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## Hospitality Review

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# Market-Driven Hotel Brands: Linking Market Orientation, Innovation, and Performance<sup>A</sup>

By Chekitan S. Dev, Sanjeev Agarwal and M. Krishna Erramilli<sup>B</sup>

*"Market orientation" is a term popularized by marketing practitioners to indicate the extent to which a firm is market driven. This presumed linkage between market orientation and profitability has caught the attention of scholars, but, surprisingly, only two prior studies have reported a positive association between the two. Given the special relevance to the hotel industry of being market driven, we believe this industry provides the ideal setting for demonstrating the link between market orientation and performance. This research examines this linkage in the hotel industry. The results of our study suggest that market orientation is positively and significantly related to innovation, subjective performance, and objective performance. This result yields a number of useful ideas about how to harness the power of the marketing concept.*

"Market orientation" is a term popularized by marketing practitioners to indicate the extent to which a firm is market driven. A market-driven firm determines the needs and wants of its target markets and develops products and brands that deliver the desired satisfactions more effectively and efficiently than its competitors do. A market-driven firm develops superior market-sensing and customer-linking capabilities with the conviction that such capabilities lead to higher-performing brands in comparison with less market-driven firms (Day, 1994).

This presumed linkage between market orientation and profitability has caught the attention of scholars, but, surprisingly, only two prior studies have reported a positive association between management-reported market orientation and return on investment (see Narver & Slater, 1990; Slater & Narver, 1994). These studies used the same dataset for both papers and confirmed the hypothesis that market orientation improves return on investment.

Despite the paucity of empirical support, most practitioners continue to embrace the commonsense appeal of market orientation. Given the special relevance to the hotel industry of being market driven, we believed this industry would provide the ideal setting for demonstrating the link between market orientation and performance. Our research was therefore designed to examine this linkage in the hotel industry.

## WHAT IS MARKET ORIENTATION?

A firm's market orientation is the extent to which it implements the market-driven concept. The power of this concept becomes clearer when we compare its underlying rationale with that of the "selling concept". The selling concept is based on the premise that consumers are not naturally inclined to purchase a given brand's products. A brand must therefore undertake an aggressive selling effort. The market-driven concept, on the other hand, assumes that consumers will buy brands that satisfy their needs. An organization that attempts to understand its customers' needs first (and keeps an eye on its competitors' marketing efforts) and then creates and delivers the desired products will enjoy a competitive advantage. In other words, instead of trying to bludgeon the customer into buying its products (the selling concept), a firm listens to the customer and responds by configuring its brands around customer demands. Such a focus on consumer satisfaction may be expensive, but those who follow the marketing concept believe that it is essential to long-term profitability.

If so many analysts and managers believe in the market-driven concept, why does the literature reveal such meager empirical support for its efficacy? One possibility is that prior

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A. A more detailed technical version of this article appeared in Agarwal, S., Erramilli, M.K., & Chekitan, S. D. (2003). Market orientation and performance in service firms: Role of innovation. *Journal of Services Marketing* 17, 68-82.

B. The authors thank Jeff Weinstein, of the Global Hoteliers Club, for sponsoring the study; Vikram Mujumdar, for assistance with data collection; Bill Barnett, for help with turning a technical academic paper into a more reader-friendly form; and the summer research program of Cornell University's School of Hotel Administration, for support.

research has not examined the right industry or has diluted the effects by studying firms across disparate industries. Had such studies examined service firms (focusing on a single business activity), the studies might have found clear evidence of such a linkage. Service firms, especially those in the hospitality industry, are unique because they must be market oriented to operate successfully in a hyper-competitive, global-branding environment. Hence this study makes an important contribution to our understanding of the hotel industry environment.

This study also explicates the process by which market orientation impacts performance. Observing a direct relationship between market orientation and performance simply indicates a correlation; it does not explain *how* market orientation impacts performance. The process may be outlined as follows: If a market-oriented brand has developed superior market-sensing and customer-linking capabilities, it should be in a position to “innovate” in a manner that provides superior value to its target customers. Service brands, including global hotel brands, can innovate by developing new products and services or by reformulating existing ones, and perhaps by discovering new approaches to management and competitive strategy. There is significant support in the management literature for the idea that innovation leads to superior performance. We took our initial lead in connecting market orientation to profitability through innovation from Han, Kim, and Srivastava (1998). Both Narver and Slater (1990) and Slater and Narver (1994) have addressed the issue as well. The connection between innovation and profitability has found support in Damanpour and Evan (1984); Damanpour, Szabat, and Evan (1989); Khan and Manopichetwattana (1989); and Zahra, de Belardino, and Boxx (1988). We therefore explored this process by focusing on the global hotel industry

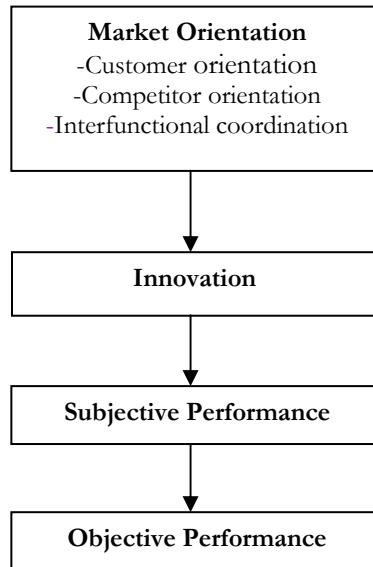
We also incorporated the idea that performance is a two-dimensional concept, with both objective and subjective aspects. Objective performance measures include capacity utilization, profitability, and market share. Subjective performance involves customer- and employee-based benchmarks, such as service quality, customer satisfaction, and employee satisfaction. The overarching goal of being market-driven is the creation and retention of satisfied customers: “To maximize its long-run performance, [a] business knows it must build and maintain a long-run mutually beneficial relationship with its buyers” (Narver & Slater, 1990, p. 21). Statements such as “stay close to the customer,” “put the customer at the top of the organization chart,” and “define the purpose of a business as the creation and retention of satisfied customers” indicate that companies that offer superior customer value are “expected to enjoy superior long-run competitive advantage and superior profitability” (Day, 1994, p. 37; see also Day & Wensley, 1988; Drucker, 1954; Hooley, Lynch, & Shepherd, 1990; and Kotler, 1977). Moreover, a related goal, especially in service organizations, is to satisfy employees. A satisfied employee is committed to an organization and experiences a high level of esprit de corps (Kohli & Jaworski, 1990). When such highly satisfied employees deliver superior customer satisfaction, they generate customer loyalty (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994). Satisfied customers then spread the good word to other potential customers, expanding the customer base and in turn enhancing profitability and revenue growth. In this way the marketing concept points to the proposition that superior subjective performance is a pre-requisite for superior objective performance. Consequently, our study was designed to test the idea that a market-oriented brand is likely to be innovative, is likely therefore to be able to achieve superior subjective performance, and thus, in turn, is likely ultimately to be able to achieve superior objective performance.

The purpose of this study was, therefore, to assess the mediating role of innovation and subjective performance in the relationship between market orientation and objective performance. Because the focus of this study was on a single industry, namely, the hotel industry, we did not examine the moderating role of environmental considerations that may influence firms differently across different industries (on the advantage of researching a single industry—and a service industry—see Han et al., 1998).

## THE STUDY

We studied how a firm that adopts a market orientation might achieve superior objective performance. We diagrammed the general business model for such an orientation in Figure 1.

**Figure 1**  
**The Study Model**



We focused our first set of hypotheses on the role of innovation and the second set on the role of subjective performance.

Our first set of hypotheses, designed to measure the effects of innovation, tested whether adopting a market orientation would be positively associated with innovation, subjective performance, and objective performance. Next we tested whether innovation is a mediating factor in these associations—that is, whether innovation captures the full impact of market orientation to bring about superior subjective and objective performance, respectively. In other words, we tested whether the way market orientation delivers superior performance is by making the firm more innovative. Other studies that have focused on innovation include Deshpande, Farley, and Webster (1993) and Slater and Narver (1994).

Our second set of hypotheses, designed to measure the effects of subjective performance, tested whether subjective performance captures the full impact of innovation and brings about superior objective performance. In other words, we tested whether innovation leads to superior subjective performance, which, in turn, results in superior objective performance (for more on the relationship between subjective and objective performance, see Day & Wensley, 1988; Heskett et al., 1994; and Kohli & Jaworski, 1990).

### Data Collection

A survey questionnaire was developed to measure the study constructs. The questionnaire, modified after pre-testing, was mailed to the general managers of 530 hotels, accompanied by a cover letter from the CEO of the Global Hoteliers Club. A reminder was sent two weeks later, and a second reminder was sent four weeks later with the copy of the survey questionnaire. Table 1 lists some of the well-known brands that were represented in the study.

**Table 1**  
**Brands Represented in the Study**

ANA	Holiday Inn	Nikko	Renaissance
Caesar Park	Hyatt	Novotel	Ritz-Carlton
Camino Real	Inter-Continental	Oberoi	Rockresorts
Conrad	Kempinski	Okura	Shangri-La
Crowne Plaza	Mandarin Oriental	Omni	Sheraton
Disney	Marriott	Pannonia	Sonesta
Fairmont	Melia	Pan Pacific	Taj
Four Seasons	Meridien	Peninsula	Traders
Hilton	Movenpick	Regent	Westin
			Wyndham

### Measures

**Market orientation.** Market orientation was measured with a 14-item set, based on one proposed by Narver and Slater (1990). Each item was measured on a 5-point scale, where 1 indicated "*strongly disagree*" and 5 indicated "*strongly agree*". An average of the 14 items represented a hotel's overall market orientation. The scale included three main concepts—customer orientation, competitor orientation, and interfunctional coordination.

**Innovation.** Innovation was measured with a two-item scale. The scale assessed a hotel's propensity to invest in generating new capabilities that provide it with new ways to serve customers. The measure captured both administrative and technological innovation, with both items measured on a 5-point scale, where 1 indicated *strongly disagree* and 5 indicated *strongly agree* (see Han et al., 1998, for more on the distinction between administrative and technological innovation). An average of the two items represented a hotel's overall level of innovation.

**Performance.** Performance was measured with reference to six items, of which three were objective measures and three were subjective measures. The three objective measures were occupancy rate (a key performance measure in the hotel industry), gross operating profit, and market share. The three subjective measures of performance were service quality, customer satisfaction, and employee satisfaction. Each of these items was measured on a 5-point scale, where 5 indicated "*Much better than competitors*," 4 indicated "*Better than competitors*," 3 indicated "*About the same*," 2 indicated "*Worse than competitors*," and 1 indicated "*Much worse than competitors*." An average of the three objective measures represented a brand's overall measure of objective performance, and an average of the three subjective measures represented a brand's overall measure of subjective performance.

## Participants

Exhibit 2 summarizes the salient characteristics of the analysis sample. Seventy-four percent of the respondents were general managers of their respective hotel properties. The hotels represented in the sample were heavily international, and they had been international for a significant period of time. Forty-six countries were represented in the sample, assuring diversity. About 61% of the hotels in the sample represented city-center locations, and almost 67% were classified as five-star hotels. The average hotel's customer mix was predominately individuals and group business people.

**Table 2**

**Sample Characteristics**

<b>Geographic Origin</b>			<b>Parent Company Particulars</b>	
Continent	Number	Percent		
Africa	21	10.4	Number of hotel properties worldwide	312
Asia	78	38.8	Number of years since international	28
Australia	17	8.5	Percent of revenue from international	58
Europe	45	22.4		
South America	5	2.5		
North America	35	17.4		
Total	201	100.0		
<b>Positioning of Hotel</b>			<b>Individual Property Characteristics</b>	
Luxury/5 Star	77	38.3	Number of rooms available for sale	365
Upscale/5 Star	58	28.9	Number of full-time employees	435
First Class/4 Star	54	26.9		
Others	12	6.0		
Total	201	100.0		
<b>Location of Hotel</b>			<b>Respondent Characteristics</b>	
City Center	122	60.7	Number of years in current position	6.5
Suburban	16	8.0	Number of years in hotel industry	24.5
Resort	51	25.4	Number of countries where worked	7.3
Others	12	6.0	% having college education	74.4
Total	201	100.0	% who are General Manager	73.8

A total of 201 usable responses were received. Through correspondence with non-respondents we were able to conclude that non-response bias was negligible and insignificant (following Armstrong & Overton, 1977).

## RESULTS

### Mediating Role of Innovation

According to the method we used to test for the mediation effect of innovation on the relationship between market orientation and both objective and subjective performance, the data would have to demonstrate that market orientation is related independently to both innovation and performance, but the impact of market orientation should disappear when looking at the combined impact of market orientation and innovation on performance. The results contained in

Table 3 suggested the same. This led us to conclude that innovation fully mediates the relationship between market orientation and performance.

**Table 3**  
**Regression Results**

Eq. #	Regression Equation	Dependent Variables	Independent Variables		
			Market Orientation	Innovation	Subjective Performance
1	$IN^A = b_0 + b_1 * MO^B$	Innovation	.52 <sup>a</sup>		
2	$JPC = b_0 + b_1 * MO$	Subjective Performance	.47 <sup>a</sup>		
3	$OPD = b_0 + b_1 * MO$	Objective Performance	.17 <sup>c</sup>		
4	$JP = b_0 + b_1 * MO + b_2 * IN$	Subjective Performance	.39 <sup>a</sup>	.15 <sup>c</sup>	
5	$OP = b_0 + b_1 * MO + b_2 * IN$	Objective Performance	.08	.17 <sup>c</sup>	
6	$JP = b_0 + b_1 * IN$	Subjective Performance		.36 <sup>a</sup>	
7	$OP = b_0 + b_1 * IN$	Objective Performance		.22 <sup>b</sup>	
8	$OP = b_0 + b_1 * MO + b_2 * IN + b_3 * JP$	Objective Performance	-.04	.12	.31 <sup>a</sup>

<sup>a</sup>:  $p < .001$ ; <sup>b</sup>:  $p < .01$ ; <sup>c</sup>:  $p < .05$   
 A; IN=Innovation  
 B: MO=Market Orientation  
 C: JP=Subjective Performance  
 D: OP=Objective Performance

Our findings indicated that market orientation is positively and significantly related to innovation, subjective performance, and objective performance, but because the results showed significant positive relationships of both market orientation and innovation to subjective performance, we failed to confirm that innovation mediates the relationship between market orientation and subjective performance. We thus concluded that innovation may be a partial mediator in the relationship between market orientation and subjective performance.

On the other hand, the results indicated that market orientation is insignificantly related to objective performance in the presence of innovation, which is positively and significantly related to objective performance. In this case we were able to support the associated hypothesis, so we suggest that innovation does mediate the relationship between market orientation and objective performance.

### Mediating Role of Subjective Performance

Using the same statistical procedure for our second set of hypotheses, we needed to demonstrate that innovation is related independently to both subjective performance and objective performance. If innovation would prove to be related to objective performance directly, and subjective performance would explain a significant amount of variance in objective performance in the presence of innovation, we would be able to conclude that innovation fully mediates the relationship between market orientation and performance. The results indicated

that innovation is positively and significantly related to both subjective performance and objective performance.

Further results indicated that subjective performance is positively and significantly related to objective performance, after controlling for market orientation and innovation. This implied that subjective performance is a full mediator of the relationship between innovation and objective performance. Moreover, according to our results, market orientation was not related directly to objective performance, implying that subjective performance is a mediator of the relationship between market orientation and objective performance. Ultimately, then, we were able to find in the results of the study full or partial confirmation of all of our hypotheses.

## MANAGERIAL IMPLICATIONS

We set out in this study to test a commonsense insight that we think may apply particularly to the global hotel industry, namely that market-oriented brands can enjoy an important competitive advantage. Our study, we have emphasized, assumed that performance is a two-dimensional construct, comprising both objective performance, which involves financial or market-based measures such as capacity utilization, profitability, and market share, and subjective performance, which involves customer and employee-based measures such as service quality, customer satisfaction, and employee satisfaction. The results of our study suggest that the commonsense insight about the marketing concept indeed holds true: Superior objective performance is based on superior subjective performance. This result yields a number of useful ideas about how to harness the power of the marketing concept.

### How to be Market Oriented

In order to adopt a market orientation and reap the rewards represented by superior objective performance, we suggest that a brand must begin by (a) generating market intelligence to identify the needs of its customers, (b) generating market intelligence to understand its competitive environment, and (c) developing an organizationally coordinated response (see Narver & Slater, 1990). We now consider each of these policies in turn.

***Generation of Market Intelligence on Customers.*** In order to respond to customer needs, brands need information about the needs and preferences of customers that will provide the basic intelligence to prepare marketing plans. Being customer oriented requires that a seller understand a buyer's entire value-chain, not only as it operates today but also as it will evolve over time. Our analysis suggests that the investment entailed in developing such a capability will garner a significant return. It should be mentioned that intelligence generation is the job of every employee of an organization. Employees who come into direct contact with customers, such as receptionists, concierges, restaurant servers, and even housekeepers, are the obvious intelligence gatherers. Programs such as Hilton's ECHO (Every Contact Has Opportunity) and The Breakers' THEO (Team Hears Every Opportunity) are best-practice examples of such intelligence gathering. However, other employees also may have the opportunity to generate intelligence from other types of sources. For instance, general managers, marketing directors, and chefs can learn about market trends and customer preferences by attending executive-education programs and trade shows.

***Generation of Market Intelligence on Competitors.*** Managers must understand the short-term strengths and weaknesses as well as the long-term capabilities and strategies of both current and future competitors. This type of intelligence also includes monitoring competitive factors that may influence customers' future needs and preferences. Among the best practices followed by market leaders, we cite regular competitive "shopping" by members of a management team, subscribing to competitive reports (e.g., reader board reports, STAR, Hotelligence, Phaser, FuturePACE, HotelSpotlight, and RateView), and attending executive programs and conferences

to learn what competitors are doing. Again, our research suggests that these activities are worth the investment.

***Interfunctional Coordination.*** Creating superior value for customers requires that a brand do more than just market its products. Every individual in every function in a hotel brand is involved in producing and delivering the product—in this case services—to the customer. This makes it important for each employee to internalize the needs and preferences of the organization's customers and endeavor jointly to create customer satisfaction. A brand must draw upon and integrate effectively, as well as adapt as necessary, its entire human and other capital resources in a continuous effort to create superior value for customers. Achieving effective interfunctional coordination requires an alignment of the functional areas' incentives and the creation of interfunctional dependency so that each area perceives its own advantage in cooperating closely with the others. In other words, it is critical to have a system by which employees can share the intelligence they have generated. In the THEO system used by The Breakers, for example, each customer contact is called into a voice mail system, which is then transcribed. The resulting report is then circulated to all departments for acknowledgment and possible follow-up action. Such a three-part system of intelligence collection, dissemination, and action is essential to the innovation process.

### **Why Be Market Oriented?**

The goal of all organizations is to boost market share and profitability. Becoming market oriented provides a unifying focus for the efforts and projects of individuals and departments within an organization, thereby leading to superior performance. In addition, a market orientation evidently provides psychological and social benefits to employees. Accomplishing customer satisfaction results in employees' sharing a feeling of worthwhile contribution, as well as higher levels of job satisfaction and organizational commitment.

***Importance of Innovation.*** Innovation is a key to the survival of most brands, especially service brands. Our study results suggest that brands that are less market oriented are less likely to consider innovation. Unless they are somehow protected from competition, such brands are likely to face declining performance.

***Importance of Subjective Performance.*** As we have noted, this is the first study to provide evidence that subjective performance is a key mediator in the relationship between market orientation and objective performance as well as between innovation and objective performance. It is therefore imperative that brands pay close attention to increasing service quality, customer satisfaction, and employee satisfaction if they want to ensure superior profitability.

In a nutshell, then, the management team of a global hotel brand can expect to see such a brand's objective performance measures rise if it adopts a market orientation and develops innovative ways to enhance both customer and employee satisfaction through higher service quality.



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# A Three-Decade Review of Club Capital-Budgeting Practices

By James W. Damitio, and Raymond S. Schmidgall<sup>A</sup>

*If clubs are to remain viable in the future, it is important for them to employ proper capital-budgeting techniques. This study reports on clubs' current capital-budgeting practices. It also compares current practices with those used by clubs over the previous two decades, starting in the 1980s.*

Expenditures for hospitality entities can be divided into two categories, revenue expenditures and capital expenditures. Revenue expenditures are expensed in the period in which they occur, while capital expenditures are expensed over more than one year. Schmidgall, Damitio, and Singh (1997) reported on how financial executives in the lodging segment of the hospitality industry discern between revenue and capital expenditures. The majority of the respondents in that study believed that guidelines needed to be developed to assist executives with capital budgeting.

Horngren, Datar, and Foster (2006) stated that the capital-budgeting process involves making long-term planning decisions for investments in projects. Schmidgall and Damitio (2001) described a club's capital budget as pertaining to planning for the acquisition of equipment, land, buildings, and other property.

Connolly and Ivey (2004) noted that in a difficult economy, hospitality budgets in general become tight. This, they said, leads to more scrutiny over requirements for capital-budgeting projects and the need for more sophisticated approaches to capital-budgeting decisions.

Ryan and Ryan (2002) stated that capital budgeting is one of the most important decisions facing the financial manager. In their study of large Fortune 1000 companies, they found that the Net Present Value (NPV) method was the most frequently used capital-budgeting technique, followed by the Internal Rate of Return (IRR) method.

Are hospitality firms in general using the more sophisticated techniques that large companies employ? Has the use of Discounted-Cash-Flow (DCF) models increased over the less sophisticated payback method?

Eyster and Geller (1981) compared the capital-budgeting practices of hospitality firms (both restaurant and lodging) for 1975 and 1980 and found a modest increase in the use of DCF models. Payback, however, appeared to be the preferred technique at the time. Schmidgall and Damitio (1990) studied the capital-budgeting practices of lodging chains to determine whether there had been significant changes in the techniques used since the Eyster and Geller study. They found significant increases in the use of IRR and NPV models.

Schmidgall and Damitio (2000) revisited the capital-budgeting practices of major lodging chains about a decade later. They found few significant changes in the method employed in evaluating capital projects. That study revealed that IRR continued to be the most popular capital-budgeting technique for lodging chains.

What about the capital-budgeting techniques used in the club segment of the hospitality industry? What techniques have clubs preferred to use in the 1980s, 1990s, and 2000s? Are clubs employing the more sophisticated DCF methods, or are they still using more simplistic approaches, such as payback?

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Schmidgall (1986) conducted a study of private clubs in the 1980s and found that 30% of the respondents had not studied the costs/benefits of capital projects. Of the respondents who had used formal techniques, nearly 46% had used payback, 28% had used NPV, 19% had used IRR, and 7% had used a combination of techniques.

In a follow-up study involving clubs in the 1990s, Schmidgall (1998) found that 42% of the club executives reported using the payback approach to capital budgeting. In that study 35% had used NPV, 18% had used IRR, and the remaining 5% had used a combination of approaches. Thus a moderate increase in the use of DCF models had occurred in the club industry over those 11 years.

## **RESEARCH APPROACH**

A questionnaire designed to investigate current capital-budgeting practices at private clubs included the following four major questions:

1. Does your club undertake a formalized cost/benefit study prior to acquiring property and equipment?
2. If you use a formalized cost/benefit study only for major items, what is considered to be major?
3. If a formalized cost/benefit study is made, what capital-budgeting approach is used?
4. If the payback approach is used, what is the maximum allowable payback period?

In addition, the questionnaire asked for the usual demographic data: The title of the respondent; and the type, size, and profitability of the club.

The questionnaire was mailed to 3,000 members of the Club Managers Association of America. Six hundred and twenty-three questionnaires were returned, resulting in a response rate of just over 20%.

## **FINDINGS**

### **General Characteristics of Respondents**

Ninety-one percent of the respondents held the title of general manager, while the remaining 9% held other titles, such as assistant manager or controller. It appears that virtually all respondents had knowledge of their clubs' capital-budgeting practices. The vast majority of the respondents (78%) were employed by country clubs, with the balance being executives of city, athletic or other types of clubs.

The size of the clubs' membership varied, with 36.5% of respondents having between 250 and 500 members, and 31% having between 501 and 750 members. When reporting annual gross revenues, including dues, the largest category of respondents' clubs (37.2%) indicated that their revenue was between \$3,000,001 and \$5,000,000. The next largest category of respondents' clubs (28.2%) reported annual revenue between \$5,000,001 and \$10,000,000. See Table 1 for additional detailed information on the size of respondents' clubs.

**Table 1**  
**Selected Demographics of Clubs**

<u>Part A – Size of Clubs (Revenues)</u>	
<u>Annual Revenues</u>	<u>Percent</u>
< \$1,000,000	2.3%
1,000,000 – 2,000,000	10.1
2,000,001 – 3,000,000	15.6
3,000,001 – 5,000,000	37.2
5,000,001 – 10,000,000	28.2
> \$10,000,000	<u>6.6</u>
<b>Total</b>	<u>100.0%</u>

<u>Part B – Size of Clubs (Number of Members)</u>	
<u>Number of Members</u>	<u>Percent</u>
< 250	4.3%
250 – 500	36.5
501 – 750	31.0
751 – 1,000	12.1
1,001 – 2,000	12.7
> 2,000	<u>3.4</u>
<b>Total</b>	<u>100.0%</u>

Most private clubs are organized as not for profit, and many of them experience an excess of expenses over revenues. Since a major focus of many clubs is food-and-beverage operations, we used the bottom-line results of clubs' food-and-beverage operations as a surrogate measure for overall profitability. This measure is not impacted by dues and initiation fees in the way net income is impacted.

The median food-and-beverage profitability was zero, while the lower quartile was an 8% loss and the upper quartile was a 7% profit. The food-and-beverage operations at the

extremes, the 90th and 10th percentiles, showed profits of 13.8% and losses of 21.8%, respectively.

### Research Results

Over 80% of the respondents indicated that they conducted a cost/benefit study at their clubs prior to acquiring property and equipment. However, the extent of the study appeared to vary significantly. Just over 37% indicated the study was informal, while 25% conducted a formal study for new acquisitions only. Still, another 20% considered the costs and benefits for all capital items, including new and replacement equipment purchases. Therefore, nearly one out of five clubs undertook no cost/benefit evaluation prior to the capital-budgeting decision!

Does the use of cost/benefit analysis of capital projects differ based on general demographics? As shown in Table 2, the size of the club (both in terms of annual revenues and number of members) suggests a difference in terms of whether a study is prepared for capital projects. However, the type of club and its profitability do not reveal any statistical difference with regard to whether a study is prepared for capital projects.

**Table 2**  
**Comparison of Demographics to Whether Study is Prepared**

	<u>Chi Square</u>	<u>Significance</u>
<b>Type of club</b>	8.907	.446
<b>Size – revenues</b>	18.397	.031 *
<b>Size – members</b>	16.260	.062 **
<b>Profitability</b>	13.513	.141
<b>* Statistically significant at the 5% level</b>		
<b>** Statistically significant at the 10% level</b>		

Twenty-six percent of the smallest clubs (annual revenues of less than \$2,000,000) do not study the cost/benefits of their capital project. Thirteen percent of the largest clubs (annual revenues exceeding \$5 million), do not conduct a cost/benefit study. For the two remaining club-size categories, the percentage using cost/benefit analysis is in between these extremes. Similar results are noted regarding clubs that informally study the cost/benefit of capital projects. Forty-two percent of the smallest clubs conduct an informal study compared to 36% of the largest clubs. The two remaining club-size categories fall between these extremes, as shown in Table 3.

**Table 3**  
**Conduct of Cost/Benefit Studies by Size of Club (Annual Revenues)**

	Size of Club (Annual Revenues)			
	<u>&lt; \$2 million</u>	<u>\$2 to 3 million</u>	<u>\$3 to 5 million</u>	<u>&gt; \$5 million</u>
<b>No study conducted</b>	26%	18%	15%	13%
<b>Only informal study</b>	42	40	39	36
<b>Study – only major items</b>	17	31	22	23
<b>Study – all items</b>	<u>15</u>	<u>11</u>	<u>24</u>	<u>28</u>
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Table 4 shows the correlation between club size based on the number of members, and the conducting of cost/benefit studies for capital projects. Clearly, a bigger percentage of the largest clubs (> 1,000 members) conduct more studies than the smallest clubs do (< 500 members). Table 4 reveals the percentage of clubs conducting these studies by club size.

**Table 4**  
**Conduct of Cost/Benefit Studies by Size of Club (Number of Members)**

	Size of Club – Number of Members			
	<u>&lt; 500</u>	<u>500 – 750</u>	<u>751 – 1,000</u>	<u>&gt; 1,000</u>
<b>No study conducted</b>	17%	14%	19%	13%
<b>Only informal study</b>	39	45	30	29
<b>Study – only major items</b>	25	21	35	29
<b>Study – all items</b>	<u>19</u>	<u>20</u>	<u>16</u>	<u>29</u>
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Over 250 respondents indicated a cost/benefit study is conducted for major items only. However, what do the respondents consider major? Forty-four percent indicated that major meant over \$10,000, 25% indicated over \$1,000, 13% indicated over \$50,000, and 8% indicated over \$100,000. The remaining 10% indicated major meant expenditures in excess of other amounts. A comparison of types, sizes, and profitability of clubs to "what is major" revealed only a statistical difference for size based on annual revenues, as shown in Table 5.

**Table 5**  
**Comparison of Demographics to “What is Major?”**

	<u>Chi Square</u>	<u>Significance</u>
<b>Type of club</b>	5.940	.430
<b>Size – annual revenues</b>	13.891	.031*
<b>Size – members</b>	4.998	.544
<b>Profitability</b>	6.579	.362
<b>* Statistically significant at the 5% level</b>		

Table 6 reveals the differences between the extremes—the smallest and largest clubs based on annual revenue. Major capital items are defined as greater than \$1,000 for 40% of the clubs with revenues less than \$2 million, and for 28% of clubs with sales over \$5 million. Expenditures greater than \$50,000 are defined as major by 16% of the smallest clubs and 30% of the largest clubs. Percentages for other club sizes and expenditures over \$10,000 are also shown in Table 6. To some degree, the larger the club (based on annual revenues), the larger the amount of capital expenditure in order for it to be considered major, as would be expected.

**Table 6**  
**Size of Club (Annual Revenues) Compared to “What is Major?”**

	<b>Size of Club (Annual Revenues)</b>			
	<u>&lt; \$2 million</u>	<u>\$2 to 3 million</u>	<u>\$3 to 5 million</u>	<u>&gt; \$5 million</u>
<b>Expenditure &gt; \$1,000</b>	40%	26%	42%	28%
<b>Expenditure &gt; \$10,000</b>	44	62	41	42
<b>Expenditure &gt; \$50,000</b>	<u>16</u>	<u>12</u>	<u>17</u>	<u>30</u>
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The most common capital-budgeting approach was payback, used by 43% of those conducting a formal study. Nearly an equal percentage of clubs used some DCF method. NPV was used by one-quarter of these clubs, while 17% used IRR. Fifteen percent included a combination of approaches. For example, common combinations were payback and NPV, or payback and IRR.

Does the use of these various approaches differ by type, size, or profitability of a club? Only the size of the club, based on annual revenues, appeared to suggest a difference in the approaches used, as revealed in Tables 7 and 8. We expected the larger clubs would use the more sophisticated capital-budgeting approaches, that is, NPV and IRR. However, the two smallest categories of clubs made the greatest use of the DCF approaches. Finally, what is the maximum

allowable payback period? The alternatives provided included *two, three, four, and five* years, and *other (please explain)*. The most common payback period, indicated by 44% of the respondents, was *five* years. Nineteen percent and 14% indicated *three* and *four* years, respectively. Only 3% indicated *two* years, while the remaining 20% indicated *other* and provided an alternative explanation. The explanations were primarily some other time period, such as seven or ten years, or “it depends.” The reason given for “it depends” included item, project life, and type of asset. A comparison of the maximum allowable payback period to the type, size, and profitability of clubs did not reveal any statistically significant differences.

**Table 7**  
**Comparison of Demographics to Capital-Budgeting Approach**

	<u>Chi Square</u>	<u>Significance</u>
<b>Type of club</b>	6.031	.420
<b>Size of revenues</b>	18.763	.005 *
<b>Size – members</b>	6.502	.369
<b>Profitability</b>	6.116	.410
* Statistically significant at the 1% level		

**Table 8**  
**Size of Club (Annual Revenues) Compared to Capital-Budgeting Approach**

	<u>Size of Club (Annual Revenues)</u>			
	<u>&lt; \$2 million</u>	<u>\$2 to 3 million</u>	<u>\$3 to 5 million</u>	<u>&gt; \$5 million</u>
<b>Payback</b>	33%	30%	51%	62%
<b>NPV</b>	28	51	26	24
<b>IRR</b>	<u>39</u>	<u>19</u>	<u>23</u>	<u>14</u>
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**Comparisons to Prior Studies**

Schmidgall conducted similar capital-budgeting research for clubs in the 1980s and 1990s. It is interesting to compare the current responses with those from club executives during the prior two decades. First, are clubs today more likely to conduct a cost/benefit study of a proposed project than clubs in the past?

Table 9 reveals little change from the prior study: 82% of the club executives today indicated they conduct a cost/benefit study when considering capital projects, compared to 85% in the 1990s. Cost/benefit studies were conducted for all capital-budgeting projects by 50% of the clubs responding in the 1990s, as compared to 45% in the current study. Thus, there appear



to have been minor changes in conducting cost/benefit studies over the past ten years, while there were very significant changes from the decade of the 1980s to the 1990s, as shown in Table 9.

**Table 9**  
**Clubs Conducting Cost/Benefit Studies**

	<b>Prior Studies</b>		
	<u>1980s</u>	<u>1990s</u>	<u>Current Study</u>
<b>Percentage conducting study</b>	70%	85%	82%
<b>Study—for all items</b>	19%	50%	45%
<b>Study – only major items</b>	81%	50%	55%

Many club executives indicated that cost/benefit studies are conducted only for major items. In the 1980s over 80% indicated they studied relevant costs and benefits only for major items. Compare this to 50% and 55% of the club executives from the 1990s and the current studies, respectively. How has the quantification of "what is major" changed? A comparison of club executives' responses over the past three decades is revealed in Table 10. Only 25% of the respondents currently consider major to be *greater than \$1,000*, compared to 40% and 46% from the two prior studies. The *greater than \$10,000* amount has defined "what is major" for approximately 40% of the clubs over the decades: 37% in the 1980s, 35% in the 1990s, and 44% currently. The *greater than \$50,000* quantification has been constant (13%) over the three decades, while a new category in this study, *greater than \$100,000* or more, was indicated by 8% of the respondents. The *other* category has been 10% or fewer for all three studies. Overall, it appears the definition of major for capital projects has increased over the current decade compared to the past two decades. This should not be surprising because most capital purchases are more expensive in the 21st century than they were at the end of the 20th century.

**Table 10**  
**Size of Major Purchases**

<b>Prior Studies</b>			
	<u>1980s</u>	<u>1990s</u>	<u>Current Study</u>
<b>Greater than \$1,000</b>	40%	46%	25%
<b>Greater than \$10,000</b>	37	35	44
<b>Greater than \$50,000</b>	13	13	13
<b>Greater than \$100,000 or more</b>	--	--	8
<b>Other</b>	<u>10</u>	<u>6</u>	<u>10</u>
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The current survey included capital-budget approaches, namely payback, NPV and IRR. Table 11 reveals the research results over the last three decades. The payback approach continues to be used by over 40% of the clubs, according to the respondents. The more sophisticated approaches, NPV and IRR, by themselves are currently used by fewer clubs than in the past two decades; however, 15% of the clubs are using a combination of studies, a number significantly greater than in the past. Many of these combinations include DCF methods such as NPV and IRR.

**Table 11**  
**Capital-Budgeting Approach Used**

<b>Prior Studies</b>			
	<u>1980s</u>	<u>1990s</u>	<u>Current Study</u>
<b>Payback</b>	46%	42%	43%
<b>NPV</b>	28	35	25
<b>IRR</b>	19	18	17
<b>Combination</b>	<u>7</u>	<u>5</u>	<u>15</u>
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Finally, Table 12 reveals the maximum allowable payback period in years. The average for payback periods of two through five years is also shown in this exhibit. The average allowable payback period for clubs in the 1980s was 4.26 years. The research for the past decade (1990s) revealed a short average payback period of 3.57 years, while the average allowable payback period for the first decade of the 21st century, 4.27 years, was nearly equal to that shown in 1980s survey results. Overall it appears clubs responding in the 1990s were the exceptions across the three decades.

**Table 12**  
**Length of Maximum Allowable Payback Period**

<b>Prior Studies</b>			
<u>Years</u>	<u>1980s</u>	<u>1990s</u>	<u>Current Study</u>
<b>2</b>	8%	14%	3%
<b>3</b>	19	35	19
<b>4</b>	12	8	14
<b>5</b>	61	27	44
<b>Other</b>	—	<u>16</u>	<u>20</u>
<b>Total</b>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>Average *</b>	<u>4.26</u> years	<u>3.57</u> years	<u>4.24</u> years
<b>* Excludes other</b>			

### **SUMMARY, CONCLUSIONS, AND FUTURE RESEARCH**

It appears that there are currently great differences among clubs as to how they approach capital-budgeting projects, not only in terms of whether a formal study is conducted but also in terms of the capital-budgeting technique used, if a formal study is conducted. Somewhat to our surprise, the smaller clubs currently appear to be making greater use of the more sophisticated DCF approaches to capital budgeting. We believe that this finding merits further research.

On the other hand, clubs' capital-budgeting approaches have not changed greatly in the past 25 years. The percentage of clubs using payback, the most common approach, has been between 42% and 46% over almost three decades. Unlike other segments of the hospitality industry, IRR and NPV do not appear to be gaining greater acceptance.

Future research should attempt to determine why more clubs are not using the more sophisticated DCF approaches to capital budgeting in times when there is increased pressure on most clubs' profitability. Research should also attempt to determine why smaller clubs are increasingly using DCF approaches. Also, further research should be done to determine whether club managers need to be educated about how DCF approaches work and how beneficial they are in the capital-budgeting process.

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# General Managers in Mid-Scale Hotels: Are they Plateaued?

By Sheryl Kline, Howard Adler, Richard Ghiselli, Shin-Yu Huang

*This research investigated the career-plateau patterns of general managers (GMs) in mid-scale hotels. In regard to plateau categories, by far the largest number of GMs reported that they were in the productively plateaued category. The hotel industry can use this research to view the career satisfaction and productivity of GMs in light of the plateau pattern into which they are classified.*

According to the American Hotel and Lodging Association (2008a), the United States has over 47,000 hotels and motels. Almost half of these hotels can be classified as smaller mid-scale or limited-service properties. In these properties, an individual's ascent to GM generally takes a shorter time. However, once in the GM position, where will the career path lead? Some managers may become district or area managers supervising a few hotels. Others may move up to other corporate positions. Still others might make the leap to larger or full-service hotels. The majority will have reached what is referred to as a *structural plateau*. A *career plateau* has been commonly defined as that point in a career when future hierarchical mobility seems unlikely (FERENCE, Stoner, & Warren, 1977). There is little chance of avoiding structural plateauing at some point in any career, at least for the majority who do not reach the top (Kaye, 1989). The pyramidal structure of organizations dictates that less than 1% of an organization's employees reach the highest levels, making career plateaus inevitable for most employees (Bardwick, 1986). Managers at various levels may pursue opportunities for career advancement; however, opportunities may become increasingly limited due to structural changes within an industry or company, or to a slowdown in business activities in the economic sector (Tremblay, Roger, & Toulouse, 1995).

Although the phenomenon of career plateauing is not new, it has received increased attention in recent years. A study carried out among human resources directors showed that almost half of all firms considered career plateauing a serious concern (Rosen & Jerdee, 1990). It is therefore not surprising that there has been an increase in research concerning this issue. Research concerning managers who found themselves stalled in this situation showed they experienced feelings of resentment, disillusionment, and frustration, not only with their organizations, but also with themselves. They often saw themselves as being partially responsible for their plight (Marshall & Cooper, 1979).

On the other hand, plateauing does not necessarily carry a negative connotation. Although some plateaued employees are unproductive, many are not. Ferrence et al. have suggested that while some plateaued managers may decline, others continue to perform at a high level.

In either case, the career-plateau phenomenon has the potential to impact the majority of GMs in the hotel industry, and the largest number of those GMs work in mid-scale hotels. In these hotels there are costs associated at both the personal and corporate level. The companies that GMs work for have invested much time and money in their careers and must be concerned about their managers' productivity and career satisfaction.

## CAREER-PLATEAU PATTERNS

Career plateaus have been viewed by distinguishing between two sources: organizational and personal (Ferrence et al.). Organizational plateauing refers to the lack of opportunities in an organization; personal plateauing refers to the employees' lack of ability or motivation for further promotion. Veiga considered that a career plateau existed because of the total absence of either vertical or horizontal mobility (1981). Another way of viewing career plateaus is to categorize them into objective and subjective plateaus (Tremblay et al.). An objective career plateau could

be measured by the number of years in the same position, or years since the last promotion. People with more than five years in the same position and location could be considered plateaued. Subjective career plateaus could be measured as the expected period of time before the next promotion or movement, or the perceived probability of getting a promotion in the future.

### TYPES OF CAREER PLATEAUS

Kaye expanded the definition of career plateau into four quadrants based on two axes of organizational and individual activities. Figure 1 shows four typical career-plateau patterns that would apply to GMs. The lowest area (*the passively plateaued pattern*) is defined by low organizational activity and low individual activity. These people have given up on themselves, and so has the organization. They are trapped in a state of personal inaction with the consent and collusion of their organization and may be seen as deadwood. Very often, they are counting the time until their retirement. The highest area (*the productively plateaued pattern*) is defined by high employee activity and high organizational activity. Even though a promotion may be possible, people who fall into this group manage their own resources for enthusiasm about their work. The middle two categories consist of pleasantly plateaued employees and partially plateaued employees. The *pleasantly plateaued pattern* is defined by low employee activity but high organizational activity. An employee in this category is more likely to work for an organization that cares about maximizing human resource contributions. However, the individual might not be so interested in training and job enrichment programs. The *partially plateaued* employee is defined by high employee activity but low organizational activity. This group has its own reasons for keeping the job appealing, even though the organization does not put much effort into job-enrichment programs or training.

**Figure 1**  
**Four Plateau Patterns**

		Employee Activities	
		High	Low
Organizational Activities	High	Productively Plateaued	Pleasantly Plateaued
	Low	Partially Plateaued	Passively Plateaued

### CAREER STAGES OF GENERAL MANAGERS

The stage of career plateau has a great deal to do with the stage of a person’s career. According to career theorists, individuals normally experience four career stages: exploration, establishment, maintenance, and disengagement (Cron & Slocum, 1986a). A brief description of the stages follows:

**Exploration:** In this stage individuals (typically in their twenties) are concerned with finding an occupation in which they can feel comfortable and succeed. The fundamental question addressed during this period is: “What do I want to do for the rest of my life?” Personal commitment to an occupation is low, and several changes in occupation are likely.

***Establishment:*** Individuals from their late twenties to early thirties seek to attain stabilization within an occupation and to secure a place in the working world. Concern focuses on adding structure and stability to one's career, often at the same time that other important life commitments are being made (e.g., getting married, buying a home, establishing roots in a community, etc.) (Levinson, Darrow, Klein, Levinson, & McKee, 1978). Achieving professional success is of utmost importance and frequently involves a desire for promotion.

***Maintenance:*** This stage normally begins in a person's late thirties to mid-forties. Concern during this stage is with retaining one's present position, status, and performance level, which are likely to be relatively high (Cron & Slocum, 1986a). Desire and opportunity for future organizational and job movement diminishes. Career commitment to an organization is likely because people in this stage may be less prone to switch organizations (Cron & Slocum, 1986b). However, individuals in this stage must adapt to changes, keep current with new developments, and acquire knowledge and skills to improve performance.

***Disengagement:*** In the early development of career-stage theories, disengagement was associated with preparation for imminent retirement and sometimes loss of self identity. However, recent research suggests that some people become frustrated long before retirement age and might psychologically disengage themselves from their work rather than search for a new job or occupation. Lower performance is often associated with this career stage.

## CONSEQUENCES OF CAREER PLATEAUIING

A number of researchers have examined the consequences associated with becoming plateaued in one's career. Although not all studies found negative outcomes, there is considerable evidence indicating that career plateaus are related to unfavorable job attitudes and behaviors. Typical effects of plateauing highlighted in the research include stress, intent to quit, hostility to the organization, lowered aspirations, withdrawal, goal displacement, higher absenteeism, less satisfaction with supervisors, and more health problems (Patterson, Sutton, & Schuttenberg, 1987; Gerpott & Dorsch, 1987; Stout, Slocum, & Cron, 1988).

Tremblay et al. studied the work attitude of *plateaued* and *non-plateaued* managers. They found that each group responded differently to the work environment. One positive finding indicated that satisfaction with work itself is strongly related with feelings of being plateaued. Thus some plateaued people are likely to be highly productive and happy with their present situation. Plateaued employees might be redirecting their personal focus to family and other personal issues that give them even greater satisfaction than work-related tasks. However, Near (1985) and Evans and Gilbert (1984) observed no significant difference in satisfaction levels between respondents who have attained a career plateau and those who have not.

## STUDYING MID-SCALE HOTEL GENERAL MANAGERS

The largest number of GMs in the United States work in the mid-scale segment of hotels. It is important to study these GMs because they have a tremendous influence on the success of the U.S. lodging industry. The hotel industry can use the results of this study to better view GMs' career satisfaction and productivity in light of the plateau patterns in which they are classified. No data indicate that GMs are leaving the industry in high numbers. However, the hotel industry can use the information in this research to implement professional development programs that keep GMs' skill levels and productivity high. A hotel company could also develop an approach to prevent GMs from becoming passively plateaued, as that could lead to extreme loss of productivity for hotel companies.

The major purpose of this research, based upon the four plateau categories proposed by Kaye, was to identify how GMs of mid-scale hotels viewed themselves as related to plateau characteristics. Specific objectives were:

1. To identify demographic profiles of GMs within each of the four career-plateau categories
2. To identify GMs' future job intentions within each of the four career-plateau categories
3. To examine whether a GM's career-plateau pattern differs by the amount of job and managerial experience
4. To identify whether the management or ownership pattern of the GM's hotel affects plateauing.

### **HOW THE GENERAL MANAGERS WERE STUDIED**

We decided to limit this research to hotels with between 100 and 200 rooms since these constitute the largest number of properties in the country. We further decided to limit the study to hotel chains because the majority of hotels in this segment are under the umbrella of a chain (American Hotel and Lodging Association, 2008b). Six hotel chains (Courtyard by Marriott, Hampton Inn, Quality Inn, Ramada, Four Points by Sheraton, and Holiday Inn) were chosen because they represented the mid-scale segment of the lodging industry.

The six hotel chains had a total of 3,983 properties. A nationwide, stratified random sample of 1,000 hotels was selected. Stratified sampling was used to assure that the six hotel chains were fairly represented in the research. Approximately 25% of the properties in each chain were surveyed. In order to properly address the surveys to the properties, we contacted each hotel by telephone to ascertain the name of the GM.

Hotel GMs were sent a three-part questionnaire. The first part was concerned with demographic data, such as gender, educational level, years of experience in the hotel business, years in current position, and total years of experience as a GM. The literature indicates that the minimum number of years that it usually takes for an individual to reach any kind of plateau is five or seven years (Stout et al.; Gerpott & Dorsch). A question was also asked about the type of ownership and management patterns at the property where the respondent was employed. Part two of the questionnaire, based on a scale designed by Kaye, contained 41 questions on a five-point Likert Scale. These questions were designed to measure GMs' career-plateau patterns (Table 1). Plateau literature has identified specific behaviors associated with each of the four plateau patterns. Questions 1-11 related to the productively plateaued pattern. Questions 12-20 measured the partially plateaued pattern. Questions 21-29 measured the pleasantly plateaued pattern. Questions 30-41 measured the passively plateaued pattern. Part Three of the questionnaire asked questions about future job intentions. All surveyed individuals received a personalized cover letter that explained the purpose of the study and insured confidentiality. Table 2 shows the characteristics within each category. This instrument has been tested by Kaye and Associates for content validity and has proven reliable with numerous companies.



**Table 1.**  
**Characteristics Relating to the Four Career-Plateau Patterns**

Plateau patterns	Characteristics
<b>Productively</b>	<ul style="list-style-type: none"> <li>▪ A job that's familiar but valued by peers and supervisors</li> <li>▪ An organization that rewards and recognizes task accomplishments--even by employees who perform routine work.</li> <li>▪ An organization that offers employees positive learning and development programs</li> <li>▪ A willingness to participate in professional and organizational opportunities</li> <li>▪ A sense of balance between aspiration and achievement</li> <li>▪ A willingness to take some risks</li> <li>▪ A desire to do a familiar job more effectively</li> <li>▪ A sense of loyalty to the company</li> <li>▪ A reputation as a team player</li> <li>▪ A feeling that a higher-level job might have some negative aspects, such as longer hours or increased pressure</li> <li>▪ A feeling that my job is vital to the organization's success</li> </ul>
<b>Partially</b>	<ul style="list-style-type: none"> <li>▪ Routine work interspersed with one small niche or pet project that's personally exciting</li> <li>▪ Recognition from others (often outside the organization) who value work in that niche</li> <li>▪ Professional associations and outside contacts contribute a major sense of prestige</li> <li>▪ A majority of work assignments that offer little excitement, even boredom although they're accomplished well</li> <li>▪ An organization is one that respects the work being done but sees little need to put additional energy into the individual contributor</li> <li>▪ A sense of contribution to the organization's goals but a lack of opportunity to pursue personal goals</li> <li>▪ A good relationship with immediate supervisors who provide feedback without giving any real hope of further advancement</li> <li>▪ Open networks to their part of the organization</li> </ul>
<b>Pleasantly</b>	<ul style="list-style-type: none"> <li>▪ An organization that cares enough about human resources to encourage use of developmental programs</li> <li>▪ An individual sense of comfort in my organization</li> <li>▪ A satisfying life outside of work</li> <li>▪ A reluctance to change</li> <li>▪ Organizational efforts at individual development are caring but also a bother</li> <li>▪ A lack of motivation even though promoted</li> <li>▪ A desire for minimal stress</li> <li>▪ A desire to remain with the current employer for the foreseeable future</li> <li>▪ Adequate task achievement in this position</li> </ul>
<b>Passively</b>	<ul style="list-style-type: none"> <li>▪ In the same job and doing the same activities for at least 5 years</li> <li>▪ Low job interest and involvement</li> <li>▪ Low organizational interest in individual development</li> <li>▪ A sense of inertia about job change or risk-taking</li> <li>▪ Little interest in skill development or job enrichment</li> <li>▪ Low perceived marketability</li> <li>▪ A sense of being above the present job</li> <li>▪ A lack of company support for professional development</li> <li>▪ Special skills: Narrowly defined work</li> <li>▪ Little visibility within the company</li> <li>▪ A sense of being tied to or trapped by the company for the foreseeable future</li> <li>▪ Performance ratings have been unrealistically favorable considering the level of work accomplished</li> </ul>

## WHAT THE GENERAL MANAGERS REPORTED

### Demographic Data

From the initial mailing of 1,000 questionnaires, 174 were returned. Three weeks later, 200 more questionnaires were faxed to randomly selected non-respondents. An additional 15 questionnaires were returned. In total 189 GMs returned questionnaires, for a 19% response rate. Table 2 shows the number of hotels surveyed and response rates within each chain. Three respondents intentionally erased survey codes. Courtyard, Four Points, Ramada, Hampton Inn, and Holiday Inn had a 20% response rate. However, Ramada Inn and Quality Inn had response rates of 16% and 13%, respectively. Among the 189 returned questionnaires, four were deleted because they were incomplete. Thirty-six of them were eliminated because the respondents had less than two years of experience as a GM. The final sample size was 149.

**Table 2.**  
**Response Rate of Hotels in the Survey**

Hotel chains	Number of hotels in chain	Number surveyed	Number of responses	Percent of response
Courtyard	433	134	31	22%
Four Points	89	19	4	21%
Hampton Inn	1,063	261	53	20%
Holiday Inn	990	238	49	21%
Quality Inn	416	104	17	16%
Ramada	976	244	32	13%
Untracked			3	
Total	3,967	1,000	189	19%

Table 3 contains the GMs' basic demographic profile. The majority of them were males between the ages of 31 and 50. The average age of responding GMs was 41. Seventy-two percent of the respondents were married, and 58% held a college degree. Nineteen different degree fields were identified, with hospitality degrees accounting for 41% and business degrees accounting for 28.5%.

**Table 3.**  
**Demographic Data of General Managers**

<b>Demographic Characteristics</b>	<b>N</b>	<b>% of all respondents</b>
Gender		
Male	103	69%
Female	46	31%
Age		
<=30	11	7%
31-40 years	58	39%
41-50 years	56	38%
>=51 years	24	16%
Marital Status		
Single	42	28%
Married	107	72%
Educational level		
High school diploma	49	33%
College degree	86	58%
Graduate degree	14	9%

The average number of years a GM had worked in the hotel industry was 16.2 years, with a standard deviation (SD) of 8.7. They had been in their present position an average of 3.3 years, with a SD of 3.0, and had spent an average of 8.3 years overall as a GM, with a SD of 7.1.

The majority of GMs (51%) worked for franchised properties that were independently operated; 42% worked for franchised properties operated by management companies; (6%) worked for corporate-owned properties; and 1% worked at other types of property that did not fit those categories.

This research explored GMs' future job intentions. Table 4 shows that 50% of GMs wanted to stay in the same position at the same hotel. Twenty-six percent wanted to stay with the same company but move up to a higher position. The others indicated they wanted to leave.

**Table 4.**  
**Future Job Intentions (N=149)**

<b>Future Job Intention</b>	<b>Frequency (N)</b>	<b>% of all respondents</b>
Stay in the current position and current company	74	50%
Stay with the same company but move towards a higher position	38	26%
Change companies but stay in the same position	22	15%
Leave the company and industry	14	9%

Frequency Missing = 1

In regard to plateau categories, by far the largest number of GMs, 82%, reported that they were in the productively plateaued category. The other three categories accounted for the remaining 18%. Table 5 lists the various categories by gender.

**Table 5.**

**Gender & Career-Plateau Patterns**

<b>Gender</b>	<b>Passively</b>	<b>Partially</b>	<b>Pleasantly</b>	<b>Productively</b>
Male	5 3.38%	7 4.73%	7 4.73%	83 56.08%
Female	2 1.35%	3 2.03%	4 2.7%	37 25%

**Generalized Results of General Managers Within Each Plateau Category**

**Productively Plateaued Category.** The data showed that the kind of person more likely to fall into this category has 20-30 years' experience in the hotel industry, wants to stay in the same company, but seeks a higher position. Therefore, years of experience in the hotel industry, years of experience as a GM, and future job intention are three important factors that determine whether a GM falls into the productively plateaued category.

**Partially Plateaued Category.** The results showed that males and managers of property run by corporations are more likely to fall into this category. In addition, a person who wishes to stay with the same company but seek a higher position is more likely to be partially plateaued. Therefore, gender, types of property, and future job intentions are three important factors that determine the partially plateaued category.

**Pleasantly Plateaued Category.** The results indicated that it is more likely that a married person with 10-20 years' experience in the hotel industry, and a person who intends to stay with the same company will fall into this category. Therefore marital status, years of experience in the hotel industry, and future job intentions are important factors that determine whether a person falls into this category.

**Passively Plateaued Category.** The data relating to this category indicate that it is more likely that a male with a higher educational level (master's degree or above) and a person with more than 30 years of experience in the hotel industry will fall into this category. Therefore, variables such as gender, educational level, and years in the industry are important factors that determine whether a person falls into this category.

**Discussion**

Plateauing has the potential to cause discontent among managers and dysfunction in organizations (Nicholson, 1993). This research was designed to study plateau characteristics of GMs in mid-scale hotels, and thereby to better understand career decisions.

Super (1980) proposed that age is related to plateaued and non-plateaued performance. This research found that ages differ in relation to career-plateau patterns. Most of the GMs who fell into the passively plateaued pattern (31%) were between 31 and 40 years old. Most -who fell into the partially plateaued pattern were also between 31 and 40 years old. An interesting finding of this study was that the longer the GM had spent in the hotel industry, the more likely that individual was to be in the productively plateaued category. In the study, every GM with over thirty years of experience fell into this category. In addition, every GM with less than 10 years of experience in the hotel industry was in the passively plateaued pattern. Some studies have defined

people as being plateaued by length of time on the job (Slocum & Cron, 1985). That is, the longer the job tenure, the more likely the individual is to be plateaued.

The results show that even though GMs with longer job tenure are more likely to be plateaued, they are actually more likely to fall into the category of productively plateaued. The nature of the hotel industry could be one of the factors that explain this. It is possible that someone who decides to work in the hotel industry for such a long time may have a stronger initial and continuing career enthusiasm.

Tremblay et al. indicated that plateaued individuals within each of these categories showed different levels of performance, satisfaction, and intention to quit. The results in our study revealed future job intentions to be related to plateau patterns. The study showed that in the passively plateaued pattern, the GM intended to change a company or leave the company or industry altogether. That is, individuals who were less committed to their jobs were more likely to fall into the passively plateaued category. In the productively plateaued pattern, the respondents intended to stay in the same position in their current hotel or stay with the same company but move up to a higher position. That is, individuals who were more committed to their jobs were more likely to fall into the productively plateaued pattern.

Human resources specialists can identify various target groups that fall into each category and design a career-development strategy that might help managers remain engaged not only in their own career development but also in their employees' development. Organizational interventions would help managers refocus career expectations (Reibstein, 1986). Hotel companies can help GMs avoid becoming passively plateaued, a factor which could lead to an extreme loss of productivity for hotel companies.

### **Conclusion**

Traditional promotion channels in organizational hierarchies may be blocked for many younger or middle-aged managers. Various economic or political realities, such as mergers and acquisitions or the sale of property, may cause a manager to stagnate. So, too, might the individual's own unrealistic expectations (Driver, 1985). The age structure of some U.S. businesses may prevent many younger individuals from rising through the ranks as their older colleagues have done. This may suggest that career strategies and choices made with long-term objectives in mind may fail to materialize. Thus it is important for a hotel company not to make career-promotion promises that cannot be kept. Moreover, an effort to hire older, experienced employees may be a benefit to hotel companies because these individuals have a stronger career commitment and enthusiasm. When plateauing inevitably happens, older, experienced employees are more likely to fall into the productively plateaued pattern.

### **Limitations**

As in similar research of this type, the results are self-reported. Therefore, managers may have answered only how they perceived themselves or how they thought others perceived them. This research looked only at GMs in mid-scale hotels; situations in other types of hotels may vary. Lastly, the response rate was only 19%, with 149 usable responses. Therefore in the future a larger survey might be conducted to produce more generalizable results.

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# Strategy for Hospitality Businesses in the Developing World

By Michael D. Olsen, Amit Sharma, Inigo Echeveste and Eliza Ching-Yick Tse

*The purpose of this paper is to present an alternate framework for evaluating strategic decisions of hospitality businesses in developing nations, particularly small- and medium-sized enterprises (SMEs). While strategy literature is extensive and diverse, it remains focused on developed nation contexts. By default, so is the case with hospitality strategy literature. This has created a paucity of research for hospitality businesses in developing nations; these businesses are largely SMEs in dynamic environments seldom similar to the ones in developed nations. Therefore, the proposed framework emphasizes the role of environment, and its relationship to strategic choice, resource allocation, and strategy evaluation. A set of research questions is also proposed.*

Have researchers in strategy, driven by ever more vigilant attempts at succeeding in using the most advanced methods of research, missed the essence and relevance of strategy in understanding firm success in emerging economies? Or, asked differently, could the contemporary body of knowledge in hospitality strategic management that originated from research in the free-market economies of the developed world find transferability to the developing world?

For many developing nations, hospitality businesses are becoming an important source of economic diversification. However, in these predominantly agricultural, mining, and manufacturing economies, the transition to consumer services is complex and uncertain. The strategic development process in such environments must be contextual to appropriately reflect the historical evolution of these economies, many of which were formerly socialist. The current gap in hospitality literature indicates limited understanding of the factors and processes that ensure competitiveness of hospitality enterprises in developing countries. Most business-strategy theories available for adoption in developing countries were formulated and researched in developed countries. As a consequence, these theories are ineffective at capturing nuances of the local environment that critically affect the business-strategy process. An added variable is that significant hospitality business activity in these nations is of small- and medium-sized enterprises (SMEs). The SME literature in hospitality is also underdeveloped, thereby increasing the magnitude of this lack of understanding. This gap is critical also because as services continue to take an increasingly larger share of developing-country economic activities, their lack of competitiveness will have an adverse impact on national productivity.

The purpose of this paper is to propose a framework within which competitiveness of hospitality businesses in the developing world can be investigated. Research questions will be developed from this framework that will stimulate critically needed research to improve our understanding of the competitive behavior of hospitality businesses, especially SMEs in developing countries.

## BACKGROUND

Research in strategic management has been generated primarily in the developed world and has focused on organizations and corporations that dominate the business environment. These corporations have enjoyed large market capitalizations and excellent market share. Growing out of this research has been the literature of hospitality strategic management. Unfortunately, however, it has provided only a limited understanding of hospitality business strategy in developing countries. The perspective of strategy in developing countries is that of multinational organizations that have decided to expand internationally. This research has been facilitated in part by the availability of information and data resulting from regulatory requirements of governments in developed economies, as well as the work of researchers who have viewed strategy through the lens of developed economies. These requirements have



assisted scholars in producing large data bases, such as PIMS and COMPUSTAT, which have enabled them to use more scientific and deductive methodologies in their research.

## **STRATEGY RESEARCH: CONCEPTS AND REALITIES**

Strategy research has developed rapidly over the past 50 years, beginning with Weber's views of the organization (1947), the Aston School (Pugh, 1973), Thompson (1967), Lawrence and Lorsch (1968), Mintzberg (1975), Porter (1980), Miles and Snow (1978), and Hamel and Prahalad (1994). These represent just a few of the leading scholars who have contributed to the body of knowledge in the field. They and others have served to create what Mintzberg et al. captioned in the first chapter of the book *Strategy Safari* (1998): "And over here, ladies and gentlemen: the strategic management beast." The metaphor is, of course, related to the ten schools of thought the authors summarized relative to the construct of strategy. Their message seems clear: We have an eclectic body of work but have not been able to capture the holy grail of this complex field.

In their comprehensive review of the literature, Hoskisson et al. (1999) suggested focusing on the swing of the pendulum in strategy research. That research has moved from the normative and/or prescriptive approach, as evidenced by the work Chandler (1962), Hofer and Schendel (1978), Thompson (1967), and others, for whom generalizability has been based upon induction. Taking its place has been the industrial organization (IO) paradigm, as advanced by Porter (1980), which relied heavily upon deductive, empirical research. This latter approach was welcomed by researchers as a more scientific and legitimate approach to strategy research. This approach also looked at industry-wide issues that differed from the earlier research, which had focused upon case studies or the behavior of large firms.

Soon to follow the IO approach, according to Hoskisson et al., was research in the realm of organizational economics as it crossed into strategic thinking. Specifically they cited the importance of transaction-costs economics (Williamson, 1975, 1985) and agency theory as advanced by Fama (1980). In this framework, efforts became more specific to firms and reintroduced the role of humans in the analysis. This approach to strategy research created new challenges, however, since many of the variables were often unobservable, thus making the explanation of important and significant relationships more difficult.

Most recently, the resource-based view (RBV) has emerged to take analysis of the firm further (Wernerfelt, 1984). The RBV addressed the unique differences between and among firms, and explained how these unique, inimitable resources create sustainable competitive advantage (Barney, 1991). This view maintained the focus on the firm and its management. This created many measurement problems because key relationships often represented intangible or perceived variables. Yet, it was perhaps a more realistic acceptance of the fact that firm strategy is often a unique set of serendipitous, incremental decisions that do not lend themselves to classification and generalizability.

From an international perspective, scholars have focused primarily upon the behavior of multinationals. The focal point in the early phases was upon direct investment, with emphasis on location and control of production facilities (Stopford & Wells, 1972). Some of this early work was centered upon the environment of the multinational as it sought to develop strategies for growth through expansion into new international markets (Goodnow & Hansz, 1972; Sethi, 1982; Keegan, 1974; Rosenzweig & Singh, 1991). Uncertainty and complexity became important components in understanding the cause-and-effect relationships of the environment to the firm.

Several scholars have approached international strategies by using various frameworks for understanding international business activity. This activity includes twelve topics: (1) the global business environment, (2) internationalization, (3) entry-mode decisions, (4) international joint ventures, (5) foreign direct investment (FDI), (6) international exchange, (7) transfer of

knowledge, (8) strategic alliances and networks, (9) multinational enterprises, (10) subsidiary-headquarters relations, (11) subsidiary and multinational team management, and (12) expatriate management (Werner, 2002). Other researchers have focused upon transaction cost analysis, as advocated by Williamson (1975), Anderson and Gatignon, (1986), and Hill and Kim (1988); and challenged by Contractor (1990), Gomes-Casseres (1990), and Kim and Hwang (1992). Dunning (1980, 1988) also proposed a comprehensive framework commonly known as the eclectic model. Dunning stated that entry-mode choice is affected by three types of advantages: ownership, location, and internalization of integrating transactions within the firm. The model has been further developed and critiqued by Macharzina and Engelhard (1991) and Gugler (1992).

International generic strategies have been a favorite of researchers, with most focusing upon the multinational enterprise (MNE) (Sullivan & Bauerschmidt, 1991; Levitt, 1983; Kogut, 1985). Porter (1990) chose to focus on nations in addressing his now well-known and often controversial four-diamond model (Davies & Ellis, 2000). That model addressed industry-wide issues and offered several integrating propositions. Many have challenged its claims as an overarching framework for understanding strategy. While it clearly rested upon Porter's industrial economist views, it was criticized for leaving out important elements with regard to governments' roles in enhancing or limiting firms' strategies.

The body of work can be summarized as follows: Scholars have considered the external and internal environments, comparative and competitive advantages, generic international strategies, host-country conditions, location advantages, ownership advantages, and global-strategic variables. This work has utilized the MNE as the unit of analysis and reflects a perspective that suggests that strategies must emulate a Western rather than a global view. This view was essentially shaped by the concepts in strategy that have been developed over time in a Western context, with an international flavor added, as necessary.

While this research has been helpful, there appears to have been little attention given to what Copeland et al. (2000) suggested as the primary motivation for growth and international development strategies of businesses, namely the maximization of wealth, or as Rappaport suggested, the meeting of the challenge to increase shareholder value (1998). Put differently, the realities of global capital markets are demanding that business executives achieve added value. This level of pressure is further supported at the national level by policies of the World Bank and International Monetary Fund. These institutions require nations to put on what Friedman (1999) called the "golden straightjacket," meaning that nations should revise their monetary and financial systems to support free-market capitalization and to compete for scarce capital resources in the global system.

## **STRATEGY, FOREIGN DIRECT INVESTMENT, AND CORPORATE FINANCIAL MANAGEMENT**

In international economics, the body of work that addresses in part the investment imperatives just described is most often referred to as foreign direct investment (FDI). The literature on FDI in the developing world is rich. Much has been written about the determinants of FDI. Asiedu (2002), in reviewing the literature, suggested these determinants of FDI that have proven to hold up in the literature: Real GDP per capita; returns on invested capital; infrastructure quality; labor cost; openness; taxes and tariffs; and political stability. Econometric models have been used to determine how these explanatory variables affect the total amount of FDI. Other researchers addressed additional independent variables, such as exchange-rate distortions as measured by "black market premiums," nationalization risk, contract enforcement, and bureaucratic delays (Gastanaga et al., 1998). This perspective suggests that governments greatly influence national and international firms' strategies, particularly with respect to political and economic risks associated with investments in their countries.

In considering developing countries more specifically, Wells (1998) offered a critique of Caves' second edition of *Multinational Enterprise and Economic Analysis*. Wells suggested that despite the book's comprehensiveness, it fails to address important issues regarding FDI's impact upon host countries. More importantly that research has not kept pace with the changing global marketplace, especially as it relates to developing countries.

Wells, in his retrospective on the work of Raymond Vernon's work, suggested that this scholar took a more comprehensive view of risk and addressed managers' motivations as well as firm relationships with governments, labor, etc. (2000). This further substantiated the role of governments in insuring that firms will be able to succeed with their intended strategies. From a financial perspective, risk is often characterized as the variation in the cash flows of the firm brought about by uncertainties in the firm's supply-and-demand environment. Approaches to measuring and forecasting risk are important parts of this body of literature; scholars have attempted to develop deterministic methods for addressing this important investment issue.

The corporate financial management literature is anchored to the belief that managers evaluate investment decisions rationally.<sup>1</sup> This rational approach considers future cash flow streams, an estimate of the life of the investment, an estimate of the cost of capital of an investment, and determinant costs of the investment itself. However, financial management literature, along with strategy literature, offers very little guidance. Managers and owners of SMEs are not shown how to capture and understand causal relationships between the firm and its environment,, how to make valid and reliable estimates of the economic or productive life of the future cash flow streams of an investment, or how to determine the cost of equity capital used to make these investments. In short, the literature offers very little real help in guiding managers through the minefield of making investments correctly to assure the realization of intended strategy.

### **Strategy, SMEs, and the Developing World**

Research has shown that SMEs pursuing success in the developing world often face hostile environments. For example, Iqbal and Urata (2002) discussed various factors of small-firm dynamism in East Asia to understand the influence of public policy when firm size is a distinguishing factor.

North et al. (2001) evaluated a set of public policy instruments for their support of innovative SMEs. The difficulty of financing innovation in SMEs is shown to be a function of manager attitudes as well as supply-side failures. Similar research on supply-side aspects by Elliehausen and Wolken (1993) assessed the characteristics of trade credit (credit extended by a seller who does not require immediate payment for delivery of a product) by combining the theoretical underpinnings of transaction cost economics and financing theory. An approach to business-model development was offered by Minifie and West (1998), who formulated a model to assist small-business decision-makers in analyzing international opportunities. Similarly, Liedholm (2002) investigated the determinants of small and very small business survival in Africa and Latin America. The paper suggested that location is a critical factor: Firms in urban and commercial areas are more likely to survive during the year than those in rural regions.

Productivity of SMEs and overall productivity in developing economies have also attracted much attention. Wang and Yao (2002) researched the impact on SMEs of market reforms in the Chinese economy. The results showed that value addition and factor productivity of SMEs have increased significantly, but sustenance of SME performance can be achieved only

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<sup>1</sup> This assumption of rationality does not always hold true, as evidenced by many investments that provide only emotional or personal, not economic, value.

through continued liberalization of the economy. Berry et al. (2002) discussed the role of clusters and subcontracting in the evolution of SMEs in Indonesia over the last 25 years.

The formation, survival, and evolution of SMEs is a complex, elusive process. Kawai and Urata (2002) investigated the declining entry rate of SMEs in Japan since the early 1980s. Nugent and Yhee (2002) provided an overview of the evolution of SMEs in Korea over the last 25 years. Highlights of SME evolution are their increasing share of employment and value addition through exports, foreign investment, and productivity performance. In the context of SME evolution and survival, Adegbite (2001) evaluated the business incubator concept in Nigeria and raised issues that would improve the effectiveness of such initiatives. In a similar vein, Wiboonchutikula (2002) reviewed the evolution of SMEs in Thailand over the decade of 1986-97. The study suggested that even when the economy is performing well, the share of employment of SMEs declines, possibly due to some smaller firms' expanding in size and others simply shutting down.

With respect to financing and financial management, Berger and Udell (1998) examined the economics of financing SMEs in private equity and debt markets. Their research discussed this within the financial-growth cycle paradigm in which different capital structures are optimal at different points in the business cycle. Important factors contributing to small-business finance vulnerability in the macro-economic environment are informational opacity; the legal and informational infrastructure; bankruptcy laws; and screening, contracting and monitoring procedures of intermediaries.

The investment-imperatives element of strategic decisions, and research into the strategies of SME businesses have been minimized in strategy research, especially in emerging nations. First, the ability to get accurate, reliable data over long periods of time presents special problems for those seeking to use quantitative methods, such as structural equation modeling, to describe strategic behavior in this context. Secondly, the issues of strategy regarding SMEs have perhaps been most often addressed in the field of entrepreneurial research, where leaders have been characterized as visionary, single-minded idea champions able to drive organizations in desired directions without relying upon more rational approaches to strategy. Thus, research may also have suffered since it is very difficult to get entrepreneurs to cooperate; they often consider such efforts a waste of time.

Additionally, strategy research that focuses upon SMEs has failed to pass the usual legitimacy tests of large samples and hard data utilized to explain complex phenomena through increasingly sophisticated quantitative models. This may be an issue of the inability of the researcher to clarify the context and priorities of SME research, as well as the inability of the refereed journal reviewers to see beyond stereotyped characteristics of research papers.

### **Has Research Passed the Relevancy Test in the Developing World?**

Our arguments thus far have suggested that strategy research has failed to pass the relevancy test in the developing world. First, most of the work has been done in the context of capitalism as defined by Western standards, thus leaving much of the world excluded in terms of improved understanding of the relationships that drive business. The one exception may be the work done on multinationals, but that has also been focused mostly upon Western firms. Additionally, while strategy literature has addressed the environments of organizations, it has only helped to create constructs to use in describing and thinking about the environment; it has done little to identify and address the forces that exist within that environment and shape the future of business organizations. More importantly, it has offered little assistance in understanding the cause-and-effect relationships between the environment and the firm and how both affect value. Nor has it done much to link the causal relationships between external and internal drivers of business value. This is extremely important in developing countries, where the forces that drive change are many and varied and often differ from a Western perspective. Next,

the literature has focused upon large multinationals and offered little with respect to SMEs, which often constitute a significant portion of a developing nation's GDP.

The challenge, then, becomes, how to overcome the limitations just described. We argue that academic literature must now go beyond providing wonderful frameworks for understanding strategy and turn to making them relevant to the decisions that business leaders must make daily to survive and prosper. We also must recognize that strategy is an individual set of decisions by human beings who are driven by conflicting roles and goals and yet must still answer to stakeholders who have similar diversity among their desires. It is a firm-specific challenge for which the velocity of change often forces decisions to be made with too little time and information and too few conceptual skills to address the complexities of the environment.

Tourism businesses such as hotels and restaurants in developing nations are among the most complex organizations, operating as they do in such highly diverse, uncertain, and dynamic environments. Tourism is among the highest-growth economic activities in the world. According to the World Tourism Organization, in 2002 the industry accounted for some \$463 billion in economic activity, roughly 11% of the planet's gross product and 8% of world employment or one in every 12 jobs in at least 20 million enterprises across the globe. These jobs include airlines, car rentals, food services, security firms, cleaning services, technology transfers, safety and health measures, employment agencies providing labor, telecommunications, disposal and waste firms, entertainment firms, construction firms, gardeners, repair services, and pleasure-seeking services.

Despite its aggregate size, tourism still experiences an abnormally high rate of failure, often due to a lack of strategy that could otherwise result in investments that sustain firm life and contribute to economic development. In assessing the research on strategy to date, we cannot find much in the way of assistance for this category of businesses that are so important to the developing world. And, because it is a major component of the broader service industry, any work that addresses these challenges would be a welcome addition.

### **Revisiting Co-alignment in the Developing World.**

To address this challenge, we propose to use a framework from the existing literature on strategic alignment (Chandler, 1962; Thompson, 1967; Bourgeois, 1980; Venkatramen & Prescott, 1990; Olsen, Tse, & West, 1998). The framework contains four major constructs: (1) environmental scanning and assessment, (2) strategy choice, or the investment in products and services to meet target-market needs, (3) the identification, development, and implementation of resource-based allocation decisions to investments, and (4) performance as measured by investor goals. We assume a directional yet iterative synergy among the first three constructs leading to the fourth. This framework will be used to demonstrate our arguments regarding the limitations of the aforementioned shortfalls in contemporary strategy research when applied in the context of SMEs in developing economies. It will also be used to formulate research questions designed to encourage more theory building in the SME context. This framework will bring together the important dimensions of investment and risk as influenced by forces not often recognized as important determinants of strategy in present theory.

It is not suggested here that the framework is new or unique in terms of the underpinnings of strategy as discussed thus far in this paper. Rather, it is an attempt to further integrate the prevailing thinking in the literature in the context of the immediate business environments of SMEs, in specific industry-sector contexts, in emerging economies. The guiding proposition adopted from the existing literature regarding the co-alignment framework is as follows:

Firms will achieve competitive advantage accompanied by sustained growth in value if able to align their strategies with forces that drive change, and if able to make investments in products and services that reflect those forces and follow

those investment choices with a consistent allocation of resources to those that produce the greatest value.

This proposition is commonly referred to as co-alignment. It suggests highly complex sets of relationships among the key constructs of environmental scanning, investment in competitive methods, appropriate resource-based allocation decisions, greatest-value-producing investments, and the resulting value addition through effective implementation. It intimates that decision makers must interpret, evaluate, and synthesize large amounts of information, and then make investments in the uncertain environments of developing countries. This is normally challenge enough in the developed world, so it is almost impossible in the developing world, where valid and reliable information is, in general, but a hoped for dream.

### **Environmental Scanning and Analysis**

The co-alignment framework's first construct is the environment: Managers need information regarding their firms' remote and task environments. They seek to have knowledge about the remote business environment's economic, political, socio-cultural, technological, and ecological components. This further suggests that scanning processes will exist to identify the key drivers of change in each category and that the manager must hypothesize causal relationships between these variables and their impact upon the firm, its customers, suppliers, regulators, potential competitors, substitutes, and competitors (Porter, 1980). In understanding these causal relationships, the firm must proactively consider these value drivers and their timing as executives search for opportunities for new investment. Additionally, managers must assess how these relationships will impact the future cash-flow streams of the firm's investments. However, there remains a critical gap in understanding the set of value drivers that may have causal relationships with the firm's performance.

Literature on the environment and environmental scanning has been robust, beginning with the works of Dill (1958), Duncan (1972), and Lawrence and Lorsch (1968), and continuing with the efforts of Dess and Beard (1984), Miller and Friesen (1984), and Venkatramen and Prescott (1990). However, it has been very conceptual. Conclusions reflecting empirically tested causal relationships in the context of strategic management literature is minimal, especially with respect to SMEs in emerging economies.

Even though econometricians and financial theorists have attempted causal modeling, these efforts have reflected the more rational economies of the developed world. Most of the validated strategic models that meet tests of validity and reliability are based on data from firms in the US or other developed countries. It is therefore critical that datasets from hospitality businesses in developing countries be improved. However, it is also commonly recognized that the lack of clarity and instability of the economic environments of the developing countries make it difficult to obtain reliable data to statistically validate the models. Therefore, since the models cannot be presumed to represent reality on a worldwide basis, they are rendered invalid when applied elsewhere. Thus, recognizing the impossibility of validating the models in developing countries, we must also recognize that models may be incomplete or that the econometric parameters of the strategic models could have different values (weights) from those of the first-world strategy models. Rather than use insufficient statistics with limited explanatory capabilities, we need a comprehensive, proactive strategy to improve the quality of statistics in developing nations.

Because of the lack of statistics, there is little analysis reflecting the idiosyncratic nature of the environments of emerging economies, where phenomena such as personal relationships, underground economies, corruption, and the influence of business groups make up the fabric of the environment (Guillén, 2000). It is understandable that obtaining objective information about these phenomena is nearly impossible, but that does not provide license for

researchers and practitioners to apply in a wholesale manner research developed in stable economies to the emerging country setting.

In the literature reviewed earlier relating strategy and FDI, it is clear that FDI strategies and government policy coexist in a complex set of relationships, both in the developed and developing countries. Since governments play such a key role, the external analysis takes on more importance in developing countries, where less certainty is likely to be present. Strategic theory has been able to identify and standardize variables that affect risk in developing countries; however, it has not been able to lend much assistance to understanding causality. The reason for that is that government intervention creates various forms of political and economic risks that are unique to each developing nation. This risk is not the same in the developed world, where stability, clear rules, long-term planning, and efficient implementation of public policy and regulations reduce much of the risk associated with this variable. Even changes in public policy brought about by newly elected governments do not alter the risk equation as they may in developing nations.

These types of settings present risk and drive firms' strategies not by enforcing free market realities, but by either permitting or denying access to networks and influence. In this sphere rational behavior with respect the strategic models of developed nations has little valid application. Thus, given the complex, dynamic, and illiberal environments of emerging economies, generic theories about the environment emanating from the developed world can only serve as departure points for environmental scanning research rather than pure foundations upon which to build further theory. Therefore, assuming that environmental analysis is the antecedent to strategy choice in the co-alignment relationship, the following research questions are offered as guidance for further research:

Successful identification of strategic choice opportunities in the remote and task environments in the developing world is often a function not of objective analysis of the environment based upon econometric variables and models, but of the uncertainties and complexities involving the forces pertaining to less understood contingencies created by governments, powerful business groups, and subcultures that make up the dominant coalitions in the environment.

Research question 1: What influence does the business and investment climate have on the performance of hospitality businesses?

Research question 2: How can developing nations improve the reliability of their hospitality and tourism industry statistics?

Research question 3: What is the impact of value drivers through their quantifiable indices on a firm's revenue-generation capabilities and cost structure?

Research question 4: Over time, how will the influences of different environments impact hospitality business performance (by type of impact (revenue or cost), magnitude of impact, and direction of impact)?

The co-alignment proposition suggests a linear direction that begins with environmental analysis. Based upon organized and serendipitous environmental scanning activities, executives must synthesize from a vast variety of information sources and, through a process of inductive reasoning, make choices about which forces driving change will pose threats or opportunities to the firm. These conclusions lead logically to the choice of investment decisions that must be made while preserving the scarce investment resources of the firm. Crucial to these investment-choice decisions is the need for executives to rely upon environmental information to properly predict cash-flow streams and their variance, the life cycle of the investment, the cost of capital, and the investment requirements themselves. The investment-choice decision is perhaps the most important strategic decision an executive can

make, yet little strategic theory addresses the complexity of this challenge for the SME in the developing world.

### **Strategy Choice: Investing in Competitive Methods**

Strategic thought in the developed world regarding strategy choice has been influenced by the need to consider generic strategies such as low cost and/or differentiation (Porter, 1980; Child, 1972). While generic strategies have served MNEs in a useful manner, for the SME, the most critical decision is: What investment must be made in products and services that will result in survival (the next day's cash-flow needs) and continuing sustainability in an asymmetrical, localized environment. In other words, what investments must be made to continue the flow of customers over time while meeting the need for growth at minimum risk? This challenge is exacerbated for service firms, such as tourism enterprises, because so much investment goes toward the creation or enhancement of intangible elements of the product/service bundle. The synthesis of the risks in the remote and firm environment with the investment decision in intangibles is not well addressed in contemporary strategy-choice literature.

As previously stated, capital-market theory implies that all firms endure systematic risk with major market indices regarding earnings streams. This assumes that all firms experience the same impact from external-environmental value drivers, such as inflation, GDP growth, etc. When a firm's earnings do not vary consistently with the market, this variance is often attributed to unsystematic risk or managerial strategic choices. This is perhaps more the case with SMEs such as tourism enterprises that experience more local environmental contingencies and whose earnings streams are more a function of these conditions than broad market conditions. In this financial context, there is little theory here to guide the SME through the mine field of business- and family-group influences, government intervention, NGO behaviors, and asymmetric patterns of influence that exist in the developing world. It would therefore be almost impossible through research to identify generic strategy types in this context that meet the standards of relevancy and generalizability.

Assuming these theoretical discontinuities with respect to systematic and unsystematic risk between the developed and developing world, international investors face a dilemma. Those who rely upon the theory of developed economies to guide investment decisions in developing economies will be hampered in their ability to interpret signals correctly regarding modes of entry and amounts of direct investment. Those seeking to invest from within the developing nation must be familiar with the formal and informal rules and norms as stipulated by the dominant groups, or else they are also likely to misinterpret signs regarding the strategic investment choices to be made. This leads to our next proposition:

Strategic investments made in the developing world must reflect the dynamics of systematic and unsystematic risk, which deviate from those underpinning the theories of capital market behaviors in the developed world. These elements of risk must consider the role of investment behavior among business groups, the social objectives of governments and institutions, and the complex interactions among them, all of which affect SME performance in imperfect market conditions.

Research question 5: How will the business and investment climate determine the choices made by hospitality businesses in their product and service offerings?

Research question 6: What will be the influence of risks of value drivers on the firm, specifically risks related to product and service investments in these businesses?



## Resource Allocation

After successfully completing the environmental scan and making the strategic investment choice, management must consistently allocate resources to those investments that produce the greatest amount of continuing value to the firm, according to the co-alignment proposition. The simple idea is that the resources and capabilities of the firm must be utilized to support those investments which offer the greatest long-term potential for creating value (Penrose, 1959; Chandler, 1962; Barney, 1991; Hamel & Prahalad, 1994). The resource-based view includes capabilities, resources, the role of leadership, decision making, and knowledge-based capabilities (Hoskisson et al., 1999). These views have been based upon the role of structure in organizations within the developed world.

As with all the previous constructs of the co-alignment proposition, the match between developing-world realities and developed-world theories is low. In principle, firms must possess resources and capabilities if they are to prosper, no matter in what context they exist. However, the definitions, processes, and means associated with resources and capabilities, such as leadership, decision making and knowledge-based management, would tend to take on a different perspective and meaning in the developing world. The reasons can be several. Educational institutions in these two worlds offer different perspectives on management education, albeit with some gaps closing due to globalization. Governments address resource needs with varying types of programs and taxing systems that affect the utilization of resources, often not in the most productive manner. Labor unions affect the utilization and development of human resources and capabilities. The propensity for peoples of a nation to be more or less dependant upon government to solve problems also affects the decisions about resource allocation. Obtaining resources to do what is desired may be impossible without infrastructure such as roads, communication systems, or banking systems and other institutions that are fully developed.

In the context of SMEs, achieving alignment would imply that managers know and understand which products and services they offer add the greatest value. For example, with respect to the tourism industry, which of the many products and services offered by a resort add the greatest value? A full-service facility may offer hundreds of such products and services bundled differently; it thus becomes an extremely difficult task to assess the value production of each (or bundled with others) or to determine the appropriate allocation of resources to those that generate the greatest value. To compound this problem, general accounting principles do not support this type of management-information collection, as they are mostly concerned with providing legal and tax information. Simply put, managers in these settings may simply not possess the conceptual and informational capability of knowing where value is created and how to determine the resources that should go to those that produce the greatest value. Thus, the resource-based view offers useful guidance in theory, but the ability to realize it in the context of a broader proposition on co-alignment for SMEs in the developing world suggests more contextual research is needed. This leads to the next proposition:

Resources and capabilities, as important determinants of strategic theory, must be considered within the fabric of cultures of emerging economies and as being divergent from the pure rational economic models of allocation in the developed economies.

Research question 7: How will firms make decisions regarding resource allocation based on their choice of product and service investments?

Research question 8: What will be the influence of different types of resource allocation decisions on a firm's performance?

It becomes quite clear that several determinants affect the relevancy of contemporary strategic management theory in emerging economies. These determinants are part of the overall tapestry of a nation and reflect a complexity that defies simple explanations and the rigor of

measurement associated with scientific inquiry. When SMEs are added to the equation, the difficulty of trying to conduct meaningful research acceptable for publication in leading journals is overwhelming, thus leaving the development of our understanding of strategy in these important contexts wanting. It must also be recognized here that strategy in this context is more firm specific and idiosyncratic. Consequently, knowledge will be difficult to obtain that is generalizable, in some cases even across industry sectors. This implies that the accepted approaches to research and theory building in these contexts must be evaluated in terms of their relevancy to SMEs.

In reviewing our discussion, Figure 1 summarizes the co-alignment proposition and the key arguments driving our propositions and position on the inability of strategic theory to meet the needs of emerging economies. Each construct of the co-alignment framework represents the discontinuities between the developed and developing world. The elements of the developed economy reflect the cited strategy literature, which is robust and well developed. The elements of the developing economy reflect the literature on SMEs and observations of the authors in the context of the tourism industry. If we accept the principle of generalization as necessary for meaningful scientific inquiry, it is our conclusion that it is extremely difficult to generalize from the current theories in strategy to the developing world. Too many contingent environmental factors render current theory somewhat helpless. We also must further argue that contextual research within industry contexts is essential as in the case put forth here, where many aspects of a particular industry, such as tourism, are local. This localization implies decisions made by executives that are entrepreneurial and often based on passion more than theory. Thus, theory building will perhaps again turn to inductive research techniques for guidance and explanation of phenomena in the developing world.

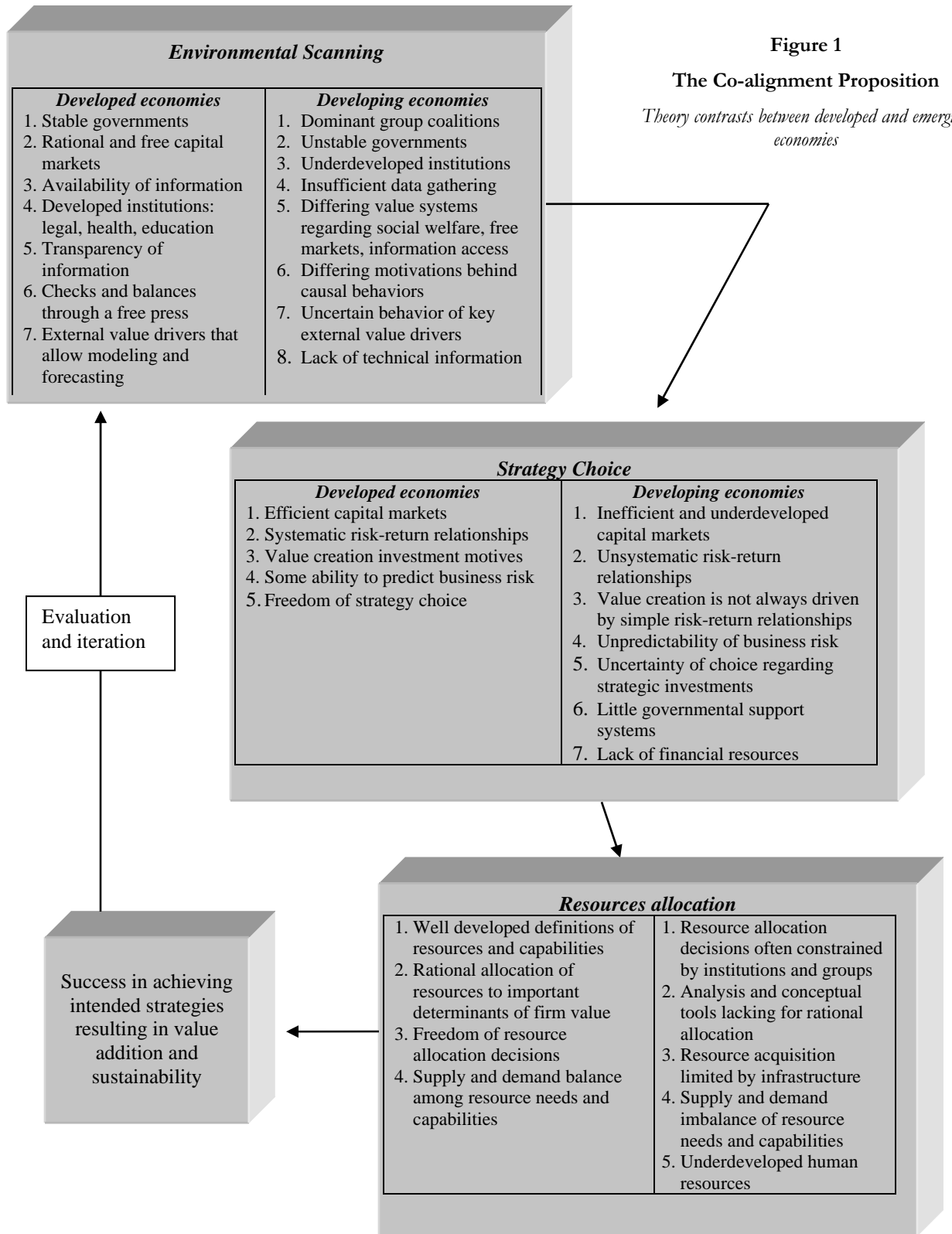
We believe that organizations wishing to achieve sustainable success over time should align the constructs of environment, investment in competitive approaches, and effective resource allocation to those approaches that add the greatest value. In addition, we believe that strategy research is an essential goal in the developing world. Much remains to be done, and it will require new and innovative ways of defining problems and relationships, developing valid and reliable measures for the variables making up the relationships, and conducting research that will assist in resolving these challenges.

### **Evaluation**

Research question 9: How will the investment and resource allocation decisions for specific products/services together impact firm performance?

### **Concluding Remarks**

Even though the concepts of the environment, strategic choice, resource allocation, and evaluation have been studied extensively in strategy literature, the proposed framework integrates them and highlights the causal relationships. Given the paucity of strategy research in developing nations, the proposed environment-driven framework emphasizes this dynamic context of hospitality businesses, especially the SMEs. Based on this framework, a number of research questions are proposed that would hopefully drive future investigations. Another distinguishing feature of this framework is that while as a whole it provides a critical decision-making model for individual businesses, it also presents a frame of causal relationships. A deeper understanding of these relationships, on the one hand, will help researchers better understand the strategic decision-making phenomenon and, on the other, increase the effectiveness of the decision-making model. While the emphasis in this discussion has been on the strategic process in developing nations, particularly focused on hospitality SMEs, there is no reason why the framework is not applicable to the growing complexity of strategic processes in hospitality and other service businesses around the globe.



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# Faculty Hiring Criteria in Hospitality Education Programs

By Robert H. Woods, SeongHee Cho and Raymond S. Schmidgall

*This study examined criteria used in selecting faculty at I-CHRIE hospitality-management education programs in the United States. Results provide a baseline for consideration of faculty at all ranks. The three most important hiring criteria for assistant professors were a PhD or equivalent terminal degree, publication/research, and hospitality-industry work experience. For associate and full professors, the three most important factors were a PhD or equivalent terminal degree, publication/research, and college teaching experience. Results indicated that most programs use similar criteria in evaluating faculty applicants. This study also found that leadership ability is the most important factor in hiring department heads/directors. Results are useful to administrators and faculty evaluating applicants and to faculty interested in applying to hospitality-management education programs.*

Many studies have been conducted on faculty evaluation and promotion, but few have shown how the selection process works in hospitality-management education (Park & Riggs, 1993). Faculty evaluation studies typically report on the use of teaching, research, and service as key criteria for promotion and tenure. The importance of these criteria has changed over time, in recent years shifting more rewards research (Street, Baril, & Benke, 1993). Moreover, while a few educators appear to be able to excel simultaneously in all three areas (teaching, research, and service), most find this very difficult. (Schmidgall & Woods, 1994). As a result, most educators concentrate on selectively chosen responsibilities in which they perform better or feel more comfortable. (Schmidgall & Woods). This scenario raises the question of how faculty candidates are evaluated for selection, and how they actually should be evaluated. Thus, this article addresses the selection question.

The United States has eleven schools with PhD programs in hospitality-management education. Most graduates of these programs take positions in college and university education. PhD students in these programs learn while in college that they will be evaluated on three criteria: teaching, research, and service. However, upon graduation many find it hard to succeed at all three.

Sheldon and Collison (1990) found that having a PhD in the field was the single most important factor in determining whether a candidate would be selected for interviews and hiring. While this study provided considerable useful information, it did not include work experience as a factor. This omission was due primarily to the fact that the authors examined only tourism programs. Such programs are much more likely to employ people without practical field experience and are, therefore, less likely to require field experience for selection. Some leaders in hospitality-management education have even identified industry work experience as the single most important factor in selection (Miller, 1988).

As a result of the conflicting findings in earlier studies, there is no clear picture of which factors are most important in the faculty-selection process. In this study we hoped to fill that void by (1) investigating which criteria are most important when hiring new faculty at all ranks in hospitality-management education programs and (2) establishing the minimum requirements for faculty selection used by I-CHRIE member schools.

## METHODOLOGY

### Data Collection

The target population of this study consisted of administrators who held positions as deans, directors of departments, department heads, or program heads of hospitality programs at four-year colleges/universities in the United States. The sample population was chosen from the member directory of the International Council on Hotel, Restaurant and Institutional Education (I-CHRIE). A self-administered questionnaire was mailed to a sample of 142 members of I-

CHRIE who held administrative positions. Fifty-nine members returned the questionnaire, representing a 41.55 % usable response rate.

### Measures

The questionnaire consisted of four sections. The first section contained eight questions measuring hiring criteria for the tenure-track faculty positions of assistant, associate, and full professor. Respondents were asked to rate the importance of each item on a 5-point scale, 1 representing *the most important* and 5 representing *the least important*. The other points were 2, representing *very important*; 3, representing *important*; and 4, representing *slightly important*.

In the second section, respondents were asked to rate the importance of hiring criteria for a position of department head/director based on a 5-point scale, 1 representing *the most important* and 5 representing *the least important*. Four criteria were added for hiring a department head/director: academic administration experience, familiarity with constituencies, fund-raising abilities, and leadership skills.

The third section of the questionnaire contained questions about the minimum requirements for assistant, associate, and full professor, and dean/director/department head positions. Six questions included in this section addressed educational level, industry experience, teaching experience, refereed publication/research record, non-refereed publication record, and presentation record. The fourth section of the survey was designed to collect demographic information, including faculty position, location of the hospitality unit, faculty rank, and degrees granted by the program.

### Data Analysis

A multivariate analysis of variance (MANOVA) was used to examine differences in hiring criteria among assistant, associate, and full professors. MANOVA was preferred for analyzing the differences in hiring criteria among the three faculty positions over a univariate analysis, such as one-way analysis of variance (ANOVA), because MANOVA overcomes two drawbacks of ANOVA. They are (1) “excessive inflation of experiment wise Type I and Type II error” and (2) “correlations among dependent variables” (Haase & Ellis, 1987, pp.404-405). Tabachnick and Fidell (2001) suggested that the choice of using MANOVA over ANOVA should be based on correlations among dependent variables. Tabachnick and Fidell noted that MANOVA should be used for highly negatively correlated dependent variables or for moderately correlated dependent variables (around 0.6) (p.357). Because all three correlation coefficients of the dependent variables were higher than 0.6 and significant at the 0.01 level, MANOVA was appropriate to examine significant differences in the selection criteria. Following multivariate tests, univariate analysis of variance was employed to assess which selection criteria were significantly different from others. The importance of hiring criteria for a department heads/directors was examined by univariate analysis of variance, followed by a Tukey’s Post Hoc Test.

Chi-square analysis was employed to examine significant differences in educational level among the faculty positions because educational level was measured in a categorical format: PhD degree, master’s degree, and bachelor’s degree. Analysis of variance was used to examine significant differences among the faculty positions for industry experience, teaching experience, and number of refereed publications, non-refereed publications, and presentations. To avoid inflating Type I and II errors by conducting five ANOVAs, Bonferroni correction was applied for the significance level.



## RESULTS

### Demographic Profile of Respondents

As shown in Table 1, 21% of the respondents were deans, 23% directors, 25% department heads, and 23% program heads. The majority of respondents were full professors (47%), followed by associate professors (30%), and assistant professors (18%). Thirty-eight percent of the hospitality programs were part of a department; 37 % were independent departments; and 21% were college-level programs. Some 17.5% granted PhD degrees, while 46% granted master's degrees.

**Table 1**  
**Demographic Profile of Respondents**

Position	n	%
Dean	12	21.4
Director	13	23.2
Department Head	14	25.0
Program Head	13	23.2
Other	4	7.2
<b>Faculty Rank</b>		
Assistant professor	10	18.2
Associate professor	17	30.9
Full professor	27	49.1
Other	1	1.8
<b>Level of Hospitality Unit</b>		
College	12	21.4
Department	22	39.3
Program with a department	21	37.5
Other	1	1.8
<b>Location of Hospitality Education Program</b>		
Business college	15	26.8
Human Ecology college	16	28.6
Separate college	14	25.0
Other	11	19.6
<b>Master's Degree</b>		
Yes	26	46.4
No	30	53.6
<b>PhD Degree</b>		
Yes	10	17.9
No	46	82.1
<b>Institution</b>		
Public	38	67.9
Private	18	32.1

### Differences in Selection Criteria for Tenure-Track Faculty Positions

Before conducting multivariate statistics, we examined the assumptions of MANOVA. Since the groups were of approximately equal size, homogeneity of variance was assumed (Hair et al., 1998). Bartlett's Test of Sphericity was used to test the appropriateness of the multivariate

statistics. Bartlett's Test of Sphericity showed significance, indicating that dependent variables were significantly correlated, and MANOVA was appropriate to examine multivariate differences among the dependent variables. Results of multivariate variance analysis showed that there were significant differences in the eight hiring criteria among three faculty positions, (Wilks' lambda = .80, F-value = 6.58,  $p < .001$ ).

### **Hiring Assistant Professors**

A univariate analysis and a Tukey's Post Hoc Test were employed to determine which criterion was significantly more important than others. Results of the analysis and comparisons using Tukey's Post Hoc Test are shown in Table 2. For hiring an assistant professor, four factors were perceived as most important, very important, or important (receiving a mean score of less than 2.50). They were a PhD or equivalent terminal degree (M=1.85), publication/research records (M=2.18), hospitality-industry work experience (M=2.22), and college-teaching experience (M=2.25). These four criteria were significantly more important than a university service record (M=3.19) and a hospitality-industry service record (M=3.20). However, there was no significant difference among the four factors. Among the four items, a PhD or equivalent terminal degree was determined to be a "very important factor" in making a selection decision (M=1.85). The top four factors (a PhD or equivalent terminal degree, publication/research, hospitality-industry work experience, and college teaching experience) were considered significantly more important than a university service record and a hospitality-industry service record.

### **Hiring Associate Professors**

Results (see Table 2) for hiring associate professors indicated that six hiring criteria were either very important or important (receiving a mean score of less than 2.50). They were a PhD or equivalent terminal degree (M=1.72), publication/research records (M=1.75), college teaching experience (M=1.90), a presentation record (M=2.26), hospitality-industry work experience (M=2.33), and a PhD in hospitality management (M=2.41). Two items (a PhD or equivalent terminal degree and publication/research records) were perceived to be significantly more important than a university service record and a hospitality-industry service record. An interesting finding was that the respondents indicated that college teaching experience was more important than a hospitality-industry service record.

### **Hiring Full Professors**

Results (see Table 2) for hiring full professors showed that five factors were considered either very important or important (receiving a mean score of less than 2.50). They were a PhD or equivalent terminal degree (M=1.67), publication/research records (M=1.73), college teaching experience (M=1.80), presentation record (M=2.14), and hospitality-industry work experience (M=2.40). For full professors only, a hospitality industry service record (M=2.64) was significantly less important than the top three hiring factors: a PhD or equivalent terminal degree, publication/research record, and college teaching experience.

**Table 2**  
**Post Hoc test for the Hiring Faculty Criteria**

Selecting Criteria	Faculty Position					
	Assistant		Associate		Full	
	Rank	<i>M</i>	Rank	<i>M</i>	Rank	<i>M</i>
PhD or equivalent terminal degree	1	1.85 <sup>a</sup>	1	1.72 <sup>a,c</sup>	1	1.67 <sup>a</sup>
Publication/research	2	2.18 <sup>a,c</sup>	2	1.75 <sup>a,c</sup>	2	1.73 <sup>a,c</sup>
Hospitality industry work experience	3	2.22 <sup>a,c</sup>	5	2.33	5	2.40
College teaching experience	4	2.25 <sup>a,c</sup>	3	1.90 <sup>c,d</sup>	3	1.80 <sup>a,c</sup>
PhD in hospitality management	5	2.52	6	2.41	6 tied	2.52
Presentation record	6	2.65 <sup>c,b</sup>	4	2.26	4	2.14
University service record	7	3.19 <sup>b</sup>	7	2.67 <sup>b,d</sup>	6 tied	2.52
Hospitality industry service record	8	3.20 <sup>b</sup>	8	2.84 <sup>b</sup>	8	2.64 <sup>b</sup>
<b>F-value</b>		7.34		5.02		4.38
<b>Univariate Significant level</b>		.000		.000		.000

Note: Means with a different superscripted letter (a,b,c) are significantly different at .05; 1 indicating *the most important*, and 5 indicating *the least important*, attribute.

#### **Differences in Selection Criteria for Department Heads/Directors**

Univariate analysis of variance showed that there was a significant difference in the 12 hiring criteria, ( $F_{11, 574} = 2.377, p = .083$ ). As Table 3 shows, 11 hiring criteria received a mean importance score of less than 2.5. Only PhDs in hospitality management received an average score of greater than 2.5. For the department head/director positions, leadership ability was the most important factor ( $M=1.60$ ), followed by a PhD or equivalent terminal degree ( $M=1.75$ ) and academic administrative experience ( $M=1.78$ ). Leadership ability was also considered significantly more important than hospitality-industry work experience ( $M=2.35$ ), hospitality- industry service record ( $M=2.49$ ), and a PhD in hospitality management ( $M=2.78$ ).

Table 3

Post Hoc test of Importance of Hiring Department Head/Director Criteria

Hiring Criteria	Rank	Mean of Importance*
Leadership ability	1	1.60 <sup>a</sup>
PhD or equivalent terminal degree	2	1.75 <sup>a,c</sup>
Academia administrative experience	3	1.78 <sup>a,c</sup>
Familiarity with constituencies	4	1.86 <sup>a,c</sup>
College teaching experience	5	1.90 <sup>a,c</sup>
Fund raising abilities	6	1.99 <sup>a,c</sup>
Publication/research	7	2.19
Presentation record	8	2.29
University, college, and program service record	8	2.29
Hospitality industry work experience	10	2.35 <sup>c,d</sup>
Hospitality industry service record	11	2.49 <sup>c,d</sup>
PhD in hospitality management	12	2.78 <sup>b,d</sup>

\* Means with a different superscripted letter (a,b,c,d) are significantly different at .05 level.

\*\* The mean scores were computed from the questions of rating the twelve attributes of hiring a department head; 1 indicated the most important and 5 indicating the least important attribute.

**Minimum Requirements for Hiring Faculty**

Table 4 shows results of analysis of the minimum requirements when hiring faculty. A significant difference was found between faculty positions with a minimum required educational level,  $\chi^2 = 13.31$ , p-value = .038. More than 60% of the respondents indicated that a candidate should have the minimum of a PhD degree for all four positions: assistant, associate, full professor, and dean/program director/department head. When hiring a full professor, 92 % of the respondents reported that a PhD degree was required. On the other hand, only 73% of the respondents reported that a PhD degree was required for a candidate for the position of dean/program director/department head.

Univariate analysis was conducted to examine whether the minimum requirements vary between the four faculty positions. As shown in Table 4, full professors (M=8.00) and deans/directors/heads of departments (M=6.90) were expected to have more teaching experience than assistant professors (M=1.33) and associate professors (M=4.91). The refereed publication records were significantly different among the faculty positions: Candidates applying for a full professor position were expected to have about 12.22 publications, associate professors 6.61, and assistant professors 1.38. The presentation requirement was also significantly different among the faculty positions. Candidates applying for full professor were expected to have about 10.59 presentations, for associate professor about 6.06, and for assistant professor about 1.58 presentations.

**Table 4**  
**Minimum Requirements for Hiring Faculty**

	Assistant	Associate	Full	Dean/Dir/ Dept.Head	Statistics**	Sig. level
<b>Education level</b>					13.31	.038
<b>PhD</b>	64.0%*	77.6%	92.0%	73.9%		
<b>Master's</b>	34.0%	22.4%	8.0%	26.1%		
<b>Bachelor</b>	2.0%	0	0	0		
<b>Industry experience (years)</b>					1.57	.199
<b>Mean</b>	3.64	4.26	4.59	4.89		
<b>Minimum</b>	0.00	0.00	0.00	0.00		
<b>Maximum</b>	10.00	10.00	10.00	10.00		
<b>Teaching experience (years)</b>					52.62	.000
<b>Mean</b>	1.33 <sup>a</sup>	4.91 <sup>b</sup>	8.00 <sup>c</sup>	6.90 <sup>c</sup>		
<b>Minimum</b>	0.00	0.00	1.00	1.00		
<b>Maximum</b>	7.00	10.00	5.00	15.00		
<b>Number of publications records</b>						
<b>Refereed Publications</b>					24.35	.000
<b>Mean</b>	1.38 <sup>a</sup>	6.61 <sup>b,d</sup>	12.22 <sup>c,e</sup>	9.76 <sup>d,e</sup>		
<b>Minimum</b>	0.00	1.00	2.00	0.00		
<b>Maximum</b>	6.00	20.00	40.00	40.00		
<b>Non-refereed publications</b>					10.14	.000
<b>Mean</b>	1.50 <sup>a</sup>	4.58 <sup>b,c,d</sup>	7.69 <sup>c,d</sup>	6.87 <sup>d</sup>		
<b>Minimum</b>	0.00	0.00	0.00	0.00		
<b>Maximum</b>	6.00	12.00	20.00	20.00		
<b>Number of presentations</b>					22.11	.000
<b>Mean</b>	1.58 <sup>a</sup>	6.06 <sup>b,d</sup>	10.59 <sup>c,e</sup>	8.72 <sup>d,e</sup>		
<b>Minimum</b>	0.00	0.00	0.00	0.00		
<b>Maximum</b>	5.00	12.00	24.00	20.00		

Note: Means with a different superscripted letter (a,b,c,d,e) are significantly different at .05 level. For example, teaching experience for assistant professors (M=1.33), which has "a," is significantly different than teaching experience for associate professors (M=4.91). "The associate professor" has a letter of "b," which is different from "a." But, there is no difference between full professor and dean; thus both have "c."

\* Percentage of the respondents indicated as a minimum requirement for Education Level.

\*\* Chi-square was used to test Education Level and F test by one-way ANOVA was used for all others.

### Conclusion

Results of this study provide a baseline for consideration of faculty at all ranks in hospitality-management education programs. As noted throughout the paper, most programs use somewhat similar rankings in consideration of various faculty applicants. This study reported both the means, useful in determining what is most important to others overall, and statistical analyses, which demonstrate significant differences among programs, faculty ranks, and so on. The results of this study indicated that those wanting to apply for an assistant professor position need to focus on research (publication and presentation), teaching, and hospitality-industry work experience. Sheldon and Collison had found that a PhD in the field was the single most important factor; however, this study showed that a PhD in hospitality management is ranked fifth in importance among eight factors. Thus, this study disconfirmed Sheldon and Collison's finding. In addition, this study demonstrated that hospitality-industry work experience

is an important factor of selection, but not more than a PhD or equivalent terminal degree, publication/research, and college teaching experience. Therefore, the results of this study are different than Miller's (1988).

For all three faculty positions, the PhD or equivalent terminal degree was considered the most important factor, followed by publication/research. While industry work experience was ranked at number three for assistant professors, college teaching experience was considered the third most important criterion for associate and full professors.

The respondents indicated that leadership ability is the most important factor in selecting a department head/director. It would be interesting and valuable to know which criteria programs use to evaluate the leadership abilities of candidates for department head/director.

This information should be useful to those planning to interview faculty and/or administrators in hospitality management education programs. Without this information, there is no point of comparison among programs, and faculty are forced to operate in isolation from one another.

Many aspects of this topic have not been investigated herein. We felt it our responsibility to establish a baseline, since none existed. Future researchers will want to concentrate on more specific differences among hospitality-management education programs and perhaps compare these results with programs outside hospitality.

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# Cybergripping: Violating the Law While E-Complaining

By Juline E. Mills, Brian J. Tyrrell, William B. Werner,  
Robert H. Woods and Michael S. Scales

*The emergence of Web communications has given rise to complaint sites which serve as central forums for both consumers and employees to share their bad experiences. These complaint sites provide for cybergripping in various forms. This paper explores the concept of cybergripping and its relevance to the hospitality and tourism industry from employee and customer perspectives. Court cases in which cybergripping played a key role are reviewed, and recommendations are offered on how hospitality and tourism businesses can address the problem of cybergripping.*

***“Hell hath no fury like a hardworking employee or a paying customer scorned” (Wolrich, 2002).***

Consider the following hypothetical scenario: You are the manager of Fantastic Resort, an establishment whose management philosophy is based on the WOW effect of delighting both customers and employees (Cohen, 1997). While other resorts at your destination are still suffering from the effects of September 11, 2001, and the subsequent wars in Afghanistan and Iraq, you have a 90% average occupancy. You make a mental note to meet with personnel to discuss re-hiring strategies since you drastically reduced staff in anticipation of the fallout from the wars. In preparation for your vacation, sponsored by your employer, you check your e-mail and see two urgent messages. The first message is from a former disgruntled employee sent to all current employees for the tenth time warning them of the dangers of working for your company. This employee has set up a Web site, [www.dontworkforfantasticresort.com](http://www.dontworkforfantasticresort.com), and is encouraging current employees to visit and post their gripes about your company. The second e-mail is from a customer who has registered dissatisfaction with your services at [planetfeedback.com](http://planetfeedback.com), as well as on his recently developed Web sites [fantasticresortsucks.com](http://fantasticresortsucks.com), [fantasticresortarecrooks.com](http://fantasticresortarecrooks.com), and [fantasticresortripoffs.com](http://fantasticresortripoffs.com). As you ponder the e-mails, the managing director, who got the same e-mail, calls, demanding that you fix the problem ASAP and find out how this could have happened. What would you do?

The ease of publishing on the Web has given employees and customers a means of posting their complaints called *cybergripping*. Online complaint forums have global reach and are now readily accessible, unlike traditional print media, television, or radio (Beetlestone, 2002). This article explores the concept of cybergripping and its relevance to hospitality and tourism from the employees' and customers' perspectives. We review court cases in which cybergripping played a key role and offer recommendations on how hospitality and tourism businesses can address the problem of cybergripping.

## CYBERGRIPPING BACKGROUND

The preferred venue for word-of-mouth communication these days is likely to be the Web rather than the water cooler. Dissatisfied employees and customers are now turning to the Web to file or cybergripe their complaints. The term *cybergripping*, also referred to as *electronic complaining* or *e-complaining*, is an Internet buzzword associated with Web sites criticizing corporations, organizations, individuals, or products and services (Band & Schruers, 2003). Cybergripping occurs when “one party, the ‘cybergriper,’ establishes a ‘complaint Website’ or an ‘attack site’ dedicated to the publication of complaints, claims, criticism, or parody of or against another party often referred to as the ‘target company.’ Typically the cybergriper registers the Website under a domain name comprised of the target's trademark and such pejorative suffixes as ‘sucks.com,’ ‘crooks.com,’ or ‘ripoff.com’” (Newman, 2003). The target company's trademark is included in the attack site's domain name to increase the likelihood that potential customers will retrieve the complaint site each time they attempt to locate the target company's official Web

site or search the Internet for information about the target company. Cybergripping or e-complaining activities may seem harmless at first; however, with approximately 550 million Web searches being conducted daily, via an audience worth two billion dollars a year to online advertisers, a company has a lot at stake and may lose substantial business when a potential consumer stumbles on a cybergriper's Web site that denigrates a company (Grossman, 2003; Benderoff & Hughlett, 2006).

Cybergripping also occurs on third-party sites, where the employee or customer registers a complaint about a company using the services provided specifically for complaining. Examples include Plantfeedback.com, the Better Business Bureau at [www.bbb.org](http://www.bbb.org), and Complaindomain.com. Some complaint Web sites may also take an active role on behalf of the consumer by trying to contact the business by e-mail or postal mail. Some complaint sites aggregate consumer complaints in an effort to get a particular company to respond to a persistent product or customer service problem (Ponte, 2001). Online complaint services primarily provide employees and consumers with an opportunity to vent their dilemma typically through chat rooms or message boards (forums). Planetfeedback.com, in addition to providing a forum that allows participants to identify a company by name and industry, also provides a list of companies that respond quickly and efficiently to customer comments. These companies include Krispy Kreme Doughnut Corporation and Chick-Fil-A Inc., which are described as quick responders to customer complaints; and Ramada Franchise Systems Inc. and Budget Rent-A-Car System Inc., which are described as among the worst in dealing with consumer complaints (Jackson, 2003). Other notable third party complaint sites include EComplaints.com (one of the first but now defunct), as well as TheComplaintStation.com, Baddealings.com, FightBack.com, Complaint.com, and Ripoffreport.com (also defunct). Popular employee complaint sites include VaultReports.com Electronic WaterCooler(TM), the first-ever network of more than 1000 company-specific bulletin boards; FACE Intel, a site for former and current employees of Intel; Disgruntled.com, where more than 30,000 employees vent workplace frustrations monthly; and [www.xmci.com](http://www.xmci.com), "dedicated to everyone from MCI who has been downsized, rightsized, outplaced or even headhunted out" (Moebius, 1999). The federal Occupational Safety & Health Administration (OSHA) has also set up a Web site to hear employee complaints.

The term *cybergripping*, rooted in the complaint behavior literature, means "to express grief, pain, or discontent" or "to make a formal accusation or charge" regarding "something that is the cause or subject of protest or outcry (complaint)." Employee satisfaction research contends that two out of ten unsatisfied employees stay less than two years with a company, and that dissatisfied employees are not likely to recommend their company to a friend, potentially making it more difficult for a company to recruit future top-quality employees or attract and retain customers (Business Research Lab, 2004). In 2002 a survey of 2,200 hourly and salaried workers by CareerBuilders.com reported that 38% of the respondents were dissatisfied with their current positions and were job hunting. Half of those planning to change jobs said they worked under a great deal of stress, while others cited poor prospects for career advancement, lack of job security, and low pay as aggravating circumstances (LaMonica, 2002). This situation worsened in 2003, when a survey of 2,400 full- and part-time workers at companies with 50 or more employees revealed that only 30 % of employees were loyal and committed to staying with their company over the next two years. Employee turnover can cost large companies millions in recruitment and training, and replacing professional employees can cost as much as 18 months' salary (Southerland, 2003). Disgruntled employees can spread their dissatisfaction and sinking attitude to other employees, thereby severely affecting an entire organization's productivity. An angry employee may even seek retaliation by destroying property or attempting sabotage. A lack of employee commitment to job performance may in turn lead to dissatisfied customers.

Customer complaining behavior is "a set of multiple (behavioral and non-behavioral) responses, some or all of which are triggered by perceived dissatisfaction with a purchase



episode” (Singh, 1988). Singh developed a typology of customer-complaint responses, classifying complaining behavior as either third party (complaints lodged with some independent organization), voice (complaints lodged with the faltering company), or private (complaints lodged with family or friends). In 1981, research studies by Technical Assistance Research Programs (TARP) revealed that dissatisfied customers engage in twice as much word of mouth as satisfied customers. These findings were supported by research that showed dissatisfied customers use word of mouth to tell their stories from two to ten times as often as satisfied customers (Schlossberg, 1990). Love (2001) reported that happy customers tell from five to six people, while unhappy customers tell from eight to ten, and 10% of unhappy people tell 20 or more other people. How the Internet has affected these statistics has yet to be quantified, although buzzwords like *viral marketing*, *peer marketing*, *chatter*, and *online posting* attest to the fact that the Internet is well utilized as a medium for customers to vent their frustrations to a larger audience—especially when customers believe that management does care about them (Snyder, 2004). Known as the “tip of the iceberg phenomenon,” about 45% of customers in all industries will complain about a problem to a front-line person. Chances are high that the problem will never be reported to the manufacturer or to the corporate office. Further, only about 1% to 5% of customers will escalate their complaint to a local manager or corporate headquarters. In a survey of airlines, TARP also found that only 3% of consumers unhappy about their airline meal complained to anyone, and then only to flight attendants. No complaints were made to the corporate headquarters or to consumer affairs (Goodman, 2004).

The “butterfly customer” and the “customer has escaped” philosophies provide some explanation for the increasing usage of cybergripping by consumers. O’Dell and Pajunen (1997) proposed the “butterfly customer” concept, referring to consumers who have been transformed from loyal, reliable, and predictable patrons into transients—here today, flitting across the street tomorrow. The butterfly customer is constantly in motion for the best deal, the best choice, and the latest trend. This “creature” selects a store or brand at random, often abandoning the tried and true for the newest, the closest, and the cheapest. Nunes and Cespedes (2003), in an article aptly titled “The Customer Has Escaped,” describes today’s customers as channel surfers who shop for information from one channel, then defect from that channel when it comes time to purchase the item. With the advent of the Internet, consumers are freed from time and place constraints, and are allowed to quickly and easily carry out repeated transactions. Consumers demanding quicker services have gravitated towards companies that provide the closest to instantaneous delivery. Consumers actively choose whether or not to access a company’s information both on and offline and are exercising unprecedented control over the management of the content with which they interact (Abramson & Hollingswood, 2004). The growth in Weblogs, personal journal entries which in many cases are personal accounts of people who want to share some aspect of their lives with others (Douglas & Mills, 2006), has increased the scope and reach of cybergripping. Reports that detail the top corporate hate sites indicate this reach (Wolrich, 2005). The hospitality and tourism industry is no stranger to e-complaining. In one of the industry’s earliest incidents, a Connecticut man in 1998 built a complaint site, now defunct, against Dunkin Donuts Inc. ([dunkindonuts.org](http://dunkindonuts.org)), because the chain did not carry his favorite low-fat coffee creamer. Other customers could also post complaints against the company at this site. Dunkin Donuts Inc. learned this could be valuable and used the Web site to apologize to complaining customers and offer them compensation. The Web site became so popular that Dunkin Donuts Inc. eventually bought the site for an undisclosed sum of money (Hearn, 2000). Indicating the need for the hospitality and tourism industry to address the growth of cybergripping are statistics revealing that more than 700 firms subscribe to a service called eWatch.com, which monitors Usenet groups, online service forums, and Web bulletin boards for comments related to companies (Baldwin, 1999; PR Newswire, 2006). However, the companies that have been targets at cybergripe sites respond to less than 1% of the complaints (Appelman, 2001). Airline sites such as Continental, Delta, Northwest, and United have addressed consumer

complaints by providing e-mail addresses on their Web sites. However, other airlines, such as Southwest, do not accept e-mails due to time demands, but they do accept complaints by telephone and mail. Not all complaint site stories are successful for hospitality and tourism firms. Table 1 presents a global overview of some hospitality and tourism cybergripe sites started by consumers, and the rationales behind the formation of the Web sites.

**Table 1**  
**Hospitality and Tourism Cybergripe Sites**

<b>Web Site URL(Address)</b>	<b>Target Company/ Industry</b>	<b>Rationale for Website Formation</b>
www.ctyme.com/circus/	Circus Circus Hotel/ Hotel/Casino	Concerned about a hotel surcharge, this guest complained and felt his complaint was not properly addressed.
www.untied.com/	United Airlines/ Airline	After a lack of timely and appropriate responses to complaints via traditional mail, a business man setup the Web site to voice complaints against United Airlines.
www.brescom.clara.net/ British_Airways.htm	British Airways/ Airline	This traveler is concerned about safety at British Airways.
www.virginaircrewlies.com/	Virgin Airlines/ Airline	This customer had an altercation with a flight attendant that led to his arrest and feels the facts of the case were not presented accurately by the airline or its crew.
www.ncl-sucks.com/	Norwegian Cruise Lines/ Cruise Line	A cruise was diverted several times and this patron felt that no one at the company was willing to compensate for the changes.
www.alitaliasucks.com/	Alitalia/ Airline	Having lost his luggage on a recent trip, the consumer complained to Alitalia and was promised compensation. Not having received adequate compensation, the consumer then began the Web site.
www.northwestsucks.com/ and www.northworstair.org/	Northwest Airlines/ Airline	Formed by a traveler who experienced poor service on more than one occasion.
boycottdelta.org/	Delta Airlines/ Airline	This political activist is concerned about Delta Airlines' cooperation with the Department of Homeland Security's Computer Assisted Passenger Prescreening System (CAPPS II). They feel their Fourth Amendment rights are being violated by CAPPS II.
www.dontspyon.us/	Galileo/ Travel	Created by the same individuals and for similar reasons as boycottdelta.org, this Web site is concerned about Galileo's involvement with CAPPS II.
www.dubaitourism.co.ae/ ww w/eservices/ecom.asp	(DTCM)/ Tourism	This government operated Web site seeks to solicit complaints about Dubai or Dubai-based establishments from the traveling public.
www.mcspotlight.org/	McDonald's Restaurant	The creators of this site are concerned about McDonalds and other transnational companies.
www.ihatestarbucks.com/	Starbucks/ Restaurant	This individual is concerned about current wages, growth strategies, and ecological practices of Starbucks.
www.themeparkcritic.com	Non-specific/ Amusement Park	The creators wanted a place where theme park visitors could voice their own opinion about theme parks.
www.nconnect.com/%7Emi kevb/thrifty.htm	Thrifty Car Rental Car Rental	The Web site owner's car was hit by an uninsured driver who had rented a car from Thrifty Car Rental and was not compensated.

## LEGAL THEORIES APPLICABLE TO CYBERGRIPING

Some target companies have attempted to combat cybergripping by bringing suit against cybergrippers, citing trademark infringement and dilution, and trade dress violations as grounds. A review of applicable legal theories, however, revealed few reliable means of relief.

### Trademark Infringement

When cybergripping, the e-complainers typically include a derivative of the company's trademark with which they have a gripe. A trademark is defined under the Lanham Act of 1976 as "a word, name, symbol, or device or any combination thereof including a sound, used by any person to identify and distinguish goods from those of others." The Lanham Act was created both to protect businesses from unfair competition and to establish a civil cause of action for the deceptive and misleading use of trademarks. Generally, trademarks are classified into four categories: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. A generic trademark represents the good or service itself, such as a picture of a generic airplane, hotel room, or food item, and may never acquire trademark protection. A descriptive trademark conveys a "direct indication of the ingredients, qualities or characteristics of the goods" but does not identify the source of those goods. An advertisement containing a picture of a Big Mac sandwich without identifying it as a McDonald's product is an example. A descriptive trademark receives trademark protection only if it acquires a "secondary meaning," which identifies the source of the goods. In contrast, suggestive and arbitrary or fanciful trademarks are inherently distinctive, and thus receive full protection immediately upon their use. A suggestive trademark requires "imagination, thought and perception to reach a conclusion as to the nature of the goods" (Lanham Act 1998). For example, the slogan "Have it your way," by Burger King Brands, Inc., is a suggestive trademark. A trademark is arbitrary or fanciful if it "has no inherent relationship to the product or service with which it is associated," such as "Amazon.com."

A trademark's qualification for protection as one of the above types, however, does not guarantee a remedy for any other use of it. A successful trademark infringement claim requires proof of two elements: (1) prior rights to the protected trademark and (2) the likelihood that unauthorized use of the trademark will cause consumer confusion, deception, or mistake. This second factor, known as the *likelihood of confusion* test, is the touchstone of trademark infringement as a means of seeking legal recourse against cybergrippers. Although the standard to determine likelihood of confusion varies among the federal circuits, a typical balancing test will incorporate these eight factors: (1) the similarity of the marks, (2) the proximity of the goods, (3) the marketing channels used, (4) the defendant's intent in selecting the mark, (5) the type of goods and the degree of care likely to be exercised by the purchaser, (6) the evidence of actual confusion, (7) the strength of the mark, and (8) the likelihood of expansion of the product lines (Ferrera, Lichtenstein, Reder, August, & Schiano, 2000).

### Trademark Dilution

Businesses may seek recourse against cybergrippers through the 1995 Federal Trademark Dilution Act (FTDA), which has expanded the scope of rights granted to famous and distinctive trademarks under the Lanham Act. Dilution differs from normal trademark infringement in that there is no need to prove a likelihood of confusion to protect a trademark from dilution. Instead, all that is required is proof that the use of a "famous" mark by a third party causes the dilution of the "distinctive quality" of the mark. The courts defined *dilution* as "the gradual whittling away of a distinctive trademark or trade name." The FTDA generally recognizes two distinct types of dilution -- *blurring* and *tarnishment*. Blurring occurs when an individual uses or modifies the mark of another entity to identify goods that are different from the plaintiff's, but in such a way that the mark may no longer be fully associated with the plaintiff's product. In contrast, tarnishment occurs when the individual's use of someone's mark degrades the quality of the mark or creates a negative association with it. Under the FTDA, the owner of a famous

trademark that is diluted is entitled to a nationwide injunction. However, if the owner establishes that an individual willfully intended to trade upon the reputation or goodwill of the famous mark, the owner is also entitled to traditional trademark infringement remedies. These remedies include disgorgement of the individual's profits and direct damages sustained by the plaintiff. Many commentators believe that the FTDA is the strongest weapon against the unauthorized use of a trademark and one of the best recourse measures against cybergrippers. In one dilution case, *Hasbro Inc. v. Internet Entertainment Group, Inc. (1996)*, involving unauthorized use of a domain name, the toymaker Hasbro successfully sued the owner of a pornographic Web site "candyland.com," on the basis that the use tarnished the trademark-protected game "Candy Land." Though the FTDA may be the strongest weapon against domain-name dilution and similar cases, its broad language is troublesome. Specifically, courts are split on these questions:

(1) What qualifies as a "famous mark" under the statute? What is entitled to protection against dilution of its distinctive nature? What is necessary to prove dilution? (Ramirez, 2001; Lockwood & Nixon, 2005).

### **Trade Dress Violations**

Cybergrippers may set up complaint Web sites that are similar in look and feel to the company Web site with which they have a gripe. When two sites have the same appearance, though the content presented may be different, the result causes consumer dissatisfaction. This is particularly challenging when one considers that the Web site may be a company's primary means of communicating with consumers. Landing at a cybergripe site that is disturbingly similar to a company Web site may cause the consumer to distrust and refuse to do business with an organization. This raises a question: What protection is available to the overall appearance of a Web site? The answer to this question lies in *trade dress* law: "Trade dress is broadly defined as the total image and overall appearance of a product or service and may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques. A trade dress is entitled to protection under the Lanham Act if it is inherently distinctive or has acquired secondary meaning. Unlike trademarks, trade dress that is either inherently distinctive or has acquired distinctiveness does not enjoy protection under the Lanham Act unless such trade dress is also non-functional" (Xuan-Thao, 2000; Lanham Act, 1998). However, it must be noted that proof of secondary meaning is not necessarily required in trade dress infringement cases. In *Two Pesos, Inc. vs. Taco Cabana, Inc. (1992)*, two fast-food Mexican restaurants faced off over similar restaurant design and décor. The U.S. Supreme Court held that inherently distinctive trade dress is held protectable from infringement under federal trademark law without proof of secondary meaning. Thus, in order to claim trade dress violation or infringement against a cybergriper, a Web site must prove that the Web site has inherent distinctiveness, secondary meaning, and functionality. One approach to ensuring trade dress protection of the overall look and feel of a company's Web site is to update the data present on the Web site without changing the layout and organization (Xuan-Thao, 2000). However, while this makes sense, trade dress protection is challenged by the basic principle of WYSIWYG (what you see is what you get), as the Web site may display differently from computer to computer based on the type of computer being used, screen resolution, browser, and modem speed (Kellner, 1994).

### **Cyberchattel**

While existing legal rights are satisfactory for some electronic violations, others are addressed by federal legislation, such as anti-hacking, copyright and trademark protections, and by state criminal and defamation laws. However, none of the current federal or state laws explicitly prohibits a disgruntled employee from accessing a business's Web site or Intranet for a purpose that is adverse to the business, such as publishing unflattering or scandalous information. Businesses that have resorted to civil litigation have relied upon common law and

tort law of trespass (trespass to chattel), but have found that its application to Internet communications is not certain or reliable.

For centuries, common law has recognized the concept of a trespass to chattel. A *chattel* generally is tangible personal property, such as a car or computer hardware. When a chattel is damaged or destroyed, the liability to the owner is determined by calculating the amount of the financial loss caused by the trespass. Even when no physical or permanent damage is done to the chattel, the law generally allows an action against the trespasser to compensate the owner for having been deprived possession of the chattel for the duration of the trespass (Prosser & Keeton, 1984). For most types of personal property it is not possible for two parties to have possession of the property simultaneously; hence, an injunction is necessary to reinstate the owner's possession of the property. The case of unauthorized access to computer systems, however, does not always impair the owner's possession or use of the computer hardware or software at the same time. For this reason, when the chattel in question is cyberchattel, the laws of trespass are not easily applied. In one of the first cases confronting cyberchattel, *eBay, Inc. v. Bidder's Edge, Inc. (2000)*, a federal district court in California granted an injunction against unauthorized computer data access on the basis that the trespass into the system in theory deprived the owner of the ability to use the same data bits simultaneously. EBay won the injunction against Bidder's Edge, which used an automated querying program to obtain information off the eBay Website for its own commercial use. EBay claimed that the computer hardware is its property; therefore, it maintains the right to exclude others from using or possessing its hardware. The court's acceptance of this theory seemed to provide a potentially powerful weapon against a variety of unwanted Internet communications and access. Likewise, in *Intel Corp. v. Hamidi (2003)*, the plaintiff won an early victory in legal proceedings to enjoin a former employee from flooding the company's Intranet with unwanted e-mails. The state trial court concluded that the act was a common law trespass and that the harm caused to Intel was sufficient to support an injunction against further unwanted e-mails. In June 2003, however, the California Supreme Court reversed the injunction and held that while in the smallest technical sense Hamidi had used Intel's property without Intel's permission, there was no actual harm done to Intel's property rights and thus no trespass to chattel. The court rejected Intel's claim of deprivation on the basis that Hamidi's use of the e-mail system did not and could not have actually deprived Intel of its concurrent use of the same property for authorized and official e-mails. These cases, *eBay, Inc. v. Bidder's Edge, Inc. (2000)* and *Intel Corp. v. Hamidi (2003)*, demonstrate the uncertainty a business will face when attempting to use state trespass laws to stop unwanted cybergripping on its own computer systems.

### **Jurisdiction is Still a Problem**

While businesses may use the above-mentioned theories to seek recourse against cybergrippers, the businesses still have to ensure that they are pursuing litigation in the right courts. For example, while MC Spotlight.com was established to attack the business policies and operations of McDonald's Corporation, that corporation's ability to complain or file suit against the company was limited as the Web site was housed on servers in the Netherlands.

Even when a company has a strong legal claim for cybergripping damages based on theories of online infringement or squatting, the question remains which, if any, court has jurisdiction to hear and decide the case (Wilson, 2000). The established law of personal jurisdiction is based primarily upon the physical locality of the parties, which is rarely relevant and sometimes indeterminable in an online setting. For example, in *Oasis Corporation v. Judd (2001)*, the plaintiff's principal place of business was in Columbus, Ohio, where he manufactured and distributed water coolers both nationally and internationally. The defendant, Judd, was a resident of Oklahoma and president of a computer-software design company with its principal place of business in Pryor, Oklahoma. Judd, the defendant, had never been to or conducted business in Ohio. In 1998, a fire burned out the building where Judd had his Oklahoma

business. Judd believed that fire had been caused by an Oasis water cooler, which had been leased to another building tenant. Efforts by Judd to secure compensation for the losses sustained in the fire from their insurer as well as the plaintiff were unsuccessful. Subsequently Judd launched a gripe site at [www.boycott-em.com](http://www.boycott-em.com), on which complaints about Oasis, its officers, and its employees were voiced. Judd displayed Oasis-registered trademarks and trade names on the site and made available the e-mail addresses and telephone numbers of the officers and employees of Oasis. The site also contained an automatic letter-generating system, which allowed visitors to dispatch pre-written letters to the media and Oasis with a single click. Judd never offered any goods or services for lease or sale on the site. In 2000, Oasis sued in an Ohio court for damages in excess of 13 million dollars and for injunctive relief to prohibit Judd from using the Web site to comment on the plaintiff's products and actions. Oasis alleged, among other claims, trademark infringement; false designation of origin, descriptions, and representations; and dilution of a famous mark. The plaintiff's claim was dismissed when the court found itself lacking jurisdiction over the defendant because Judd's Web site did not specifically target an Ohio audience. In addition, the fact that Judd could foresee that the Web site would be viewed and have an effect in Ohio was not, in itself, enough to establish personal jurisdiction over him in an Ohio court.

*Oasis Corporation v. Judd* demonstrates an important legal distinction between business-to-business and business-to-consumer litigation of online claims. State and federal courts now generally agree that a person or company doing business online can be sued in any state where its online customers reside or where its online communications or solicitations are sent or accessed. In cases of direct online commerce, such as a hotel accepting reservations online, it is easy to see that about any court in the country would have personal jurisdiction over the business. However, *an e-complaint on a Web site is not commerce and, for legal purposes, exists only where the hardware storing it is located.* The ability of persons outside a state to access the Web site on the Internet does not confer personal jurisdiction over the site to the state's courts. This does not mean a company cannot sue the perpetrator in a legitimate case, say for defamation or infringement, when the suspect resides elsewhere. It does mean that the company will have to sue in the defendant's home state and therefore likely incur additional legal expenses.

## **EMPLOYEES AND EMPLOYERS IN THE CYBERGRIPING DEBATE**

Businesses have five tasks when dealing with cybergripping. These include (1) protecting the business's reputation from cybergripping customers and employees, (2) protecting employees from harassing customers, (3) protecting customers from employees who wish to publicly complain about the company, (4) protecting employees from cybergripping co-workers, and (5) protecting the business, customers, and employees from other businesses cybergripping against them.

### **Trademark Infringements against Employees**

In 1999 over 30,000 employees filed complaints monthly at [disgruntled.com](http://disgruntled.com) before the Web site was shut down (Beyette, 1999). In an attempt to control the damage caused by disgruntled employees, some employers have sued employees for setting up gripe sites with equal rulings. In *ASDA Group Limited v. Kilgour* the defendant's site, [asdasucks.net](http://asdasucks.net), received a favorable ruling from an administrative panel of the World Intellectual Property Organization (WIPO) (Sinrod, 2002). The WIPO, a Geneva-based United Nations organization, arbitrates intellectual property (IP) disputes. ASDA, the complainant, owns and operates a superstore chain in the United Kingdom, while the respondent, Kilgour, was described by WIPO as a "disgruntled ex-employee." While employed by ASDA, Kilgour registered the domain name [asdasucks.net](http://asdasucks.net) and operated [asdasucks.co.uk](http://asdasucks.co.uk). The content of [asdasucks.net](http://asdasucks.net) was directed at ASDA corporate management, which the WIPO panel described as "scandalously and disgustingly abusive." ASDA's complaint, called [asdasucks.net](http://asdasucks.net) "confusingly similar" to its

trademark and said the domain name was registered in bad faith and was "inherently likely to lead some people to believe that the complainant is connected with the domain name." The WIPO noted that this was not a solid argument or grounds for finding in ASDA's favor. In ruling in favor of Kilgour, who never bothered to respond to the complaint, a WIPO panelist, commented that "by now, the number of Internet users who do not appreciate the significance of the '-sucks' suffix must be so small as to be 'de minimis' (i.e., smaller than the Austin Powers' 'mini-me' character) and therefore not worthy of consideration." While Kilgour's linking of asdasucks.net to ASDA's official site at asda.co.uk may have amounted to a confusing use of its domain name, the usage did not equate with asdasucks.net's being confusingly similar to ASDA's trademark. The only conceivable confusion regarding asdasucks.net could arise for Web visitors not fluent in English who "do not therefore appreciate the significance of the '-sucks' suffix" (Sinrod, 2002).

### **Employers Suing Employees for Defamation Actions**

Colden (2001) and Goldstein (2003) note that corporations are increasingly pursuing legal action against their online critics. Employers have sued former employees claiming defamation. In *Vail-Ballou Press, Inc. v. Tomasky* (1999) the defendant had been employed by the plaintiff for nearly five years when he was discharged for using foul and abusive language, assaulting and threatening a co-worker, and insubordination. Following his discharge, he picketed outside the plaintiff's place of business; allegedly threatened former co-workers; sent electronic mail to the plaintiff's customers, potential customers, employees, competitors, and the media detailing the events surrounding his termination; and finally developed a Web site accusing the plaintiff of falsifying documents and statements to various federal, state, and local agencies as well as terminating him for exposing this "corruption." The plaintiff commenced action seeking a permanent injunction against defamation, malicious injury, and wrongful interference with its business relations and contracts. The court agreed that the content of the site was defamatory and granted the injunction. In a similar case, *Varian Medical Systems, Inc. v. Delfino* (2003), two corporations filed suit against two former employees for defamation, invasion of privacy, breach of contract, and conspiracy after the defendants used Internet bulletin boards to post derogatory messages about the plaintiffs. The defendant, Delfino, had been employed as a senior engineer and had been fired based on complaints that he had been disruptive and had harassed both managers and co-workers. Immediately after Delfino was fired, he began a campaign of posting derogatory messages about the plaintiffs on Internet bulletin boards such as Yahoo. A jury found Delfino liable for defamation and determined that he had acted with malice, fraud, or oppression. The jury awarded the plaintiffs more than half a million dollars in both general and punitive damages. In addition, the trial court also issued a permanent injunction to prevent future injury. Hospitality employers would do well to develop cybergripping rules that govern workplace actions on cybergripping and to educate employees. While the employer may have won the case, such lawsuits strain employer-employee relations.

On the other hand, employees have sued employers for defamation by using Internet postings. In one of the earliest cases, *Blakeley vs. Continental*, a female pilot sued Continental Airlines for defamatory messages posted on an Internet bulletin board by fellow pilots (Mills, Hu, Beldona, & Clay, 2001). In *Du Charme v. International Brotherhood of Electrical Workers, Local 45* (2003), the plaintiff sued the defendants for breach of contract, covenant of good faith and fair dealing, wrongful termination in violation of public policy, and defamation or libel. The essence of this complaint was that the plaintiff had been wrongfully terminated, and a defamatory statement about the plaintiff's termination had been posted on Local 45's Web site. Despite various motions filed by the defendant, the courts allowed the lawsuit to proceed. Hospitality employers are reminded here that caution needs to be taken when revealing information on a Web site about any actions deemed inappropriate by an employee who has been terminated. As the restaurant industry is fraught with stories of unfair work practices against employees, some

Web sites have been set up to voice the work experiences of individuals employed in the restaurant industry. These Web sites include ShamelessRestaurant.com and Stainedapron.com. ShamelessRestaurant.com (2006) sees its role as “providing the public with restaurant reviews from the employee’s perspective” as well as to “to provide a forum in which restaurant employees can air their employment grievances and, at the same time, share information with each other about the worst practices of employers.” Restaurant industry executives would do well to continually pursue such sites to see what employees are saying about their company and what reasonable actions should be taken to deal with employee online complaints.

### **Employees Suing Employers (The Griper’s Right to Privacy)**

Employees may contend that their Web postings are private expressions of free speech that take place outside of work hours. Thus, they are of no concern to the employer. However, the right of a company to know what its employees are saying about it was demonstrated in *Konop v. Hawaiian Airlines, Inc. (2003)*. The plaintiff, a pilot for Hawaiian, created and maintained a Web site where he posted bulletins critical of his employer, its officers, and its union, the Air Line Pilots Association (ALPA). Konop controlled access to his Web site by requiring eligible visitors, mostly pilots and other employees of Hawaiian, to log in with a username and password. Konop programmed the Web site to allow access when a person entered the name of an eligible person, created a password, and clicked the “submit” button on the screen, indicating acceptance of the terms and conditions of use. The terms and conditions prohibited any member of Hawaiian's management from viewing the Web site and prohibited users from sharing and disclosing the Web site's contents. Hawaiian’s vice president received permission from one of the eligible members to use that member’s access to the plaintiff’s Web site. The vice president claimed he was concerned about untruthful allegations that he believed Konop was making on the Web site, and accessed the site over thirty-four times. Konop subsequently received a call from the chairman of ALPA, on behalf of the Hawaiian president, who was upset by Konop's accusations and disparaging statements published on the Web site. Konop subsequently filed suit alleging claims under the federal Wiretap Act, the Stored Communications Act (SCA), the Railway Labor Act, and state tort law, arising from the vice president’s viewing and use of Konop's secure Web site. Summary judgment was granted to Hawaiian on all charges. In ruling for the defendant, the court noted that Congress had passed the Electronic Communications Privacy Act (ECPA) in 1999 to afford privacy protection to electronic communications. Title I of the ECPA amended the federal Wiretap Act, which previously had addressed only wire and oral communications, to “address the interception of ... electronic communications.” Title II of the ECPA created the SCA, which was designed to “address access to stored wire and electronic communications and transactional records.” The ECPA protects electronic communications that are configured to be private, such as e-mail and private electronic bulletin boards, while the SCA addresses the growing problem of unauthorized persons deliberately gaining access to electronic or wire communications that are not intended to be available to the public. While Web sites may be public, many, such as Konop's, are restricted. The nature of the Internet, however, is such that if a user enters the appropriate information (password, Social Security Number, etc.), it is nearly impossible to verify the true identity of that user. We are confronted with such a situation here. Although Konop took certain steps to restrict the access of the vice president and other managers to the Web site, the vice president nevertheless was able to access the Web site by entering the correct information, which was freely provided to him by an individual who was authorized to view the Web site. This case provides support for the right of the employer to access such Web sites even without the author’s permission.

### **Employers Being Sued Over the Actions of their Employees**

Employers may be liable for the cybergripping actions of their employees. In one case an employee of an Internet service provider (ISP) registered an e-mail address under the name of a long-time employee of the Office of the Attorney General for the Commonwealth of Kentucky,



where a complaint against the ISP had been lodged by an unsatisfied consumer (*Booker v. GTE Net, 2003*). After registering a false e-mail address, the employee of the ISP, it was claimed, sent the complaining customer an e-mail suggesting that the customer had spread libel about the ISP in the complaint to the Office of the Attorney General. The letter also contained inflammatory language that suggested the client was a “grumpy, horrible man who [needed] to grow up” and told the unsatisfied customer he should “put on [his] pampers and ask for [his] booba OR cancel the service altogether.” The employee of the Office of the Attorney General sued the ISP claiming that she was traumatized by the incident and suffered emotional and psychological injuries as a result.

While the actions of the employee clearly were not in the best interest of the employer, the plaintiff lost the case. The courts reasoned that the employer could not be held liable “under the doctrine of respondeat superior unless the intentional wrongs of the agent were calculated to advance the cause of the principal or were appropriate to the normal scope of the operator’s employment.” That is, the plaintiff need to show wherein the actions of the employee were normal duties performed in the course of his/her job and that these actions were advancing the business. Despite the win for the defendant, hospitality and tourism organizations would do well to ensure that employees not become overzealous in defending the organization, as such adverse publicity could be damaging to the reputation of the business. Restaurants in particular need to pay attention to such Web sites as BitterWaitress.com, on which servers dissatisfied with tips left by customers post the customer’s name on the “cheapskate list” provided at the site. Such actions are not only damaging to the restaurant but may be seen as cybersmearing by that customer. Little recourse exists for customers who have been defamed on Web sites such as BitterWaitress.com, which are not considered as content publishers but are viewed more as “pipelines” presenting the opinions of their readers and contributors (Benderoff & Hughlett, 2006).

## CYBERGRIPING BY CUSTOMERS

The potential challenges and weaknesses of litigating customers who cybergripe is illustrated in *Bear Stearns Companies, Inc. v. Lavalle (2003)*, and *Taubman Company v. Webfeats et al. (2003)*. In *Bear Stearns v. Lavalle*, the court permitted the cybergriper to operate complaint sites named "EMCMortgageFrauds.com," "EMCMortgageScams.com," "EMCMortgageCriminals.com," "BearStearnsFrauds.com," and "BearStearnsCriminals.com," but prevented him from using "EMCMortgageComplaints.com," "BearStearnsShareholders.com," and "BearStearnsComplaints.com." The court reasoned that while the former sites were clearly critical of and thus distinct from the target companies, the latter names were sufficiently deceptive and similar to the target companies' trade names to create confusion and were thus actionable under the trademark dilution provisions of the Lanham Act. A cybergriper may use a target company's trademark in the complaint site's domain name so long as it incorporates a suffix such as “scams.com,” “criminals.com,” or “frauds.com.” In other words, the Web site suffix must be *sufficiently obnoxious and insulting* to dispel any misconception that the complaint site is either the target company's official Web site or is otherwise sponsored by or affiliated with the target company. Even when a cybergriper maliciously incorporates the target's trademark in the complaint site's domain name with the intent of causing the target company commercial harm, a cybergriper's use of the target's trademark on the attack site is non-commercial in nature and therefore beyond the reach of the Lanham Act's prohibitions against trademark infringement and dilution (Lanham Act, 2003).

In *Taubman Company v. Webfeats et al.*, the federal Sixth Circuit Court of Appeals dissolved a trial court's injunction that had protected the Taubman Company and its trademarked shopping mall "The Shops at Willow Bend" from Webfeats' cybergripping. Upon noticing a shopping mall under construction near his home, the defendant registered the domain name, "shopsatwillowbend.com." The Web site featured information about the mall, with a map and

links to individual Web sites of the tenant stores. The site also contained a prominent disclaimer, indicating that the defendant's site was unofficial, and linked to the plaintiff's official site for the mall, found at the addresses "theshopsatwillowbend.com," and "shopwillowbend.com." The defendants described the site as a "fan site," with no commercial purpose. The site did, however, contain links to other commercial Web sites associated with the defendants. Taubman sued under the Lanham Act, claiming that the defendant's complaint site impermissibly infringed upon its trademarks. The trial court agreed and granted a preliminary injunction preventing the defendants from using the complaint site's domain names. However, on appeal, the trial court decision was reversed and the injunction dissolved. The court ruled that the defendants' calculated selection and use of Taubman's trademarks, even with specific intent to damage Taubman's business, did not constitute a commercial use of the trademarks. Thus, proof that a cybergriper's intentionally or actually causing the target company economic harm through the use of its own trademarks does not always lead to recourse for a trademark violation. If the defendant's use of the trademark is not in itself "commercial," then the Lanham Act provides no relief, regardless of the cybergriper's malicious intent or the degree of actual financial harm.

The judicial system is not the only government entity on the consumers' side with respect to e-complaining. The United States Department of Transportation since 1998 has collected e-complaints, particularly from air travelers. The Federal Bureau of Investigation in conjunction with the National White Collar Crime Center collects e-complaints on Internet fraud within the U.S., while the Federal Trade Commission accepts e-complaints on cross-border e-commerce (Millard, 2002). Likewise, the Securities and Exchange Commission set up a complaint center on its Web site so individuals can provide tips on financial reporting irregularities.

## **SOLUTIONS TO CYBERGRIPING**

Pursuing cybergrippers in court should be the last action taken against a cybergriper as it is time consuming and expensive. Further, the publicity from any lawsuit can be damaging to a business. We suggest that businesses consider arbitration or online dispute resolution (ODR) against cybergrippers. ODR involves solving problems in an online forum. ODR represents a change in procedure rather than in substantive legal rights and liabilities of the parties, so it does not imply a legal right to recourse that does not already exist elsewhere in the law. Nonetheless, ODR appears to be gaining popularity and support through both free and paid services. In fact, some experts believe ODR will become the primary method of resolving disputes and claims that arise online (Solovnay & Reed, 2003). There are four major methods of ODR: (1) online arbitration, whereby all parties submit evidence and arguments online, and an arbitrator issues a decision; (2) online mediation, whereby a mediator facilitates negotiation and settlement in real time; (3) online ombudsmanship, whereby an online ombudsman reviews, investigates, and recommends a solution to the parties involved; and (4) online claim bidding, whereby a blind bidding of insurance and liability claims similar to an auction-type environment takes place. Sample providers of services of these different types of ODR include, respectively, [adr.org](http://adr.org), [bbbonline.org](http://bbbonline.org), [ombuds.org](http://ombuds.org), and [cybersettle.org](http://cybersettle.org).

Some of the early criticism of ODR is based on the lack of face-to-face communication, which is commonly thought to enhance the chances of conflict resolution. But in cases where the dispute arises online and in fact the entire relationship of the parties exists online, it seems unlikely that face-to-face contact, which would often be the first meeting of the parties, would fundamentally alter the chances of resolution. A greater threat to ODR is the problem of establishing which law controls the outcome of the case and which court has jurisdiction when a party seeks judicial enforcement of an ODR outcome. The overall effectiveness of ODR is more likely to be impacted by its ability to produce final, binding and enforceable resolutions than by its impersonal nature.

It may be best that hospitality and tourism businesses look first to tighten up their service recovery process; that is, use the prevention rather than the cure approach. Service recovery is an attempt to right past wrongs in an effort to correct a problem. The perceived fairness and effectiveness of handling the customer's complaint can significantly influence the success rate of service recovery efforts (Durvasula, Lysonski & Mehta, 2000), consequently increasing customer satisfaction, loyalty, and trust. Tyrrell and Woods (2004) contend that different levels of service recovery are needed depending upon problem severity (denial or delay), criticality levels (low -high), frequency of deviation (is it the first, second, or third time?), evaluation of prior attempts to fix; and compensation by company for problems encountered. Businesses must consider three key areas in service recovery, namely the ethical manner in which the problem is addressed; the time and expedience; and the level of atonement with which the problem is addressed. While these are not new, hospitality businesses are reminded that they cannot rest; rather, they must constantly seek to address guest complaints in order to avoid employee and consumer recourse at a later date. Though the business may eventually succeed in closing down the e-complaint site, this site is still available via such Web archiving sites as the Waybackmachine, located at Archive.org, a digital library with records of old Web sites.

Employers should begin with the old adage of seeing employees as internal customers. Employees, particularly those who engage in service recovery efforts for their employer, are more likely to expect better attempts by management to ensure that they are satisfied as well (Bowen & Johnston, 1999). In many companies, employers are expected to satisfy external customers in a manner similar to how they ensure workplace satisfaction. In a study of United Kingdom theme parks, research revealed that how the company goes about service recovery directly affects an employee's perspective of the company (Lewis & Clacher, 2001). In this study, it was found that employee intent to resign (quit) goes up with dissatisfaction of company efforts to recover service. When employees perceive the company as having limited intent to solve the customer's problem, employee turnover and absenteeism go up and loyalty goes down.

A disgruntled customer's act of establishing a Web site to berate a company is a relatively new phenomenon, but the impetus for that customer to act out is not. Research has shown that when customers perceive an establishment to have behaved unethically, they will often escalate the complaint behavior (Goodman, 2004). The extent of the complaint behavior depends on the gap between the customer's perception of how management should have handled the problem versus how management actually handled it. The cybergriper, who believes that he has been treated unethically, often feels justified in helping to steer customers away from an establishment. This is particularly true when the unethical behavior is practiced during the service recovery stage. Customers appear more willing to excuse unethical behavior during the service recovery stage if the initial problem could be considered extraordinary. For example, if a hotel employee were belligerent about a telephone charge for a call that never connected, the guest may perceive the business to be unethical, but perhaps not intentionally so. However, if the problem recurred, then the guest might believe that this unethical behavior was the norm. There appears to be a correlation between customer use of e-mail or telephone communications for service recovery efforts based on the extent to which the consumer perceives the company's effort as ethical or not (Alexander, 2002). If a company's response is unethical, or perceived to be so by customers, then customers are more likely to ramp up their complaint efforts. Perceptions of "being cheated" lead to the greatest reprisal activity.

Time is of the essence when dealing with customers, as they expect their problems to be addressed as soon as they are brought to the attention of the business. Customers get annoyed when relatively minor mistakes are not handled by front-line employees. Even if fervently working on a solution, the company must keep in touch with the customer; otherwise, the customer might become even more annoyed. This problem is particularly acute when the complaint forum is online. Complaints that are e-mailed to management are just as pertinent as

customer face-to-face complaints. It is easier for management to show the customer face-to-face that they are actively working on a solution to customer concerns. Prompt attention to customer e-mails is especially important, as half of all service recovery efforts will fail if customers feel that they are being made to wait (Maister, 1985). Communicating that service recovery efforts are underway to the customer is very important. How service providers fill up "unfulfilled time" is an important consideration both in service delivery and service recovery (Maister, 1985). If customers perceive that they are being made to wait (with nothing to do while waiting), then it is likely that their perception of the service recovery efforts will be negative. The trick for companies is to respond effectively to online complaints in which there is not a face-to-face encounter. How does management convince customers that action is being taken? If the customer perceives that nothing is being done, service recovery will fail in approximately 50% of the instances. Likewise, expedience in recovery efforts and levels of atonement are also part of a customer's perception of a company's efforts at service recovery (Boshoff, 1997). The level of atonement in service recovery is described as the customer's perception of who in the company correctly solves their problem. For example, most customers want service delivery problems to be solved in one phone call or e-mail. When customers have to "ask for a supervisor" or seek a higher-level authority in the company to resolve their problem, their perception of company recovery efforts goes down, as does their level of satisfaction.

## CONCLUSION

For companies the impact of cybergripping is far reaching. Cybergrippers may act out of an altruistic desire to warn the general public about a target company's defective products or poor business practices or they may instead be motivated by the desire to coerce payment from the target company in return for closing the complaint site. Regardless, the risk posed by the cybergriper's site to the target company is the same: The potential loss of customers who are coaxed away from the target's official Web site to an attack site designed to deter the consumer from doing business with the target company. Moreover, cybergrippers can reach anyone with Internet access. This may influence potential consumers around the globe for or against a corporation. Perhaps indicating the future potential reach of cybergripe sites are comments by consumer advocate Ralph Nader, who contended that complaint sites have the potential to become powerful political tools as they bring together people with common complaints who can then lobby Congress and state legislatures against corporate interests (Hearn, 2000). The Consumer Project on Technology has been petitioning since 2000 for Web domain name suffixes ".isnotfair," ".suck," ".customers," and ".complaints," dedicated to complaining online and thus making it easier for consumers and employees to find cybergripe sites and distinguish them from other sites (Ebenkamp, 2000). These domain name suffixes to date have not been approved and could change the landscape of the Web if they become available.

Harrison-Walker (2001) suggests some simple strategies for addressing cybergripping. These include forgetting about adopting anti-domain URLs; monitoring complaint forums and promptly responding to complaints; using specially trained representatives to handle complaints; and designing one's own complaint Web site or including an easy feedback mechanism in one's main Web site. In addition, management should develop an e-monitoring policy that governs employee Web use and the nature of what comments they would not be able to make online regarding the employer, fellow employees and customers. Off-duty use of computers, particularly those owned by the company, can be regulated (HRnext, 2000). When corrective action has been taken internally, be sure to update the customer and continually communicate improvements to the public. WorkingWounded.com, another site which allows employees to voice their complaints, suggests that employers not focus so much on one individual posting; rather they should look at themes that point to problems in the organization. If nothing else, see these forums more as focus groups with the potential to help the business improve (Simons, 2001; WorkingWounded.com, 2006). Bottom line: View e-complaints as valuable market

intelligence by paying attention to what employees and customers are saying about the company online, and respond in a positive manner (Harrison-Walker, 2001).

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## CORRECTIONS

The article entitled: “Vegetarians: A Typology for Foodservice Menu Development” authored by Amir Shani and Robin B. DiPietro appeared in the Fall, 2007 issue (Volume 25, Number 2) of the *FIU Hospitality and Tourism Review*.

On page 70, a subtitle was omitted before the paragraph on Ethical Vegetarians. That subtitle should have read “Eco-Centric Vegetarians”.

In addition, Table 2 on page 70 incorrectly identified the motivations ‘Religious Beliefs’ and ‘Social Reasons’ to the “Eco-Centric Vegetarians” category. They should have been placed under the “Anthropocentric Vegetarians” category.

The Editor deeply regrets these errors and any problems associated with them.