made to avoid duplicate addresses and Internet surveys do not.

### Results can show bias

Assuming the investigator has produced a relatively error-free instrument and has administered it so as to reduce biases inherent in that phase of the investigation, the task now begins of analyzing the results. Perhaps the first step in this procedure should be to analyze the reliability of the results. Comparing similar questions for similar responses (for example, asking a respondent how many times he or she has been on a cruise and then, later, asking how often he or she cruises and when was the first cruise) can help detect respondents who fabricated their responses.

Comparing people's responses to expected norms is another reliability verification technique (for instance, first class airline passengers may respond more favorably to a question concerning the quality of the food offered on a flight than would those flying coach). Responses that approach the limits (almost all saying "no" to a question) may indicate either very strongly held beliefs (which should be observed elsewhere in the survey) or a question that was poorly understood by respondents at large.

Finally, one should not ignore the issue of external reliability. If the survey results are at significant variance with similar surveys conducted in the past, the investigator is well advised to look for possible weaknesses with his own procedures before proclaiming to the world that he has proven the other research wrong. The National Restaurant Association has, for many years, surveyed restaurant patrons concerning what factors they consider in making a decision to dine at a restaurant. The results are always similar; food and service top the list, with price, location, and ambiance being other significant factors. A researcher whose survey said that some sixth factor was most important, or whose survey otherwise significantly contradicted the NRA surveys, should realize that something went horribly wrong and that the survey needs to be re-considered and re-conducted. Assuming no significant reliability issues arise, the investigator can go on to conduct further analysis.

**Pilot survey necessary**

At this point, the wise researcher would have done everything mentioned so far in a pilot survey of a few actual subjects. Assuming the results indicate that those few respondents were able to successfully complete the survey, and assuming that "eyeballing" the responses shows no glaring abnormalities, the researcher would then undertake a large survey. It should be stressed that many books err when describing the survey method in implying that a pilot study is conducted without considering the issues addressed so far. This is untrue. The pilot study needs to mirror as many conditions of the real survey as possible. If the pilot surveys seem to reflect responses that the researcher had anticipated, and assuming there is an indication that the instrument is reliable, the researcher can safely go on to invest the time and money needed to conduct a large scale survey.

Once the survey has been completed, and assuming that the reliability tests on the actual study closely resemble the results of the pilot survey, the investigator may begin the analysis phase. Choice of statistical methods to use are an on-going concern. Obviously, if simple descriptive statistics are all one wishes, the survey can be constructed without much effort.

But good surveys compare responses using more sophisticated statistical tests. At the least, the researcher should analyze outliers (responses that were significantly outside the norm.) While many such cases are statistical anomalies, some offer profound insight. Studies sometimes show that the outliers are the subjects with special needs or prejudices, or are the start of major trends. A survey of computer users in 1976 would have shown that those owning a personal computer were outliers from the norm. Yet close examination of their reasons for pioneering the personal computer revolution helped companies like IBM and others get a head start on the others. Those investigating emerging trends might investigate correlations among variables. A correlation between two or more variables may be irrelevant; there is a high correlation between gum chewing and crime rate in large cities, but it can often indicate that issues need further study. One common fallacy is to assume that correlation assumes causality. While there is a high correlation between chickens and eggs, the age old question of which came first cannot be answered by a correlation statistic.

### Other analysis possible

A more sophisticated analysis is in the use of various cross-tabulation techniques (the chi-square statistic, for example.) Frequently responses showing strong leanings on one question also show strong leanings on another question in a survey. Demographic responses such as gender or age often relate highly to other survey responses. The chi-square statistic frequently can show if such a relationship is statistically significant.

While surveys are often more exploratory in nature, and, hence, do not attempt to verify a hypothesis, they can be used in hypothesis creation and testing. In these cases, the instrument is frequently constructed so as to allow the use of the Analysis of Variance (ANOVA) or Analysis of Co-Variance (ANCOVA) statistics. Quasi-experimental design is outside the purview of this article, but initial survey results often lead researchers in the direction of more scientific experimentation.

A last caveat concerning the use of statistics is to be very careful when doing statistical tests. Most programs set the level for statistical significance at 95 percent (usually entered as .05). This means on a 20-question survey, one question will be significant by chance alone (one out of 20 questions will erroneously be reported as significant at the 95 percent level). This is known as a Type II error. A Type I error is when a research hypothesis which is true is rejected. Type II error is accepting a research hypothesis that is untrue. One wag once reported the possibility of a Type III error, solving the "wrong" or sub-optimal problem.

A survey utterly free of any research bias is probably an impossible goal. Like service perfection, it can never be achieved, but constantly striving toward that goal is what every researcher should be doing. Surveys probably run the gamut of incredibly well executed to so poorly constructed as to be an embarrassment to all concerned.

## Biases can converge

A recent study reported in *Hotel Online* illustrates how many of these biases may converge to create a survey whose usefulness for decision making may be questioned.[3]

The survey was conducted by an interest group which wished to convince hoteliers and the public at large that a stronger commitment to ecological issues is both a good thing to do and good for business. Accordingly, the group constructed a survey which they conducted at airports in three countries, Australia, the United Kingdom, and the United States. The reported results were very mixed. Respondents had trouble being consistent in their responses; there were variations between countries, and there was a problem within the combined results.

Researchers made several questionable assumptions when creating the instrument. First, they assumed that respondents would be relatively knowledgeable concerning environmental issues. National differences in the veracity of this assumption are clearly evident in the results. Next, the researchers assumed that questions phrased in good English grammar in the United Kingdom were as understandable and meaningful in the United States and Australia. This assumption, too, is suspect. Finally, the researchers assumed that their passion for the topic would be shared by respondents so they created an instrument that was quite long and which demonstrated "response fatigue."

The instrument was administered in passport lounges at Heathrow airport in London, at LaGuardia in New York, and at an airport in Australia. While one may assume that passengers awaiting international flights are demographically similar, this assumption may be flawed. Worse, there is every indication that people awaiting international flights may very well not reflect the travel public norm. Finally, given the tens of millions of passengers flying in a given year, the selection of 300 subjects probably reflects too small a sample to even represent the international flying traveler. Interviews were conducted by people who had some training, but no method was used to select subjects other than to ask people if they were willing to participate in the survey. It is likely that responses were biased for these reasons and others.

The responses to several questions should have signaled to the investigators that something was wrong. When the British were asked if they ever inquired of a hotel what that hotel's environmental policies might be, none responded "very often." A majority said "never." Yet these respondents who are so unlikely to ask a hotel what its policies are, professed to be deeply concerned with how hotels treat the environment. If concern never translates into behavior, a researcher might well ask if there was a purpose to this whole exercise. The researcher might then look at the question concerning the use of recycled toilet paper or the questions where similar questions failed to generate similar responses and might come to the realization that something had gone wrong. At the least, inconsistent results so frequently found in this survey should have inspired the researchers to try administering the survey to another set of groups. Comparisons of the two sets of surveys would have helped establish the reliability or non-reliability of the instrument.

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***Alan Parker** is a professor and **Marcel Escoffier** is an associate professor in the School of Hospitality and Tourism Management and chair of the Faculty Senate at Florida International University.*

# FIU, Tianjin University plan to run school in China

MIAMI, Fla. – Florida International University has signed an agreement with the Tianjin University of Commerce to run a hospitality management school in China that would mirror the top-ranked Miami program. The agreement is thought to be the first on this scale between the Chinese government and a foreign university.

Joseph West, dean of the School of Hospitality and Tourism Management, explained that officials of the Tianjin University of Commerce recognized the economic importance of developing a full-fledged hospitality program and approached FIU with the idea of a partnership. Now that the agreement is signed, FIU and TUC will begin recruiting and training faculty, while new campus facilities are built.

"A group of business professors from China will earn their master's in hospitality management at FIU over the next two years and will then be hired as FIU faculty to teach at Tianjin University of Commerce starting in the fall of 2006," said West. The school will have about 1,000 students.

The agreement was signed at FIU in front of a delegation of Chinese officials, including Chen Jian, Undersecretary General for the General Assembly to the United Nations, Liu Yi, Minister Counselor for the Chinese Embassy in Washington D.C., Hu Yeshun, Chinese Consul General in Houston, and Wang Shu Zu, vice chairman of the Standing Committee of Tianjin People's Congress.

"I am fully confident that the cooperation between these two strong institutions will work very well in the widening of cooperation between China and the United States in the important areas of education and human exchange," said Chen.

Wang expressed similar optimism with regard to the doors this agreement opens: "This cooperation is more than just the University of Tianjin and FIU; it is between the City of Tianjin and the State of Florida and a start up point between China and the United States."

For FIU the agreement represents the largest foreign program FIU has been involved in, including the Hospitality programs currently operating in Jamaica and Switzerland. The Tianjin campus will also be able to host exchange students and faculty from FIU.

"This opens up the classroom to a whole new set of experiences for students here and there," said FIU Vice President for Research Thomas Breslin.

Breslin noted that the timing for the project is particularly good because China is on the verge of a tourism boon.

A report issued recently by the World Travel and Tourism Council, a private organization that represents hotel and travel companies, predicts the number of tourists and business travelers visiting China will grow 22 percent a year beginning next year through 2013.

"We are going to be the leaders in training thousands of professionals to fill the jobs that will be created by this new phenomenon," said West.

**Planned campus in China.**

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