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Managing for Excellence: Conclusions and Challenges from a Study of Best Practices in the U.S Lodging Industry

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Managing for Excellence: Conclusions and Challenges from a Study of Best Practices in the U.S Lodging Industry

Abstract

Perhaps the real challenge of innovation is to continue innovating.

Keywords

innovation, lodging industry, operations, management

Disciplines

Hospitality Administration and Management | Human Resources Management

Comments

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Managing for Excellence

Conclusions and Challenges from a Study of Best Practices in the U.S. Lodging Industry

by Laurette Dubé, Cathy A. Enz,
Leo M. Renaghan, and Judy A. Siguaw

Perhaps the real challenge of innovation is to continue innovating.

Throughout the past 14 months we have presented in *Cornell Quarterly* the findings of a comprehensive study of best practices in the United States lodging industry. Conducted in 1998 and 1999, the study profiled 115 functional best practices drawn from the major areas of hotel operations and management and covering such diverse areas as accounting, environmental stewardship, human-resources management, and marketing.¹ These functional best practices repre-

¹ The full study is available in: Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Siguaw, *American Lodging Excellence: The Key to Best Practices in the U.S. Lodging Industry* (Washington, DC: American Express and the American Hotel Foundation, 1999). Components by functional area were published in *Cornell Quarterly* as follows: October 1999 (architecture, environmental management, F&B, information technology, and marketing); December 1999 (hotel operations); February 2000 (human resources); and, in this issue, service quality (pp. 20-29).

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sent a rich portfolio of ideas, activities, and processes that have proven successful for a particular lodging property or company and that promise to inspire the efforts of other firms to improve their practices. We also reported on customers' perceptions of the lodging industry's top performance in key function areas and the resulting effect on customer loyalty. Finally, we compared areas that customers said created value with those in which hotel managers had developed best functional practices to gauge the extent of congruence between the industry's view of value creation and that of customers.²

As part of the study, we also identified 29 overall-best-practice champions—companies or individual hotels that had developed broad, strategic approaches that helped drive these firms to the pinnacle of their product segments. More than the sum of the underlying functional best practices, these overall-best-practice champions captured and delivered the key drivers of value for customers, employees, managers, and owners in ways distinct from those of their competitors. In the final phase of the study we surveyed the overall best-practice champions' customers (both intermediaries and end users) to confirm that those champions were delivering visible value to customers and to determine which practices were contributing most to customers' value perceptions.

The portrait of the lodging industry in the United States that emerged from this study is one of a healthy business characterized by considerable managerial and operational excellence that is recognized

as such by customers. This excellence is reflected in growth in room-night demand and profitability over the last several years.³

Our best-practices study constitutes a compilation of what industry practitioners and customers considered to be the most effective strategies and techniques used by the lodging industry's best operators to create value for all stakeholders. These best practices come from different industry segments, various ownership arrangements, and a range of property sizes—and they embrace a variety of functions both at the corporate level and at individual properties.

Some practices emphasized the art of hospitality, while others perfected its technique. Taken together, the results of the best-practices study represent a pool of knowledge that we hope will disperse widely throughout the global lodging industry and, more important, will continue evolving. For that evolution, we rely on the present best-practice champions who so generously shared their expertise with us. We also believe that it is likely we overlooked some excellent practices, and that more individuals and hospitality firms can participate in developing and sharing additional best practices in the future.

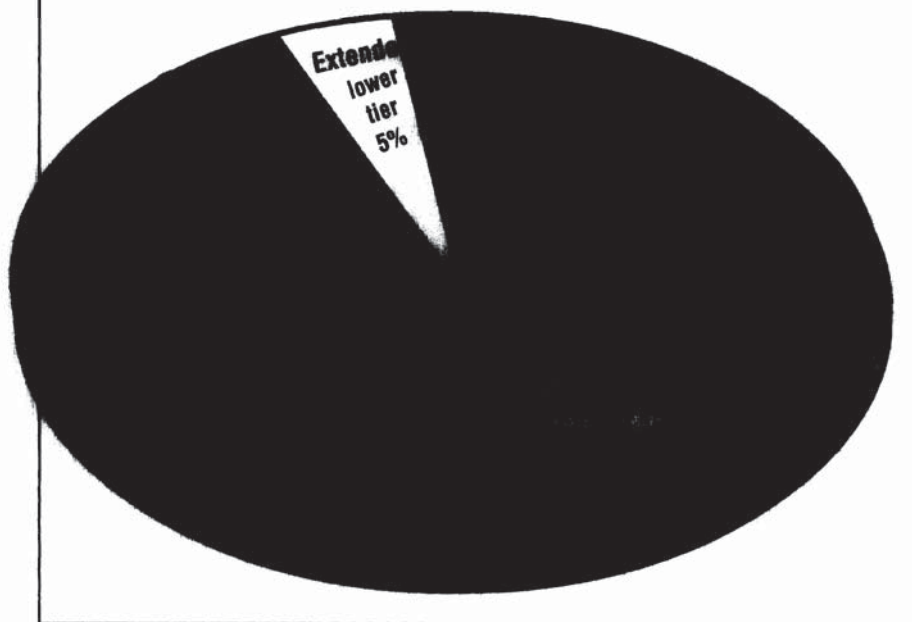
In this final article our objective is to foster further innovation in management thinking and practice with the intention of assisting industry practitioners in managing for excellence in the lodging industry of the future. We offer here a synthesis of the insights, implications, and conclusions extracted from the best-practices study. We first focus on ways in which the development

Although deluxe and upscale hotels accounted for almost half of the best practices, there's no reason that other properties can't benefit from these ideas.

² For a discussion of these topics, see the following *Cornell Quarterly* issues: October 1999 (building loyalty and delivering benefits), December 1999 (overall competitive advantage); and February 2000 (creating overall value and developing marketing channels).

³ PricewaterhouseCoopers, "Stronger-than-expected U.S. GDP Growth Lifts Room Demand Growth, but Industry Continues to Face Moderating Profit Growth," *Hospitality Directions: Forecasts & Analyses for the Hospitality Industry*, July 1999, pp. 3–7.

Exhibit 1
Functional best practices by segment



of lodging-industry best practices can be improved. Next, we highlight barriers and challenges to be overcome for the successful management of best-practices knowledge, both for individual firms and the entire lodging industry.

Developing Best Practices

In this section we consider areas that, based on our findings, show significant promise for the development of future best practices. Recall that the sample of managers from which the best practices were elicited in our study was selected to be representative of managers in the U.S. lodging industry at both corporate and property levels, stratified by functional area (e.g., human resources, food and beverage) and by product segment (e.g., budget, mid-scale with food and beverage), with the additional constraint that the industry's various ownership or operating structures be represented in the final sample.

The study's structure argues for the proposition that the distribution

of best practices should show the same pattern as the sample distribution. That is, the proportion of best practices from, say, economy hotels should be about the same as the proportion of economy hotels in the sample, with the same being true for deluxe and midscale properties. This was not the case. Instead, the proportion of best practices was greater for certain sub-groups within each category. Specifically, we found more corporate best practices than property-level practices; more among deluxe hotels than in the remaining product segments; and more human resources, operations, corporate management, and sales and marketing practices than those from other functional areas. Our conclusion is not that those less-represented segments have fewer best practices, but rather that an effort could profitably be invested in seeking best practices that we believe were overlooked in those underrepresented segments.

Lodging Segments and Best-practice Development

Of the seven hotel segments represented in this study (e.g., deluxe, upscale, midscale), the deluxe segment is the only one in which a larger share of functional best practices was developed at the property level than at the corporate level. The deluxe segment also generated the largest number of functional best practices—more than one out of four—even though this product segment represents no more than 3 percent of the industry's total guest-room count (see Exhibit 1).⁴ Furthermore, this segment produced the corporate and property overall best-practice champions (i.e., Ritz-Carlton Hotels and Four Seasons Hotel, Washington, D.C.).

⁴ Jason N. Ader and Robert A. Lafleur, *U.S. Lodging Almanac* (New York: Bear, Stearns & Co., 1997).

We see no reason that best practices cannot be developed (or shared, if they already exist) at properties in other segments. One possible barrier that surfaced during our interviews with managers was that in the minds of some managers, best practices were by definition only for “upscale” or “deluxe” hotels. Such impressions are strongly refuted both by the customer data from these product segments and by the success stories of overall champions in the “non-deluxe” segments. Not only were customers of those segments as clear and specific as those of the upscale and deluxe segments regarding which hotel attributes translated into visible value, but economy and midscale customers were also equally discriminating in giving their loyalty to hotels that delivered value rather than to those that did not. In other words, customers of budget hotels, for example, can recognize and will reward efforts to create value.

We also found a striking similarity between the sources of excellence identified by the senior executives at two disparate chains, namely, Four Seasons and Regent at the deluxe end and Super 8 Motels (which was the overall best-practice champion in the budget segment). Both sets of executives pointed to consistency as a key factor in excellence: consistency in ownership and management, consistency in brand promises, and consistency in the company’s ability to deliver on those promises. We conclude, therefore, that much benefit can accrue from systematic development of best practices in all product segments in the lodging industry.

Functional Areas and Best-practice Development

Certain functional areas clearly benefited from managers’ attention, particularly human resources, operations, corporate management, and

marketing. That finding makes sense, because those areas are, after all, at the core of every successful lodging firm. Indeed, many champions noted that their particular practice had been instituted for the express purpose of improving employee or customer satisfaction or of increasing sales and occupancy—with the ultimate goal of increasing revenues and profitability.

The majority of best practices in the deluxe segment, for example, involved operations and human resources. Because industry managers are focusing on those two areas, we believe that the lodging industry is in a position to produce innovations that will put it ahead of other service industries in creating customer value. The best innovations are viewed as those that affect products, markets, policies, or productivity, since these types of innovation are the ones that most influence an organization’s future well-being.⁵

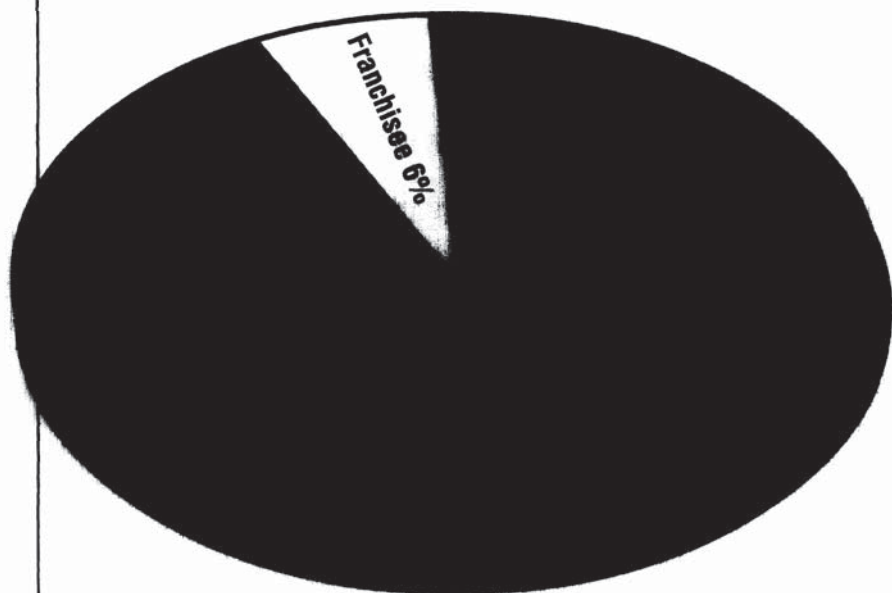
On the other hand, certain areas saw few best practices, including architecture and design, food and beverage, and even information technology. We see these areas as being just as important to value creation as those that drew managers’ attention. Because these areas create substantial visible value for the customer, we want to discuss this matter in additional detail and explain the contribution to customer value arising from the neglected areas.

Architecture and design. Our study confirmed the importance of architecture and design as key value drivers for guests. Customers recognized room design and amenities as factors in their loyalty, just as they did service quality. These findings surfaced when we asked customers of the overall best-practice champi-

Customers ranked physical aspects of the hotel only slightly lower than the hotel’s location and brand name—and they ranked amenities and design *above* the service dimensions.

⁵ Rosabeth Moss Kanter, *The Change Masters: Innovation & Entrepreneurship in the American Corporation* (New York: Simon & Schuster, Inc., 1983).

Exhibit 2
Functional practices by operating structure



ons which hotel attributes determined their purchase decision. In response, they ranked the physical appearance of the hotel exterior, the public spaces, and the guest room only slightly lower than the hotel's location and brand name—and they ranked amenities and design *above* the service dimensions.⁶ Moreover, physical structure and interior design emerged at the top of the list when the same customers were asked what creates value during their stay at the hotel. Given that customer loyalty increased significantly when value was created during the guest's stay, we believe that the lodging industry is missing an opportunity if it neglects to develop best practices in the areas of physical property and design.

Two factors may explain that apparent neglect of physical-property design and management

⁶ Laurette Dubé and Leo M. Renaghan, "Creating Visible Customer Value," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 41, No. 1 (February 2000), p. 65.

as an area worthy of best-practices development. First, even though most hotels are continually being renovated and updated, one still might think of the physical hotel attributes as being permanent and not manageable in the same way that employees are. Second, the scant attention given physical-property practices may be tied to the ownership and management structures prevalent in the lodging industry. That is, management firms typically are in charge of people and processes, while owners are responsible for managing and maintaining the real estate. (This gap is one reason for the rise of asset managers, who work with management firms on the owners' behalf to maintain the value of a hotel property.⁷)

Our findings, however, did not support our second proposition. Instead, we found that a comparable number of best practices were developed by management companies, hotel chains, and by owner-operators (as shown in Exhibit 2).

It was true that management companies focused primarily on operations, with architecture and design ranking last, and chains likewise put corporate management first and architecture and design last. However, owner-operators (whom we expected to be the source of property-related practices) focused first on human resources, with architecture and design ranking sixth out of ten categories.

We conclude that neither managers nor owners are focused strongly on developing best practices related to design and architecture. In our interviews with hotel managers and designers, we learned that hotel design is (not surprisingly) assigned to architects and designers. What

⁷ For a discussion of asset managers, see: Deborah S. Feldman, "Asset Management: Here to Stay," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 36, No. 5 (October 1995), pp. 36–51.

seems to be missing is specific research by the designers in how customers will use and enjoy the property, or of the manner in which specific architecture and design components together contribute to creating the distinctive value promised by the brand.

We can think of exceptions to this apparent absence of integration of design with value creation—exceptions that arise in part because the industry has already moved on from the time our study was completed. A particular example of a hotel owner-operator who integrates design with a customer-value proposition is the boutique-hotel operator Ian Schrager. With designer Philippe Starck, Schrager has defined a post-modern design that has become an archetype for similar boutique properties—and a target for competitors.⁸ Not since John Portman designed atrium hotels for Hyatt has hotel design attracted such attention. Another example of hotel designs based on specific customer value is Microtel, which pioneered an efficient interior-corridor design for budget hotels.

For most hotel operators, however, design issues are far more pedestrian. This may be a missed opportunity, given our finding that many customers identify physical-property attributes and design as primary drivers of value and loyalty. The few functional best practices relating to the physical property and design of hotels convincingly demonstrate the potential value of these areas for the industry. The best practices we reported in this domain shared one feature—namely, a thorough and well-integrated understanding of customers' requirements for and use of the

physical property.⁹ That understanding is integrated with managers' careful consideration of the operational possibilities and constraints, and those requirements are translated into innovative, esthetic, and functional designs.

By way of example, some of the insightful practices we found in architecture and design included Holiday Inn Kid Suites (which is a room-within-a-room designed especially for children), Royal Palms and Casitas (which invited designers to showcase their work in creating a theme property with a residential feel), and Kessler Enterprises (which operates hotels with themes and designs that fit the history and culture of their location). Two of the overall best practices were Marriott's ground-up, customer-focused development of the Courtyard design¹⁰ and Kimpton Group's adaptive reuse of an existing structure to meet customer requirements. For these champions, customer value is built on a foundation of effective design of the physical property.

Food and beverage. Food and beverage practices accounted for a tiny fraction of the functional best practices elicited. Such a low incidence may reflect current industry trends—that is, food and beverage service in hotels is generally not seen as an area of customer value or hotel profit. Thus, if a hotel has food service at all, those operations are managed for efficiency and to minimize operating costs. Our pilot study in advance of the main best-

Best-practice champions reported that gaining the support of top management was crucial to moving the practice from being just a “good idea” to actual implementation.

⁹Judy A. Siguaw and Cathy A. Enz, “Best Practices in Hotel Architecture,” *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 40, No. 5 (October 1999), pp. 44–49.

¹⁰The development of Courtyard is discussed in: Christopher W.L. Hart, “Product Development: How Marriott Created Courtyard,” *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 27, No. 3 (November 1986), pp. 68–69. Also see: Laurette Dubé and Leo M. Renaghan, “Strategic Approaches to Lodging Excellence: A Look at the Industry's Overall Best-practice Champions,” *Vol. 40, No. 6 (December 1999), pp. 16–26.*

⁸For example, see: Glenn Withiam, “And Now for Something Completely Different”; and “Another Approach to Boutique Hotels”; both in *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 40, No. 5 (October 1999), p. 7.

Food and beverage service was one of the top ten hotel attributes driving customers' purchase decisions.

practices research seemed to support the industry's faint support of F&B operations. A majority of respondents in the pilot study could not provide an example of industry-wide top F&B performance, and respondents asserted that hotels were essentially the same when it came to food and beverage.

The main study, however, told a different tale. In our discussions with hotel customers of the overall-best-practice champions, food and beverage surfaced spontaneously as a visible source of customer value. Food and beverage was among the top ten hotel attributes driving customers' purchase decisions across all market segments and creating visible value during their hotel stay. Some operators have noticed customers' interest in distinctive F&B service—*notably, those in the upscale segments. Although limited-service hotels seem still to be most prevalent, some lodging-industry leaders have successfully used food and beverage as a source of customer value and sustainable competitive advantage, including Four Seasons Hotels, the Boulders, and the Greenbrier. Moreover, the recent and successful establishment of renowned chefs in hotel dining rooms, such as the Mobil 5-star Alain Ducasse in the Essex House in New York City and the Dining Room at Atlanta's Ritz-Carlton Buckhead, and the increasing number of other hotel dining rooms rated by Mobil and AAA as among the best restaurants in the United States may be an indication of future development of best practices in this area. Perhaps the message to hotel operators is that F&B should be somehow distinctive or outstanding when it is present at all.*

Information technology.

Given the attention paid to information technology and its importance in hotel operations, we found that the number of IT best practices

was modest. This finding seems to confirm the perception of the hotel industry as a technological laggard when compared to other industries.¹¹ Yet, information-technology innovations can increase employee productivity, customer satisfaction, and long-term profitability.¹² The two areas mentioned most frequently as ripe for IT innovation (via the internet) are distribution and procurement. By one estimate the U.S. hotel industry could enjoy revenue enhancements and cost savings of \$7 billion to \$10 billion through internet procurement and distribution strategies.¹³ That estimate is staggering given that it assumes an improvement only in the *efficiency* of the two functions through better management by using information technology.

The estimate does not consider the profit that could arise from more effective management of procurement and distribution functions. By *effective* we mean more closely melding the customer's preferences to the operation's offerings. To take one example of improving distribution, using an internet connection a convention participant could not only reserve a guest room, but could also make reservations for restau-

¹¹ See: Arthur Andersen, "Hospitality 2000: The Technology" (New York: NYU Center for Hospitality, Tourism, and Travel Administration, 1999); C. Meyers, "October News: Closing the Technology Gap," *Successful Meetings*, October 1999, p. 13; M. Whitford, "Maximizing Messaging," *Hotel & Motel Management*, September 6, 1999, p. 58; and C. Woodyard, "Hotels Fired Up to Get Wired Up: Industry Rushes to Please Laptop-toting Guests Who Want Fast Track to Web," *USA Today*, September 2, 1999, p. 1B.

¹² See: B. Bachelder, "Hospitality & Travel: A Trip to Grandma's Goes High Tech," *Information Week*, September 27, 1999, p. 189ff; Y.H. Huo, "Information Technology and the Performance of the Restaurant Firms," *Journal of Hospitality & Tourism Research*, Vol. 22, No. 3 (1998), pp. 239–251; and J. Sweat and J. Hibbard, "Customer Disservice," *Information Week*, June 21, 1999, pp. 65–78.

¹³ Deutsche Bank Alex. Brown, "Hospitality B2B: Enter the Revolution," *US Lodging*, May 2000, p. 1.

rants and other entertainment—and even indicate which conference events the person will attend. A hotel with that capability would be able to set its plans in advance to better meet that guest's needs. An example of effective procurement might involve a hotel renovation in which managers gain access to a wide variety of furniture, fixtures, and equipment suppliers—many of them specialized—and with the assistance of their chosen designer can create a truly distinctive experience for the guest.

Challenges in Managing Best Practices

Thus far we have argued for the lodging industry to focus on the development of best practices in additional areas that create visible customer value, whether directly (as in the case of architecture) or indirectly (information technology). We also advocate the necessity for all stakeholders in the lodging industry to be involved in developing those practices.

Practices do not develop themselves, however; they must be fostered and maintained. Those are the concerns of the next section of this article. We first discuss the major barriers in developing best practices, and then address challenges to the effective implementation of best practices. Next, we underscore the urgent need for hotel managers to better measure and monitor the actual outcome of best-practices implementation, especially with regard to developing customer value. Finally, we highlight the challenges faced in balancing best-practice development with implementation efforts.

Organizational Barriers

The fact that twice as many best practices emerged at the corporate level than at the property level suggests to us that managers at individual properties face barriers to

innovation. One factor that can become a barrier is that operational procedures and policies for chains are usually established in corporate echelons. Thus, the chances for developing best practices are much greater at the corporate level than at the property level. However, the low incidence of best practices emerging from the property level could also indicate that property managers are so consumed with extinguishing the constant fires found in daily hotel operations that they are unable to find the time needed to develop and implement best practices.

We also think it possible that innovations are being developed at the property level, but that they simply are not sufficiently nurtured to be spread chain-wide. Given that hotels chiefly focus on interacting with (or locating) customers, the barriers to innovation at the property level may be: (1) restrictive vertical relationships within the organization that prevent dialogue and personal relationships between members of different functional areas; (2) constrained resources, particularly for new or unproven ideas; (3) limited mobility across job positions; or (4) job assignments so narrowly defined that employees face only their own personal situations.¹⁴

Such barriers do not have to exist, as illustrated by the success of Mirage Resorts and Casino, the firm named as the overall-best-practice champion in the casino category. The reason that the Mirage was chosen is that it has done away with narrowly defined job responsibilities.

Building Best Practices into Daily Operations

Our findings indicate that the development and successful implementa-

¹⁴ For instilling a corporate climate conducive to innovation see, for example: Rosabeth Moss Kanter, *The Change Masters: Innovation & Entrepreneurship in the American Corporation* (New York: Simon & Schuster, 1983).

tion of a best practice usually is influenced by just a single champion—an individual who believes in and is committed to the practice. We make this statement because almost all of the best practices in our study resulted from the insight and actions of one such individual. Rarely did the practice originate with a team, although once the practice was started it often was given to a team to develop and disseminate. This is not surprising, since the innovation literature has noted that committees or task forces rarely develop major new ideas, even when they have the express assignment of developing new ideas. If innovations occur at all, they are likely to be minor ones.¹⁵

Regardless of how innovative the idea, however, the development of best practices by committed individuals—or even a task force—is not sufficient for the idea's success. To gain a competitive advantage, hotel companies or individual properties have to integrate the best practice throughout an entire department or hotel. Best-practice champions reported to us that gaining the support of top management was a crucial first step in moving the practice from being just a "good idea" to actual implementation. The importance of top management's personal involvement and support in engendering innovation has been repeatedly noted in other streams of research.¹⁶

¹⁵ *Ibid.*

¹⁶ See, for example: Jens H. Arleth, "New Product Development Projects and the Role of the Innovation Manager," in *Handbook of Innovation Management*, ed. Anton Cozijnsen and Willem Vrakking (Oxford, UK: Blackwell Publishers, 1993), pp. 122–131; Chris Freeman, "Innovation and Growth," in the *Handbook of Industrial Innovation*, ed. Mark Dodgson and Roy Rothwell (Aldershot, England: Edward Elgar Publishing, 1994), pp. 78–93; Thomas Keily, "The Idea Makers," *Technology Review*, January 1993, pp. 33–40; and Hans J. Thamhain, and Judith B. Kamm, "Top-level Managers and Innovative R&D Performance," in Cozijnsen and Vrakking, pp. 42–53.

The development and successful implementation of a best practice usually is influenced by just a single person.

Involving the organization's employees early in the process was as crucial as gaining top-management support for a practice's eventual success. The one regret most often mentioned by practice champions was that they wished they had involved others earlier in the process and introduced the innovation slowly enough so that every individual affected by the practice had had the time to buy in to the idea. The idea of getting support from employees meant that many best-practice champions gave their staff members the authority to control pieces of the implementation process. Many practices also started with a pilot test, which was used for both evaluation of the practice and as a demonstration of its viability.¹⁷

Communication is also an essential ingredient. Employees and executives first had to be persuaded that an idea had merit. Then the idea's champion had to gather feedback from employees and managers, frequently with a resulting modification of the original idea.

As we said, disseminating the practice across departments, properties, or an entire company is the next step. We particularly acknowledge the few pioneers in this area that made innovative use of the internet or company intranet to spread their practices. Cendant Corporation and Courtyard by Marriott have posted operating manuals on company intranets, for instance. We generally found, though, that best practices traveled with difficulty throughout a property or an organization. We wonder whether systems are in place to adequately disseminate and use new ideas, given that employees at one property often seem unaware of innovations occurring at a sister property.

¹⁷ See Everett M. Rogers, *Diffusion of Innovations* (New York: The Free Press, 1995), pp. 355-356.

Moreover, we were repeatedly surprised that both corporate and property-level employees frequently had difficulty identifying their organization's practice champions. It appears that—despite employee-recognition programs—some firms may fail to formally acknowledge and reward those individuals responsible for championing new ideas. On the other hand, the lack of formal recognition may be a function of the fact that most ideas seemed to originate with an organization's senior managers.

As a final point, it is essential to gain adherence to both the philosophy and strategy of a best practice. For example, four industry-wide overall champions distill the essence of their leadership strategies into simple statements or phrases. Thus, the Washington, D.C., Four Seasons Hotel espouses "A passion to serve"; Ritz-Carlton's philosophy is "Lead people, manage processes"; Ali Kasikci, owner of the Peninsula Beverly Hills Hotel, states: "Every day you reinvent yourself"; and J.W. Marriott, Jr., of Marriott International reminds us that "Success is never final." Beyond fad and fashion, these tenets represent the core of a hospitality philosophy.

Universal to the overall champions is that they were successful in translating strategic guidelines into practices, motivational techniques, and a common language that provided a company-wide framework. We suggest that all organizations can benefit immeasurably if all employees and managers in every functional area understand how their efforts are linked to the organization's strategic objectives and the creation of value for the guest.

Linking Best Practices to Results

Measuring the success of best practices remains problematic. We suggest that the industry needs to de-

velop more precise and objective measurements to link a given practice to specific outcomes—ultimately, increased profit. We are sorry to report that we found little empirical validation of the effectiveness of some of the functional best practices identified in our study. The best measurement we could achieve was that our respondents *believed* that their best practices had achieved the desired results of increased profitability, customer satisfaction, service quality, or other outcome. A number of them expressed regret that they had not installed monitoring procedures at the outset to determine success more accurately.

Systematically and rigorously documenting the outcomes of practices (e.g., profitability, employee or customer satisfaction) so that only the most effective and profitable practices are maintained is a considerable challenge. From what we could learn in our study, availability of data was less of a problem than finding the time to analyze a practice's outcomes and consequences.

Managers need the tools to make an empirical assessment of a given practice's results. The outcomes of the practice under consideration must be specified as precisely as possible, and the results must be measured from a variety of perspectives. Examples of those perspectives are direct measures (e.g., the effect of a monetary-incentive scheme on employee productivity or satisfaction), and indirect measures (e.g., the effects of that practice on customer satisfaction and hotel profitability). Managers should take care to document the baseline measure for each given practice to allow for later comparisons. Finally, the effect of any external factor that could contribute to variation in the rel-

evant outcomes beyond that of the best practice has to be controlled or accounted for.

One other point regarding measurement is to make sure that any guest-satisfaction measures give guests the chance to specifically identify the experience or aspect of the hotel that made the guest satisfied. We raise this issue because we found that guest loyalty was higher among guests who could cite a specific element of their stay that was particularly positive. Examples of subjective benefits for guests include feeling pampered or appreciating a home-like atmosphere.

By suggesting these measurement ideas, we are not attempting to discourage managers from developing best practices by making assessment a burdensome task. On the contrary, we believe that without a measure of a practice's actual effects, managers will have little impetus to share or spread an excellent practice.

Balancing Best Practices and Innovation

Lodging excellence will continue to rely on a manager's ability to offer the hotel experience that creates the most value for the target customer, and in the process, provides employees, managers, and owners with satisfying returns on their investments of time, money, and labor. The challenge in developing best practices for lodging excellence arises from the fact that the operating environment remains in flux, and today's best practice becomes tomorrow's straitjacket that strangles innovation. Managers will always have to struggle with the need to make sure best practices are still the best while encouraging further innovation.

We believe that the comprehensive approach that we took for this initial study of best practices will

help managers determine what practices to keep and which to jettison. Our approach was built on the traditional, function-based approach to best-practices research. We added what we consider to be a key facet, however, which was to assess the practices through the customer's eyes and through the views of competitors and stakeholders in the industry. By having these multiple perspectives, we developed a more complete gauge of which practices were, in fact, adding to customer value.

Finally, we want to state our case for opening communication channels within hotel organizations of all sizes. Chain executives should consider the development of best practices to be an integral part of the organization's sustainable competitive advantage. To that end all members of the organization should be striving to improve lodging services.

Beyond that, however, we suggest that innovation should be pursued in a comprehensive, strategic fashion. Our overall champions had a firm grasp of the components of the business that produced true value for the customer. This knowledge was used to increase profitability by consistently delivering on the aspects representing the greatest value to guests. Similarly, managers welcomed owners' involvement, communication, and suggestions. In general, overall best-practice champions focused on relationships with employees, customers, and owners as ways to execute on their strategies. In sum, what these lodging-industry leaders suggest for the general development of best practices in the future is to move toward an integrated, strategic approach that captures the information of today while creating the knowledge of tomorrow. **CQ**