

The
Cornell
School of Hotel Administration
on Hospitality

Cutting Edge Thinking and Practice



Cornell University
School of Hotel Administration

Edited by Michael C. Sturman, Jack B. Corgel, and Rohit Verma

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to the creation of this book.*

FOREWORD

When John Wiley & Sons, Inc., approached us with this project it immediately brought to mind the great works in this series, works that exemplify the core competencies of the world's best business programs. From *Wharton on Dynamic Competitive Strategy* to *Kellogg on Marketing*, the Wiley "on" series provides a unique platform designed to demonstrate how a collection of highly talented faculty develops a comprehensive and unique body of knowledge that is both academically advanced and business practical. Clearly, our "on" is hospitality. More specifically, the uniqueness that personifies our school, faculty, students, and alumni is hospitality leadership. Unlike traditional general management schools, the Cornell School of Hotel Administration grounds a first-class business education in the practice of a particular industry. We hire the best and brightest business academics, who apply theory to practice to generate new knowledge for the industry. As a result, we hold a singular position as the premier institution for educating future hospitality industry leaders.

Our focus on hospitality leadership underscores the evolution of the hospitality industry. When Dean Howard Bagnall Meek founded the Cornell program back in 1922, hospitality education focused on hotel and restaurant operations and what we would call today unit-level management. The prototype career path of the day was to become a bellboy who, over time, worked his way up to become a hotel or restaurant general manager, in what was, from a gender, cultural, and geographic standpoint, a relatively homogeneous industry. Yet Dean Meek understood how a mom-and-pop industry would both consolidate, through the creation of larger and larger businesses structures, and diversify over time, thus offering business management and business leadership opportunities for a diverse and global population of undergraduates, master students, and executives. Put simply, while yesterday's students could complete on knowing the hospitality business, tomorrow's leaders must master the business of hospitality and how to lead large, complex organizations. Today's hospitality students grow to become the entrepreneurs who change the world, the leaders who deliver operational excellence across global platforms, and the deal makers who shape the

industry. As tomorrow's leaders they will oversee a vast spectrum of the global economy, from hotel and restaurant companies to resorts and theme parks to cruise lines, gaming properties, and senior living facilities, and to the retailers and supply chains that serve them all.

Our uniqueness, and the resulting content of this work, is based not just on our hospitality context but on the knowledge that competing in a service business is fundamentally different from competing in a manufacturing economy. While the world is filled with outstanding general management programs, many of their models and frameworks remain holdovers from an economy dominated by manufactured goods, an economy in which business strategy drives company culture. With consumer durables or nondurables, for example, we continue to segment markets, develop innovative product offerings for those segments, and then form teams within our organization to execute on those strategies. In a core service business like hospitality, however, culture drives strategy. A service company's values, which is the core of its culture, directs how its leaders, managers and front-line service employees deliver their value proposition and satisfy customers. Be it the Four Seasons Hotels' "golden rule" or Ritz-Carlton's motto that "We are ladies and gentlemen serving ladies and gentlemen," the strength of a service company's culture dictates where and how well it competes. This collection of research, tools, perspectives, and their implications, exemplifies the peerless quality of our context, hospitality, and the principles for competing in a service business. The insights range from how to develop your service employees' careers to how to manage for operational excellence to how to own and manage your real estate and other physical assets.

This book has benefited tremendously from the input and talents of multiple individuals. On behalf of all of us at Cornell, a very special thank you goes to Richard Narramore, Senior Editor for John Wiley & Sons, Inc., who came to us with this great idea and supported us all along the way. So many talented authors contributed collectively to the richness of this volume, including our lecturers, professors, their colleagues, and our alumni industry leaders. Yet every project needs champions. In this case, the champions at Cornell were clearly the editors, Michael Sturman, Jack B. Corgel, and Rohit Verma, to whom I am deeply grateful. Through their dedication and hard work, *The Cornell School of Hotel Administration on Hospitality: Cutting Edge Thinking and Practice* is the most comprehensive work to date on how to compete in the hospitality industry and beyond.

Michael D. Johnson
Dean and E.M. Statler Professor
Cornell School of Hotel Administration

CONTENTS

Foreword xi

Michael D. Johnson

Chapter 1

Four Paths to Success in the Hospitality Industry 1

Michael C. Sturman, Jack B. Corgel, and Rohit Verma

Chapter 2

The Essence of Hospitality and Service 5

Giuseppe Pezzotti

Part I

SUCCESS IN YOUR HOSPITALITY CAREER

Chapter 3

Preparing for a Successful Career in the Hospitality Industry 21

Kate Walsh, Michael C. Sturman, and Bill Carroll

Chapter 4

The Listening Fast Track 37

Judi Brownell

Chapter 5

Developing and Managing Your Multinational Career 52

Jan Katz

Chapter 6

Becoming a Leader in the Hospitality Industry 65

Timothy Hinkin

PART II

SUCCESS THROUGH OPERATIONS AND SERVICE EXCELLENCE

Chapter 7

Understanding and Predicting Customer Choices 83

Rohit Verma

Chapter 8

Guiding the Guest Experience 97

HaeEun Helen Chun

Chapter 9

Harnessing the Power of Your Culture for Outstanding Service 111

Robert Ford and Michael C. Sturman

Chapter 10

A Scientific Approach to Managing Hospitality Operations 127

Gary M. Thompson

Chapter 11

Motivating Your Staff to Provide Outstanding Service 142

Michael C. Sturman and Robert Ford

Chapter 12

How to Build Service Quality into Your Operation 159

Alex M. Susskind

Chapter 13

Demand Management 174

Bill Carroll

Chapter 14

Revenue Management for Enhanced Profitability:

An Introduction for Hotel Owners and Asset Managers 192

Chris Anderson and Sheryl Kimes

Chapter 15

Competing Successfully with Other Hotels: The Role of Strategy 207

*Cathy A. Enz***Chapter 16**

Focus on Finance: Aiming for Restaurant Success 227

*Alex M. Susskind and Rupert Spies***PART III****SUCCESS AS A REAL ESTATE AND
BUSINESS OWNER****Chapter 17**

Hospitality Property Ownership: Where You Fit In 247

*Jack B. Corgel, Robert Mandelbaum, and R. Mark Woodworth***Chapter 18**

Hospitality Properties: How Much to Pay if You're Buying;

How Much to Ask if You're Selling 270

*Jack B. Corgel***Chapter 19**

Gaining Maximum Benefit from Franchise

Agreements, Management Contracts, and Leases 293

*Jan A. deRoos***Chapter 20**

Developing and Renovating Hospitality Properties 309

*Jack B. Corgel, Jan A. deRoos, and Kevin Fitzpatrick***Chapter 21**

Planning and Programming a Hotel 321

*Jan A. deRoos***Chapter 22**

Measuring Hotel Risk and Financing 333

Peng Liu and Daniel Quan

PART IV**SUCCESS THROUGH MANAGERIAL EXCELLENCE****Chapter 23**

Segmenting and Targeting Your Market: Strategies and Limitations 353

Michael Lynn

Chapter 24

New Media: Connecting with Guests throughout
the Travel Experience 370

Lisa Klein Pearo and Bill Carroll

Chapter 25

Building and Managing Your Brand 388

Robert J. Kwortnik

Chapter 26

Hotel Revenue Management in an Economic Downturn 405

Sheryl Kimes and Chris Anderson

Chapter 27

Addressing Employee Lawsuits 417

David Sherwyn and Paul E. Wagner

Chapter 28

Coordinating Information and Controlling Costs 430

Gordon Potter

Chapter 29

Making the Most of Your Human Capital 444

J. Bruce Tracey and Sean A. Way

Chapter 30

You Can't Move All Your Hotels to Mexico:

Unions and the Hospitality Industry 455

David Sherwyn and Paul E. Wagner

Chapter 31

The Integrity Dividend in Hospitality Leadership 469

Tony Simons

FINAL THOUGHTS**Chapter 32**

Afterword: Where Do You Go from Here? 483

Michael C. Sturman, Jack B. Corgel, and Rohit Verma

Index 487

CHAPTER 1

FOUR PATHS TO SUCCESS IN THE HOSPITALITY INDUSTRY

MICHAEL C. STURMAN, JACK B. CORGEL, and ROHIT VERMA

The book you are about to read distills and shares the expertise of the faculty of the world's preeminent school focusing solely on hospitality industry education. Founded in 1922 at the specific request of the hotel industry, the Cornell University School of Hotel Administration is the oldest school of its kind and the only Hotel School within an Ivy League university. Our mission is to promote hospitality leadership, which we achieve through a combination of teaching, research, and industry collaboration. The 70 faculty members of the school seek to expand the state of knowledge in the industry—whether by creating new knowledge through research, teaching those who are eager to learn, or disseminating knowledge through consulting, writing, and presentations—and help develop the future leaders of the hospitality industry.

This book is another means through which we achieve our mission, and our intent is to give you a comprehensive overview of the hospitality industry. Although we've been sharing research information with our industry from the very beginning, we have never attempted to compile a book such as this one, where we go into detail on the breadth of topics studied at our school. The chapters include the contributions of 28 of our faculty, who have a combination of over 450 years of teaching, 400 years of research, 250 years of hospitality industry experience, and 350 years of consulting with the industry. Selected alumni and friends of the school also made valuable contributions to the book. As we share with you much of what we know

about the industry, we hope to provide you with both a broad introduction to topics pertinent to the industry and insights that reflect in-depth state-of-the-art thinking. We combine theory and application, experience and learning, and lessons from the past with visions of the future.

ORGANIZATION OF THE BOOK

We begin the book with the view that business is service. While this book provides insights from a variety of disciplines on a diversity of topics, it is valuable to reflect first on the business we are in. Chapter 2 captures the essence of hospitality and service and the views of service-providers who truly “get it,” from famous leaders in the field to dedicated line-level employees. This then sets the stage for the rest of the book.

When we began organizing this book, we sought to organize it around a clear theme. The unwritten subheading for the book became *How to Be Successful in the Hospitality Industry*. The resulting sections of the book align with the following four “paths to success,” which reflect the various disciplines studied in the Cornell University School of Hotel Administration:

Section 1: Success in Your Hospitality Career

Section 2: Success through Operations and Service Excellence

Section 3: Success as a Real Estate and Business Owner

Section 4: Success through Managerial Excellence

Each section describes a different way in which you can be successful in the hospitality industry.

The first section considers how you can be a success from the perspective of managing your career. If you are new to the industry, how do you break in? Once in the industry, how do you develop yourself to become a leader in the industry? Jobs in the hospitality industry require you to have certain knowledge, skills, and abilities so you can move up the organizational ladder. The industry also requires the right personal characteristics so that you can love what the job requires and can make a career in the industry a good fit. This section of the book builds on what we have learned about educational and personal development at Cornell’s School of Hotel Administration that has worked to create successful careers in the hospitality industry. Chapters in this section include contributions by our faculty in communications, human resources, management, and organizational behavior.

The second section moves from the individual to the business. Any successful hospitality operation—be it a hotel or restaurant, chain or independent, low-cost provider or luxury establishment—requires an effectively performing individual

operation. You have to attract the right customers, have the service product, set the right price for your product, and provide the right level of service—all the while managing your employees the right way to achieve your goals. This requires a combination of knowledge from a variety of disciplines, and thus this section includes contributions from our faculty in human resources, management, marketing, operations, and strategy.

The book's third section considers the path to success you may follow as an owner. Ownership of property serves as an important part of the foundation for entire economies, social systems, and individual industries, not the least of which is the hospitality industry. The wealth of hospitality owners increases in accordance with their ability to build and retain their operation's cash flows. In this industry, you can achieve success by owning hotels, restaurants, and other types of hospitality businesses, by owning the real estate underlying these businesses, and by owning both. This section of the book is intended to help you understand the actions available to owners for wealth creation that have been developed and studied at the Cornell University School of Hotel Administration. In many important components of the hospitality industry, control of the business operations has become increasingly separated from ownership of the real estate. The chapters in this section therefore emphasize the profitable actions of hospitality real estate owners who hold the rights to the residual cash flows from their properties. Contributions to this section come from our faculty in finance and real estate, along with prominent school alumni.

The final section of the book takes the perspective of the decision maker in the corporate office—or the person who is responsible for leading a business team at any level. The requirements for managerial excellence when managing a chain of properties or restaurants differ in magnitude from those when managing a single property (although the industry's different levels have many principles in common). At the corporate office, you need to choose the right strategy, manage your brand, coordinate information, control costs, and implement the right systems to achieve success at multiple locations simultaneously. Single-unit operators or those with several units also share many of these strategic responsibilities. Based on our studies of the hospitality industry, this section highlights some of the major areas that require attention to successfully manage a set of hotel properties or restaurants, and provides guidance as to what research and experience has shown can enhance your likelihood of operating a successful multiunit company. Contributions come from a diverse faculty, representing accounting, human resources, law, management, marketing, operations, and organizational behavior.

PATHS TO YOUR SUCCESS

The paths to success described in this book provide you with what we believe is an insightful introduction to content provided at Cornell University's School of Hotel Administration. Our current curriculum exposes our students to each of these paths, providing them with the opportunity to pursue them as they see best. Alumni of the school provide innumerable examples of those who have found success down each of these routes—some have joined the corporate world, others have set up consultancies to assist industry operators, and many have become entrepreneurs in their own right. Importantly, our graduates return to the school and share their learning with the faculty and with current students. The lesson here is that you are not required to pick only one of the four paths we examine in this book. Indeed, the best and the brightest, and the most successful in the industry, have pursued all four at some point during their careers. Whatever career you choose, you need to manage that career, but that career may bring you through managing a single property, owning a property, and then even owning multiple properties and running a chain.

As co-editors of this book, we have combined and organized a wealth of information, from an institution representing one of the best sources of hospitality industry knowledge that exists. While each chapter is based on extensive research and industry experience, we have sought to communicate this information in a clear, straightforward, nonacademic way. We believe that you will find this material interesting, but more importantly, we hope you find it to be useful. That is, we expect that what you learn from this book will change the way you manage your career and your operation. It is by fostering change that the Cornell University School of Hotel Administration succeeds in furthering the state of the art in hospitality, and ultimately in helping forge hospitality leaders. By disseminating knowledge, our goal is to provide insights that help you *do* something differently than you would have without that knowledge. That's why this book doesn't so much present specific data on the industry (although that's in here), as it provides actionable information. At Cornell University's School of Hotel Administration, we aim to bridge the gap between science and practice. By reducing the divide that often exists between the two, we hope to assist current and future leaders of the hospitality industry in knowing how to conduct their business better—for everyone's benefit.

CHAPTER 2

THE ESSENCE OF HOSPITALITY AND SERVICE

GIUSEPPE PEZZOTTI

When you think of the term *hospitality*, many things might come to mind. Perhaps you might think of the famous pineapple, the legendary symbol of hospitality. Some sources trace the pineapple's symbolism to Christopher Columbus, who introduced them to Europe when he returned from the Americas. Another source says the native Caribs used pineapples as a sign of welcome in their villages. Most sources agree that colonial-era sea captains would put out pineapples—a rare fruit at the time—when they returned from voyages, to share with visitors. This practice established the connection between the pineapple and hospitality.

Here at the Cornell School of Hotel Administration, this symbol embodies the concept of hospitality, as we study and teach the many functions that go into our industry. In the spirit of hospitality, we have made every effort in this book to distill what we have learned and what we teach. But before we focus on what research and practical experience tells us regarding the practice of hospitality, let's take a moment to reflect on the fundamental purpose of this industry: providing hospitality.

Let's start this chapter by considering the meaning of hospitality. I want to distinguish hospitality from service, even though they are closely related. Along the way, I also provide quotes showing how many people in our industry—people who know how to provide great hospitality and service—think about these terms. Although I draw a distinction between hospitality and service, I also want to emphasize that the two must go together. To be successful in this industry you must successfully provide both hospitality and service.