

What Keeps You Up at Night?

Key Issues of Concern for Lodging Managers

by Cathy A. Enz

The great thing about the hospitality business is its people. But therein also lies the challenge.

While working with managers and executives in the hospitality industry, I came to believe that a common set of shared problems may be impeding their ability to effectively manage. Rather than proceed on anecdotes and hunches, however, several colleagues and I conducted a brief but focused inquiry through the Center for Hospitality Research at Cornell University (CHR). Given Cornell's mission of enhancing the global hospitality industry, we hoped to identify key issues of concern for

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hoteliers throughout the world. This study is a first step in developing an ongoing CHR research agenda to help the industry unravel its most critical and puzzling shared problem areas and concerns.

Top priorities. The task of identifying the most troubling problems for managers led us at the Center for Hospitality Research to develop and distribute a brief survey, with the cooperation of IMHI (Cornell European affiliate).¹ Our survey went to managers in a variety of companies around the world via e-mail, normal mail, and the web (www.hotelschool.cornell.edu/chr).²

Some 170 managers from over 25 different countries responded to the survey, although the largest respondent percentages were from the United States (38 percent) and Europe (44 percent). The typical manager who responded was a 39-year-old man in the position of senior manager or partner located at the corporate headquarters of a hotel company. The largest percentage of the responding managers represented hotel organizations, while most of the remainder were consultants and developers. Senior managers, comprising presidents, senior vice presidents, and vice presidents, constituted the single largest group of respondents. Our respondents averaged 14 years of experience in their businesses, while those in executive positions were on average over 40 years of age and reported an average of 20 years of experience (see Exhibit 1).

This paper summarizes what these experienced managers told us

about the thorniest issues that they encounter. To better grasp the nature of their concerns we explore the areas of concern first on a global basis and then regionally, focusing on the United States and Europe. To focus particularly on the concerns of the industry's leaders, the article probes most deeply into the views of top managers holding the position of president and senior vice president. Finally, we will explore the implications of these results for enhanced management practice and future research.

Identifying the Most Troubling Issues

At the top of every problem list is the use of human capital—or, in common language, how to care for and get the most from hospitality employees. As shown in Exhibit 2 (on the next page), the most frequently identified area of concern (57 percent of respondents) revolves around human-resources issues, such as attracting, retaining, motivating, training, and developing the industry's work force of today and tomorrow. The respondents cited the following five other areas, in order of frequency: **(1)** understanding the customer, **(2)** effectively using capital, **(3)** aligning stakeholders' interests, **(4)** using information technology, and **(5)** valuing brands. Taken together those five areas were cited by 40 percent of respondents—less than the number who identified the single issue of leveraging human capital. I'll discuss these five lesser, but still critical issues before returning to a discussion of the HR matter.

Understanding the customer.

Customer issues were second in importance, following issues of human-resources management, with many managers expressing considerable perplexity. Their concerns fall in the following three categories: **(1)** obtaining good customer information to foster innovative guest

Exhibit 1 Respondent profile

Gender

Female	26%
Male	74%

Age and Experience

Average age	39 years
Average years in business	14 years

Positions

General manager	15%
Middle manager	17%
Owner-operator	14%
Regional manager	6%
Senior manager or partner	22%
Specialist or technical expert (e.g., IT specialist)	12%
Other	14%

Nature of Business

Banker	2%
Consultant	14%
Developer or contractor	8%
Lodging (including casino, conference center, cruise line, and timeshare)	48%
Supplier	2%
Other	26%

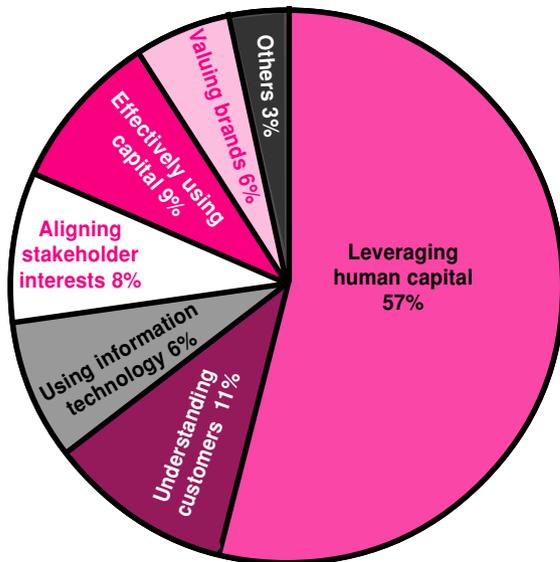
Work Location

Corporate headquarters	61%
Property	25%
Regional office	7%
Other	7%

¹ The author acknowledges and thanks Dr. Sandro Formica and his students at IMHI for their assistance in gathering data for the European portion of this study.

² If you wish to add your thoughts to those of other managers please feel free to visit the Center for Hospitality Research web site at www.hotelschool.cornell.edu/chr to take the on-line survey of priority issues.

Exhibit 2
Key issues of concern



service, (2) thinking strategically about marketing and customer segments to obtain competitive advantage, and (3) developing measures of guest satisfaction and other assessments of the value of guest services. Several noted that gathering and sharing customer information across properties and using it as the foundation for improved customer service was a key concern.

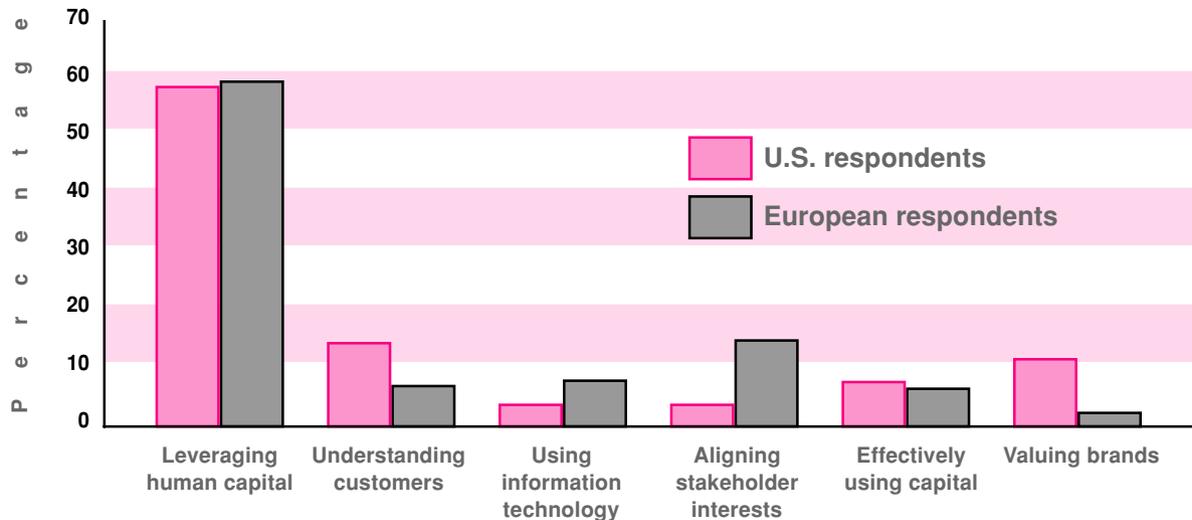
Respondents who felt frustrated in their efforts to understand and strategically enhance the customer relationship addressed upgrading guest service through innovation, flexibility, and new knowledge tools. Some were concerned with becoming more skilled at using guest complaints to foster innovation and working effectively to resolve specific guest relationship problems, such as those at check-in. Understanding the segmentation of demand was mentioned in the context of a need to move beyond sales expertise to become more sophisti-

cated in marketing to distinct customer segments. Some expressed the concern that corporate marketing often lacks the sophistication to successfully move beyond the fundamentals of sales activities.

Obtaining competitive advantage is a worry for those who see themselves as facing increased quality and price competition. A particular concern relating to price competition is how to play in the price wars that may ultimately turn hotel products into commodities. Our respondents raised several other issues that are related to the customer, but are focused on specific market segments or lodging products. Those concerns are as follows: what is the future of the mid-market hotel?; how can resorts gain more independence from tour operators and other powerful intermediaries in the resort segment?; and do increases in hotel-company size due to consolidation and growth have negative consequences on guest service and em-

ployee morale? One manager suggested that bigger may not necessarily be better for hotel operators. A particularly thorny matter raised by respondents is how to show the value of investing in service, especially given that financial-performance expectations drive out customer care as a gauge of value creation. Indeed, respondents wondered how to measure productivity without relying on sales as the measurement and expressed frustration with current metrics for capturing productivity and customer satisfaction. In summary, the managers in this study worried about identifying who the customers are, what they want, how to best serve them, how to differentiate (compared to the competition), and how to measure customer satisfaction and productivity to better gauge their success.

Effective use of capital. The overall economic health of various national economies and the prospects for new development were the major economic themes raised by our respondents. Managers around the world were worried about the less-than-positive view of the hospitality industry by capital markets and banks. Recessionary trends and potential downturns were also identified by several managers, particularly in the context of the impact on one country or region when another country (specifically, the United States) experiences a recession. In the area of new development, some expressed frustration that local risks and opportunities are not considered in corporate development decisions. Certain respondents said that they fear that owners do not value design quality and that efforts to control costs diminish the opportunity to construct high quality hotel properties. Finally, developers and contractors expressed worry about determining what types of hotel will have the greatest demand in the future.

Exhibit 3**Comparison of key issues, United States and Europe**

Aligning stakeholder interests. Communication is the key issue raised by respondents in working with and among various groups of stakeholders. In particular, respondents identified the need for coordination and communication between corporate headquarters and the field. Corporate and governmental politics were the subjects of worry more for European managers, while U.S. respondents more often identified the balance of power between owners and operators as a concern. In the area of owner-operator relationships, defining and enforcing management agreements and safeguarding the rights and needs of owners were issues specifically identified as problem areas.

Using information technology. As technology has changed the competitive landscape, the managers have seen novel problems and concerns arise. Foremost among these is how technology will alter the current reservation process. As that

process changes, who will own the customer, who will own the brand, and who will own the franchisee? Making choices among an array of different technologies can be a confusing and risky activity. Many respondents expressed anxiety about staying up to date on technology and making the best investment decision on information systems. Once an investment decision is made, the respondents noted, other problems emerge, including how best to process information. Other worrisome issues include how to handle information in many different languages and how to familiarize employees with the new IT-based decision tools. Finally, some respondents complained that they have too much information but not enough accuracy in the information they possess. Data abound, but accurate and timely information of high quality can be elusive.

Valuing brands. This category of worries focuses on two specific

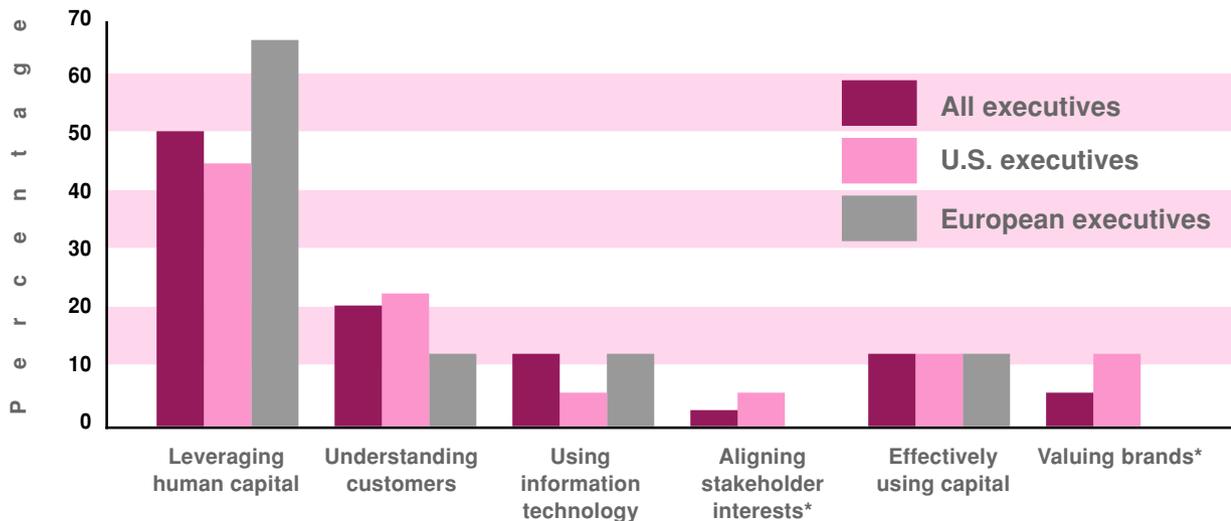
issues: (1) the value of loyalty programs, and (2) the benefits of brand versus destination. Those worried about the value of brands questioned whether a brand name added sufficient value to merit the costs associated with affiliation. What is the value of brand versus destination? Customer-loyalty programs were viewed as failures in accomplishing the goal of creating new business. In both areas of concern the overarching question is, How does the brand add value?

U.S. and European issues. To determine whether respondents' concerns varied by geography, we examined the key issues separately for managers in the United States and in Europe. The results reveal few differences between these two groups of managers, as shown in Exhibit 3.³

³ The 3 percent of respondents who identified other issues were excluded from this analysis because of the idiosyncratic nature of their particular worries.

Exhibit 4

Comparison of key issues, senior executives in the U.S. and Europe



* None of the European executives indicated that this item was an issue.

In both the United States and Europe, making the best use of human capital was the primary issue, cited by nearly 60 percent of the respondents. Understanding the customer and building customer relationships was high on the secondary-issue list for the U.S. managers, while dealing with conflicting stakeholder issues was critical to the European managers. Those in Europe were particularly sensitive to power conflicts and strained relationships between corporate and property operations. Valuing the brand was the third-most-important issue in the United States, while it was the least important issue on the European managers' lists. This difference is not surprising, since about 80 percent of the U.S. market is branded compared to around 20 percent of European hotels. Moreover, within Europe the degree of branding varies widely from country to country. The difficulty of sorting through

the myriad issues about technology choices and advances was more troublesome to the European managers, but surfaced in the United States as well.

Senior executives' issues.

Finally, we investigated the key issues identified by only the top executives in our study to see whether leaders in the industry might produce a different list of key issues from those managers at lower levels. That was generally not the case. Top leaders listed the use of human capital first, followed by understanding the customer, using information technology, and effectively using capital. Issues of valuing brands and aligning the interests of stakeholders were the least important issues for this group. It is interesting to note, however, that issues of politics and cooperation between corporate and property levels so important to managers overall were of little importance to senior managers in Europe.

Exhibit 4 shows the distribution of responses for all senior managers and for executives within Europe and the United States. European and U.S. leaders alike place human resources at the top of their lists, albeit this area of worry appears to be greater for executives in Europe. In contrast, valuing the brand and aligning stakeholder interests are not mentioned as issues of concern for the European leaders, as they were in the United States. Understanding customers is the second-most-important issue for U.S. managers, while European leaders are equally divided on their concern for customers, capital, and information-technology issues. Both groups are less worried about stakeholders than respondents as a whole. In contrast, general managers are more concerned about these issues because they see themselves as the intermediaries between owners and corporate personnel and caught up in corporate politics. Finally, the U.S. leaders appear to be less concerned over technology issues than their European counterparts.

The Human-resources Conundrum

Attracting talented people to the industry is the area of greatest concern in leveraging human capital, regardless of where the manager is located around the globe. Careful analysis of the overall question of use of human capital reveals several categories of specific concern. Foremost, managers worry about attracting and retaining employees, middle managers, and future leaders. At the staff level the concerns are focused on hiring the best people possible and preparing them through careful training to possess the skills necessary to serve guests and operate as effective team players. The problems experienced in attracting talent, according to several managers surveyed, are due to the industry's no-

toriously poor wages, long working hours, and seasonality. During periods of high unemployment the industry is viewed as unattractive to potential employees, the managers believe, creating a hiring crisis due to operators' inability to find skilled people interested in working in the industry. This problem is particularly acute for managers in tourist locations who are unable to hire sufficiently talented people who also embody the local customs and heritage.

Once employees are hired, the managers' second concern is the quality and consistency of their training. The lack of strong employees' skills and the need for more training were of great importance to the European managers, while U.S. managers worried more about labor shortages due to low unemployment rates. Raising compensation and employee morale was also of greater concern to U.S. managers than those in Europe. Europeans, on the other hand, worried about governmental regulations diminishing the work week (in some countries down to 35 hours per week) and how to balance wage-and-hour regulations with the industry's long hours and continuous operation. Helping to prepare employees by investing in training appears to be in conflict with the more pressing short-term goals of handling daily crises and having sufficient staff coverage. Some managers point to owners who fail to understand or value the importance of investing in people because of their bottom-line emphasis as a source of difficulty. Others attribute the problems of failing to develop and train employees as the result of traditional and predictable senior managers who undervalue employees and treat them as short-term costs. Some worry that the investment in people will fail to reap a reward given the nature of the industry and the diffi-

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culty of making the industry a viable career.

Professionalism and career opportunities for managers were also raised as key issues. Managers felt that leaders in the industry lacked a vision of the future that included enhancing the career prospects for middle managers. Many felt that management-education and training programs are inadequate in most companies and that the industry had done a poor job of making the case for why a talented individual should remain in the industry. This failure to make a future for promising young managers was also expressed in the broad category of challenges in motivating and improving morale.

A close examination of senior managers shows that as a group they, too, are concerned about human-capital issues, but are most concerned about labor shortages, followed by a focus on the ability to attract, develop, and retain people. While compensation was mentioned infrequently, those that discussed pay suggested that the industry does not pay well and fails to use compensation as a means of attracting and retaining talented people.

Exhibit 5 summarizes those managers' human-resources worries.

Investing in the Future: Making Choices to Fix Problems

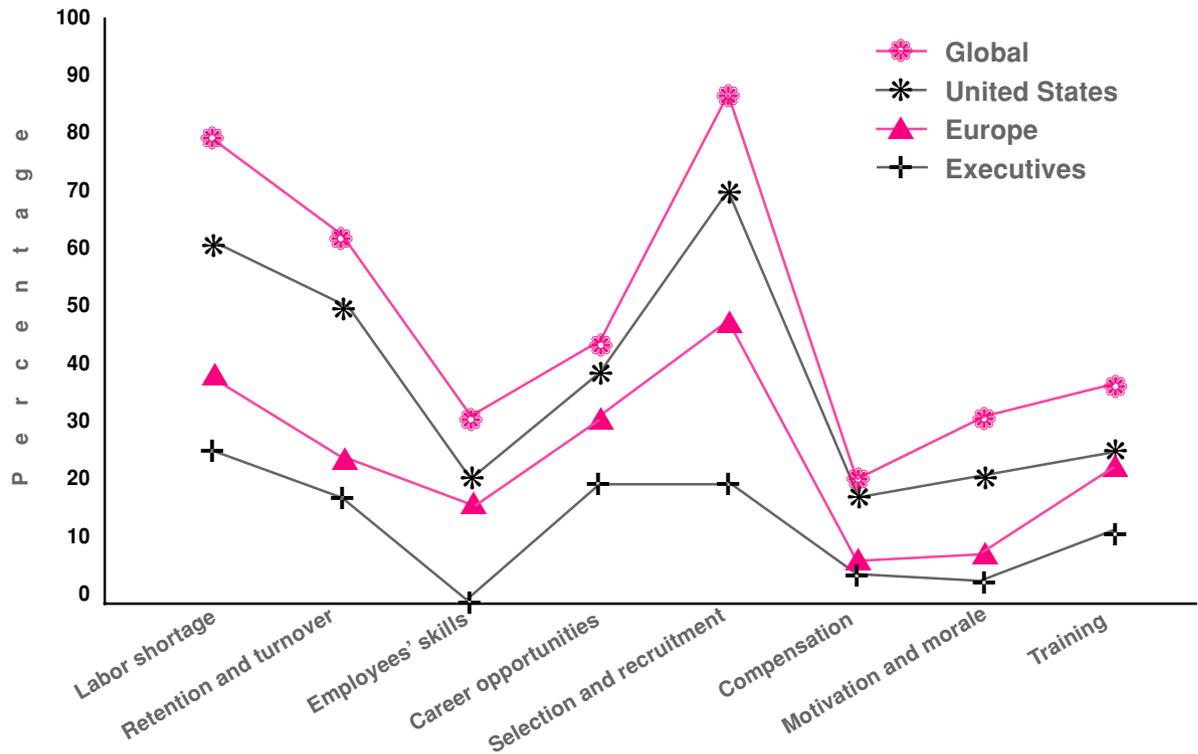
Looking at the list of industry issues, the most noteworthy point is that the issues are neither new nor untried. Managers, executives, consultants, and researchers have all been examining the challenges of the industry's human capital for many years, but the problem remains obdurate. One factor that interferes with gaining solutions is that effective use of human capital is, in the end, a competitive advantage. Companies that develop strong human-resources policies and can hold em-

ployees can be certain of their customer-service propositions. I discuss this issue further in a moment. Another factor is the sad truth that some operators have set up their operating systems to accept the reality of high turnover, in part driven by poor working conditions. Some of what may hinder our ability to act on human-resources issues is an existing mindset that accepts as reality the problems of low wage, low skill, and long hours for managers. As one respondent noted, the problem is the lack of creativity and willingness for industry leaders to think out of the box. Several managers urged creating new models to handle longstanding HR problems.

As has been chronicled in past issues of *Cornell Quarterly*, the most successful firms in the industry are already busy creating distinctive and innovative solutions to human-resources problems as a form of competitive advantage. The research on best practices published in past issues discussed several innovators that are using new and stimulating approaches to selection, retention, work design, leadership competencies, training, and compensation.⁴ Even though many operators have worked hard to make their organizations excellent places to work, the public impression of the hospitality industry as an undesirable place to work remains a factor in attracting young people to the profession. Several of the managers who responded to our survey felt that industry leaders could do a much better job worldwide of advancing a positive and professional image and of promoting the advantages of working in the industry.

⁴ For a detailed discussion of these practices, see: Cathy Enz and Judy Siguaw, "Best Practices in Human Resources," *Cornell Restaurant and Hotel Administration Quarterly*, Vol. 41, No. 1 (February 2000), pp. 48-61.

Exhibit 5
Human-resources issues



Studying the Human Condition

This study is not intended to be just an exercise in identifying problems. To the contrary, one purpose of this study is to help direct the agenda of the Center for Hospital-ity Research. For researchers who have long suspected that human-resources issues are high on the industry's priority list, here is a confirmation of that hunch. For industry managers and executives who have long struggled with making the best use of human capital, here is an opportunity to work together to improve the industry's human-resources systems. Many individual operators and chains have worked long and hard to improve their own HR systems and processes, with varying degrees

of success. Consider the possibilities for further improvement through a combined effort.

One of the reasons to conclude that individual efforts are insufficient—worthy though they might be—is the preponderance of top-level managers and executives in this study who stated that human resources remains a primary concern. That alone indicates that we need a more coherent and collaborative effort to examine and resolve the industry's HR issues at all steps in the cycle. That means studying not just turnover and retention, but also recruiting, selection, and compensation.

Human-resources issues and other key areas will be a part of the CHR's research agenda for the

coming years. This effort will require the cooperation of industry and academe. For its part, industry practitioners may need to become more comfortable with sharing their data with researchers. In turn, researchers must design studies that have the potential to be of practical use to the industry.

In closing, my colleagues and I hope that this study will expand the dialogue between industry and academe, whether on the issues surrounding human capital or on the other concerns raised by respondents to this study. For Cornell's part, we will foster research on the human-resources questions raised here, and we urge both practitioners and academics to join in that effort. **CQ**