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School of Hotel Administration

"Findings and conceptual frameworks that have emerged from the Hotel school's research show the fine points of the web of relationships that enhance ethical behavior, integrity, and mutuality—ultimately respecting and elevating the human spirit. Communicating ethics through actions raises profits; building trust-based relationships creates strategic advantage for both vendor and customer; valuing employees' compensation expectations reduces turnover stemming from dissatisfaction; and, finally, at the broadest level, building social partnerships in developing nations assures sustainable development and economic prosperity for entire communities."

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Cathy Enz, Marketing, Information Systems, Strategy, and Tourism

Hotel Faculty Uncover the Key to Business Success: Ethics, Integrity, and Mutuality

"when managers practice what they preach and care about the quality of their relationships with workers, the results directly and positively contribute to their corporations' financial success."

The recent wave of corporate failures brought on by executive malfeasance has cost innocent people millions of dollars in the form of lost jobs and decimated pensions. Companies such as Enron, Worldcom, and Adelphia have become poster children for a combination of corruption and greed in which the behavior of leaders willfully misled boards, regulators, and employees. In the wake of the seemingly endless tide of corporations that have misrepresented their financial status, it appears the nation's leaders are again being reminded of the elemental components of true financial success—that acting ethically, behaving with integrity, and building strong, enabling relationships with employees are essential to engaging the full measure of worker effort. When managers practice what they preach and care about the quality of their relationships with workers, the results directly and positively contribute to their corporations' financial success.

These revelations are nothing new to the cadre of faculty researchers at Cornell's School of Hotel Administration who were investigating matters of this kind long before the current problems surfaced. The faculty's research aims at exploring managerial behavior, examining corporate ethics, and quantifying the value of such key features of worker productivity as integrity, mutuality, community building, and fair dealing in the context of the large, multinational corporations that constitute the worldwide hospitality and tourism industry.

Focusing directly on corporate ethics, Judith L. Brownell, Organizational Management, with Elizabeth A. Stevens, Communication; Law, determined which communication channels constitute the greatest source of employee information about ethics of hotel companies. Their research reveals that employees learn the most about corporations' ethics in formal training programs, but those standards must be reinforced through regular coaching by managers and collaboration of managers and employees.

Although ethical behavior is intrinsically valuable, it turns out that acting with integrity also has financial ramifications. Indeed, the value of behavioral integrity to corporate profit extends from the executive level throughout the organization. Tony L. Simons, Organizational Management, has determined that managers' integrity has a direct, quantifiable effect on the profits of 76 U.S. hotel companies. Such integrity creates its measurable effects by increasing revenues and decreasing costs. The key measure for the "integrity effect" is employees' perceptions of managers' integrity. When managers keep their promises and act on espoused values, employees' redouble their commitment, efficiency, and service efforts. In short, corporate ethical standards are constantly reinforced.

Employees' Social Identity

Managers' behavior also functions as a key part of the important process of employees' developing a work identity, as examined by Kathleen M. Walsh, Organizational Management. Distinct and congruent values are an important factor in helping individuals meld their personal identities with that of their employing organization or their profession. By mapping the processes by which this work identity is developed, Walsh has determined that employees and professionals come to see themselves as holding specific kinds of expertise, whether based in knowledge, client experience, or efficiency.

The Cost of Turnover

The American workforce has experienced a sea change with the rise of employee mobility among jobs. In a sense, other industries have just caught up with the hospitality industry, where turnover has been a fact of life for decades. Faculty researchers at the School of Hotel Administration have studied the mechanisms and costs of turnover, and turnover is expensive, indeed. Timothy R. Hinkin, Organizational


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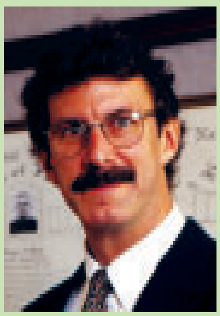
Nicola Kountoupes/CU

Tony Simons,
Organizational Management,
studies the relationship
between behavioral integrity
and corporate profit
within organizations.

Nicola Kountoupes/CU

Kathleen Walsh,
Organizational Management,
studies the melding of
personal identities with
those of a profession or
employing organization.

Charles Harrington/CU



Timothy Hinkin,
Organizational Management,
studies the costs of
employee turnover.

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Michael Sturman,
Organizational
Management, studies
the relationship
between compensation
policies and employee
job satisfaction.

Charles Harrington/CU

Judith Brownell, Organizational Management, and Dennis Reynolds, Hospitality Facilities and Operations, study the strategic advantage of a partnership-type relationship between vendor and customer. They find that "cementing therelationship's trust factors are the quality of the relationship and the supplier's performance."

Robert Barker/CU

cathy enz, marketing, information systems, strategy, and tourism, studies the dimension of tourism partnerships. she finds that "infusing foreign values and expatriating profits creates resentment among local residents who do not benefit from the tourism industry."

Management, and Tony Simons found a direct connection between turnover and lost profits. By knowing the costs associated with turnover, managers can determine the appropriate spending levels for turnover-reduction programs.

Because job dissatisfaction is a prime precursor to turnover, Michael C. Sturman, Organizational Management, with Jeremy Short, Portland State University, has researched the extent to which appropriate compensation policies contribute to employees' satisfaction with their jobs. Sturman and Short discovered that with regard to employees' job satisfaction the absolute level of pay is less of an issue than the manner in which pay is determined. Thus, turnover is another case in which equity, fair play, and mutuality contribute directly to a company's financial success.

Cementing Partnerships

The financial value of acting with integrity and mutuality extends beyond the workings of a single company. Such mutually responsible behavior also translates into financial success by cementing the relationship between restaurateurs and food purveyors. Judith Brownell and Dennis E. Reynolds, Hospitality Facilities and Operations, examined the strategic advantage that developing a partnership-type relationship confers on both vendor and customer. The key to success in this business relationship is trust, which provides a genuine and sustainable competitive advantage for the partners. As a consequence, each purchase transaction operates within the mutual context of past and future interactions. Cementing the relationship's trust factors are the quality of the relationship and the supplier's performance.

Strategic Social Partnerships

The values of mutual respect and dignity in business relationships function on an even broader scope by driving a model of sustainable tourism that benefits an entire community or nation. Using Costa Rica as a case study, Cathy A. Enz, Marketing, Information Systems, Strategy, and Tourism, together with Crist Inman and Melenie Lankau, developed a conceptual framework to capture the dimensions of tourism partnerships. Inman is director of the tourism project at the Center of Latin American Competitiveness and Sustainable Development; Lankau is an assistant professor of management at Terry College of Business, University of Georgia.

While it is possible for tourism operators and developers to make money in a dependency-driven model (in which a host country relies solely on the expertise of a large multinational firm), the failure to participate in an integrated social covenant when forming cross-institutional relations reduces the long-term possibilities for success. Moreover, infusing foreign values and expatriating profits creates resentment among local residents who do not benefit from the tourism industry. By contrast, the integrated social covenant is the exemplar for sustainable development in which both multinational corporations and local interests will benefit. By operating in a mutually responsible manner, multinational tourism operators ensure a long and prosperous relationship.

A Pervasive Study

While the studies outlined here are based in the hospitality industry, they demonstrate that ethical and enabling behavior, including actions that support the building of positive, trusting relationships with employees, are key factors critical to the long-term financial success of all kinds of business. The research conducted by the Hotel School's faculty demonstrates that such qualities as ethics, integrity, and mutuality are not only inherently beneficial in business, but are financially rewarding. In contrast, the collapse of such organizations as Enron and Worldcom demonstrate the effects of dysfunctional relationships, in which the interests of employees, stockholders, and the community as a whole are subordinate to personal gain.

The findings and conceptual frameworks that have emerged from the Hotel School's research show the fine points of the web of relationships that enhance ethical behavior, integrity, and mutuality—ultimately respecting and elevating the human spirit. Communicating ethics through actions raises profits; building trust-based relationships creates strategic advantage for both vendor and customer; valuing employees' compensation expectations reduces turnover stemming from dissatisfaction; and, finally, at the broadest level, building social partnerships in developing nations assures sustainable development and economic prosperity for entire communities.

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