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AN ANALYSIS OF MANAGEMENT STRATEGIES UTILIZED WITHIN THE HEALTH CLUB INDUSTRY AND THE RELATIONSHIP WITH FACILITY SUCCESS

A Dissertation Submitted in Partial Fulfillment
of the Requirements for the Degree of
Doctor of Education

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ABSTRACT

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The purpose of this study was to provide leaders in the health club industry with a comprehensive analysis containing strategies reflected by current industry practices, trends, forecasts as seen by the managers, and guidelines for success. Twelve facility managers participated in this study. All participants were employed by a health club and were responsible for the operational aspects of the facility.

This study employed a qualitative methodology. Each participant was interviewed based on a guideline that included facility data, financial management, marketing management, human resource management, and operations management.

A success factor ratio (SFR) was developed to assess the level of success for each facility. The SFR incorporated four variables that

represented the financial outcome, membership attrition, employee turnover, and operational efficiency.

Two independent analysts were used to assess the managers' knowledge, ability, and utilization of management strategy within finance, marketing, human resources, and operations. The analysts evaluated the interview transcripts using a Behaviorally-Anchored Rating Scale (BARS).

Four Spearman's Rank Correlation Coefficients were calculated. Each topic grouping's ranks were correlated with the SFR ranks to determine the level of relationship. A cross-case analysis was also conducted to determine similarities and differences among the managers.

The correlation results indicated that significant relationships existed between financial management and facility success, as well as between human resource management and facility success. Marketing management and operations management, when correlated with the SFR, indicated no significant relationship.

The cross-case analysis suggested that facility managers were receptive to the financial necessities of health club operations. Most of the managers in this study used human resource strategies to reduce employee turnover, a prevalent problem among the facilities. While many of the managers utilized marketing strategy, many did not recognize the strategies as "marketing" per se. Within the scope of operations management, most of the managers viewed operations as daily facility activities, without in-depth recognition of risk management plans or inventory analysis methods.

The results suggest that management strategy is important to the overall operations of a health club and that, while managers are sensitive to strategy, they need to improve their utilization proficiency.

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CHAPTER I

INTRODUCTION

"When it comes to health clubs, we're biased: We like 'em." (Schlosberg & Neporent, 1996, p. 183). Obviously, not everyone likes health clubs, but people certainly were in favor of them during the 1970s and 1980s. The health club industry experienced incredible growth during these two decades. It has been noted that the 1970s Baby Boomers became aware of their poor levels of fitness and overall health and well-being, and as a result there was a substantial increase in the number of fitness centers and health clubs during the decade (Pitts & Stotlar, 1996).

According to a 1996 report from the International Health, Racquet and Sportsclub Association (IHRSA), there were approximately 19.2 million health club members in 1995. Additionally, American Sports Data (1996) reported that there was an 8% increase in individuals who participated in fitness activities during this same year. Approximately 6.9% of the United

States' population claim current health club membership and nearly 19% participate in fitness activities (American Sports Data, 1996; IHRSA, 1996).

The growth in the number of health clubs in this country was phenomenal during the 1970s and 1980s. In 1982, there were 6,211 health clubs according to the 1995 IHRSA report. Based on the same IHRSA (1995) report, by 1990 the growth reached 13,854 facilities, a more than 100% increase over an eight year period.

Licensees and franchises helped generate this growth rate. For example, Gold's Gym Enterprises, Incorporated, one of the leading franchises in the world, opened their first facility in the mid 1960s ("Happy 30th Birthday," 1996). For Gold's Gym, the 1970s represented no growth in the number of licensees. However, during the 1980s the number of licensees grew significantly. By 1989, there were over 290 Gold's Gym licensees operating throughout the world (IHRSA, 1994; "Happy 30th Birthday," 1996).

After the considerable growth that occurred in the 1970s and 1980s, a predicament appeared to surface. Management theory suggests that as industries and corporations realize rapid growth, this growth may inhibit the overall success of that industry or corporation (Bateman & Zeithaml, 1990; Byars, 1984; Kotler, 1988). The financial costs of maintaining growth, over time, often outweigh the revenue potential. The result is a net income loss and possible retrenchment or divestment in order to maintain operations.

In 1970 the Health and Tennis Corporation, which was owned by Bally Manufacturing, operated 57 health clubs (Gimmy & Woodworth, 1988). By 1985, 15 years later, Bally's operated over 320 facilities, servicing nearly 1.7 million members (Gimmy & Woodworth). This growth had taken its toll by the late 1980s and early 1990s. Bally's continued to operate approximately 320 facilities but was realizing a decrease in revenues of 12% per year from 1990 through 1993 (IHRSA, 1994).

Bally's appeared to be experiencing an uncertain future heading into the middle 1990s. It is difficult to project future demand for services, although several models exist for doing so (Brigham and Gapenski, 1988; Dalrymple and Parsons, 1995; Kotler, 1988). However, the question surfaces regarding the types of managerial strategies Bally's utilized during their growth stage.

Industry wide, the number of facilities decreased to 12,408 in 1994 from a 1990 total of 13,854, a cumulative loss of over 10% (IHRSA, 1995). The early 1990s illustrated a dramatic shift in the industry. No longer did companies develop new facilities; rather, they divested existing ones. Bill Howland, Resource Center Manager at the International Health, Racquet, and

Sportsclub Association indicated that the industry has made a slight comeback in 1996 with regard to membership growth and facility expansion (personal communication, December 3, 1996). However, there is no way of knowing whether this short-term growth will persist or if this is simply a result of management strategy to combat further decline. While this growth is positive news, the position of this study maintains that health club managers must continue efforts to rejuvenate the industry.

The decline in the early 1990s prompts several questions. Did the health club industry inappropriately plan for a decrease in demand? What types of management strategies were employed by health club managers during this decline stage? And, what types of strategies are managers currently employing to resist further industry decline?

Porter (1980) suggested that successful organizations maintain a strategic focus on the needs and wants of a very select target market. Maintaining this narrow concentration has a tendency to reduce long-term vulnerability. Porter contended that as companies satisfy the needs and wants of a select few, they concurrently achieve greater cost control for financial well-being and product differentiation. In other words, they create a niche for themselves in the market that enhances the desire for their products. The end result is long-term financial success. It is apparent that during the early 1990s many facilities in the health club industry did not implement Porter's strategic directive.

One of the goals of this study was to determine what management strategies are being utilized by health club managers. The health club industry is both dynamic and fluid in nature; it is imperative that management be able to respond and plan for any changes in the environment. In order to analyze the management strategies used, this study included four different topic groupings.

Topic Groupings

Management strategies are mostly inclusive and correspond to the different areas or topic groupings of a business (Griffin & Ebert, 1989). The term "topic grouping" was used in this study to adequately describe the various areas. Merriam Webster's (1993) defined the term "topic" as "a heading in an outlined argument or exposition" (p. 1244). Furthermore, Merriam Webster's defined "grouping" as "the act or process of combining in groups" (p. 515). This study combined four different but related business topics to analyze management strategies in the health club industry.

Siropolis (1986), Bateman and Zeithaml (1990), and Griffin and Ebert (1989) alluded to four topics of importance to every business. These areas are critical to the organization no matter what the business' mission might be or the industry in which it operates. These topics are the following: (a) financial management; (b) marketing management; (c) human resource management; and (d) operations management.

No one topic can operate independently. Rather, each area is dependent upon another. For example, financial management helps to determine the overall success of the business based on the level of profits experienced. However, the profits are dependent upon the marketing management that is utilized, the nature of the business, and the personnel employed to deliver the goods and/or services.

Within each topic grouping are a number of skills used by managers. A skill, as defined by Merriam Webster (1993), is "the ability to use one's knowledge effectively and readily in execution or performance." Griffin and Ebert (1989) defined skills in a business setting more specifically as "technical skills." Technical skills are "skills associated with performing specialized tasks within a company" (Griffin & Ebert, 1989, p. 110). To adequately analyze management strategies employed by health club managers, predominant skills within each topic grouping were also assessed.

Financial Management

Financial management is one of the key ingredients in overcoming a downward trend in industry growth and profits (Ross, Westerfield, & Jordan, 1987). Ross, et al. suggest that financial management inherently employs a number of goals including organizational survival, avoiding bankruptcy, and profit maximization. The health club industry in the early 1990s illustrated the importance of incorporating financial management into organizational objectives as is indicated in IHRSA's 1994 report:

> The past few years have been a difficult time period for the health, racquet and sports club industry. Demand for club memberships and the participation of frequent fitness enthusiasts seemed to stall on the heels of a national recession. As a result, the number of commercial clubs declined, with relatively little new development and the closing of marginally operated facilities. For the clubs that survived, fierce price competition, primarily in the form of ongoing discounts of initiation fees, was the norm. This maintained membership growth for many clubs, but exerted downward pressure on profit margins. Membership revenue grew at a slower pace as cost pressures to service new members increased. (p. 3)

This summary is a clear indication that financial management strategies were a necessity in order to analyze the facility's current situation and future operating potential. Rao (1992) described the importance of financial management:

> The discipline of finance has long been considered part of economics. Before the 1950s, finance was primarily descriptive, and financial management books relied heavily on casual analyses and anecdotal advice. More recently, however, finance has evolved into a mature discipline in its own right, and a logically justifiable set of procedures has been developed to analyze several financial decisions. (p. 1)

The evolution of the health club industry appears prepared for the development of appropriate finance procedures to assure successful financial performance. To date, little has been researched and reviewed on the subject of financial management in the health club industry. Rao (1992) goes on to describe the importance of financial management in a competitive capitalistic environment.

> Good financial management is becoming more important each day in our highly competitive business environment, as managers constantly have to make decisions in a rapidly changing context. ... Regardless of the nature of a business--be it a service organization or a manufacturing plant, a massive corporation or a roadside delicatessen, in Ohio or in Alaska-all businesses must make financial decisions. (p. 1)

Marketing Management

Including the topic grouping of marketing management is critical to the development of management strategies that work toward a positive profit margin (Dalrymple & Parsons, 1995). Marketing management assists in assessing the supply and demand for the product. Furthermore, marketing allows management to enhance demand through product education and communication. Kotler (1988) described the importance of marketing as follows:

> The business function that identifies unfulfilled needs and wants, defines and measures their magnitude, determines which target markets the organization can best serve, decides on appropriate products, services, and programs to serve these markets, and calls upon everyone in the organization to "think and serve the customer." (p. xvii)

Gerson (1992) suggested that developing a "strategically based, tactically oriented marketing plan" (p. iii) will aid in developing a communication mechanism with current and potential customers, thus inducing the prospects for greater sales and, in the end, a better bottom line.

Human Resource Management

Human resource management is the formalizing of systems for the management of people within an organization (Bateman & Zeithaml, 1990).

Human resource management and staffing management essentially suggest the same thing. That is to develop, structure, and train employees to achieve their personal career goals in concert with those of the organization.

Harari (1995) indicated that ignoring an employee's potential is similar to ignoring new information and knowledge that could lead to a competitive advantage and long-term growth. Health club managers need to recognize the importance of personnel development and employee potential because the health club industry is so labor intensive. Health clubs, as service businesses, sell an intangible product; and the best way for customers to evaluate the product is based on the services received from the organization's employees. Human resource management can assist managers with personnel development, as well as help determine overall organizational objectives (DeCenzo & Robbins, 1994). The end result could be an improved level of customer service and a better financial outcome.

Operations Management

Operations management, by definition, is specific to the organization's mission. Operations allude to the very nature of the business, or, the daily occurrences. According to Bateman and Zeithaml (1990), operations are a practical deployment of resources and processes.

The mission of most health clubs includes the expert delivery of fitness opportunities for members/customers (Thomas Plummer & Associates, 1995). In order to achieve such a mission, a predefined set of operations must be followed. Patton, Grantham, Gerson, and Gettman (1989) defined these operations as "day-to-day operations" (p. 261).

Included in various day-to-day operations are areas consequential to the overall success of a facility. These areas include policies and procedures, maintenance management, inventory management, and safety procedures. Each of these areas is related to the overall success of a facility because they determine the level of customer service that the club will offer. For example, Lowndes (1996) suggested that establishing procedures for telephone answering within two rings could bestow a valuable impression upon members and potential members.

Health club operations management has a critical impact on customer service and the overall mission of the organization. Operations determine the outcome of marketing efforts, financial planning, and personnel development. Often, health club managers who ignore operational management issues find that their facility suffers in a number of different areas.

Herbert (1996) cited a recent legal issue that adversely affected the fitness facility at the University of Dayton because of their lackadaisical

approach to specific operational policies and procedures. In Sicard v. University of Dayton (1995), the University of Dayton's fitness facility's performance of its duties of implementing a safety plan for members was found in question. In this case, a student athlete was working out in the facility without any assistance from the staff. The athlete was injured during a bench press exercise.

"The court determined that participation in the sport of weightlifting manifests a willingness to submit to injuries from stress and strain, it does not signify a willingness to submit to injury from falling weights" (Herbert, 1996, p. 21). The court went on to say that "weightlifting rules allow for the assistance of spotters to avoid such injuries and a spotter who intentionally fails to provide assistance may be found to have engaged in a reckless act if he knows or should have known that failure creates unreasonable risk" (Herbert, 1996, p. 21). The appeals court returned the case to the lower court for a full trial.

The final outcome of the above case remains unknown; however, the University of Dayton has incurred a considerable amount of cost in legal fees. Furthermore, if the trial finds the University negligent, they could be held responsible for paying the plaintiff for any and all damages. Losing one case, such as this one described, could financially hurt a health club terminally.

Business Success

One of this study's objectives was to make available to health club managers strategies that have appeared to be successful. The ambiguous term "success" needs to be discussed. Drucker (1977) contended that a successful organization is one in which the purpose and mission of the institution have been realized. Management's primary task is to contribute to this realization, which occurs only through the development and implementation of appropriately planned approaches. These approaches are the means through which the organization can set a critical direction for meeting the mission (Schermerhorn, 1984).

Brigham and Gapenski (1988) argued that the most important goal of any organization is maximization of stockholder wealth. Therefore, a successful organization, according to Brigham and Gapenski, is one that realizes the greatest profit possible with the intention of increasing the assets of the owners. While Brigham and Gapenski did acknowledge that employee welfare, the good of the community, and the betterment of society at large are important, profit maximization is the key to organizational success.

Success can be defined a number of different ways. Predominantly, the literature indicates that success can be defined from a theoretical base and in terms of operations and finance (Bateman & Zeithaml, 1990; Brigham &

Gapenski, 1988; Drucker, 1977; Porter, 1980). This study will attempt to address success in these areas so that health club management strategies may be analyzed for identification purposes as well as the potential for success.

Statement of the Problem

The problem of the study was to identify the predominant management strategies utilized by health club managers currently operating within the United States. Following identification, the investigator was to develop a composition of management strategies employed that included the following topic groupings: financial management, marketing management, human resource management, and operations management. This composition enabled the researcher to analyze and assess the predominant strategies utilized within each topic grouping.

Purpose of the Study

The purpose of this study was to provide leaders in the health club industry with a comprehensive analysis containing strategies reflected by current industry practices, trends, forecasts as seen by the managers, and guidelines for success.

Need for the Study

Two primary reasons indicate why this study was needed: (a) the lack of current literature available to industry leaders regarding successful health club management strategies and (b) the benefits to be gained from a comprehensive research investigation of health club management.

It has become apparent that health club managers have had difficulty adjusting to recent industry changes. The decline in revenues and the number of facility closures have created an intensely competitive market, with managers doing almost anything to survive. Recent trends indicate that managers have been more concerned about the short-term perspective rather than long-term growth and mere survival.

Despite industry changes, managers continue to guess rather than assess and analyze with regard to a number of important issues (Thomas Plummer & Associates, 1995; IHRSA, 1994; B. Howland, personal communication, December 3, 1996). Some of these issues include the amount of membership sales necessary to meet monthly overhead costs, the effects of implementing new programs, and the ramifications of initiating varying staffing patterns (Thomas Plummer & Associates, 1995). Furthermore, some health club managers have simply closed their doors on paying customers because of the facility's net income losses (Sigo, 1996). Kurschner (1996) alludes to the fact that this inability to plan for the long-term has developed a cynical and skeptical target market. Clearly, illuminating strategies for health club success will create greater opportunities for managers to determine the most appropriate direction for their facility and potentially avoid further industry decline.

Approximately 70% (8,750) of this country's health clubs operate as "fitness-only" facilities (IHRSA, 1994). Fitness-only facilities commonly operate with a small managerial staff that has moved into management due to a commonality with fitness adoration (Thomas Plummer & Associates, 1995). Unlike multipurpose facility managers, fitness-only health club managers often are not exposed to management strategy and business applications. These individuals would most likely realize the greatest benefit from this study.

The second component in the need for this study comes from the premise that all topic groupings are interrelated and work in concert with each other. Finance, marketing, human resources, and operations all depend on each other for the overall outcome of facility operations (Griffin & Ebert, (1989). Neglecting one area would leave a void in the umbrella of management strategies and could hinder the profit levels of the facility.

According to Siropolis (1986), Griffin and Ebert (1989), Resnik (1988), and Tate, Megginson, Scott, and Trueblood (1985), the single most prominent reason businesses fail or terminate operations is poor management. Poor management is defined as "problems with heavy operating expenses, slow paying customers, a poor location, competitive weakness, inventory difficulties, or excessive fixed assets" (Siropolis, 1986, p. 14). Ross, Westerfield, and Jordan (1995) defined business failure as "a situation where a business has terminated with a loss to creditors" (p. 391).

Poor management seems to stem from the inability to utilize all predominant management disciplines in an effort to construct organizational plans. The definition in the above paragraph alludes to the following topic groupings: operating expenses could relate to operations management, human resource management or financial management; poor location or competitive weakness relates to marketing management; inventory difficulties could be a reflection of poor operational planning; and excessive fixed assets stems from an inability to conduct financial analyses.

Good management should then be the opposite--the inclusion of all topic groupings so as to develop and implement a comprehensive organizational plan for the facility. It would be inappropriate to contend that the health club industry would still be growing at double-digit percentage rates if all the managers employed good management strategies. However, presenting successful management strategies for health club managers should increase the opportunities for financial achievement.

Research Questions

1. What are the current prevailing management strategies utilized by health club managers within the topic groupings of financial management, marketing management, human resource management, and operations management?

2. What relationships exist between the prevailing management strategies utilized by health club managers and the success of the facility?

Delimitations of the Study

The following delimitations were used in this investigation.

1. Only health clubs that fell under the defined categories of "fitness only" and "multipurpose" as defined by the International Health, Racquet, and Sports Association were used in this study. According to B. Howland (personal communication, December 3, 1996) the 1996 health club population is slightly over 13,000.

2. Twelve health clubs were selected for this study: six fitness-only facilities and six multipurpose facilities.

3. Health clubs selected for this study were located in the United States.

4. Each health club in this study, whether fitness only or multipurpose, operated as a commercial facility for the purpose of realizing a profit.

5. Each facility maintained a membership base that paid dues for the opportunity to use the facility.

6. One specific manager within the health club was targeted for the personal interview.

7. The investigator attempted to attain data reflecting the management strategies of the organization that included only financial management, marketing management, human resource management, and operations management.

8. All managers interviewed operated facilities that were in current operation.

Limitations

The investigation experienced the following limitations:

1. The number of managers within a health club may be limited, creating an inadequate time allotment for survey completion.

2. Some of the management strategies utilized by various facilities may be perceived as sensitive material and, as a result, some managers could be reluctant to divulge any information representative of the facility.

3. Each organization may utilize strategies unique only to that particular organization.

4. The health club managers may be unfamiliar with some of the terminology and strategies discussed in the survey.

5. The sample size limits generalizing the results to the entire health club population.

Definition of Terms

This study includes areas that may be unfamiliar to some health club managers and leaders in the industry. Therefore, a list of terms has been included.

Expenses. "The amount of assets consumed or services used in the process of earning revenue" (Fess & Warren, 1987, p. 24).

Financial Management. "The art or science of making financial decisions for an organization" (Brigham & Gipenski, 1988, p. 4).

Fitness Only. "These clubs have fitness facilities, either an aerobics/dance exercise studio or fitness center, and they have fewer than two racquet-sport courts" (IHRSA, 1994, p. VI).

Health Club. "The clubs that offer full-service sports and fitness opportunities" and "weight training centers and aerobic studios" (Gimmy & Woodworth, 1989, p. 10). Typically these facilities are open to the public and are in business to deliver physical fitness opportunities for the members.

Health Club Industry. Based on the definitions of *industry* and *sport industry*, the *health club industry* for the purposes of this study is the market in which the products offered to buyers are fitness related activities, goods, or services.

Health Club Managers. "Those managers responsible for a firm's overall performance and effectiveness and for developing long-range plans for the company" (Griffin & Ebert, 1989, p. 106). These individuals are the top managers of the health clubs within this study.

Human Resource Management. "The development, administration, and evaluation of programs to acquire and enhance the quality and performance of people in a business" (Griffin & Ebert, 1989, p. 195).

Industry. "A market in which similar or closely related products are sold to buyers" (Porter, 1985, p. 233).

Marketing Management. "The process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals, organizations, and society (American Marketing Association [AMA], 1985, in Kotler, 1988, p. 11).

Multipurpose Health Clubs. "These clubs have fitness facilities, either an aerobics/dance exercise studio or fitness center, and they have at least two racquet-sport courts of the same type" (IHRSA, 1994, p. VI).

Operations Management. **Concerning the areas of "controlling production, inventory, and quality of a firm's products" (Griffin & Ebert, 1989, p. 108).**

Profits. "What remains (if anything) after a business's expenses are subtracted from its sales revenues" (Griffin & Ebert, 1989, p. 5).

Profit Margin. "Computed by dividing net income by sales" (Brigham & Gapenski, 1988, p. 778).

Revenues. "Any moneys received by the firm as a result of selling a good or service or from other sources such as interest, rent, and licensing fees" (Griffin & Ebert, 1989, p. 455).

Sport Industry. "The market in which the products offered to its buyers are sport, fitness, recreation, or leisure-related and may be activities, goods, services, people, places, or ideas" (Pitts & Stotlar, 1996, p. 3).

Strategy. "Is a comprehensive plan or action orientation that sets critical direction and guides the allocation of resources for an organization" (Schermerhorn, 1984, p. 138).

Technical Skills. "Are the skills associated with performing specialized tasks within a company" (Griffin & Ebert, 1989, p. 110).

Topics. "The subject of a discourse or of a section of a discourse" (Merriam Webster's Collegiate Dictionary, 1993, p. 1244).

Summary

As the health club industry continues to struggle with revenue declines and facility closings, optimal management strategies become even more useful. To date, there has been little research conducted on management strategies utilized within the health club industry. For this reason, health club managers may not have had the opportunity to access possible strategies for facility success. This study will illustrate a definitive set of strategies appropriate for these managers and leaders in the field.

The intent of this chapter was to introduce the reader to this study's purpose, needs, and reasoning for health club management strategy investigation. Chapter II will provide a literature review of the current status of the health club industry, applications of the four topic groupings, and discussion of the pertinent areas within the four topic groupings. Chapter III will then delineate the methodology selected for this investigation.

CHAPTER II

REVIEW OF LITERATURE

Several different areas were examined in an effort to complete a comprehensive literature review of management strategies applicable to the health club industry. The first of these areas included an overview of the definition of success. Three different approaches were included: theoretical; financial; and operational success. Since the primary objective of this study was to illustrate potentially successful management strategies, it was important to discuss the definition of success from these three perspectives.

A review of literature within the four topic groupings is the second area discussed in this chapter. Within each topic grouping is presented the prevailing strategies utilized along with the skills necessary to employ the strategies. This review will enable the reader to better understand the health club industry from a managerial perspective.

The third area attempts to address the current status of the health club industry. This industry is constantly changing so it is crucial to review its present situation with regard to management strategy.

The fourth section presented in this review is a brief discussion concerning management's overwhelming desire and need for acceptance and, ultimately, success. Coakley (1990) asserted that people generally are achievement oriented, which has a tendency to drive success. According to Maslow (1970), one of the human needs is esteem. Maslow suggested that people seek to satisfy a hierarchy of needs based on a five level system. The fourth of the five levels is satisfying self-esteem. The summary section of this review attempts to address the innate desire of managers to attain self-esteem through success.

Defining Success

Success can be defined using a number of different approaches. This review presents success using three different approaches: theoretical, financial, and operational.

Theoretical Approach

The theoretical approach to defining success has been included so that the term can be reviewed from a collaborative platform. This approach allows the reader to understand success without any bias towards one specific topic grouping, such as finance or operations. Rather, success can be viewed as a cumulative endpoint for which managers strive utilizing a combination of topic groupings.

Peters and Waterman (1982), in their classic In Search of Excellence, conducted a project that involved researching and meeting with individual corporations with the objective of finding and determining "excellent" or successful, companies. Their findings were similar despite any differences in industry or corporate mission. They determined that a combination of eight attributes assisted in developing organizational success.

The eight attributes the successful organizations portrayed, according to Peters and Waterman (1982), were as follows: (a) a bias for action; (b) staying close to the customer; (c) foster autonomy and entrepreneurship; (d) productivity through people; (e) hands-on, value driven—keeping management involved in the day-to-day operations; (f) stick to the knitting—management knows the business in which they operate; (g) simple form, lean staff; (h) simultaneous loose-tight properties. Peters and Waterman argued that these attributes could be applied to any organization.

To summarize Peters and Waterman's (1982) points, the successful organizations maintained management strategies that allowed them to conduct their businesses with a certain and definite philosophy. First, they responded to the needs of the customer. Without customers there would have been no sales, no revenues, and ultimately no long-term success. In the successful firms, managers took a proactive approach to long-term customer satisfaction.

The second most important aspect that the successful organizations maintained was their value of people. Employees were the mainstay of the organization's ability to provide quality products and/or services. Giving the employees the opportunity to work to their full potential, while providing autonomy fosters trust and loyalty (Peters & Waterman, 1982). In turn, this trust and loyalty can create a pleasant and productive work environment.

Lastly, Peters and Waterman (1982) contended that the successful companies not only treated customers and employees with respect and kindness, but they maintained their focus on the organization's primary mission. Truly successful businesses, according to Peters and Waterman, do not try to operate in areas in which management maintains no knowledge or experience. Rather, they perfect what they already know.

This last point presented here by Peters and Waterman (1982) coincides with Porter's (1980) thoughts on successful competitive strategies for firms. Porter suggested three organizational strategies that provide companies with a greater opportunity for success in a competitive environment. One of these strategies suggested that organizations remain focused on a specific target market. Maintaining specific direction enables the firm to perfect the product for the needs and wants of their customers, so much so that customers outside of the target market will take notice.

The second strategy Porter (1980) suggested was differentiation. Differentiation can occur in any facet of the business: price, product development, location, etc. The key, according to Porter, is to make the organization unique to the market. One example Porter used was Mercedes-Benz. Mercedes, as an organization, adopted the philosophy of positioning themselves as a luxury leader in the automobile industry; priced only for those who can afford it. They differentiated themselves from the other market leaders.

The third strategy Porter (1980) suggested was overall cost leadership. Like Peters and Waterman (1982), Porter contended that organizations must know what they are doing to truly be successful. Porter, however, took the thought one step further. Porter suggested that successful firms spend time not only on perfecting their product, but also on perfecting the way the product is manufactured or delivered. Specifically, organizations that have an opportunity to perfect their operations then have a better opportunity to cut costs; the lower the costs, the better the position against competitors, and eventually an improved financial outcome.

"Any business needs to know its strengths and to base its strategy on them" (Drucker, 1980, p. 65). Like Peters and Waterman (1982) and Porter (1980), Drucker also contended that the premise for a successful organization is management's ability to perfect its strengths. Drucker indicated that strengths are always specific and always unique, which can lead to a path of profitability and success if they are exploited.

Drucker (1980) suggested that successful firms could also be profitable firms. These organizations are able to exploit the areas in which they best operate. Mostly, they are single-product businesses producing the right product or the product that is most in demand that they can best produce. However, other organizations that produce multiple products, but operate in one market can also be successful. Like Peters and Waterman's (1982) point of maintaining focus on what management knows, Drucker contended that firms could be most successful when they stay with one product, or at least remain in their primary market.

Drucker (1985) suggested four specific strategies for entrepreneurial ventures. These strategies can be applied not just to entrepreneurs, but to all organizations. As Peters and Waterman (1982) pointed out, successful firms keep the entrepreneurial spirit throughout the organization. Drucker's four strategies were as follows: (a) aim to be a market leader; (b) do not simply imitate the competition, but be creative; (c) create a niche for the product; and (d) change the economics of the product, market, or industry.

Through these four strategies that Drucker (1985) illustrated, the predominant message was that to be successful, the organization must be unique in the market and better than anybody else. Drucker explained that markets are comprised of dominant firms with which it is sometimes difficult to compete. However, less dominant organizations must separate themselves and exploit their unique strengths to the competitive market. Like Porter (1980), Drucker emphasized that differentiation is a necessary ingredient in a successful organization.

Defining success based on the theoretical approach would be remiss without discussion of Deming's (1986) principles. Deming emphasized the importance of people within an organization; people are what create the success of an organization. Deming's notable fourteen points suggested a pathway for organizations to take to attain success. Each one of the fourteen points alluded to improving quality through people, and as a result of the improved quality, the organization can realize greater success.

Although many similarities were noted, Drucker (1985) and Deming (1986) differed slightly on operational imitation. Deming suggested that copying other companies will not necessarily lead to success, whereas, Drucker indicated that imitation with creativity can be a successful strategy. Deming contended that "mapping out their own route" (Deming, 1986, p. 16), will enable management to better establish their own uniqueness and quality improvement.

Theoretical Summary

Within each of the above theories, a similar theme seemed to be conveyed. A successful organization must include a number of different aspects into management's philosophies or thought processes. Managers should involve employees in direction and strategy development, customers should be listened to, and creating uniqueness while maintaining operational focus is imperative. It is through this articulation of people meaningfulness that initiates the success paradigm. Harari (1995) seemed to best describe this principle.

> The key success factor of an individual business enterprise is no longer its sheer size or the number of tangible assets it owns. Today, the size of an organization's "body"—its balance sheet, its personnel roster—is less important than the size of its "brain," its collective intelligence and expertise. (p. 37)

Financial Approach

Defining a successful organization using the financial approach is much more concrete. Simply, if the organization attains a positive bottom-line or favorable financial ratio, the result is a successful outcome. Outcalt (1988) outlined a series of financial ratios that when combined, creates an "H-score." The H-score provides the manager with a discrete assessment of the organization's performance. The more positive the H-score, the more successful the organization.

Kalkbrenner, Kremer, and Smith (1989) argued that managers must have at their disposal a scorecard that evaluates the organization. The scorecard is a compilation of financial statements: net profit; return on investment; and cash flow. The same principle applies here as with Outcalt's (1988) H-score--the higher the numbers, the better the success.

Brigham and Gapenski (1988) argued that the primary role of the manager is to maximize the wealth of the organization's owners. Maximization of wealth is a direct result of increasing profits, or money in the bank. Brigham and Gapenski suggested that as profits increase, the value of the firm increased since there was an overall improvement in the firm's equity position. Thus, the greater the profits, the more successful the firm.

Financial Summary

Applying the financial approach to defining success is very succinct. The success of the organization relates directly to the level of profits realized. There is little, if any, discussion of people, market positioning, or operational direction. The key ingredient in assessing financial success is analyzing the organization's ability to deposit money in the bank.

Operational Approach

Defining success using the operational approach is slightly more complex than utilizing financial methodology. Operations are dependent upon multiple areas within the organization that assist in developing the mission. Since operations reflect the very nature of the business, it stands to reason that defining success based on operations is reflective of the organization's day-to-day affairs (Bateman & Zeithaml, 1990; Patton, Grantham, Gerson, & Gettman, 1989).

Resnik (1988) indicated that the single key area that is most often ignored is operations management. Managers often lose sight of the importance of day to day affairs. Instead, they are caught up in long-term planning and profitability assessment. Resnik pointed out that neglecting operations could terminate the organization's operations altogether. Therefore, it is essential to review the organization in terms of operational success.

Thomas Plummer and Associates (1995) indicated that operational success is dependent upon management's ability to satisfy the customer. Bateman and Zeithaml (1990) suggested that service organizations must direct a significant amount of attention towards the outward appearance of the firm. As customers view a clean, organized, and stylish atmosphere, their opinion of the organization will be more positive.

Defining operational success stems from the combination of other functional areas in the delivery of the product and/or service (Griffin & Ebert, 1989). Each business will differ in some way in the delivery of their product. This stands to reason since operations differ between industries as well as businesses within industries. Therefore, every business will be different in their assessment of operational success.

IHRSA (1995) suggested specific measurements for determining operational success for the health club industry. Some of these specific measurements reflected membership activity, personnel involvement with members, and lost membership. The measurements suggested for use by IHRSA are specific to the health club industry, just as other industries have specific measurements.

The health care industry is another similar example. In order to evaluate operations within a health care setting several different measurements are used. Some examples include, bed utilization, and full-time equivalent employees per registered bed (H. H. Newkirk, personal communication, November 17, 1996). From these measurements a hospital can determine the success of their operations.

Operations Summary

Using the operations approach to defining success is not quite as clear as the financial approach, but perhaps more so than the theoretical discussion. Operations reflect the occurrences and practices of a business and will differ from organization to organization. However, ignoring operations could be terminal, as suggested by Resnik (1988). Therefore, it is important to include operational assessments despite the complexity involved in initiating business specific measurements.

Success Definition Summary

Drucker alluded to the fact that all managers seek one final and easy answer that will bring the organization to a successful level (1977). "We do not even have one poor answer - all we have are a multitude of equally unsatisfactory approaches" (Drucker, 1977, p. 175). Although this view might seem cynical, the message appears to be that there is no one right answer to determining success. Rather, success is a combination of a number of different factors. As this review pointed out, success reflects the organization's people, product assessment and delivery, management's knowledge of the business, financial acumen, and management's ability to analyze the organization independently.

Success in the Health Club Industry

The purpose of this section of the review is to provide the reader with some relevant examples of success or failure that have recently occurred in the health club industry as was illustrated in the literature. The examples depicted in this section reflect the definition outline presented in this review. Each health club included in this review was either successful or unsuccessful based on the theoretical, financial, and operational definitions.

Clubsource

Clubsource is a health club management firm based in San Francisco, California. According to Rauber (1995), Clubsource increased gross revenues 167% over a three year span from 1992 through 1994. The reasoning behind this revenue growth was a combination of a number of factors. Clubsource, based on Rauber's explanation, had a management team that understood the needs and wants of the customer. Additionally, they were able to expand, at the same time maintaining a consistent focus of the business. One of the primary factors that made expansion possible was management's ability to maintain a low cost structure. Rauber indicated that

Clubsource management was able to reduce labor costs below industry averages.

Clubsource seemed to follow many of the issues discussed above. Management implemented many of the ideals that were suggested by Porter (1980), Drucker (1985), Peters and Waterman (1982), and Brigham and Gapenski (1988). Clubsource realized a significant growth in profits as a result of sticking to the knitting, listening to the customer, maintaining focus, and keeping costs low.

Life Time Fitness

Life Time Fitness is a health club management firm based in Minneapolis, Minnesota. Kurschner (1996) described Life Time Fitness as an organization that struggled initially, but has since realized significant financial success. According to Kurschner, Life Time Fitness is on track to realize $100 million in gross revenues during the latter part of the 1990s. Life Time Fitness listened to what the members wanted. In one facility they installed over one hundred treadmills. According to Thomas Plummer and Associates (1995) the most desired piece of cardiovascular equipment in 1995 was the treadmill.

Additionally, Life Time Fitness utilized extensive financial management skills. In order to raise capital, management assessed the necessary return rates for potential investors. In order to calculate return rates, management had to determine cost of capital, net present values, and expected cash flows.

Life Time Fitness illustrated the management strategies that Porter (1980) and Peters and Waterman (1982) discussed. Management has expanded business, but within the core operations presently employed. Additionally, management has maintained focus on the firm's direction. Life Time Fitness implemented a well developed plan for growth and expansion with consideration of financial and operative needs.

Bally Total Fitness Holding Corporation

IHRSA (1994) indicated that Bally Total Fitness experienced significant retrenchment during the early 1990s. Management implemented this reduction in overall operations to raise capital in order to keep other facilities operating. Bally did not appear to have developed a well-constructed management strategy during the early part of this decade.

Atlas (1996) explained that Bally implemented a payment plan for customers to pay for membership over a three year plus time frame. According to IHRSA (1995) and Thomas Plummer and Associates (1995), this is exactly what customers did not want to do. Instead, members desired payment for services as they occurred on a monthly or weekly basis.

Although Atlas (1996) indicated a potential turnaround for Bally, operations suffered because management did not listen to the demands of their customers.

Genesis Health & Fitness Center

Genesis Health & Fitness Center, located in Bradenton, Florida, operates as a single owner fitness-only facility. According to Sigo (1996), in early August 1996 members were actually locked out of a health club in which they paid for membership. Customers were denied access to prepaid services. Not only did management neglect most of the successful strategies discussed earlier in this chapter, they also committed an illegal act. Sigo described Florida law as requiring fitness centers to deposit insurance funds for such a closing. These funds are to be used to pay back members who paid for services in advance. Genesis is a good example of a failing health club--a facility that ignored the needs of the market and did not properly utilize management skills or appropriate management strategy.

Synopsis of Predominant Management Strategies and Skills Within the Four Topic Groupings

This section of the literature review will discuss each of the topic groupings outlined earlier: (a) financial management, (b) marketing management, (c) human resource management, and (d) operations management. Additionally, predominant strategies and skills will be discussed to allow the reader to understand how each topic grouping can be utilized within a management setting.

Financial Management

Increasing evidence suggests that financial management is imperative for a successful organization, no matter what type of business or industry. The longevity and overall success of the business is driven by financial means.

Financial management involves taking business transactions and relating them to the health of the organization via money (Gropelli & Nikbakht, 1995). This is realized as revenues and expenses are incurred. Through revenues and expenses the organization may determine profits or losses. As this process evolves, so does the practice of financial management.

Brigham and Gapenski (1988) suggested that management's financial responsibilities are not only to assess revenues and expenses, but also to comprehend the scope of the organization's business. This includes forecasting organizational sales, assessing production levels, understanding economic trends, and analyzing control mechanisms.

The literature suggested a number of different financial management strategies that may be appropriate for implementation by managers. Brigham and Gapenski (1988), Ross, Westerfield, and Jordan (1995), Gropelli and Nikbakht (1995), and Livingstone (1992) indicated that financial management strategies should incorporate both the short-term and long-term well-being of the firm. Based on the literature, the most prominent strategies included the following: (a) capital acquisition, (b) increase profits through expense reduction and/or revenue growth, and (c) add products or projects that will enhance the nature of the business. Each of these strategies requires management to perform specific financial management skills. Many of these skills are used in several financial management strategies, but will be discussed within the strategy that most prominently incorporates the skill.

Capital Acquisition

Capital acquisition is the process in which an organization acquires the necessary funding for a project, expansion, or new product (Gropelli & Nikbakht, 1995). This strategy requires management to know the financial skills of financial planning and budgeting, time value of money, and valuation. The key in this strategy is that management must know the exact amount of funding required to accurately communicate such to a potential investor or lender.

The first skill suggested was financial planning and budgeting. Financial planning differs between organizations because each has a different mission and set of objectives. (Ross, Westerfield, & Jordan, 1995). Financial planning requires management to be able to forecast sales and expenses. Therefore, there must exist an intricate knowledge of the operations. Management must understand the specific costs of labor, materials, programming, etc.

Additionally, management must then relate the revenues and expenses to both the balance sheet and cash flow statement. Tying the three statements together, income statement, balance sheet, and cash flow statement, allows the manager to comprehensively assess the firm's present financial situation and then plan for the future.

Livingstone (1992) suggested that budgeting could be a very costly and time-consuming process. This is primarily due to the managers and staff employees being requested to contribute information and time in preparing the budget. Additionally, managers must incorporate the information into performance reports as well as other control phase budget activities. While financial planning and budgeting take time and incur excessive labor costs in the process, they are essential to the strategic planning of an organization (Brigham & Gapenski, 1988).

The second skill, time value of money, is extremely important for managers to use for the primary purpose of accuracy. As managers plan for the future, they must be aware of the changes that will take place with regard to money value. Gropelli and Nikbakht (1995) suggested three key reasons for including time value of money into developing management strategy: inflation, risk, and preference for liquidity.

Inflation refers to the fact that over time prices increase within the economy (Brigham & Gapenski, 1988). As inflation occurs, the dollar is worth less one year into the future because it can purchase less (Gropelli & Nikbakht, 1995). Management must be able to relate expenses to a future value, thereby planning for the increased need for funding based on increases in prices.

Risk simply corresponds to an uncertainty (Gropelli & Nikbakht, 1995). Planning for risk assists management in providing for potential future losses. As managers plan for revenues and expenses, incorporating risk into the equation allows for uncertain short falls. In other words, risk enables management to be more conservative so that wealth maximization is more probable.

The third reason for incorporating time value of money in management strategies is liquidity preferences. Ross, Westerfield, and Jordan (1995) suggested that management required a certain amount of liquidity to adequately plan for present and future expenses. Liquidity refers to the ease in which investments can be converted into cash (Gropelli and Nikbakht, 1995). Management should realize how much cash would be necessary in order to pay bills. When cash is not needed, it should be invested for the purpose of realizing potential interest or dividend income, another revenue source for the firm.

Increase Profits

Increasing profits requires management to focus on operations, marketing, and human resources. Skills involved in this strategy can include statement analysis and ratio analysis (Ross, Westerfield, & Jordan, 1995).

As was described briefly above, all financial statements are related. The income statement affects both the balance sheet and cash flow statement. Therefore, management must understand how each relates to the other, and plan accordingly. For example, if one month's cash sales are under budget ten percent, then the cash flow statement will show less cash to cover current expenses. Additionally, the balance sheet will be affected indicating a decreased liquidity position.

A weaker liquidity position has lending and investing ramifications (Brigham & Gapenski, 1988). As organizations have less cash to pay off expenses, the risks of lending or investing in that organization become greater. The end result is that banks and venture capitalists have less interest in the organization.

Ratio analysis assists managers with analyzing financial statements and their overall financial position. Ratios are divided into separate categories: liquidity, asset management, debt management, profitability, and market value. Within each category are a number of different ratios used to explain the success or failure of the organization within the confines of that category.

Liquidity ratios indicate the potential of the firm to pay off current expenses and debt. Asset management ratios illustrate the firm's ability to utilize resources, such as inventory. Debt management ratios provide management with an assessment of the firm's ability to manage loans and long-term debts such as mortgages. Profitability ratios indicate to the manager the firm's ability to maximize the owner's wealth. Finally, market value ratios give management an indication of what investors think about the firm's financial performance and future abilities via stock prices and investment interest (Brigham & Gapenski, 1988).

According to Brigham and Gapenski (1988), the key to utilizing the tools of statement analysis and ratio analysis is management's ability to use both concurrently. Management should use all areas to comprehensively view the financial status of the firm. At this point, management can then develop strategies to increase profits.

Adding Projects or Products

This strategy enables management to incorporate the overall corporate strategy of growth. Ultimately, growth enables the organization to realize a more dominant position in the market. As Drucker (1985) indicated, a successful organization is one in which management can create a more favorable market position for the realization of revenue growth and long-term success.

In order for this financial management strategy to be addressed, management must be able to value the worth of projects and product development. Two skills enable management to perform such analysis; break-even analysis and capital budgeting (Livingstone, 1992; Brigham & Gapenski, 1988). Break-even analysis is sometimes referred to as contribution analysis or cost-profit-volume analysis; each essentially meaning the same thing.

By definition, break-even is where total revenues equate to total costs (Fess & Warren, 1987). This gives management an opportunity to analyze whether a project is worthwhile based on total costs and potential revenues. As a project's costs outweigh revenues, management can make the educated decision to avoid such a project. The break-even analysis creates this decision opportunity.

Capital budgeting involves the time value of money, which was discussed earlier. This skill enables management to value projects, but with greater accuracy. Greater accuracy is attained because inflation, risk, and liquidity preferences have all been considered. Employing capital budgeting requires that management assess a project over a period of time. Unlike break-even analysis that considers only short-term revenues and expenses, capital budgeting can assess a project for several years into the future. This again, creates a more accurate analysis opportunity for the manager.

Summary

The intent of this section was not to make the reader a financial manager, or an accountant, but to introduce some of the basic strategies and skills utilized within the topic grouping of financial management. Stupeck, Milani, and Murphy III (1993) argued that without attention to financial management and accounting controls, programs and organizations would suffer, sometimes terminally.

Marketing Management

Kotler (1988) contended that a successful business is one in which marketing is a key ingredient. Marketing strategies seek to satisfy the needs of the customer (Dalrymple & Parsons, 1995). As customers' needs are met, organizations realize sales and, therefore, revenues.

Dalrymple and Parsons (1995), Kotler (1988), and Stotlar (1989) suggested that the starting point of marketing management and strategy development is addressing the marketing plan--more specifically, the marketing mix. The marketing mix is comprised of four components: Price of the product, product development, distribution of the product, and promoting the product. Speaking to these four areas enables the manager to adequately plan for a marketing strategy. Each part of the marketing mix will be addressed in greater detail.

Kotler (1988) recommended that firms must first assess their market position before developing any strategies. For example, market leaders should incorporate different strategies than market followers. Furthermore, as the industry changes, so too should the marketing strategy.

As was indicated in Chapter I of this study, the health club industry has experienced significant decline since the late 1980s and early 1990s. The decline has remained pervasive despite the recent growth experienced in 1996. This section will discuss management strategies, as suggested by the literature, that reflect operating in declining industries. Included in the discussion of these strategies will be the four areas of the marketing mix and how they need to be an integral part of the marketing plan.

Harrigan (1980) suggested five specific strategies for managers operating in declining industries: (a) increase investment, (b) maintain consistent investment standards, (c) change the target market, (d) milk the firm's investment, and (e) divest. These strategies are addressed below.

Increase Product Investment

Increasing an organization's investment in a product can be illustrated a number of different ways. Patton, Grantham, Gerson, and Gettman (1989) suggested that investment could come in the form of increased advertising or new products, such as new weight training equipment for a health club.

Kotler (1988) indicated that as organizations increase investment, they realize a greater risk, especially if they are not market leaders. Bally, one health club industry leader, realizes less risk by increasing attention and diverting funds to current operating facilities. However, ABC Gym might not be able to financially withstand an increase in product investment, simply because the funding just does not exist for such a strategy.

When firms implement this strategy they usually address three of the four areas of the marketing mix, although not exclusively. Product development, distribution, and promotion are usually affected; whereas price is not a significant issue in this strategy.

With regard to product development, most organizations have a tendency to spend more money and time on the creation of a better product (Dalrymple & Parsons, 1995). One example of this is the improvements that weight resistant machine manufacturers have made with their products (Schmid, 1996). Schmid states that Cybex, Hammer-Strength, and Badger/Magnum, all equipment manufacturers, have taken steps to improve their products. They have incorporated new methodologies in both manufacturing and usage.

The second area of the marketing mix affected by this strategy is product placement or distribution. Kotler (1988) suggested that firms could increase product investment by altering distribution channels or spending more money on improving present placements.

Third, firms can increase promotional spending. As firms struggle with a declining industry, they often attempt to re-introduce their product via an intense advertising campaign (Kotler, 1988). Kellogg's Corn Flakes were re-introduced to the market in the mid-1990s with an advertising campaign that asked consumers to try the cereal again, for the first time. Kellogg's objective was to improve sales of the cereal through an increase in promotional spending.

Maintain Consistent Investment Standards

Market leaders often employ consistent investment standards in a declining industry (Kotler, 1988). One reason for the utilization of this strategy is that consumer needs are already being met by the market leader; additional investment could result in a low return. In other words, market leaders do not need to increase investment because they already dominate the market.

Implementing this strategy is the organization's way of maintaining status quo. There is, however, a risk associated with a "do nothing" strategy. A declining industry indicates a decrease in demand for the product, and unless something changes, over time the product will become extinct (Dalrymple & Parsons, 1995). If no one buys the product, organizations will fail. Therefore, at some point it becomes in the best interest of the organization to employ an alternative strategy. This is especially true if the firm is not a market leader (Kotler, 1988).

Change the Target Market

In order to address this strategy, the term "target market" should be defined. According to Kotler (1988), it is imperative that managers "know the target market and how to satisfy it" (p. 27). The target market refers to the consumer group that best typifies the predominant buyer of the product or service (Kotler). Implementing a strategy to change target markets can be both expensive and risky.

Employing a change in target can involve all four areas of the marketing mix. Depending on the market position of the organization, the effects on the marketing mix will differ. For example, Kotler (1988) stated that market nichers, those organizations satisfying a specific customer group with unique wants, should spend less time and money on changing targets since the organization satisfies a specialized need. Conversely, market leaders maintain a better opportunity to invest in a different target because of their financial strengths.

Market leaders, however, realize the same risks as other organizations in the market. Changing target markets does not necessarily guarantee an increase in sales. Organizations implementing this strategy can reduce risk by assessing the demands of the new target (Harrigan, 1980).

Pitts (1996) described methods that health clubs could implement to change targets that coincide with the population's changing demographics. Pitts indicated that as the United State's population becomes older, health clubs should consider changing their target market to seniors. This change does not guarantee an increase in sales but does, as Pitts contended, emphasize a consumer need.

Milking the Firm's Investment

Kotler (1988) defined milking the firm's investment as "gradually removing costs from a product or business while trying to maintain sales as high as possible" (p. 366). Otherwise known as harvesting, this strategy involves reducing expenses related to the product in order to cut losses before demand expires completely. Expenses such as advertising, labor, sales, and research and development can be reduced to increase cash flow (Kotler).

Harvesting can only work for a short period of time since the plan includes reducing efforts to sell and market the product. Usually the price of the product is not significantly altered by the implementation of this strategy; however, the other three areas of the marketing mix can be affected. Promotions can easily by reduced, as well as product development efforts and distribution channels.

Market followers and market nichers often suffer the most with the implementation of this strategy (Kotler, 1988). These organizations have the most to lose since their sales revenues are most likely much less than competitors. Since harvesting is a short-term strategy, market followers and nichers are best served by planning ahead for an alternative strategy, such as new product development.

Divesting

According to Harrigan (1980), divesting means that a firm is not willing to continue current operations, or product delivery, and assets are disposed of as quickly as possible. Simply, this strategy is an indication of product or business failure with no hope for future success. The organization sells the assets in order to reduce losses.

Implementing this strategy for many firms, no matter the market position, can be devastating. Sigo (1996) cited one health club in Florida that filed for bankruptcy. The club attempted to cut losses and recoup assets by terminating operations. According to Sigo, there were no future plan to re-open operations at this facility.

Market Analysis

Although not a marketing strategy specifically noted for a declining industry, conducting market analyses is essential to the firm (Kotler, 1988). Market analysis involves extensive research on the part of the firm. "Without research and analysis, all of your decisions are risky" (Pitts & Stotlar, 1996, p. 96).

Market analysis allows management to assess where the organization is within the market: leader, follower, nicher, or challenger. Additionally, firms can assess who the competition is, and to what extent the competition exists. Without conducting a thorough analysis of the market, management cannot adequately assess the organization's present situation and future potential. Developing marketing strategies must start with marketing analysis and research (Patton, Grantham, Gerson, & Gettman, 1989).

Summary

Marketing management as Kotler (1988), Dalrymple and Parsons (1995), Griffin and Ebert (1989), and Patton, Grantham, Gerson, and Gettman (1989) suggested is meeting customer demands through product sales. Strategies included in this discussion reflect an industry with declining sales, which is the current status of the health club industry. The intent was to provide the reader with management strategies as presented in the literature that can assist organizations to combat such demand declines.

Human Resource Management

As Peters and Waterman (1982) and Harari (1995) alluded to, people are the backbone of any organization. One of management's responsibilities is to assess and plan for the needs of the organization, with consideration of personnel. DeCenzo and Robbins (1994) suggested that human resource management is a compilation of several functions. These functions include inception, development, motivation, and maintenance.

The inception function, according to DeCenzo and Robbins (1994), includes human resource planning, recruiting, selection, and orientation. Inception involvès retaining the appropriate personnel for the necessary positions and then making certain they can adequately perform the duties required.

The development function involves the process in which management allows employees to increase their knowledge and abilities within the organization (DeCenzo & Robbins, 1994). Creating opportunities for employees to grow within the firm can reduce employee turnover; therefore, decreasing labor costs and increasing productivity levels (Griffin & Ebert, 1989).

The third function described by DeCenzo and Robbins (1994) is the motivation function. DeCenzo and Robbins pointed out the importance of maintaining employee interest in the firm's overall objectives. Organizations often implement this function by using reward strategies, as well as positive reinforcement. Harari (1995) suggested that as employees' opinions receive greater attention, they would have more motivation to assist the firm in reaching management's objectives and goals.

The last primary function of human resource management outlined by DeCenzo and Robbins (1994) is the maintenance function. The maintenance function is concerned with providing a positive work environment for the employees. This can be done in terms of benefits, ergonomic work settings, or comfortable and convenient cafeterias (DeCenzo & Robbins).

Bateman and Zeithaml (1990), Griffin and Ebert (1989), and DeCenzo and Robbins (1994) suggested several strategies for each of the four functions outlined above. These strategies will be briefly discussed with the intention of providing the reader with a review of the predominant strategies available to management within this topic grouping.

Inception

Planning is the first step in the inception process (DeCenzo & Robbins, 1994). Planning is management's responsibility to assure that the personnel policies and directions are in sync with those of the organization. Strategies for human resource planning can include conducting job analyses for information collection, developing employee programs that mirror the organization's direction, and implementing out-placement programs for employees being retained or terminated (DeCenzo & Robbins, 1994).

The inception function includes a comprehensive and deliberated recruiting program. Strategies that Bateman and Zeithaml (1990) suggested are internal and external hiring. Internal strategies indicate that the organization hires an individual for a vacant position from within the firm. The employee moves from their current position to the vacant position, all done within the auspices of the firm. For the organization there are many advantages to conducting this recruiting strategy.

One of the key advantages of recruiting internally is cost savings (DeCenzo & Robbins, 1994). Organizations that hire from within the organization can save advertising and training costs--costs that are often incurred with an external recruiting strategy. Furthermore, as current employees witness the opportunities for advancement, their motivation and drive to succeed accelerates, again benefiting the organization (DeCenzo & Robbins).

External recruiting involves an organization contacting outside sources for potential employee possibilities. External sources can include advertising in newspapers, recruitment programs with colleges and universities, and contracting with employment agencies (DeCenzo & Robbins, 1994). Implementing an external recruiting strategy can be more costly than an internal strategy, but the volume of prospects can be greater. Management must determine the benefits of assessing a greater population of potential employees versus higher recruiting costs.

Selection of the employee takes form in the screening and interviewing process (DeCenzo & Robbins, 1994). Once the employee is selected, they are oriented to the organization's protocols and philosophies. The key point that DeCenzo and Robbins suggested was that management should utilize group interviews and meetings in order to retain the best employee. The organization will benefit in the long run through lower employee turnover and greater productivity by selecting and orienting the best possible employee (Bateman & Zeithaml, 1990).

Development

The development function is key to keeping quality employees on staff (DeCenzo & Robbins, 1994). Development allows the employee to take on more responsibilities that can result in greater job satisfaction (Schermerhorn, 1984). Two strategies that DeCenzo and Robbins (1994) suggested include on the job training and off the job training.

On the job training refers to management implementing educational opportunities for employees to enhance their job related skills while working. This can occur either in a group setting or individually. In both settings, the goal is to make the employee more knowledgeable about the organization's mission, objectives, and goals, concurrent with enabling the employee to become more empowered (DeCenzo & Robbins, 1994).

Off the job training involves the organization in sending the employee to seminars, conferences, and programmed instruction (DeCenzo & Robbins, 1994). Off the job training is especially popular in service organizations, such as health clubs (Thomas Plummer & Associates, 1995). Employees have the opportunity to learn what other people are doing in similar positions and then take that new knowledge back to the job.

Motivation

The motivation function creates a unique responsibility for the organization. The literature suggests that as employees become more motivated, they also become more loyal to the firm. Organizations who maintain low paying positions have an even greater challenge to motivate employees (DeCenzo & Robbins, 1994).

DeCenzo and Robbins (1994) suggested that compensation programs and reward strategies could help motivate employees. Thomas Plummer and Associates (1995) also recommended that reward programs create greater loyalty among employees. Rewards can come in the form of money or some other tangible item such as gift certificates. Thomas Plummer and Associates argued that the firm's primary goal in implementing reward strategies is to develop better employee productivity, more loyalty, and less turnover.

Maintenance

The maintenance function involves management reviewing the current work environment within the firm. This does not necessarily involve strategizing per se, but is nonetheless exceedingly important. Employees must feel that their contribution is critical to the overall value of the firm (Griffin & Ebert, 1989).

One way this can occur is for the organization to initiate parental leave opportunities, which allows the employee to take time off from work to spend it with his [/her] child (DeCenzo & Robbins, 1994). Parental leave lets both men and women know that they are valuable to the firm. Another strategy DeCenzo and Robbins suggested is to create stress reduction programs for the employees. Again, this can make for a more satisfied and loyal employee.

Summary

Frisby and Kikulis (1996) argued that the key to successful organizations is the implementation of a quality human resources program. Peters and Waterman (1982) contended that a truly excellent company is one in which the employees are treated as a valuable resource for attaining overall goals and objectives. The objective for including this section in the review was to provide the reader with an outline of the predominant human resource management strategies and to emphasize the importance of people within any organization.

Operations Management

Operations management, according to Schermerhorn (1984), is "a branch of management theory that studies how organizations transform resource inputs into product and service outputs" (p. 511). In order for management to transform inputs into outputs several steps must take place. Bateman and Zeithaml (1990) and Patton, Grantham, Gerson, and Gettman (1989) suggested that some of these key steps include policies and procedures, maintenance management, inventory management, and safety procedures.

Policies and Procedures

Patton, Grantham, Gerson, and Gettman (1989) indicated that policies and procedures are a representation of management's priorities. For example, Patton et al. suggested that as organizations operate longer hours, management needs to be sensitive to the needs and desires of both the employees and customers. This may include adding additional services for customers, or making available additional convenience items for the employees.

Policies and procedures should affect every facet of the firm's operations, including all the topic groupings discussed in this study (Patton, Grantham, Gerson, & Gettman, 1989). Often, human resources personnel are empowered to write policies and procedures, in conjunction with management; however, the implementation is completely management's responsibility (Schermerhorn, 1984).

Examples of policies and procedures can include house rules and rules for service or product delivery (Bateman & Zeithaml, 1990; Patton, Grantham, Gerson, & Gettman, 1989). House rules state management's policies on various operational topics, such as new customer payment plans (Patton, et al.). Similarly, rules for service or product delivery can include the selling methods, along with sales staff issues.

Policies and procedures can often be mundane and cumbersome to employees. However, they serve a very important purpose to the organization. They provide direction regarding how the nature of the business will be conducted, which in the end can have a dramatic effect on the success or failure of the organization.

Maintenance Management

Maintenance management refers to the consideration of keeping equipment in proper working condition. Equipment can include production equipment or customer-used equipment, such as cardiovascular machines that are found in health clubs. Schermerhorn (1984) suggested that maintenance is the intention of management to preserve optimal performance levels. Management must plan for the possibility of equipment breakdowns and schedule the appropriate repairs in order to keep consistent performance levels.

One strategy suggested by Patton, Grantham, Gerson, and Gettman (1989) is contracting with outside resources for equipment maintenance. One advantage of this strategy is increased expertise. Usually, the external resource has more experience than internal staffing, which can lead to better repair quality and can include preventive maintenance programs.

Retaining the maintenance function within the organization is often less costly in the short run. Patton, Grantham, Gerson, and Gettman (1989) indicated that internal employees could conduct a number of maintenance tasks, such as cleaning and simple repairs. However, in the long term, internal staff may not have the expertise required to avoid or repair major equipment breakdowns.

Inventory Management

Inventory is an indication of materials stored for the purpose of production or product delivery (Siropolis, 1986). According to Griffin and

Ebert (1989), three key strategies are available to managers for maintaining inventory: (a) just-in-time, (b) material requirement planning, and (c) the creation of Gantt charts. Although Griffin and Ebert suggest that these strategies are best utilized in a manufacturing setting, each will be briefly discussed here because some similarities exist within the health club setting.

Just-in-time indicates that material and parts are procured at the moment they are required for production (Griffin & Ebert, 1989). Utilizing this management strategy is an indication that management has empowered employees to review raw material needs and to order parts as necessary. Schermerhorn (1984) used General Motors as a primary example of just-in-time inventory management. As the employees on the assembly line see a need for additional automotive parts, discussion occurs with their supervisors to replenish the inventory expeditiously.

Material requirements planning (MRP) is very similar to just-in-time in that MRP seeks to procure materials at the moment they are needed (Schermerhorn, 1984). Additionally, MRP includes a bill of materials which provides the employee with a list of ingredients needed for product manufacturing. MRP differs from just-in-time with regard to the bill of materials given to the employees. The bill of materials, sometimes referred to as the master schedule, allows for long-term planning of specific production parts (Schermerhorn). While this inventory management strategy is rarely employed within the health club industry, it does have some relevance. Health club managers can allow their staff to assess the long-term equipment needs of the facility, or of a particular program. Therefore, giving employees the opportunity to order the equipment as needed to fulfill the organization's overall operational plan.

Gantt charts, according to Griffin and Ebert (1989) provide management with a diagram that illustrates each step in a production process. Schermerhorn (1984) suggested use of Gantt charts visually measure the progress of each activity that takes place within the production process. This allows management to plan effectively for the long-term. Each step of the project is outlined according to time requirements and any special resource needs.

Siropolis (1986) suggested that not only is inventory planning and control important, so is cost assessment and record keeping. Cost assessment requires management to continually review and monitor the costs associated with inventory. These costs can include storage, spoilage, and insurance (Siropolis). Record keeping simply refers to management's responsibilities to maintain comprehensive records of costs, order amounts, inventory counts, and supplier information (Siropolis). Keeping accurate and comprehensive records can enable management to make informed cost saving decisions.

Safety Procedures

"The cost of accidents can be, and for many organizations is, a substantial additional cost of doing business" (DeCenzo & Robbins, 1994, p. 523). Implementing proper safety procedures can assist in cutting both employee injury costs and legal costs. In addition to safety procedures for the employees, management must implement a risk management plan as a strategy to avoid potential significant liabilities (van der Smissen, 1996). Both safety procedures and risk management will be discussed in this section.

The implementation of safety procedures allows management to effectively plan for the security of the organization's employees (DeCenzo & Robbins, 1994). The leading causes of employee injuries are human and environmental factors (DeCenzo & Robbins). Managers should take the appropriate steps to alleviate the opportunities for any injuries, including making a healthy work site, making available employee assistance, and implement opportunities for stress reduction.

Risk management requires management to become more aware of the risks of the organization, both financial and employee related (van der Smissen, 1996). A risk management plan will assist management in preventing potential losses due to injury or negligence. According to van der Smissen, a risk management plan has four phases: (a) assessment of risks, (b) policy statement review, (c) setting operational practices and procedures for risk reduction, and (d) plan implementation.

As these four phases are developed and implemented, management has taken steps to secure the financial well-being of the organization. However, as time goes on, the risk management plan must be continually reviewed in order for it to be effective. As suggested by van der Smissen (1996),

> risk management is an on-going process; not only must it be integrated into the very fiber of the organization, but also its effectiveness and cost-efficiency of risk management practices must be systematically evaluated and adjustments made, as appropriate. (p. 181)

Therefore, health club managers must continually review the potential risks associated with the facility's operations, realizing that financial security through risk management is a task that should never be terminated.

<u>Summary</u>

Operations management describes the purpose for which an organization exists. However, inherent in these operations are many facets that actually create the environment of the organization. This section was designed to illustrate the different areas of operations management and the key ingredients available to build a quality organization.

The Current Situation in the Health Club Industry

This section will provide a review of the significant issues currently facing the health club industry. Each topic grouping will provide a link between current issues and the strategies and skills presented in previous sections.

Financial Management Issues

According to IHRSA (1994), the health club industry has suffered substantially in recent years. Profit levels have not met expectations. Some of this downturn has been a reflection of poor management decisions coupled with decreased demand (Thomas Plummer & Associates, 1995). Kurschner (1996) argued that few facilities have realized significant profits and that the future of the industry will present challenging opportunities.

Labor costs provide the greatest cost item to a health club (IHRSA, 1995; IHRSA, 1994). Sattler and Doniek (1996) suggested that management should conduct a review of three areas in an attempt to control increasing labor costs.

First, the productivity and techniques utilized by the sales staff should be assessed. The sales staff should be inspired to sell memberships;

implementing reward systems can enhance this motivation. Secondly, management should review current maintenance programs. Sattler and Doniek suggested that many facilities contract with maintenance companies. While this approach is worthwhile, management should not hesitate to give some responsibility to internal employees (Sattler & Doniek). Shifting responsibility could create a more productive staff. Lastly, management should streamline and simplify paperwork where possible. Technology can aid significantly in the reduction of superfluous and monotonous paperwork (Sattler & Doniek).

Utilizing employees more efficiently is nothing new to management. Peters and Waterman (1982) referred to employee productivity often as did Deming (1986) and Drucker (1977). Thomas Plummer and Associates (1985) illustrated the example of one health club that cross-trained employees. Therefore, as the facility realized downtimes in membership visitations, employees were asked to perform different duties. Some of these duties included equipment checks, locker cleaning, and automating membership contracts.

Chalk (1996) made several suggestions for building financial security, many of which are being implemented by health clubs. The first suggestion Chalk discussed was the need for long-term planning. Financial security can be found in membership terms of six, twelve, and twenty-four month contracts. This provides for greater certainty of cash flows over the long-term.

The second suggestion Chalk (1996) made was to have members pay via electronic funds transfer (EFT). EFTs reflect debits made to a member's credit card or checking account. The amount of the debit is then credited to the health club's checking account. This procedure can significantly reduce bad debt, an ongoing dilemma facing health club managers. Historically, members have been asked to pay in cash as their membership expires, often unbeknownst to management. As a result, members use the facility, but never pay for their membership. Thomas Plummer and Associates (1995) evaluated health clubs with EFT procedures and suggested that bad debts can be significantly reduced.

Lastly, Chalk (1996) discussed reviewing actual gross income versus estimated gross income. Chalk indicated that managers are often unaware that bad debt is a subtraction from gross revenues. While the EFT procedure described above can reduce bad debt, management must realize that bad debt exists and implement plans to reduce it.

Marketing Management

The health club industry has realized a slight shift in the primary market. According to IHRSA (1995) the fastest growing segment of the health club market is the senior age group. "Since 1987, clubs have witnessed a phenomenal 64% membership growth among Americans aged 35-54, and an even more impressive 70% growth among Americans aged 55+" (IHRSA, 1995, p. 13). Because of this membership demographic shift, management needs to recognize a change in needs and desires.

Schmid (1996) illustrated this point by citing several weight resistance manufacturers who now produce equipment more easily used by the senior population. According to Schmid, manufacturers such as Hammer Strength, Cybex, and Southern Xercise, now make plate-loaded equipment which enable the user to experience a full range of motion, similar to free weights. This equipment, however, is extremely user friendly and does not carry the intimidating overtones of free weights based on Schmid's review.

Concurrent with IHRSA's (1995) report and Schmid's (1996) review of equipment manufacturing changes, Pitts (1996) argued that the senior age group presents a wealth of opportunity to the health club market. Once untouched by health club marketing schemes, seniors now desire the opportunity to attain better fitness. Pitts explained that seniors want a very different workout environment than the younger, more evident market; thus providing management with substantial challenges. However, with a population of over seventy million and growing, health club managers should adjust their marketing strategies to incorporate the needs of seniors (Pitts, 1996). This effort could potentially pay off in dividends.

According to Japsen (1996), hospitals are investing millions in the development of health clubs. The focus appears to be on preventive medicine and overall health. This constitutes another shift in marketing strategy. These clubs promote total well-being, not simply lifting weights and aerobics (Westlund, 1996).

Westlund (1996) indicated that the number of hospital based health clubs have doubled from 1990 to 1996--175 to 350, respectively. Hospitals have the capital required to build and operate a health club, sometimes spending several million dollars in the process (Westlund). One example, Westlund pointed out was Palmetto General Hospital in Hialeah, Florida. Palmetto's facility caters to approximately two thousand members, realizing a profit margin of nearly 10%.

The literature indicated that many health clubs have implemented the strategy of increased investment in the product, a marketing strategy outlined earlier by Harrigan (1980). Many health clubs have implemented various profit centers, or different services, to meet members' convenience needs ("Gold's Gym Licenses," 1995; "Health Clubs Add," 1995; Thomas Plummer & Associates, 1995). Some of these new services include dry cleaning, video rentals, licensed athletic clothing, carry-out food, and car washes.

Human Resource Management

Two issues appeared to be of significant importance regarding personnel within the health club industry. The first issue includes increased training for employees, especially those who communicate directly with members (Lowndes, 1996). Since the industry has experienced a decline, competition has become increasingly intense according to Thomas Plummer and Associates (1995) and IHRSA (1995). Members, more than ever, feel compelled to change or terminate memberships based on the most intricate detail of a club or its personnel. For this reason, Lowndes suggested that health clubs implement thorough directions for all personnel in order to increase the quality of customer service.

The second issue involves enhancing the facility's credibility through the employees. Cohen (1996) suggested that health club members are beginning to seek certified personal trainers and aerobics instructors within the clubs they join. As a result, health clubs must spend the time and money in assuring that their employees are certified. Cohen argued, however, that certification does not necessarily indicate professionalism. But the certificate does validate a basic body of knowledge and skill level.

As the certification process becomes more important to the health club's employees, labor costs will increase. Management must spend more money on employee training and traveling costs in order to send employees to seminars and conferences. Unless the market tolerates membership price increases, which seems unlikely (IHRSA, 1994), health clubs' profits will be reduced. The health club market is currently very competitive and members are extremely price sensitive (Thomas Plummer & Associates, 1995). As the demand for management to spend more on labor continues, the pressure for profitability will become fierce.

Operations Management

Altering the thought processes of managers and employers in order to create more efficient and customer-friendly services seemed to be the predominant issue in operations management. The literature suggested that customers are becoming more interested in satisfying their own needs as quickly as possible and will not pay for anything less than adequate self-satisfaction.

Sattler and Mullen (1996) suggested that health clubs implement a management concept referred to as fast cycle time (FCT), which was originally developed by Christopher Meyer (1993). FCT is "a manufacturing concept based on meeting customer needs more quickly than your competitors" (Sattler & Mullen, 1996, p. 52). In order for FCT to work effectively, management must include the concept in every facet of the facility, especially operations. FCT requires that employees be fully aware that the customer's satisfaction is the top priority. According to Sattler and Mullen (1996), the benefits of FCT can be tremendous. First, health clubs have an opportunity to realize greater profits through membership growth. As customer service improves so too will the membership base (Sattler & Mullen).

Secondly, FCT gives employees an opportunity to realize greater responsibility and an increased level of job satisfaction. With customers' needs as a top priority in FCT, employees are empowered to make more decisions on their own in order to please the customer. In the end, the customer is happier with the facility and the employee feels more empowered in their position.

Another significant issue important to operations management is reducing risk and liability. Health clubs are being brought into lawsuits at an increasing rate (Thomas Plummer & Associates, 1995). Herbert (1996) indicated that health clubs could incur significant legal costs from ignoring potential risks. As was discussed in Chapter I, Herbert cited a legal case where the University of Dayton incurred significant legal costs because of their lackadaisical approach to membership risks. Health club managers need to incorporate strategies and policies in order to prevent such risks and liabilities.

Management's Desire for Success

As was suggested earlier, Coakley (1990) asserted that people generally strive for success. This is especially true of most managers. Peters and Waterman (1982) indicated that most people think of themselves as winners. Furthermore, as people begin to feel unsuccessful, their jobs can suffer and potentially the firm with which they are employed can suffer too.

The investigator of this study recognizes that many health club managers have the same attitude that Peters and Waterman (1982) suggested. While this study's aim was to illustrate potentially successful management strategies, it is understood that no one manager intentionally implements direction with the thought of failing.

Literature Review Summary

The intent of presenting this review was to outline the predominant management strategies available to managers in the health club industry. Additionally, discussion of the skills necessary for strategy implementation was included to provide the reader with an indication of some management skill requirements.

Foremost, the review presented three different approaches to defining success that this study will focus on in the data analysis section. It was imperative to define success as comprehensively as possible so that an adequate analysis of health club management strategies may take place.

CHAPTER III

METHODOLOGY

The purpose of this study was to provide leaders in the health club industry with a comprehensive analysis containing strategies reflected by current industry practices, trends, forecasts as seen by the managers, and guidelines for success. The intent was to gather data that accurately and thoroughly, portrayed health club managers' utilization of management strategy. To accomplish this purpose a qualitative methodology was employed.

"Qualitative research focuses on the 'essence' of the phenomena" (Thomas & Nelson, 1990, p. 322). Here, words are the primary factor of importance rather than numbers (Miles & Huberman, 1994). In qualitative research, the investigator is the key element since the data collection is a product of the investigators' abilities to "plan their objectives and how their methods fit those objectives" (Seidman, 1991, p. 30).

According to Miles and Huberman (1994), one of the features of qualitative research is that it explicates the way people understand certain situations. Locke (1989) explained this point in greater detail by suggesting that the researcher obtains knowledge about how people give meaning to particular perceptions, attitudes, beliefs, and assumptions; or "how they view their world" (p. 9). In this study the investigator was challenged to learn how health club managers understand management strategies within the confines of their world.

Qualitative Utilization

Qualitative methodology was appropriate for this study for two primary reasons. First, the investigator's responsibility was to assess the level of understanding that health club manager's possessed regarding business strategy. For this task to be accomplished, an in-depth discussion needed to take place between the investigator and each manager. "Qualitative methods permit the evaluation researcher to study selected issues in depth and detail" (Patton, 1990, p. 9).

The second reason for utilizing a qualitative approach was to enable the health club managers to elaborate on the strategies they understood and employed. Furthermore, the two-way discussion between the manager and the researcher allowed for additional clarification of terminology. This procedure enabled the investigator to collect comprehensive and accurate data.

Patton (1990) suggested three types of qualitative methodologies for data collection: (a) in-depth, open-ended interviews, (b) direct observation, and (c) written documentation. This study utilized Patton's first methodology, in-depth interviewing. Miles and Huberman (1994) referred to this type of approach as interpretivism or the process of interpreting how people give meaning to a particular phenomenon through a "co-elaborated" interview process (p. 8). Miles and Huberman argued that the co-elaboration allows for greater depth within the interview.

This study used Patton's (1990) summative evaluation purpose for in-depth interviewing in order to analyze strategy implementation on facility success. Summative evaluation, according to Patton, is the process in which the researcher assesses the effectiveness of some human intervention on policies or programs. Patton contended that this purpose enables the researcher to evaluate human intervention effectiveness on a phenomenon and then indicate its potential on future efforts. While not necessarily generalizable, summative evaluation assisted this researcher in analyzing strategy employment and its bearing on facility success within this study's sample.

Data Collection

Participants

"Perhaps nothing better captures the difference between quantitative and qualitative methods than the different logics that undergird sampling approaches" (Patton, 1990, p. 169). Qualitative methodologies generally focus on smaller sample sizes, rather than large samples as are typically found in quantitative studies. Furthermore, the sampling strategies often differ.

This study employed Patton's (1990) sampling strategy of purposeful random sampling. According to Patton, using a random approach can increase the credibility of the results. However, it is crucial to remember that a purposeful random sample does not constitute generalities towards a specific population, as does a representative random sample in a quantitative methodology. It does however, assure representation by all sub-groups or categories which may be omitted without a purposeful random approach.

A purposeful random sample allowed the researcher to intentionally select a specific group of facilities for the study. IHRSA (1995) indicated two predominant groups of health clubs: multipurpose and fitness only. The literature indicated that more specific health club categories could be found within the two predominant groups. Within the multipurpose group are the following facilities: (a) stand-alone, (b) corporate/franchise operated, and (c) hospital based. The fitness only groups primarily contain the following facilities: (a) stand-alone, (b) franchise operated, and (c) women only. With the assistance of the International Health, Racquet and Sportsclub Association's database, facilities were randomly selected within these outlined categories.

Each facility selected for this study employed a manager, or director, that instituted the overriding objectives of the operation. It was understood that the manager participating in the study was responsible for the overall success of the health club. Therefore, they could best respond to the implementation of management strategies within the four topic groupings that have been incorporated into this study.

Instrument

The instrument was developed from the literature reviewed for this study and with assistance from individuals currently employed in the health club industry. The purpose of the instrument was to provide the researcher with a guided format for the interview (Zikmund, 1991). Additionally, the instrument allowed the participants to elaborate as desired, which provoked further discussion.

As suggested by Zikmund (1991), the instrument contained both open-ended and closed questions. The closed questions were used to assist in assessing the participant's understanding of the open-ended questions. Furthermore, the instrument was comprised of key five areas: (a) facility statistics, (b) financial management, (c) marketing management, (d) human resource management, and (e) operational management. Within each of the topic grouping areas were questions that reflected both the strategies and skills that were outlined in Chapter II.

The facility statistics section of the instrument assisted the researcher in assessing the success of the facility. The closed questions included in the facility statistics produced specific ratios that were then multiplied together thus representing a facility success factor. The success factor will be discussed in greater detail in the Data Analysis section of this chapter.

The combination of closed questions and open-ended questions allowed the investigator to accomplish Patton's (1990) overriding objective of qualitative research; to comprehend how people understand and relate to a certain phenomenon. Additionally, including these two types of questions provided verification of each participant's utilization of the management strategies, as well as enhanced the study's credibility.

Data Analysis

Locke (1989) suggested that data analysis conducted in a qualitative study occurred simultaneously to data collection. Unlike a quantitative methodology, the qualitative approach requires the researcher to continually assess and analyze the data concurrently with the interviewing, or data collection process. Miles and Huberman (1994) argued that while qualitative research has few definitive rules for analysis, the researcher must implement some element of structure. Implementing guidelines can assist the researcher in establishing codes and categories (Patton, 1990).

Guba (1978) indicated that developing categories requires the researcher to both converge and diverge the data. The researcher must determine what fits together and what does not. Guba suggested that convergence involved searching for recurring regularities. This assists the investigator in establishing internal homogeneity and external homogeneity. The former suggests that the data that belong in one specific category are strikingly similar, while external homogeneity refers to keeping data apart that are dissimilar. As the data are categorized, certain patterns and themes should be apparent to the researcher (Patton, 1990).

Locke (1989) indicated that there is no one specific format to analyzing qualitative data. Miles and Huberman (1994) and Patton (1990) furthermore suggested that there are several combinations of analysis strategies that the researcher may implement that will best fit the study's design. The strategies can combine both the qualitative and quantitative approaches to analysis. This study incorporated a combination approach to data analysis.

Qualitative and Quantitative Link

Miles and Huberman (1994) argued that linking qualitative and quantitative data could strengthen a qualitative research methodology. Miles and Huberman used the term "quantizing" to explain this analysis approach. They defined quantizing as, simply, the transforming of qualitative data into a numerical representation. Rossman and Wilson (1984) gave three reasons for combining both qualitative and quantitative data in the analysis process. First, the combination enables confirmation or corroboration of each other via triangulation. Secondly, there exists more opportunity for richer detail. Thirdly, linking both qualitative and quantitative data can provide new insight to the problem.

This study utilized the qualitative and quantitative link within the four topic groupings. During the data analysis stage, the utilization of the strategies outlined within each topic grouping were rated based on a behavioral anchored rating scale (BARS). BARS ultimately allowed the researcher to determine whether a relationship existed between strategy implementation and the facility success factor (Miles & Huberman, 1994; Zikmund, 1991).

Additionally, participants were asked to rate their own utilization of strategies within each topic grouping. This provided for further comparison among the data, helping to establish further understanding while enhancing the study's credibility.

Behaviorally-Anchored
Rating Scales

DeCenzo and Robbins (1994) discussed the behavioral-anchored rating scales (BARS) approach to evaluating behavior. This study used BARS within each interview response form or evaluation to reliably assess each manager's knowledge, ability, and utilization of management strategies within the four topic groupings. DeCenzo and Robbins stated, "The appraiser rates the employees based on items along a continuum, but the points are examples of actual behavior on the given job rather than general descriptions or traits" (p. 389).

Including actual behavioral statements within each topic grouping allowed the researcher and the independent analyst to reliably assess and select the rating that best represented each manager's strategic implementation. A second independent analyst, or third evaluator, was employed when a difference in rating resulted between the researcher and the

first independent analyst. In these situations the second independent analyst acted as the final assessment, or referee.

Success Factor

The success factor developed for this study was a derivative of the literature review. This study used three approaches to defining facility success: theoretical, financial, and operational. Therefore, it was imperative that these approaches be implemented to assess the success of each facility.

Theoretical Approach

The theoretical approach to defining success focused on management's concern for people and how their strengths fit into the organization's objectives. Peters and Waterman (1982), Drucker (1977, 1980), Deming (1986), and Porter (1980) all suggested that people contribute to the overall success of the firm. Thus, as the theoretical approach to determining success was developed for this study, two variables seemed to best represent this basis: an employee and a client variable.

Specifically, membership attrition rates and employee turnover ratios were employed. Membership attrition corresponds to the number of members that discontinue their relationship with a facility (IHRSA, 1995). Employee turnover describes the number of employees that either leave an organization or are forcefully terminated (IHRSA, 1995). The purpose for incorporating both of these variables into the success factor (SF) was to illustrate that facilities which experience high employee turnover, or decreasing membership numbers, will have less potential for success.

Financial Approach

Brigham and Gapenski (1988) and Rao (1987) suggested that the success of the firm was based on the wealth maximization of the shareholders. Therefore, the greater the profit margin, the greater the opportunity for wealth building for firms owners. The financial variable developed for use in the success factor was simplified to each facility's profit margin, or profits divided by gross revenue. The more profitable the facility, the more successful the facility, based on the financial variable.

Operational Approach

Operations reflect the nature of the business (Bateman & Zeithaml, 1990). According to IHRSA (1994, 1995), one of the predominant measuring tools for health clubs is the ratio of square feet per member. While IHRSA suggested that the ratio include square feet as the numerator and membership quantity as the denominator, this study posed the opposite. Changing this ratio allowed the researcher to measure operations and a desirable ratio; as the ratio increased, the operational success of the firm became more apparent.

The operation variable ratio measures the operational capacity of the facility based on the square feet combined with management's ability to realize a gross revenue foundation based on membership quantity. The operational variable does not reflect operational costs or revenues, but rather facility capacity concurrent with management's ability to realize sales quantity.

Success Factor Ratio

The success factor ratio developed for this study was a product of the variables delineated above. The formula is as follows:

A = Employee variable (employee turnover)
B = Client variable (membership attrition rate)
C = Financial variable (profit margin)
D = Operational variable (membership quantity per facility square footage)
SFR = Success factor ratio
SFR = (C x D) - (A x B)

The success factor ratio assisted the researcher with determining whether a relationship existed between facility success and strategy implementation. A correlation was conducted between the success factor ratio and Behavioral Anchored Rating Scale applied to each topic grouping by the researcher and confirmed by the multiple analysts.

Cross-Case Analysis

Patton (1990) suggested that one of the first steps a researcher must undertake in the data analysis process is to decide whether to conduct a cross-case analysis or a case analysis. The latter presumes that the researcher will write a case study for each participant's interview. A cross-case study, which was used in this study, indicates that answers from participants are grouped together by commonality or by differentiation on central issues (Patton). This strategy allows the researcher to assess the participants' answers holistically as a group versus a case by case approach.

In this study, the researcher categorized data that was homogeneous. As data were grouped by similarity, significant themes could then be depicted within each topic grouping. Thus, the level of strategy employment became evident through the use of a cross-case analysis.

Furthermore, as is appropriate within a qualitative analysis, the researcher anticipated that the data might become dynamic. Patton (1990) contended that as a qualitative researcher approaches the data analysis, it is paramount not to be fixated on one specific and predetermined outcome. Therefore, it was essential to allow for any unexpected results while conducting the analysis.

Statistical Employment

Miles and Huberman (1994) and Patton (1990) suggested that pure qualitative analysis methodologies often lend themselves to internal consistency and logic. However, they also argued that mixing, or linking, qualitative and quantitative analyses can increase the qualitative study's level of trustworthiness. As such, this study utilized both qualitative and quantitative analysis.

Thomas and Nelson (1990) indicated that "statistics is simply an objective means of interpreting a collection of observations" (p. 85). In this study, statistics were employed to assist in describing the participants' answers. The intention was not to make inferences about the entire health club industry, but rather to more comprehensively describe the outcomes of the views of this study's sample.

The mean was used to assist in describing the sample's central tendency. Standard deviation was utilized to illustrate the variability that occurred within the sample. Thomas and Nelson (1990) indicated that both the mean and standard deviation together could provide a good description of the sample's scores.

Additionally, a correlation was conducted on the topic groupings' ratings and the success factor ratios. The intent with using a correlation was to indicate whether a relationship existed between strategy implementation and success of the facility. While the correlation cannot be generalized to the industry, it provided further credibility to the study's outcome.

Interview Preparation Process

This section provides the reader with a step-by-step depiction of the study's interviewing preparation process.

Subject Selection

As was mentioned above, this study employed Patton's (1990) purposeful random sampling technique. Twelve participants were included for interviewing and data collection. Twelve participants were selected for two primary reasons. First, IHRSA (1995) outlined several categories of health clubs to assist managers in better analyzing their facility. Six of the predominant categories were utilized in this study. Secondly, the study included two facilities within each category that provided for more valuable comprehension and representation.

Letter of Inquiry

Once the sample was determined, a letter of inquiry was sent to each selected health club manager. The letter served as an introduction to the study and its purpose. The manager then had the opportunity to decide whether or not to become one of the study's participants. Since there was an element of randomness included, the manager had to be contacted for both introduction and consent. The letter of inquiry is included in Appendix A.

Telephone Contact

The third step in the interviewing preparation process included a telephone contact with the health club manager. This enabled the researcher to receive verbal consent from the manager and to finalize the sample. The telephone contact also gave the manager an opportunity to ask any questions or address any concerns that he [/she] might have had.

Instrument Delivery

The participants were sent a copy of the interview guideline. This gave the participant an opportunity to prepare for the interview and to devise any potential questions for the researcher. The interview guideline is included in Appendix B. A written consent was also sent to each participant for both consent and confidentiality assurance. The written consent is included in Appendix C.

Confirmation Call

Within one week of sending the interview guideline, a call was made to each participant. This allowed each health club manager another opportunity to ask questions and to eliminate confusion. This call also confirmed the time of the actual interview.

The Interview

The interview took place once the preliminary steps were satisfactorily completed. The interview allowed for an open discussion between the participant and the researcher. While the interview guide was used, there still existed an element of flexibility for each participant's commentary.

Each conversation was tape recorded for authenticity and data accuracy. "A tape recorder is part of the indispensable equipment of researchers using qualitative methods" (Patton, 1990, p. 348). Field notes were recorded by the researcher to assist in accuracy and comprehension.

Once the interview was complete, the investigator transcribed the recording. Patton (1990) contended that transcriptions are a necessity in the data analysis of qualitative methodology. To reduce potential bias, the transcription took place immediately following each interview. This also provided the researcher with a better opportunity for conducting a cross-case data analysis.

Trustworthiness of the Study

Lincoln and Guba (1985), Patton (1990), Bradley (1993), and Miles and Huberman (1994) contended that trustworthiness is essential for any qualitative study. While quantitative studies profess arguments for validity and reliability, qualitative studies require that credibility, transferability, dependability, and confirmability are addressed (Lincoln & Guba, 1985). Each is explained in this section.

Credibility

According to Patton (1990), credibility within a qualitative study must include three issues: (a) the techniques and methodologies incorporated to ensure integrity, validity, and accuracy of the study's findings; (b) the qualifications and experiences of the researcher; and (c) the foundation of the study's assumptions. Credibility of this study was secured by the use of triangulation, peer debriefing, and participant checks.

Triangulation

Denzin (1978) suggested that triangulation can be addressed using four different methods. First, implementing different sources for data collection can assist in obtaining non-biased data. Utilizing different data sources refers to a variety of collection techniques, such as interviews and observations. The second method for addressing triangulation that Denzin advised was to implement different methods for data collection, such as a mixture of qualitative and quantitative procedures. Third, Denzin suggested using multiple analysts. Patton (1990) defined multiple analysts as "having two or more persons independently analyze the same qualitative data set and then compare their findings" (p. 468). The fourth method for establishing credibility through triangulation is utilizing different theories (Denzin). Patton explained that this method simply incorporates different perspectives to assess the same problem.

Lincoln and Guba (1985) mused that triangulation is not necessarily represented by an exact formula. Rather, the utilization of a variety of combinations can assist in establishing study credibility. This study incorporated methodology variation, multiple analysts, and differing theories to achieve triangulation.

This study used both qualitative and quantitative methods in the data analysis. Additionally, the interview guideline incorporated both open-ended questions and closed questions for the purpose of cross-case analysis of the data. Patton (1990) argued that qualitative and quantitative methods alone do not guarantee credibility, but they do assist with data comparison.

Using multiple analysts was another key element in triangulating the study. Two other analysts were retained to evaluate and review the transcripts of the interviews. Initially, the researcher and the first independent analyst evaluated each interview transcript. As differences appeared between these two evaluations, a second independent analyst was asked to give a final evaluation. The independent analysts were not members of the researcher's doctoral committee, but do maintain expertise in either management, and/or the industry specifically.

Theory triangulation was also used in this study. Three different approaches to defining success were incorporated into the success factor ratio. Furthermore, the success factor ratio was correlated to four different topic groupings. Each grouping maintained a set of skills and strategies in which to establish any success relationship. The incorporation of multiple topic groupings coupled with a variety of success definitions assisted the study with attaining theory triangulation.

Peer Review and Audit

A peer review and audit also aided the study with enhancing credibility. The peer utilized for this study was not a member of the researcher's doctoral committee, but maintains graduate degrees in an allied field. Furthermore, the peer has served as faculty at other institutions for higher education. The peer was asked to review both the tape recordings and transcripts for data accuracy and authenticity. Additionally, the peer assessed the legitimacy of the field notes taken by the researcher.

Participant Checks

Each participant was sent a copy of the transcript developed directly from the tape-recorded interview. They were asked to review the transcript and to make note of any discrepancies. A telephone call was made to each participant allowing them to voice any questions or concerns. The discrepancies were addressed immediately.

Transferability

According to Lincoln and Guba (1985), transferability relates directly to the quantitative need for external validity. Bradley (1993) indicated that the researcher's responsibility is to provide enough rich data to allow for comparisons and judgments to be made. The researcher established transferability through the use of direct quotations and extensive field notes.

Dependability

Dependability relates to reliability in a quantitative study (Lincoln & Guba, 1985). Several methods were incorporated into this study to attain dependability. Data auditing, tape recordings, transcriptions, and terminology and symbol definitions were all used.

Data auditing was achieved through the maintenance of field notes, tape recordings, and transcripts. Auditing enabled the researcher to consistently monitor the data collection and maintain organization. The primary objective in data auditing was to allow committee members and peers an opportunity to review this study's raw data without difficulty.

Each interview was tape-recorded using an Olympus Microcassette Recorder. Every tape used in this study was retained with the full contents of each interview. From the tapes the transcriptions were then developed. The tapes were played and re-played in order to attain accuracy in the transcription process.

Finally, terms and symbols were defined, as necessary and appropriate for each participant. The researcher went to great lengths to provide each interviewee with a clear and concise explanation of ambiguous or unique wordings.

Confirmability

Confirmability, like credibility, strives for integrity within the study (Lincoln & Guba, 1985). The researcher enhanced confirmability through the incorporation of method triangulation, multiple analysts, theory triangulation, peer debriefing, and participant checks. Both tape recordings and transcriptions aided in achieving the peer debriefing and participant checks.

Summary

This chapter provided the reader with an explanation of this study's methodology. It was noted that a qualitative approach was used with the incorporation of quantitative data analysis methodologies. A mixed data analysis approach was utilized to enable the researcher to enhance credibility, while providing for a more comprehensive assessment.

Also noted was the need for a purposeful random sample as suggested by Patton (1990). This enabled the researcher to specifically target groups of health clubs while strengthening the study's credibility through randomness. The six groups outlined were (a) multipurpose stand-alone, (b) multipurpose corporate/franchise, (c) multipurpose hospital based, (d) fitness only stand-alone, (e) fitness only franchise, and (f) fitness only women only.

Lincoln and Guba (1985), Patton (1990), and Miles and Huberman (1994) contended that qualitative research is not always a clearly delineated circumstance. Often it is plagued with controversy and debate over proper methodologies and strategies. Shadish (1995) indicated that the debates are "simply a part of scientific life" and that researchers should worry less about stereotyped paradigms, but concentrate on what they want to find out. This researcher attempted to utilize the qualitative methodology while incorporating a mixture of qualitative and quantitative data analyses to find out whether there exists any relationship between the strategies that health club managers implement and their facility's success.

CHAPTER IV

DATA ANALYSIS

The intent of this research was to study management strategy utilization of health club managers within the different segments of the health club industry, and then determine whether strategy utilization and facility success maintained any association. This study employed a qualitative methodology with a combined qualitative and quantitative analysis approach. Both are presented in this chapter.

This chapter introduces the data analysis within each topic grouping: Financial management, marketing management, human resource management, and operations management. The data analysis includes the qualitative cross-case analysis and quantitative analysis, utilizing the Spearman's rank correlation coefficient (rs). With the use of both data analysis techniques, the researcher was better able to assess strategy utilization along with any existing relationship to facility success. The Spearman's rank correlation gave a distinct indication of the relationship, or lack thereof, while the cross-case analysis enabled the researcher to assess the significant patterns and themes that developed from the managers' feedback.

Also presented in this chapter are a brief explanation of the study's sample, the informal pilot study that was conducted, and the success factor ratio calculation. Each of these issues is somewhat unique to this study and a cursory review will aid in further understanding the analysis.

Description of the Sample

Although the study was not endorsed by IHRSA, they did assist the researcher with obtaining a purposeful random sample. The Informational Services Department within the IHRSA organization compiled a computer software program that enabled the sample to incorporate twelve randomly selected participants within the six predefined industry segments. Once these participants were selected, given the computer software program written, they were contacted by the researcher through an introductory letter. The data collection process ensued after the twelve participants were secured.

Although it was not a requirement of the study, the sample turned out to be fairly geographically representative of the various regions of the United States. IHRSA (1995) used the following regions for their data reports: North East, North Central, South Central, and West. Table 1 indicates the regions represented by this study's participants.

Table 1

Regions of the United States Represented in the Study

Region	no.
North East	2
North Central	3
South Central	3
West	4

Note. North East = CT, ME, MA, NH, NJ, NY, PA, RI, VT; North Central = IL, IN, IA, KS, MI, MN, MO, NB, ND, OH, SD, WI; South Central = AL, AR, DE, FL, GA, KY, LA, MD, MS, NC, OK, SC, TN, TX, VA, WV; West = AK, AZ, CA, CO, HI, ID, MT, NM, NV, OR, UT, WA, WY. Based on IHRSA definitions in Profiles of success: The 1995 IHRSA/Gallup industry data survey of the health and fitness club industry, p. 6.

To ensure anonymity of the participants, a generic descriptive was used. Managers from fitness only participating facilities were given the beginning descriptive of "F" to describe themselves and their facility. Similarly, managers from participating multipurpose facilities were given "M" as a beginning descriptive. Therefore, each facility is noted as F1, F2, F3, F4, F5, F6, M1, M2, M3, M4, M5, and M6. The managers from each facility were then described as F1 Manager, F2 Manager, and so on.

Interview Guideline

The interview guideline that was used to conduct each interview is included in Appendix B. The guideline included questions that were both closed and open ended. There were six areas included in the interview guideline: Facility statistics, which was comprised of questions regarding specific data describing each facility; financial management, marketing management, human resource management, operations management, and a summary.

The summary section was included to allow the manager to voice their opinions about anything that they felt needed to be added to the discussion. To initiate a thought process the researcher asked questions about the industry and the projections for the future. Most managers took this opportunity to discuss their specific experiences within the industry and their concerns for the future.

Informal Pilot Study

To prepare for the actual data collection, an informal pilot study was conducted with two willing participants. Two managers were contacted by the researcher to participate in an interview rehearsal. The objective was to determine the clarity of the questions, length of the interview, and comprehensiveness of the questions within each topic grouping.

The first manager was an owner and manager of a multipurpose facility in Kansas. The manager indicated that the questions were extremely thorough, but potentially too complex for the "typical" health club manager. The interview guideline can be found in Appendix B. The length, however, seemed appropriate and was mostly dependent on the participant's answers. This interview lasted seventy-five minutes.

The second manager contacted was the manager of a fitness only facility in Colorado. This manager did not express any difficulties with the understanding or comprehension of the interview questions. The interview lasted nearly fifty minutes and was again based on the length of the participant's answers.

The informal pilot study allowed the researcher to more carefully word each question and to explain various trouble spots. One trouble spot was the word "strategy." While purposefully ambiguous, both managers in the pilot study requested further explanation of "what is meant by that term" (1/29/97 Pilot interview, p. 1; 1/29/97 Pilot interview, p. 1). Additionally, the pilot study enabled the researcher to better anticipate the potential length of each interview. Consequently, the researcher was prepared to address any ambiguities through the use of definitions and comprehensive clarifications.

The last significant issue that transpired during the pilot study was the need for the researcher to ask more probing questions when given a one word answer. An example of this follows:

> **Researcher:** Do you use break-even analysis within the confines of financial management?
>
> **Manager:** Yes.
>
> **Researcher:** In what capacity?
>
> **Manager:** Well, maybe I'm not sure what you mean, explain that? (1/29/97 Pilot interview, p. 2)

If the questioning terminated upon the answer "yes," the true understanding of the manager's utilization of this skill would not have been realized.

Peer Debriefing and Data Auditing

A disinterested peer was used to review the authenticity and accuracy of the transcripts. This peer not only served as a reviewer of the transcripts, but also assessed the legitimacy of the field notes taken by the researcher, a process suggested by Patton (1990) for study credibility. Therefore, all data, including audio tapes, transcripts, and field notes were reviewed and audited by a disinterested individual possessing a terminal degree in an allied field. A letter of attestation is included in Appendix D.

Independent Analysts

Two independent analysts were utilized to evaluate the interviews. Once the transcripts and audio tapes were reviewed by the peer for accuracy and authenticity, the independent analysts were provided with the interview transcripts. The first independent analyst was given all of the interview transcripts to evaluate. This evaluation took place independent from the researcher's evaluation. Each interview was assessed using the Behavioral-Anchored Rating Scales (BARS).

The ratings given by both the researcher and the first independent analyst were then compared. If the ratings were identical, the score was retained. However, if a discrepancy occurred, the corresponding interview transcript was then sent to the second independent analyst. This individual evaluated these transcripts utilizing the provided response form, as was used by both the researcher and first independent analyst. The response form, containing the BARS, is included in Appendix E.

Therefore, when the researcher's evaluation differed from the evaluation of the first independent analyst, both evaluations were negated and supplanted by the sole opinion of the second independent analyst. The analysts used in this study were considered equally capable of evaluating management strategy utilization within this industry; thus, the negation was appropriate.

The second independent analyst's evaluation served as the final rating for that particular topic grouping within the corresponding participant's interview. The previous evaluations conducted by the researcher and first independent analyst were then thrown out of the data analysis.

Each manager was rated four times, once for each topic grouping. Therefore, the total number of ratings employed in this study was forty-eight. The second independent analyst was required for sixteen of the ratings, or 33.3% of the time. Tables F1, F2, F3, and F4 in Appendix F illustrate the specific ratings given to each manager within each topic grouping by the researcher, first independent analyst, and as necessary, the second independent analyst. Once the ratings were completed for each facility manager within each topic grouping, the ratings were ranked.

Facility Data

Table 2 illustrates some of the quantitative data collected from each manager. The differences between the two facility types are quite apparent. Multipurpose facilities realized gross revenues of 42.1% more than fitness only facilities. Similarly, they maintained 56.7% more employees and 14.3%

greater membership numbers. Multipurpose facilities were also significantly larger, more than double the mean size of a fitness only facility.

While the facility data differences between the fitness only and multipurpose facilities are sizable, it should be noted that there also exists a wide range between the facilities within their own categories. As is illustrated in Table 2, the standard deviation reflects the lack of continuity among the data; therefore, indicating that substantial differences exist among fitness only facilities, as well as among multipurpose facilities.

Success Factor Ratio

The success factor ratio (SFR) is a compilation of four different variables. Each of these variables represents a specific management area within the facility. The four variables, as described in Chapter III, are the employee variable (A), the client variable (B), the financial variable (C), and the operational variable (D).

Table 2

Facility Data

Participant	SQ FT	Membership	Employees	Revenues
		Fitness-Only		
F1	10,000.00	1,300	7	$264,000.00
F2	36,000.00	5,200	45	$1,648,522.00
F3	35,000.00	550	80	$1,300,000.00
F4	1,500.00	250	4	$70,000.00
F5	5,000.00	545	7	$200,000.00
F6	15,000.00	1,300	35	$920,000.00
M	17,083.33	1,524	30	$733,753.67
SD	14,981.38	1,852	30	$653,950.17
		Multipurpose		
M1	19,000.00	749	12	$400,000.00
M2	45,000.00	2,500	65	$1,225,585.00
M3	65,000.00	2,100	100	$2,078,000.00
M4	47,000.00	2,900	72	$1,550,000.00
M5	45,000.00	1,000	14	$624,000.00
M6	33,000.00	1,200	17	$380,000.00
M	42,333.33	1,742	47	$1,042,930.80
SD	15,370.33	880	37	$691,402.96
		All Facilities		
M	29,708.33	1,633	32	$888,342.25
SD	19,577.88	1,387	32	$661,624.44

Note. SQ FT = facility square footage.

Table 3 illustrates the SFR calculation for each facility and their corresponding rank. At this point, it would be beneficial to review the SFR formula, which is as follows:

SFR = (C x D) - (A x B)

Table 3

Rankings of Facility Success Factor Ratio Calculations

Participant	A	B	C	D	SFR	Rank
F1	14.29%	11.54%	7.95%	0.130	-0.0062	1
F2	15.56%	33.17%	3.21%	0.144	-0.0470	3
F3	18.75%	36.36%	-5.38%	0.016	-0.0690	5
F4	50.00%	18.00%	5.57%	0.167	-0.0807	6
F5	85.71%	49.54%	-20.00%	0.109	-0.4464	12
F6	22.86%	61.54%	15.22%	0.087	-0.1274	8
M1	66.67%	42.72%	5.00%	0.039	-0.2829	10
M2	30.77%	21.64%	6.25%	0.056	-0.0631	4
M3	80.00%	45.24%	2.12%	0.032	-0.3612	11
M4	8.33%	32.76%	6.45%	0.062	-0.0233	2
M5	71.42%	25.00%	-4.17%	0.022	-0.1795	9
M6	29.41%	32.42%	21.58%	0.036	-0.0876	7
M	41.15%	34.16%	3.65%	0.075	-0.1479	

Note. A = employee variable (employee turnover); B = client variable (membership attrition rate); C = financial variable (profit margin); D = operational variable (membership quantity per facility square footage); SFR = success factor ratio.

All facilities experienced a negative SFR. The reason for this occurrence was due to variables A and B. As a product, they were greater than the product of variables C and D. Clearly, employee turnover (A), and membership attrition rate (B), were consequential issues within each facility, outweighing both profit margin (C), and operations (D). The mean employee turnover rate was over 40%, indicating a problem with maintaining stable personnel. The F2 Manager commented on this issue:

> We realize that wages are the highest operating expense and for the most part money will be spent here, but if you can get quality people, you are going to pay them and in the long run you will be better off. You don't want a revolving door. So that's one of the strategies we have to use, trying to get good people in here, treat them right, and try to keep them as long as we can. (2/21/97 Interview, p. 2)

Membership attrition was also an issue with which managers seemed to have difficulty. The mean attrition rate was 34.16% for all facilities (35.03% fitness only, and 33.30% multipurpose); therefore, over the course of one year each facility needed to attract over thirty-four new members out of one hundred just to keep membership numbers consistent. Facility F5 has experienced attrition rates near 50%, that manager commented on this issue.

> We need to keep people interested in coming to the club and not staying at home with their own exercise machines that they buy through the late night infomercials. Attrition is always a problem, we just have to cater to whatever the members want, like more motivation, more training, etc. (3/4/97 Interview, p. 4)

Facility profit margins realized a mean of only 3.65% indicating that the managers are feeling pressure to increase revenues or decrease expenses. The range for this measure was 41.58 percentage points illustrating that the potential exists for financial success and failure. It is clear, however, that most of the managers were just realizing the importance of financial management and the impact it could have on the overall success of the facility. Many managers equated finance to a more "business" approach. The F6 Manager indicated the importance of becoming more focused on business. "Managers and owners are becoming more business oriented. In order to be successful, you really have to know something about business these days. Making money is what is going to provide for your future" (3/5/97 Interview, p. 4).

Operationally, managers appeared to struggle with increasing members per square foot of operating space. The facility that realized the highest ratio of membership to square foot was Facility F4 (Table 3). This was not necessarily due to the strong membership numbers, but more because the facility is exceptionally small in comparison to other like facilities.

Facility F2 also realized a high membership to square footage ratio (Table 3). This facility, however, unlike Facility F4 was able to realize a correspondingly high membership base. Facility F2 maintained membership numbers of over 218% greater than the sample mean. However, the square footage was only 21% greater than the sample mean, an indication that the F2

Manager emphasized membership growth as a predominant management objective.

Like measuring membership per square foot, one facility manager discussed using revenue per square foot to measure operational performance. This ratio denotes membership revenue and ancillary revenue as well. As new programs are added to the overall operation, the manager emphasized the importance of measuring the impact on total revenues based on facility size. F2 Manager commented, "the way we analyze the business is revenue per square foot. Every time we look at a new project, we ask ourselves the question 'how much money per square foot are you realizing?' And then we go from there" (2/21/97 Interview, p. 3).

Spearman's Rank Correlation Coefficient

The Spearman's rank correlation coefficient was employed to determine whether a significant relationship existed between each topic grouping and the calculated SFR for each facility and the respective manager. Since this study included a sample size of twelve participants, a nonparametric statistical measure was necessary. Spearman's rank best assessed this data analysis since the objective was to determine the relationship, if any, between two groups' ranks (McClave & Dietrich, 1988). Applying the Spearman's rank formula indicated to the investigator the correlation between the SFR of each facility and the evaluated utilization of management strategy by the corresponding facility manager.

A two-tail test was employed with an alpha value of 0.050. Since this was a two-tailed test, the alpha value was halved to find the critical value for this correlation. Using the Spearman's Rank Correlation Coefficient Critical Value Table as found in Statistics by McClave and Dietrich III (1988), the critical value for this analysis was 0.591. Therefore, if the correlation coefficient was either greater than 0.591 or less than -0.591, the conclusion would be that the SFR and the evaluated management topic grouping were associated; a significant correlation did exist. This analysis is discussed within each topic grouping section of this chapter.

Analysis of Financial Management

Financial management strategies appeared to be at the forefront of most managers' agendas. Concern for longevity and survival seemed to have created this predominance. One multipurpose facility manager, realizing the need for financial focus commented:

> We not only review the monthly numbers, but there is always a pro forma financial statement created for the product or program that we want to start, just to see if it has value. We review it to see if it makes sense and if so we go for it. (2/12/97 Interview, p. 3)

For most of the managers, however, financial management was mostly budgeting and budget review. Few went further to analyze the sources for their facility's financial outcome. The movement appears to be towards more sophisticated use of financial management. Most of the managers expressed not only the desire to learn more about finance, but the need to become better managers through the use of analysis tools.

Financial Management Strategy Utilization Comparison Between Fitness Only and Multipurpose Managers

Table 4 illustrates the revenue per square foot that each facility realized during the last fiscal year. Fitness only facilities experienced a higher mean ratio, but this is not an indication of revenue success. Fitness only facilities operate within a smaller space, half the size of multipurpose facilities in this study. Multipurpose facilities include a swimming pool and gymnasium, which add square footage. As a result it is much more difficult to increase revenue per square foot as a multipurpose facility manager.

Table 4

Facility Revenue Per Square Foot

Participant	Revenue per SQ FT
Fitness-Only	
F1	$26.40
F2	$45.79
F3	$37.14
F4	$46.67
F5	$40.00
F6	$61.33
M	$42.89
Multipurpose	
M1	$21.05
M2	$27.24
M3	$31.97
M4	$32.98
M5	$13.87
M6	$11.52
M	$23.10
All Facilities	
M	$33.00

Note. SQ FT = facility square footage.

Nonetheless, the emphasis for both facility type managers appeared to be on revenue growth. Increasing revenue per square foot takes into consideration both membership revenue growth as well as non-membership revenue growth.

The M3 Manager indicated that it was absolutely a necessity to increase revenues outside of pure memberships (Field Notes, 2/12/97, p. 2).

"We have added almost a second business within the club, just to increase revenues," according to M3 Manager (2/12/97 Interview, p. 2).

The M2 Manager indicated some of the same revenue growth strategies. "We have arthritis classes and have a popular kids swimming program on Sundays" (2/18/97 Interview, p. 2). Facility M2 has been able to increase revenues through additional programming for both seniors and the youth population.

In general, the multipurpose facility managers seemed to be more progressive in the use of financial management. The manager of Facility M2 developed a spreadsheet that enabled him to review the status of the facility with regard to membership numbers, profits, cash flow, and bad debt. Furthermore, the spreadsheet included a comparison column so the manager could compare the current situation to one year prior (Field Notes, 2/18/97, p. 2).

The M4 Manager conducted some of the same analysis. He alluded to the need for constant comparison and budget refinement. "As the year goes on, we need to know where we are at, especially in comparison to last year or the year before" (2/25/97 Interview, p. 1). This particular manager suggested that a comprehensive review of budget attainment and refinement should take place every three months.

Multipurpose facilities also include more profit centers, or services outside of the membership. Most of the multipurpose facilities took advantage of new developments in the industry in order to increase revenues. The list of services offered is illustrated in Table 5. However, it is crucial to note that, in this study, the fitness only facility managers were not as proactive in seeking additional ways to improve their facility's financial situation. Multipurpose managers indicated that improvements can be realized through implementation of additional services.

The BARS scores reflected some of the differences between the two segments of managers--fitness only and multipurpose. The mean score for the fitness only managers was 2.50 out of a maximum score of 5.0. In comparison, the multipurpose managers received a mean score of 2.83, slightly above the fitness only managers.

Table 5

Services Provided Within Participating Facilities

Services	% FO	% MP
Free Weights	100.00%	100.00%
Weight Resistance Machines	100.00%	100.00%
Treadmills	100.00%	100.00%
Exercise Bicycles	83.33%	100.00%
Stair Climbers	100.00%	100.00%
Youth Camps	33.33%	33.33%
Spinning Classes	16.67%	0.00%
Gymnasium/Racquetball	0.00%	83.33%
Aerobics	100.00%	100.00%
Child Sitting	66.67%	75.00%
Senior Programs	66.67%	83.33%
Nutritional Counseling	66.67%	83.33%
Juice Bar/Restaurant	33.33%	75.00%
Swimming	0.00%	100.00%
Rehabilitation Therapy	33.33%	66.67%
Pro Shop	50.00%	66.67%
Tanning	50.00%	16.67%
Personal Training	100.00%	83.33%
Tennis	0.00%	33.33%

Note. % FO = percentage of fitness only facilities providing the service; % MP = percentage of multipurpose facilities providing the service.

Financial Management Cross-Case Analysis

One predominant theme became apparent with the analysis of financial management strategy utilization. The need for managers to become more sophisticated with the use of business and finance principles seemed to be paramount. Concurrently, some managers appeared to possess little, if any, knowledge of financial management skills or strategies. Furthermore, three managers stated clearly that finance, to their mode of management strategy, was rarely employed. The F5 Manager stated, "I don't really use financial management because the business is based on whatever the books say, and whatever needs to be paid" (3/4/97 Interview, p. 2).

Another fitness only facility manager explained that "capital budgeting or break-even analysis didn't help, an equipment purchase or new program development is based on how big of a hammer I can pound on the desk" (2/12/97 Interview, p. 3). In this case the manager was dependent upon an ownership group making the ultimate decision. Apparently the final decision was not necessarily based on profit and loss, but emotional expression.

The F5 Manager indicated that, as the interview was taking place, the business was terminating operations. This manager's primary focus was getting the necessary bills paid and legal issues covered. However, it should be noted that the lack of financial management utilization could have aided in better planning. Perhaps not guaranteeing success, but at least assisting in a proactive management approach as opposed to reacting to expenses as they occur.

Another example of not utilizing financial management took place with one of the multipurpose facility managers. This manager indicated that many of the skills and strategies "simply were not relevant to the real world" (2/14/97 Interview, p. 3). The manager explained his agenda:

> **Researcher:** Do you use financial planning and budgeting?
>
> **Manager:** Yes.
>
> **Researcher:** In what capacity?
>
> **Manager:** To do our budgets.
>
> **Researcher:** Do you use break-even analysis?
>
> **Manager:** We don't use it on equipment or programs because it isn't necessary.
>
> **Researcher:** Do you conduct statement or ratio analysis?
>
> **Manager:** Depends on when it's relevant.
>
> **Researcher:** When would it be relevant?
>
> **Manager:** Well, we eyeball it and look for anything out of whack, we don't use a formal program of ratio analysis. (2/14/97 Interview, p. 3)

Later during the interview that same manager asked the researcher "how well do you know the industry?" and then went on to add:

> The questions you are asking are highly dependent on who you're asking, if you ask a hospital based club you're going to get one set of answers and if you ask a large club you're going to get one set of answers and if you ask a small club you're going to get a different set

of answers and the problem is when you take it with a broad brush like you have I question, academically the relevance of what you're going to get. (2/14/97 Interview, p. 4)

The majority of managers, however, desired to become more well versed on the different financial management strategies available to them, and furthermore how to use them. Utilization of financial management skills and strategies were mostly less sophisticated.

Most managers used some type of budgeting and planning, and they nearly all sought profit growth. However, only one facility manager used time value of money principles, and only half of the managers employed ratio analysis. Additionally, only one manager calculated a capital budget using cash flow analysis, but 50% of the managers indicated that a capital budget was developed each fiscal year. A common reaction by the managers is illustrated by one multipurpose facility manager's comments:

Researcher: How do you assess your profit level?

Manager: We compare it to budget.

Researcher: You compare your revenues and expenses to budget to see how your profit level is doing?

Manager: I thought that was...maybe we don't do that. I guess we just look at the budget.

Researcher: And do you use time value of money principles?

Manager: Yes.

Researcher: And in what capacity, if I may ask?

Manager: We work on a fiscal year basis so when you say time value of money you mean amortization or depreciation, right?

Researcher: Actually, I am looking to see whether you calculate the difference a dollar would be given time into the future or past, and then to use that to assist you with your planning.

Manager: No we don't do that. We don't do any of that, but we probably should. (2/18/97 Interview, pp. 1-2)

This seemed to be a common theme among most of the managers. They felt that the business warrants such sophistication, but they just do not know how to use these types of principles. It was evident that managers were concerned about their own future, their facility's future, and how to better plan for industry changes and increased competition.

Financial Management Quantitative Analysis

The result from the Spearman's rank correlation coefficient between the BARS evaluation and the SFR was a significant relationship. At an alpha level of 0.050, using a two-tailed test, the coefficient (rs) was .780, greater than the critical value of .591 (Table 6). This indicates that there was a significant correlation between facility success and the manager's employment of financial management strategy.

Table 6

Spearman's Rank Correlation Coefficient for Success Factor Ratio Rankings and Financial Management Strategy and Skill Utilization Rankings

Participant	SFR	Rank	Final	Rank	d	d2
F1	-0.0062	1	4	2.5	-1.5	2.25
F2	-0.0470	3	3	5.0	-2.0	4.00
F3	-0.0690	5	3	5.0	0.0	0.00
F4	-0.0807	6	2	8.5	-2.5	6.25
F5	-0.4464	12	1	11.5	0.5	0.25
F6	-0.1274	8	2	8.5	-0.5	0.25
M1	-0.2829	10	2	8.5	1.5	2.25
M2	-0.0631	4	4	2.5	1.5	2.25
M3	-0.3612	11	3	5.0	6.0	36.00
M4	-0.0233	2	5	1.0	1.0	1.00
M5	-0.1795	9	1	11.5	-2.5	6.25
M6	-0.0876	7	2	8.5	-1.5	2.25
Total d2						63.00
r_s = 0.780*						

Note. SFR = success factor ratio; Final = final rating given to participant; d = difference between the ranks; d2 = the difference squared; r_s = Spearman's rank correlation coefficient. *$p < .05$.

The higher, or in this case the less negative, the SFR, correspondingly, the better the BARS evaluation. Table 6 illustrates the SFR's and their corresponding rank, the final BARS evaluation for the financial management topic grouping and their corresponding rank. The detailed financial management ratings can be found in Table F1 in Appendix F.

The significant relationship between the SFR and the BARS financial management evaluation lends credibility to the cross-case analysis. The qualitative analysis showed that most managers were not sophisticated in their utilization of financial management, but desired to become more knowledgeable. The Spearman's rank correlation illustrated that as managers used financial management more thoroughly within their management approach, the better chance there was for facility success.

Furthermore, three managers expressed little use of financial management and little interest in employing this topic grouping into their management approach in the future. Interestingly, these three managers operated facilities with profit margins less than the sample mean. These facilities were the only facilities in the sample that realized a net loss for the past fiscal year. One facility, F5, was actually closing their doors for business.

The facility with the highest profit margin did not receive the highest rating for financial management utilization. The significant relationship is still possible because the SFR takes into consideration four variables from the predominant areas of the business--not only profit margin. However, it is interesting to note that the top ranked manager for financial management utilization operates a facility that experienced a 6.45% profit margin, well above the sample mean of 3.65%.

Financial Management Analysis Summary

The predominant theme evident in the cross-case analysis was that managers wanted more knowledge on ways to become better managers using more sophisticated "business" or financial management principles. The Spearman's rank correlation simply added to this feeling that the more business knowledge a manager possesses, the better off the facility will be. Of course this was not true in every case, but the significant relationship gives credence to the importance of financial management comprehension.

Most of the managers felt that as an industry, health clubs are becoming increasingly competitive with only the "strong" surviving. The M4 Manager indicated that the future does not look good for independent club owners (Field Notes, 2/25/97). This manager went on to say the following:

> We have to be prepared for mergers, acquisitions, and consolidations and in order to do this we need to know what the numbers say. If we don't, we won't survive. And then we will be bought out or taken over by somebody else. (2/25/97 Interview, p. 8)

Analysis of Marketing Management

Marketing, as a topic grouping, seemed to escape most managers. Many of the managers in this study associated the term of marketing with public relations or advertising. Kotler (1988) emphasized that marketing is much more than just public relations and advertising. Marketing is the process of getting your product sold through customer satisfaction (Kotler; Dalrymple & Parsons, 1995). However, it seemed as though most managers did not realize the comprehensive nature of marketing management. One multipurpose facility manager exemplified this thought process.

> **Researcher:** What types of marketing management strategies do you use?
>
> **Manager:** We tend to emphasize public relations rather than marketing.
>
> **Researcher:** Okay, are there any public relations strategies that would be worth noting here?
>
> **Manager:** Nothing that I can put my finger on, we just constantly keep ourselves in the news. (2/14/97 Interview, p. 4)

Another fitness only facility manager indicated that marketing was not even conducted within their facility.

> **Researcher:** What kinds of marketing management strategies do you use?
>
> **Manager:** I don't use any marketing.

Researcher: Pricing analysis?

Manager: No.

Researcher: Target market analysis?

Manager: No.

Researcher: Any advertising?

Manager: Yes, yellow pages and some other things.

Researcher: So you do use some marketing?

Manager: Well, not really marketing. (2/14/97 Interview, p. 2)

Interestingly, this facility received the top ranking for the SFR. The facility maintained very low employee turnover and low membership attrition rates.

Marketing Management Strategy Utilization
Comparison Between Fitness Only
and Multipurpose Managers

Table 7 illustrates the advertising budgets for each facility in dollar amounts and as a percentage of gross revenues. Multipurpose facilities spent over twice as much on advertising as did fitness only facilities. Furthermore, as was discussed earlier, the multipurpose facilities experienced higher profit levels. Therefore, it would appear that the advertising dollars spent by multipurpose facilities were quite effective and efficient.

Evaluation was not dependent upon a high advertising budget, however.. The BARS ranking reflects the managers' use of marketing as a

Table 7

Facility Advertising Budgets

Participant	$	%
	Fitness-Only	
F1	$5,950.00	2.25%
F2	$33,000.00	2.00%
F3	$30,000.00	2.31%
F4	$700.00	1.00%
F5	$5,000.00	2.50%
F6	$18,400.00	2.00%
M	$15,508.33	2.01%
	Multipurpose	
M1	$6,000.00	1.50%
M2	$30,000.00	2.45%
M3	$100,000.00	4.81%
M4	$60,000.00	3.87%
M5	$24,000.00	3.85%
M6	$30,000.00	7.89%
M	$41,666.67	4.06%
	All Facilities	
M	$28,587.50	3.04%

Note. $ = advertising budget in terms of dollars;
% = advertising budget in terms of a percentage of revenues.

comprehensive topic grouping. Evaluators reviewed more than advertising dollars. Table F2 in Appendix F illustrates the ratings given to managers for their use of marketing management strategies and skills. While no manager received a top rating of a 5.0, the managers receiving the highest ratings operated advertising budgets near the sample mean of 3.04%, appearing not to allocate too much or too little on an advertising program.

The mean score for the BARS evaluation under this topic grouping was 2.42. Fitness only managers received a mean score of 2.17, while multipurpose managers had a mean of 2.67. The difference of 0.50 shows that the multipurpose managers based on the interviews maintained better knowledge of marketing management strategy and skill utilization, although with a maximum score of 5.0, 2.67 is not necessarily an indication of expert application. Furthermore, as will be discussed later in this section, the test for significance indicated no relationship between strategy utilization and facility success.

It should be noted here that many of the facility managers did employ marketing strategies even though they might not have realized it. Seven of the twelve facility managers within the study increased investment in the facility in order to attract new membership or retain existing membership. Four of these seven were multipurpose managers.

Five of the twelve managers employed a change in target market strategy, attempting to attract another segment of the population. Four of these five were multipurpose managers. However when asked about these specific strategies, they did not necessarily realize that they were using a marketing strategy. The manager of Facility F3 illustrated this point.

> **Researcher:** What types of marketing strategies do you use?
>
> **F3 Manager:** We advertise via direct mail, newspaper, and some radio.
>
> **Researcher:** Anything else?
>
> **F3 Manager:** I don't think so, I think we will be diversifying our advertising dollars more in the future. (2/12/97 Interview, p. 3).

And later in the interview the question was asked regarding target markets.

> **Researcher:** Have you changed your target market within the last year?
>
> **F3 Manager:** That's definitely a yes. We are zeroing in on what we actually want in our club right now. (2/12/97 Interview, p. 4).

Harrigan (1980) suggested that one of the marketing strategies available to managers is changing target markets. A strategy that can be particularly successful in a declining or mature market, such as the health club industry. Like the F3 Manager, other managers in this study employed this strategy, but did not realize it was a marketing strategy.

Lastly, it was evident that all of this study's managers maintained a consistent and up to date analysis of their competition. Each manager was able to speak, in detail, the operations of the competition. This includes the type of facilities they were competing against, the typical member, hours of operation, type of equipment, and prices. Although prices did not seem to be the most important variable in the analysis, each manager was aware of how their prices compared to everyone else in the market.

Marketing Management Cross-Case Analysis

Two predominant themes emerged in the assessment of marketing management utilization. The first issue was the consequential change that has taken place within the industry. Managers noted that the industry has become like other big industries; the strong survive and the weak either terminate operations or are acquired (Field Notes, 2/25/97, p. 4). Because of this change, managers indicated a fear factor that can become prevalent in their management approach.

The second predominant theme was the intensity of the competition. Managers were becoming more aware of how the competition was operating. They made it a point to become well versed on what the trends were, what their neighbors were doing, and what the customers wanted in comparison. Managers, in essence, were conducting competition analysis, but many did not recognize this as a marketing tool.

Industry Changes

It was noted earlier that the health club industry has been in the decline stage for several years. Managers now feel that the industry is simply attempting to survive, and one of the macro events taking place is that capital intense firms are becoming involved. The F6 Manager stated her opinion on this issue:

> First, club owners will own more clubs, and individual owners will decrease rapidly. Survival is extremely difficult unless you have the cash. Secondly, to avoid being swallowed up by others, the individual clubs have to be proactive and create a marketing niche that works for them. (3/5/97 Interview, p. 4)

The manager of Facility M4 stated similar feelings:

> We are seeing, like other industries, a cost savings to consolidation. We also have economies of scale and a better reach to the consumer by consolidation. We can't keep raising our rates with inflation to make money, instead we have to look to other ways to save and reach other markets and that is through consolidation. (2/25/97 Interview, p. 8)

Other managers felt that the industry is changing towards more of a professional, comprehensive health care approach. The idea of the typical health club or "gym" of the 1980s is dying out, or will die out in the near future, according to many of the managers. Instead, what managers feel to be emerging is a more credible source for well-rounded proactive health care, which includes fitness facilities (Field Notes, 2/12/97, p. 4). A fitness only facility manager commented on this issue as follows:

> I think this industry is becoming more of a business type, or professional type atmosphere. In different areas people have a different idea of what a health club might be. People ask what I do and I say that I manage a health club, they respond by saying "oh, you work in a gym," and that's not true. I don't wear sweatpants and shorts all day and there isn't chalk everywhere. It is a professional company, a service company. And I think more people are realizing that the sweat box gyms are being replaced by this type of company atmosphere and becoming more professional. (2/21/97 Interview, p. 7-8)

Other managers agreed with this type of statement. A multipurpose facility manager emphasized that "hospital owned clubs is the number one issue. It is a huge trend merely just beginning" (2/14/97 Interview, p. 7). He also agreed that the typical gyms of the 1980s would soon be a thing of the past. The manager of facility M3 made the following comment:

> In five to ten years there will be mainly 65,000 to 70,000 square foot facilities with very few small facilities and most of the facilities being health and wellness facilities, either owned or partnered with a

> hospital. I also see many kids programs, with locker rooms and skating rinks and all-day day care with an element of sports involved. And I definitely see a consolidation of clubs with the bigger ones making it and medically based. (2/12/97 Interview, p. 9)

It was evident that the managers of the larger facilities felt more comfortable with their survival, while managers of smaller sized clubs were extremely nervous about the future. Due to this industry movement, two marketing strategies seemed to be regularly employed: Changing their target market; and increasing investment in their facility.

The M4 manager commented, "the target market is changing to include both children and seniors" (2/25/97 Interview, p. 5). Facility managers are becoming more aware of who else is in the market and their current needs and wants. Kotler (1988) suggested that during an industry decline stage the participants often search for new users of their product. This is exactly the strategy that many health club managers are employing. They are seeking new users to an existing product.

Increasing investment in the facility assists in maintaining, or decreasing, attrition rates. One manager even goes as far as placing a red ribbon on every new piece of equipment that comes into the facility (Field Notes, 2/25/97, p. 3). This shows the customer that the club cares about membership satisfaction and recognizes their needs and wants. One multipurpose facility manager elaborated on this topic:

> We need to let the members know we care about them, and this is done through listening to their desires. Sometimes this costs money. When we do spend the money we will let them know it. We recently got two new pieces of cardiovascular equipment and we put red ribbons on them to let the members know that they were new and that we listened to their comments. (2/25/97 Interview, p. 5)

Managers indicated that increasing investment could take place in buying new equipment, remodeling the facility, or simply spending more on membership retention through parties and other social activities. They made it clear that keeping a current member is significantly lower in cost than attracting new members. The manager of Facility F6 indicated that they were conducting major renovation projects because new facilities were coming into their market and they needed to maintain a "fresh" atmosphere (Field Notes, 3/5/97, p. 5).

Increased Competition

The managers noted that as the industry has changed, the competition has become extremely intense. One manager noted that sixteen facilities are presently vying for business within a five mile radius (Field Notes, 2/25/97, p.

3). Additionally, with increased competition has come pressure on price reduction. Managers indicated that potential members are joining facilities where prices are the lowest.

The M6 Manager noted his frustration with succumbing to the competition.

> The other day I had a guy come in here and wanted to join, but he only wanted to pay x dollars and go month by month instead of signing a year contract. I said "I am sorry sir, but these are our rates and contract terms." He said to me, "well I just want you to know that the new guy down the street will do this for me." So now I have to go and check this other guy out and maybe change the way I am doing things. I really wanted to help this guy out, but he wanted to go where it was the cheapest. (2/18/97 Interview, p. 2)

The increase in competition was clearly a concern for most every manager. And discounting membership prices was one strategy that seemed to be the least favored in order to attract or keep members. The F1 Manager appeared especially negative regarding some facility manager's discount policies. "How can I compete with somebody who offers a low-ball price, just to get the member in the door?" (2/14/97 Interview, p. 5). She emphasized the need to cater to the members' desires. "I am going to give

them customer service like you can't believe, I have to believe that this will win out over price; besides the low-ballers aren't going to be around forever" (2/14/97 Interview, p. 5).

Marketing Management Quantitative Analysis

Table 8 illustrates the Spearman's rank correlation analysis for marketing management strategy utilization. Table F2 in Appendix F shows the detailed ratings and ranks of the managers' use of marketing management. Based on the correlation, there existed no significant relationship between the SFR and the BARS rankings (Table 8). At an alpha level of 0.050, using a two-tailed test, the coefficient (rs) was -0.005 showing little relationship between marketing strategy utilization and the SFR. That is, this sample provided insufficient evidence to conclude a correlation existed between the SFR and marketing management strategy and skill utilization.

Table 8

Spearman's Rank Correlation Coefficient for Success Factor Ratio Rankings and Marketing Management Strategy and Skill Utilization Rankings

Participant	SFR	Rank	Final	Rank	d	d2
F1	-0.0062	1	1	11.0	-10.0	100.00
F2	-0.0470	3	1	11.0	-8.0	64.00
F3	-0.0690	5	3	4.5	0.5	0.25
F4	-0.0807	6	2	8.0	-2.0	4.00
F5	-0.4464	12	3	4.5	7.5	56.25
F6	-0.1274	8	3	4.5	3.5	12.25
M1	-0.2829	10	3	4.5	5.5	30.25
M2	-0.0631	4	4	1.5	2.5	6.25
M3	-0.3612	11	2	8.0	3.0	9.00
M4	-0.0233	2	4	1.5	0.5	0.25
M5	-0.1795	9	1	11.0	-2.0	4.00
M6	-0.0876	7	2	8.0	-1.0	1.00
Total d2						287.00
rs = -0.005						

Note. SFR = success factor ratio; Final = final rating given to participant; d = difference between the ranks; d2 = the difference squared; rs = Spearman's rank correlation coefficient.

The lack of a significant relationship indicates that marketing management has little influence on the success of the facility. Managers indicated that they did not use marketing management to any great extent. However, some managers used marketing, but did not even realize it. The fact that no correlation existed simply shows that facilities can be considered successful despite the amount or type of marketing management skills and strategies employed by the manager.

Marketing Management Analysis Summary

The quantitative analysis resulted in an insignificant relationship between the SFR and marketing management strategic and skill employment. The cross-case analysis indicated that the facility managers foresee changes in the health club industry, consolidation, and increased competition. Both issues involve use of marketing management; however, the facility managers did not recognize their actions as such. As a result, their perceived knowledge on the subject of marketing management is inconsistent and unsure. Therefore, it makes sense that an insignificant relationship would result with the use of Spearman's rank correlation.

The use of marketing management among the facility managers was present, albeit seemingly inconsistent and haphazard. Some managers did recognize the need for competitive analysis, target market evaluation, and price comparisons. If the industry progresses as some of the managers predict, the use of marketing will, without a doubt, become one of their more predominant focal points.

Analysis of Human Resource Management

The concept of human resource management to many of the facility managers appeared to be somewhat unclear. However, it was apparent that they understood the importance of employee turnover and retaining quality individuals. The intricate details of what comprised human resource, or personnel management seemed to be confusing to most of the managers. One multipurpose facility manager illustrated some of this confusion as shown in the following example.

> **Researcher:** What kinds of human resource, or personnel, management strategies do you use?
>
> **Manager:** The question is broad, I don't know what you are looking for. (2/14/97 Interview, p. 5)

Once the managers realized what constituted human resource management, they were able to move forward with the discussion. One manager even took a humorous approach.

> **Researcher:** What kinds of personnel management strategies do you use?
>
> **Manager:** The strategies are the typical "Dilbert" personnel action, which we of course modify so it won't be so much of Dilbert's and more of something we can use.
>
> **Researcher:** Hopefully you don't have the evil H.R. Director Catbert?
>
> **Manager:** Well... (2/18/97 Interview, p. 6)

Managers emphasized hiring the right person for the job. All managers utilized an internal hiring strategy. In addition, ten of the managers actually interviewed the candidates themselves, through a structured interviewing process. "I want to know what I am getting in this position" stated M3 Manager (2/12/97 Interview, p. 7).

Rewards and compensation were also significant issues with the managers. F1 Manager indicated that the most important strategy that she utilized is a reward program. "This keeps the good and motivated employees" (2/14/97 Interview, p. 3). It appeared that most of the managers took employee satisfaction very seriously in order to curb turnover.

One multipurpose facility manager took a somewhat different approach.

> **Researcher:** Do you have any motivational reward programs?
>
> **Manager:** I would like to say they eat what they kill. (2/14/97 Interview, p. 5).

The same manager viewed employee turnover somewhat lightly in comparison to most of the other managers. "There will always be turnover, it is just part of the industry" (2/14/97 Interview, p. 6).

Human Resource Management Strategy Utilization Comparison Between Fitness Only and Multipurpose Managers

Table 9 illustrates some of the differences between the facilities with regard to the number of employees based on revenue and square footage. The mean revenue per square foot was extremely close for both fitness only facilities and multipurpose facilities, a difference of less than 1%. However, given that multipurpose facilities are much larger, the square footage per employee was more than double for multipurpose facilities.

As will be discussed later in this section, the test for significance was also conducted on this topic grouping. The correlation coefficient calculated showed a significant relationship between human resource strategy utilization and facility success.

The employee turnover rate was the critical statistic in the area of human resource management. The sample mean was 41.15%, while fitness only facilities experienced 34.52% and multipurpose facilities 47.76% (Table 3). As a group, nearly one-half of all the employees within the multipurpose facilities were either terminated or left on their own accord during the last year.

Table 9

Facility Employee Ratios

Participant	Revenues per Employee	Square Footage per Employee
	Fitness-Only	
F1	$37,714.29	1,428.57
F2	$36,633.82	800.00
F3	$16,250.00	437.50
F4	$17,500.00	375.00
F5	$28,571.43	714.29
F6	$26,285.71	428.57
M	$27,159.21	697.32
	Multipurpose	
M1	$33,333.33	1,583.33
M2	$18,855.15	692.31
M3	$20,780.00	650.00
M4	$21,527.78	652.77
M5	$44,571.43	3,214.29
M6	$22,352.94	1,941.18
M	$26,897.94	1,455.65
	All Facilities	
M	$27,028.57	1,076.48

Facility F5 experienced the highest employee turnover (85.71%) and also experienced the worst profit margin (-20.00%). Conversely, facility M3 had an 80.00% turnover rate but still experienced a positive profit margin of 2.12%. While not necessarily directly tied to profits, managers realized that employees were important and did maintain a major impact on the facilities operations.

Multipurpose managers appeared to incorporate more policies and procedures for employees than did the fitness only managers. Employee handbooks, training seminars, and orientations seemed to be quite important to most of the multipurpose management group. Furthermore, some of the multipurpose managers implemented organized training systems.

One multipurpose facility manager utilized a sophisticated training system, consisting of three levels (Field Notes, 2/18/97, p. 4). The first level was incorporated in order to train staff level and beginning employees. As the employee became more comfortable with their work situation and looked to advance within the organization, levels two and three were available for further training.

The manager of Facility M4 organized a two week initial training program. Each new employee was oriented to the facility for the first week of employment. During this time, the employee was introduced to every department and employee protocol, such as attendance, tardiness, and safety concerns. The second week was dedicated to training the employee on the policies and procedures of their specific department.

The BARS scores again reflected the advanced management style of the multipurpose managers compared to the fitness only managers. The mean score for the fitness only managers was 2.50 while the multipurpose managers received a mean score of 3.17. The difference was most likely a representation of more structured interview techniques, advanced job training protocol, and increased attention given to employee satisfaction. Most of the multipurpose managers implemented these human resource management strategies, while few fitness only managers indicated such.

Human Resource Management Cross-Case Analysis

Two predominant issues became apparent during this analysis. First, managers recognized the importance of employee empowerment and second, that personality outweighed technical skills. It appeared that managers emphasized the need for their employees to serve the customer, more so than preparing monthly reports or conducting any other type of technical skill.

Employee Empowerment

Enabling employees to do their job to the best of their ability seemed to be extremely important to some managers. The F2 Manager felt especially strong about this philosophy.

> I want people to think on their own and make the necessary decisions and judgments when working with members. I have no problem if a

situation arises and one of my staff takes the initiative to calm a person, either wrong or right, I would discuss the decision after the fact and try to get as much information as possible, asking them why they came to their decision and how, if at all, that would differ from mine. I am never going to fault somebody for doing something. When you deal with the public they don't want to hear "let me get back to you." (2/21/97 Interview, p. 4)

Similarly, the manager of Facility M4 emphasized shared leadership. He believes that the more comfortable one feels within the working environment, the better they will feel about themselves and the decisions they make (Field Notes, 2/25/97, p. 4).

Researcher: Have you recently sent anyone to a conference or seminar?

Manager: Yes, we do an annual retreat where we go away and focus on everyone's needs and try to communicate on more of a personal level. I like to look at this as more than just somebody's job, but a significant portion of somebody's life, so I like to get to know them and how they are doing.

Researcher: It sounds like you really take an interest in your employees.

Manager: Well it's important, not only to them, but to the club as well. (2/25/97 Interview, p. 6)

Most of these managers viewed their employees as a vital part of the organization. They allowed them to make decisions on their own and to experience career growth, along with the growth of the organization. The M2 Manager made similar comments:

> I guess I like to see people move along and be able to make decisions. I hate to say "rise to the top" because it makes it sound like I am at the top and I don't think of it that way, nor do I want to look at it that way because I think we have a very good team here. I just like to see them continue to grow as a team and support what we are doing. (2/18/97 Interview, p. 6)

The managers described above, Managers F2, M4, and M2 rated fairly well based on the BARS evaluation receiving ratings of 4, 4, and 5, respectively (Table F3). While employee empowerment does not constitute all of human resource management, their employee empowerment management approach enabled them to strengthen their skill and strategy utilization.

Personality and Technical

Skill Importance

Another predominant theme that surfaced in this analysis was the emphasis managers placed on personality versus technical skills. It was evident that most managers felt compelled to hire a person possessing positive personality traits versus high technical abilities. The M6 Manager discussed this issue.

> From what I have found from my experience is that you can teach somebody the basic management principles and over the course of time you can teach them most of the technical aspects of a job, but you cannot teach them how to be friendly with the members, or how to get along with coworkers. (2/18/97 Interview, p. 4)

The manager of Facility M3 was equally as concerned about customer satisfaction and the important role each employee maintains in attaining this objective.

> One thing I have learned is that I can train somebody or get them trained on the computer, I can teach you how to use Excel, but I'll tell you the number one thing we need here is...we need people with a personality. People that are caring individuals, about each other, and have high standards outside of business as well as inside of business. (2/12/97 Interview, p. 7)

Managers indicated that creating an atmosphere that was pleasant to the members as well as the employees was crucial to the success of their facility. Members maintained their membership status if they felt comfortable and pleased with the environment of the club (Field Notes, 2/12/97, p. 5). The one ingredient essential to creating this type of environment, according to most of the managers, was retaining employees with positive personality traits.

Human Resource Management

Quantitative Analysis

Utilizing the Spearman's rank correlation indicated a significant relationship between the SFR and human resource management strategy employment. This correlation also used a two-tailed test with an alpha level of 0.050. The correlation coefficient calculated was 0.659, greater than the critical value of 0.591 (Table 10). Table F3 in Appendix F illustrates the detailed ratings and ranks of the managers' utilization of human resource management strategies.

The significant relationship indicates that as health club managers recognize the needs of their employees, as they relate to the business, the potentially more successful the facility can become. Human resource management is by no means the sole ingredient in developing a successful health club operation, but the correlation does indicate that this topic grouping maintains a significant influence.

Table 10

Spearman's Rank Correlation Coefficient for Success Factor Ratio Rankings and Human Resource Management Strategy and Skill Utilization Rankings

Participant	SFR	Rank	Final	Rank	d	d2
F1	-0.0062	1	4	3.0	-2.0	4.00
F2	-0.0470	3	4	3.0	0.0	0.00
F3	-0.0690	5	2	9.0	-4.0	16.00
F4	-0.0807	6	1	11.5	-5.5	30.25
F5	-0.4464	12	1	11.5	0.5	0.25
F6	-0.1274	8	3	6.0	2.0	4.00
M1	-0.2829	10	3	6.0	4.0	16.00
M2	-0.0631	4	5	1.0	3.0	9.00
M3	-0.3612	11	2	9.0	2.0	4.00
M4	-0.0233	2	4	3.0	-1.0	1.00
M5	-0.1795	9	3	6.0	3.0	9.00
M6	-0.0876	7	2	9.0	-2.0	4.00
Total d2						97.50
$r_s = 0.659$*						

Note. SFR = success factor ratio; Final = final rating given to participant; d = difference between the ranks; d2 = the difference squared; r_s = Spearman's rank correlation coefficient. *$p < .05$.

Based on the BARS evaluation scores, human resource management, as a topic grouping, received the highest mean rating. The sample realized a mean rating of 2.83 for use of human resource management skills and strategies. This could verify that the managers included in this study maintained a higher skill level regarding human resource management.

This high mean score, however, is not an indication that this topic grouping is the most important, nor that it maintains the highest level of influence on facility success. Rather, the ratings only suggest that the analysts assessed the managers as well versed in this area versus the other topic groupings evaluated.

Human Resource Management Data Analysis Summary

The quantitative analysis suggested a significant relationship existed between the SFR and the strategy and skill utilization of this topic grouping. Most of the managers did portray a strong desire to secure good quality employees, and then to take an active role in their career development with the facility. They viewed their personnel staff as an integral part of the entire operation. This feeling was illustrated in both the quantitative analysis and the cross-case assessment.

While human resource management may not necessarily maintain the predominant role in predicting health club success, this analysis indicated that a significant relationship did exist between the overall success of the facility and the utilization of human resource management strategies. Maintaining a cohesive team with clear objectives and a positive attitude appeared to be a favorable formula for addressing human resource management. One multipurpose facility manager stated this concept eloquently, "unless we have good people, this thing is not going to work" (2/12/97 Interview, p. 8).

Operations Management Data Analysis

The approach to assessing operations management was to review the nature of the business, or, the daily occurrences, as was suggested by Bateman and Zeithaml (1990). Therefore, each facility was reviewed as to the services that were offered to the customers, the policies and procedures maintained, and any maintenance and safety issues that were implemented.

Each manager viewed operations as simply, "what goes on in the club." The M3 Manager looked at operations as an essential part of the club's presentation to the members. "Operations are a daily thing, operations to me are just pure process," (2/12/97 Interview, p. 8). The process that the M3 Manager alluded to is no more than every thing that happens during the typical day.

The M2 Manager suggested that operations could be more than just typical occurrences, but also issues that occur because of an emergency. Then it is the employees that allow the operations get back to a state of normalcy. He commented:

> Everything was going as should during one typical day, when a pipe burst and created a flood throughout the club. We had some really

dirty work on our hands, but everybody pitched in and never complained. They were very positive. We knew what needed to be done to get the operations working like they should. (2/18/97 Interview, p. 6)

All of the facility managers recognized the need to implement policies and procedures. They all suggested that they maintain some type of polices and procedures manual to assist employees with the everyday activities. The M4 Manager seemed to be particularly versed in this area:

> Really our policies and procedures are listed in the employee handbook so everyone gets one, the general employee handbook and then there is a handbook, or manual, for each area. For example, in the janitorial area the handbook will get more specific with handling chemicals for the pools, etc. We try to keep everything so there's no guesswork. (2/25/97 Interview, p. 7)

While no managers indicated the use of Gantt charts, just-in-time inventory, or material requirements planning, nine managers implied that they did review inventories in some manner. Some managers, like the M4 Manager, tracked inventory numbers via a computer program. Other managers, such as the F1 Manager, conducted periodic counts to assess inventory turnover numbers.

Risk management issues were also becoming more of a concern. Although no managers implemented the four phase process as suggested by van der Smissen (1996), most of the managers were attempting to execute steps to curtail their liabilities. For example, ten of the managers utilized incident reports in order to document injuries. Three of these ten sent the incident reports to their legal guidance for review.

For most of the managers, operations management was an integral part of determining how the facility was to be run. Including policies and procedures, liability issues, inventory management, and emergency planning were just some of the areas that were emphasized.

Operations Management Strategy Utilization Comparison Between Fitness Only and Multipurpose Managers

The services that both the fitness only and multipurpose facilities offered their members were illustrated in Table 5. As was indicated earlier by a number of the multipurpose facility managers, it is anticipated that health clubs in the future will be larger, they will cater to both children and seniors, and will emphasize total well-being. As Table 5 indicated, more multipurpose facilities offered senior programs, child sitting, rehabilitation therapy, and nutritional counseling.

Additionally, very few multipurpose facilities offered tanning, a service that has received negative feedback recently (Field Notes, 2/12/97, p. 1). The M1 Manager commented, "tanning is still a money maker depending on where you're at, but it has been proven to not be that good for you," (2/12/97 Interview, p. 1). Most of the fitness only managers continued to view tanning as a legitimate revenue producing service, whereas the multipurpose managers perceived the tanning services as a dying profit center, and potentially a legal liability.

Based on the services offered by the different facilities, the multipurpose participants in this study appeared to be more proactive to the needs and desires of the members. Predominantly, they also recognized the services that were popular in the industry, and what services were not. Fitness only managers seemed more reactive, reviewing first what other managers in the industry had success with and what their competition offered (Field Notes, 3/5/97, p. 5).

Another example of this thought process was the managers' views on upright cycling classes, sometimes called "spinning." The fitness only managers viewed spinning as more of a trend, while multipurpose managers viewed this service as an expensive fad. They noted that other activities could be just as beneficial to the members, but less costly to the facility. One fitness only manager reacted as follows:

> **Researcher:** What trends do you see in the industry?
>
> **F1 Manager:** More step aerobic classes and spinning classes.
>
> **Researcher:** What is your feeling on spinning?
>
> **F1 Manager:** It is extremely popular and gives people a great workout. (2/14/97 Interview, p. 3)

The M1 Manager, like many of the other multipurpose managers, had a different feeling. "Spinning classes are more of a fad than a trend, it is expensive and no one seems to want to pay for it," (2/12/97 Interview, p. 10). Multipurpose managers appeared to be more skeptical to the overall benefits to the members, and potential return on investment to the facility.

The BARS mean scores, like the other three topic grouping already discussed, were higher for the multipurpose managers. Fitness only managers received a mean score of 2.00, the lowest mean score of the four topic groupings. The multipurpose managers realized a mean score of 2.50. The proactive approach of the multipurpose managers to meet the changes of the industry and member desires, along with their more organized implementation of policies and procedures, were most likely the reasons for the score differential.

Operations Management Cross-Case Analysis

Preventive maintenance, assessing risk, reducing operational costs, and changing operations in order to meet customer needs and desires were the predominant issues that became prevalent in the cross-case analysis.

Preventive Maintenance

All of the multipurpose facility managers viewed preventive maintenance (PM) as an essential part of operations. PM included a daily comprehensive review of the cardiovascular equipment, weight training equipment, and other ancillary pieces of equipment such as stereos, etc. While most managers did not contract with an outside source for such services, they did delegate the responsibility directly to one of the management staff members.

Only four of the fitness only facility managers incorporated an organized PM program. One manager indicated that "if it breaks we'll fix it" (2/14/97 Interview, p. 5). However, this attitude seemed to be more the exception. Other fitness only managers assessed the equipment as a necessary operational tool for customer satisfaction (Field Notes, 2/25/97, p. 5).

Operationally, PM appeared to serve an essential role for most of the managers. Through this program they were assured that their customers would receive the best service possible; having the opportunity to utilize consistently maintained equipment. One manager indicated that his day did not start until a facility walk-through was conducted. "I walk through the club first thing in the morning, just to check everything and make sure there are no big problems" (2/21/97 Interview, p. 6).

Assessing Risk

This area of importance appeared to be a relatively new topic to managers, albeit gaining significant attention. The F2 Manager had the following to say on this topic:

> **Researcher:** Do you have a risk management plan?
>
> **F2 Manager:** Well, we have a committee that meets once a month to discuss safety issues. We elect someone to be the monthly safety person and is then in charge of establishing meeting times and brings to the table any concerns.
>
> **Researcher:** Do you feel you have a good assessment of your risks?
>
> **F2 Manager:** I think so. There's always going to be a chance of getting sued for something, but we try to reduce our chances with our monthly meetings. (2/21/97 Interview, p. 7)

Another manager commented on the litigious movement within health clubs, "we can get sued because we told somebody to wear a shirt, it has happened before" (3/5/97 Interview, p. 4). "So we tell them, 'it's in the membership handbook and try to cover ourselves that way" (3/5/97 Interview, p. 4).

This same fear was prevalent among other managers as well. The M4 Manager has contracted with an outside source to review their risks.

> We are involved with a program where we have to meet twelve steps for safety concerns, and the contractor comes in and audits us to make sure everything is posted, everything is structurally safe, and that we are doing everything right. (2/25/97 Interview, p. 7)

Reducing Operational Costs

Reducing costs coincides with profit growth strategies, as describe earlier in financial management. Here, however, the managers discussed one specific area of the operations that has consistently been an area of difficulty. Managers repeatedly elaborated on their trouble with keeping towel costs down, while increasing customer satisfaction. An example of a discussion with one of the multipurpose facility managers follows:

> **Researcher:** Is there anything else you would like to discuss under operations?
>
> **Manager:** Well, we furnish towels and locks for everyone, along with free fitness training and assessment. But we have tried everything with the towels and it is just a headache.
>
> **Researcher:** Why is it a headache?

Manager: We give them a towel when they hand in their membership card, and we don't give the card back unless a towel comes back. But keeping track of that during busy times is just not practical.

Researcher: It seems to be a tough situation.

Manager: It is and it adds up, but it is an expense that is needed because it could end up being a disservice if we focused about losing things. So we just budget in the fact that we will lose towels. (2/25/97 Interview, p. 7)

Another multipurpose facility manager commented on this issue in a similar manner.

> The towel situation got such that we procured towels with sensors in them. If the towel goes through the control area, which is located at the front door, the control will buzz. Typically we don't shoot people for that (laugh) but it helps to keep people honest. People who are going to take them are going to take them anyway. We have found that this method is fairly cost beneficial. (2/18/97 Interview, p. 7-8)

The difficulty most managers portrayed was keeping the towel cost down, while maintaining the level of customer service that their members expected. The managers did not want to seem accusatory towards any member, but felt they had to the monitor the situation closely in order to meet predetermined budgets and focus on other more important aspects of the facility (Field Notes, 3/5/97, p. 4).

Changing Operational Focus

As was briefly discussed earlier, many managers felt that, in order to survive, they had to align themselves with some type of health care provider. Members appear to be searching for a more comprehensive approach to fitness and overall well-being (Field Notes, 2/12/97, p. 8).

This change affects the presentation and the operational focus of the health club, according to some managers (Field Notes, 3/6/97, p. 4). "We need to present ourselves as an all-inclusive fitness center, not just a health club" (2/12/97 Interview, p. 10). "Even as successful as we have been, if we don't ally with a hospital soon we won't be able to protect ourselves" (2/12/97 Interview, p. 10).

Managers indicated that adding therapy or rehabilitation offers another revenue producing service, which can help them financially. However, they emphasized that the need to retain a credible source for the treatment is essential. For this reason, association with a health care provider seemed to aid with this dilemma and add credibility to the facility.

Allying with a health care organization changes a multitude of factors within the facility. "We will need to address personnel issues, liability issues with the care given, costs; there are a lot of issues that need to be addressed here" (2/12/97 Interview, p. 9). Managers will need to address these areas, otherwise the alliance could become a disservice to both the facility and the members.

Operations Management Quantitative Analysis

The quantitative analysis indicated that managers did not necessarily implement organized operational management strategies. Table F4 in Appendix F illustrates the ratings and corresponding ranks for the facility managers. The final ratings realized a mean of 2.25, the lowest of the topic groupings.

Spearman's rank correlation was also conducted between the ranking of the BARS evaluation scores and the SFR's. Using a two-tailed test with an alpha level of 0.050 and critical value of 0.591, the relationship between the two rankings was not significant. While there was a relationship, as shown by the score of 0.460, the association was not considered significant (Table 11).

Table 11

Spearman's Rank Correlation Coefficient for Success Factor Ratio Rankings and Operations Management Strategy and Skill Utilization Rankings

Participant	SFR	Rank	Final	Rank	d	d2
F1	-0.0062	1	1	10.5	-9.5	90.25
F2	-0.0470	3	5	1.0	2.0	4.00
F3	-0.0690	5	2	6.5	-1.5	2.25
F4	-0.0807	6	2	6.5	-0.5	0.25
F5	-0.4464	12	1	10.5	1.5	2.25
F6	-0.1274	8	2	10.5	-2.5	6.25
M1	-0.2829	10	3	3.5	6.5	42.25
M2	-0.0631	4	3	3.5	0.5	0.25
M3	-0.3612	11	1	10.5	0.5	0.25
M4	-0.0233	2	4	2.0	0.0	0.00
M5	-0.1795	9	2	6.5	2.5	6.25
M6	-0.0876	7	2	6.5	0.5	0.25
Total d2						154.50
$r_s = 0.460$						

Note. SFR = success factor ratio; Final = final rating given to participant; d = difference between the ranks; d2 = the difference squared; r_s = Spearman's rank correlation coefficient.

The facility managers in this study appeared to be conscious of the changes in the industry and some of the more critical issues affecting their facility. However, these thought processes showed no significant correlation with facility success. Nonetheless, an association did exist and does indicate that addressing operations can be an important element in the health club management approach.

Operations Management Data Analysis Summary

The data analysis of the operations management topic grouping indicated that, while not significant, does maintain a relationship with facility success. The cross-case analysis added to the data essence by distinguishing the important role that operations assumes in developing both profit motives and customer service objectives.

Through assessing operational costs, facility managers were sensitive to the both the bottom-line and member satisfaction. This was especially evident with towel management and the addition of health care alliances. Most of the managers in this sample realized the long-term ramifications of such changes. Ultimately, meeting the members' needs and desires through operational strategies will, in the long run, aid in survival and facility success.

Most of the managers in this study implemented policies and procedures, reviewed inventory strategies, and took interest in reducing risks. One manager retained one individual just to write policies and procedures and then to implement them as appropriate. The M3 Manager stated, "I don't have time to look into all the policies and procedures, but if I have somebody else responsible for them, then I can sleep better" (2/12/97 Interview, p. 9). All twelve managers indicated that they use, and often update, the policies and procedures throughout their facility.

Inventory strategies were used by many of the managers, but was fairly inconsistent. Like many of the other areas reviewed in this analysis, the multipurpose managers were slightly ahead of the fitness only managers regarding inventory management sophistication. One fitness only manager commented, "we count inventory by what shows up on the cash register" (3/5/97 Interview, p. 4). Predominantly, the multipurpose managers reviewed their inventory on a periodic basis with checks and balances.

Additionally, the managers seemed very interested in reducing their liabilities, with regard to litigation risks. However, some did not appear to know the methodologies available to them. The F6 Manager exemplified this thought, "I know we should do something else here, but I just don't have the time and I am not exactly sure what would help" (3/6/97 Interview, p. 4). Another fitness only facility manager commented similarly, "we have incident reports, but we don't do anything else, why, should we?" (2/14/97 Interview, p. 4).

The managers in this study certainly were concerned about the operations of their facility, and were open to refining their operations management agenda. They felt that the better they became at implementing operational strategy, the better the facility would most likely become, this despite the insignificant association between operations management and facility success as shown by the Spearman's rank correlation.

Data Analysis Summary

The intent of this chapter was to comprehensively assess the data collected within this study. Both qualitative and quantitative analysis techniques were employed, which aided in the study's credibility as well as enabled the researcher to better assess the managers' true thoughts.

The quantitative analysis employed the Spearman's rank correlation coefficient (rs). The correlation was conducted between the evaluation of strategy and skill utilization within each topic grouping and the calculated success factor ratio (SFR). Only the topic groupings of financial management and human resource management showed a significant relationship with facility success. Both marketing management and operations management indicated no significant association.

Marketing management, with an rs of -0.005, shows that there exists little, if any, association between strategy utilization and facility success. Nonetheless, many of the managers did employ marketing strategies, even though some did not realize they were using marketing management strategies. Strategies such as increasing investment and changing the target market were employed.

The cross-case analysis added considerably to the analysis objective of this study. Determining homogeneous themes and issues within each topic grouping allowed the researcher to better understand the thought processes of the managers and to determine their feelings on both the present and future of their facility and industry in general. This analysis showed that these managers are concerned about the future and the survival of their facilities. They indicated that the industry is changing, and if they are to survive, they too need to meet the changes of the industry to better satisfy their customers. Additionally, most seemed very open to learning new and better ways to manage so that they can make decisions that will positively affect their facility.

CHAPTER V

SUMMARY, DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

This chapter presents a summary of the study, discussion of the results, conclusions, and recommendations for further research.

Summary

The purpose of this study was to provide leaders in the health club industry with a comprehensive analysis containing strategies reflected by current industry practices, trends, forecasts as seen by the managers, and guidelines for success. The recent history of this industry has been one of turbulence and overall decline that was the catalyst for this study. The objective was to determine strategies that could aid managers during a difficult time period, and which could prepare them for any potential future uncertainty.

The literature suggested that the health club industry was in decline. The participants within the study alluded to future consolidations, mergers, and takeovers by significant industry participants. The managers also indicated that the industry is in the process of confronting the evolution of comprehensive health care. Health care that includes proactive well-being efforts through a health club approach. The recent events of the health club industry, along with the projections for the future, create an environment of instability and fear. The inability to survive was the key element of fear among the managers. The survivors will be managers implementing finely tuned management strategies combined with a keen sense for planning. This study was an attempt to create and provide, for managers, tools with which they could hone their management skills and prepare for the uncertain challenges facing them.

The first step in this process was to determine what strategies were being utilized among the predominant management topic groupings: finance, marketing, human resources, and operations. The qualitative approach, using telephone interviews, was the methodology selected for this study. Through the one-on-one interviews the researcher was able to assess the specific strategies used by this study's participants.

The qualitative methodology was necessary in order to obtain accurate and comprehensive data. The six section interview guideline was used to assist with the interview process, but the more probing questions that resulted from some of participants' answers really garnered the essence of the data.

The more probing questions allowed for a "detailed-oriented" approach as well (Patton, 1990, p. 324). When a participant gave an answer that seemed unrealistic or haphazard, the researcher asked more in-depth questions to check the accuracy and validity of the original answer. Often the original answer was theoretically incorrect. The researcher could then be confident that the data obtained was both inclusive and accurate.

In order for the study to be comprehensive and satisfy its original purpose, the interview had to contain all six sections: the four topic groupings, facility statistics, and a summary section. Within each topic grouping section, the managers were asked to comment on both strategy and skill utilization. The summary section enabled the manager to elaborate on his[/her] experiences within the industry and presumptions for the future. Through the use of these six sections, the researcher was able to provide a comprehensive analysis of management strategy.

The development of the success factor ratio (SFR) also assisted in meeting this study's objectives. The SFR was used as a quantitative evaluation tool. The SFR included a series of variables that represented the predominant management topic groupings. The SFR and the Behavioral-

Anchored Rating Scales (BARS), using a correlation test, resulted in a quantitative measurement between strategy utilization and facility success. The study needed to include a measurement of success in order to determine the potential impact of strategy utilization.

Discussion

The study's research questions are addressed in this section.

Strategy Utilization

The first research question proposed for this study was as follows:

> What are the current prevailing management strategies utilized by health club managers within the topic groupings of financial management, marketing management, human resource management, and operations management?

Each topic grouping is addressed individually below.

Financial Management

The strategy most widely used by the participants was profit growth. Most of the managers indicated a need to address an increase in revenues, and concurrently, a decrease in expenses. Only two of the managers in the study did not allude to the importance of profit growth.

The managers suggested various tactics for implementing a profit growth strategy. Most managers looked for ways to cut costs, especially in labor expense. Since labor is the highest expense item in health clubs, reducing these costs could help the bottom-line.

Some managers also discussed adding new profit centers in order to improve financial performance. New services, such as specialty aerobic classes, various kinds of therapy, individual or group training sessions, and activities for children were all suggested as areas for new profit center development.

Another financial management strategy discussed was project or product growth. This strategy, depending upon implementation, can coincide with profit growth. Many of the managers viewed profit growth and project growth synonymously.

Although not always the case, new projects, or products, can lead to profit growth if managed by utilizing some of the predominant financial management skills. Ratio analysis, break-even analysis, and capital budgeting can aid the manager in assessing detailed costs and risks along with overall project investment returns. Unfortunately, these skills were not readily used by the managers. Instead, they relied mainly on projecting gross revenues and associated costs without the aid of any detailed analysis techniques.

Capital acquisition strategy was not used by any of the managers in this study. While this strategy does maintain a valid approach to determining financial growth and success, it was not addressed.

Consolidation was discussed as an industry trend. This often involves a capital acquisition strategy, but the managers here did not see a need for conducting such. Rather, they viewed *other* larger facilities as implementing an acquisition of *other* smaller facilities in order to reduce competition, increase economies of scale, and improve financial performance.

Marketing Management

Harrigan (1980) suggested five specific strategies for managers operating in declining industries such as the health club industry. These strategies included increasing investment, maintaining consistent investment standards, changing the target market, milking the firm's investment, and divesting. Using Harrigan's strategies, each manager was queried as to their marketing strategy utilization.

Seven managers indicated a use of increasing investment within their facility. The increase in investment ranged from simple cosmetic changes, such as painting and adding new carpet, to more complex issues such as procuring new equipment and new programs. One manager discussed the addition of a children's program costing the facility several thousand dollars to initiate. However, the anticipation was for favorable profit growth from the new service.

Increasing investment in order to win over the present membership and potential members seemed to be the paramount reason for employing this strategy. Managers indicated that competition was quite severe and that they would do almost anything to keep current members and to attract new customers. This strategy was especially popular if a manager viewed the competition as including "something" new. The idea was to offer more and better services than the competition.

A strategy used more by the multipurpose facility managers than the fitness only managers was changing the target market. Multipurpose managers viewed children and seniors as potentially profitable targets. Fitness only managers did not view these targets as financially lucrative.

Five of this study's managers indicated employing the status quo strategy, or the "no change" strategy. While it was suggested that the industry is becoming more competitive and is attempting a rebound from the decline stage, some of the managers felt that their operations were "fine" and did not require change. This action, or lack thereof, illustrates a reactive management style as opposed to a proactive approach. Time will indicate whether this strategy is successful.

One facility manager utilized a divesting strategy. The business was terminating operations and attempting to sell its assets. The primary assets, accounts receivable and equipment, were being solicited to competing health clubs. The manager used little management strategy within any of the topic groupings, rating low in most areas, based on the BARS evaluation. The facility's failure, while unfortunate, will aid in the success and longevity of the competing facilities.

Milking investment was a strategy not incorporated by any manager in this study. This strategy suggests severe financial difficulty. One facility, as described above, has already bypassed milking and has divested. At this point, other facilities did not appear to be in this grave position.

Human Resource Management

Some of the more prominently used strategies in this area included employee satisfaction, employee training, and structured interviewing. Although a few fitness only facility managers employed these strategies, the strategies were used more often by multipurpose facility managers who viewed employees as an integral part of the health club.

Employee satisfaction was a strategy employed by one fitness only facility manager. In this study, the fitness only facility managers did not see the time or the effort to address employee satisfaction as being worthwhile, a thought process that could hinder their future success.

The multipurpose facility managers, however, utilized this strategy in different ways. One manager had daily meetings and an annual retreat just to get to know the employees on a personal level. He wanted to make sure the employees were satisfied with their role in the club.

Another multipurpose facility manager wanted to move one employee into another position within the facility, thereby promoting the employee. The employee reacted negatively to the potential move because she was satisfied with her staff level position. Although the facility would benefit from moving the employee, the manager kept the employee in her current role. While this temporarily hindered the club's operation, the long-term result was a more satisfied and more productive employee.

Job training was a strategy used by five of the six multipurpose facility managers and by three of the six fitness only facility managers. The job training programs were employed using various formats. In general, the multipurpose facility managers utilized a longer training time period that was more structured; enabling the employee to spend a specified amount of time in various areas within the facility. This type of training structure can enable the employee to possess a more comprehensive understanding of the club's objectives and operations. As a result, they can better cater to the members by presenting a thorough knowledge of the facility and its services.

The last strategy commonly used among all managers was structured interviewing. Although the structure differed between facilities, there did exist an organized format for interviewing prospective employees. Routinely, each candidate went through two to three interviews, with the last interview being conducted by the manager. The managers felt that this structure gave them the ability to retain the best qualified person for the position in which they were hiring.

The first interview was commonly with the department supervisor; therefore enabling the interviewer to assess the candidate's technical abilities and initial communication skills. Within some facilities, the first interview was also with a group of staff-level employees. This approach was used to see how the candidate would fit in with the current team, or staff. In the end, the candidate offered the position would have satisfied the requirements set forth by the manager, the department supervisor, and the other staff members.

Operations Management

There were two strategies that were commonly used among the managers within the topic grouping of operations management. They were policy and procedure implementation and preventive maintenance. Other strategies such as inventory management and risk management were not as routinely employed.

Policies and procedures were viewed as an essential ingredient in providing services to the customer. Each policy and procedure implemented reduced confusion and uncertainty among the employees. The key was to avoid a lack of knowledge among the staff that in some way could be translated into poor service quality.

One manager indicated that his facility implemented policies and procedures for every area of the club, including locker room supply checks. Two staff members during each shift were responsible for checking the supplies in the locker rooms. This included procedures such as inspecting for the cleanliness of the supply presentation, making sure the supplies were in order, and that there was adequate stock for the members' use. These procedures were written and presented in a manual format to each employee. Not all managers took this detailed approach, but it was clear that giving the employees knowledge of the operation reduced the risk for poor service quality.

Preventive maintenance was another strategy widely used by the managers. Ten out of the twelve participants employed some type of preventive maintenance program. Most of the managers utilized an internal mechanism for routine equipment checks. However, some multipurpose facility managers contracted with outside vendors for preventive maintenance. In general, the fitness only facility managers did not possess the financial resources for outside contracts and had to rely on routine checks by internal employees. While this method does leave room for error and risk, it was the most cost beneficial to the facility.

Risk management was a strategy not widely used. Most of the managers took interest in assessing their risks and reducing their liabilities, but few employed a structured plan in order to do so. Most of the managers did not realize that in order to reduce risk, they must do more than simply assess what risks are present. They also need to review current policies, set procedures for risk reduction, and then plan for implementation.

Only one manager indicated that his facility incorporated this type of risk management plan. He explained that the facility's safety committee attempts to address a number of risk associated issues and then outlines policies for curbing the risks. The policies are then written and disseminated among the employees for educational and training purposes. The manager suggested that this approach has assisted the operations significantly by addressing weaknesses within the facility and planning for the safety of the members.

Strategy Utilization and Facility Success

The second research question proposed for this study was as follows:

> What relationships exist between the prevailing management strategies utilized by health club managers and the success of the facility?

Chapter IV discussed both the qualitative and quantitative analyses within each topic grouping in order to address this question.

Reviewing only the quantitative analysis the research indicated that a significant relationship existed between financial management strategy utilization and facility success, as well as between human resource management and facility success. However, there were non-significant relationships between marketing management and facility success, and operations management and facility success.

The quantitative analysis suggested that a facility has a better chance of achieving success by employing finance strategies and human resource strategies, where marketing and operations were found not to be influential.

The qualitative analysis indicated that additional factors should be considered when establishing the potential for facility success. Utilizing the cross-case data analysis technique allowed the researcher to assess the level of each manager's knowledge of the topic groupings and their ability for appropriate utilization of the various strategies queried.

Mostly, the managers understood that the longevity of their facility relied heavily on their ability to realize a profit. Not all managers knew how to go about analyzing methods for profit growth, but most did realize the importance of selling memberships and other items in order to "make money" (Field Notes, 3/6/97, p. 3).

Furthermore, most of the managers viewed labor as having a vital role in the operation. Not only was labor the highest cost item as some managers noted, it also had the most critical impact on membership retention and attracting new members. Therefore, most of the managers attempted to address human resource management with the idea that the employees could either make the facility successful or hinder the operations altogether.

The qualitative analysis indicated that both marketing and operations were also important elements in the entire management approach of a facility. The Spearman's correlation coefficient for testing marketing influence showed little to no relationship; rs = -0.005. Terminating the analysis here would suggest that marketing as topic grouping served little interest in establishing a successful facility. However, the qualitative approach enabled the researcher to determine that many of the managers did not realize the comprehensiveness of marketing management. Many managers used marketing strategy, but did not know it.

One manager indicated that in order for the facility to attract an increasing membership base they had to incorporate some new programs for children. Implementing a children program was new to the facility; they previously did not include children into their facility's operation or overall objectives. However, when asked, the manager did not recognize this strategy as a marketing strategy representing a shift in their target market.

Another example of this lack of understanding was apparent as one manager discussed her marketing program or lack thereof. She indicated that the facility did not utilize any marketing whatsoever. However, the management staff did put together an advertising campaign for the upcoming year. When asked further, the manager commented that "this was advertising, not really marketing" (2/14/97 Interview, p. 2).

Operations management, like marketing, showed that the relationship with facility success was not significant, based on the quantitative analysis. The qualitative analysis, however, enabled the researcher to more comprehensively assess whether operations management was an integral element of health club management.

Similar to marketing, operations management was employed by the managers, but was done so inconsistently and somewhat indiscriminately. All of the managers employed some form of policies and procedures. However, many managers did not realize the comprehensiveness of operations management and the benefits that can be realized from incorporating some of the other strategies available to them.

One fitness only facility manager recognized that incorporating policies and procedures were necessary for the employees. She indicated that as the employees learned operational protocol, their productivity was improved. However, this same manager did not realize that risk management or inventory management were aspects of the operation worthy of attention.

A common response from the managers was their lack of understanding regarding policy development and policy setting for risk reduction; two phases suggested by Van der Smissen (1996) for a comprehensive risk management plan. Only one manager, as was discussed earlier, used a risk management plan that addressed policy development, setting, and then implementation.

The managers in this study also did not incorporate any formal use of an inventory management strategy, such as just-in-time or material requirements planning. Instead, three of the fitness only facility managers purchased stock items as needed by the indication of empty shelves or rudimentary counting. Multipurpose facility managers, such as the M4 Manager, used a computer program to maintain inventory counting records, but still did not maintain consistency with the counts or ordering processes.

Conclusions

The following five predominant conclusions were developed from this study: (a) there exists a need for more sophisticated management strategy usage; (b) as managers improve with their ability to use management strategy, they can increase their chances of survival and success; (c) multipurpose facility managers possessed more advanced management strategy utilization than did fitness only facility managers; (d) there were no substantial differences between the various health club categories within both the fitness only group and the multipurpose group; and (e) the success factor ratio can serve as a viable analysis tool.

Need for Sophistication

The first conclusion developed from this study was the need for managers to become more knowledgeable regarding the strategies available to them for utilization and planning purposes. The study indicated that as the managers possessed better comprehension within a topic grouping, the results often reflected better planning and direction within that area. That was especially true in the financial management topic grouping. While not all of the managers could conduct advanced financial management tasks, most realized the importance of solvency. Furthermore, the health clubs realizing success employed managers that were more competent in financial management.

Making better decisions is based on possessing more knowledge regarding the ramifications of the decision. For example, if managers routinely conducted capital budgeting analysis using time value of money principles they would know the impact, in detail, of new equipment purchases or new project developments. They could project the effect on their cash balance over an extended period of time (e.g. five years) and would be able to determine profit effects. Without the use of this skill, their knowledge base to make the decision is reduced. That is not to indicate that the facility will fail, but, rather, their ability to achieve success becomes increasingly tenuous.

Another example where more a sophisticated management approach would be helpful is in conducting market and competitive analyses. The managers in this study indicated that they attempted to know their pricing structure versus their competition. However, a complete competition analysis involves more than pricing. They can make more effective decisions regarding their facility's services, hours of operation, program offerings, etc., if they knew exactly what their competition included.

Market analysis can also assist the manager in developing a better marketing plan and overall objective for their facility. A comprehensive market analysis can give the manager feedback regarding the strengths and weaknesses of the facility's price, product, promotional programs, and service delivery. Each of these areas involves some part of the facility's overall operation, and addressing the strengths and weaknesses of each will aid in making more informed decisions.

In this study, the managers' use of sophisticated management strategy was somewhat limited. While it was noted that the multipurpose facility managers possessed better business acumen than the fitness only facility managers, each manager appeared to possess room for improvement in at least one or more of the topic groupings. As managers, they are responsible for each facet of the facility, and for the long-term viability of the facility. It is in each manager's best interest to possess as much knowledge as possible in order to implement the most effective decisions for their facility.

Advanced Strategy Utilization and Increasing Success

The quantitative analysis concluded that significant relationships existed between both financial management and facility success, and human resource management and facility success. These two topic groupings were essential ingredients to the managers, especially those who were associated with successful facilities.

Marketing and operations did not realize significant relationships with facility success, as has been noted. The key here is that the managers did not readily recognize the comprehensiveness of each of these topic groupings and the strategies available to them. The qualitative analysis showed that these topic groupings are important to the overall management approach, and furthermore, utilizing strategies in each area can assist managers in their decision making process.

The facility ranked first for success, according to the SFR, maintained a manager that received a mean BARS evaluation of 2.5 out of 5.0 possible for the four topic groupings. While this was not the best mean score, this manager was highly ranked. The facility manager realizing a top mean evaluation of 4.25 was associated with the club ranked second most successful. Conversely, the worst rated manager operated the facility ranked at the bottom.

To accentuate this conclusion, the study indicated that most of the managers felt that the industry is going to change dramatically over the next several years. The industry will involve consolidation, takeovers, and mergers. A smaller, less successful facility could likely suffer significantly from these changes because of their lack of economies of scale and a weaker competitive position.

One smaller, fitness only facility in this study had to terminate operations. The facility was no longer able to service its members because of a number of management issues. One of these issues included the inability to adjust to increasing costs, which ultimately led to closing the business. There existed other facilities in the same market that, based on the manager's assessment, were able to cover their costs and benefit from one facility's failure. The competing health clubs in the market were already vying for the closed facility's memberships and fixed assets.

With an uncertain future, managers could certainly aid their situation with a more advanced use of management strategy. Increasing their knowledge base of what is available regarding management strategy can assist them in making more effective decisions and increasing the chances for survival.

It should be noted here that advanced utilization of management strategy does not necessarily guarantee success. Managers need to make the best decisions possible for their facilities. In order for them to do this, they need to realize what options exist and the best methods for evaluation. While this process is crucial to facility success, other issues sometimes surface that could hinder an organization's performance.

Uncontrollable events can sometimes become an integral part of a success or failure outcome. While the managers should rely heavily on planning and preparing for any industry or market changes through the use of management strategy, occasionally changes occur that are uncontrollable and difficult for which to plan. Fires, floods, sudden economic changes, and governmental influences can hinder an operation, and often are impossible to anticipate. Furthermore, if the event is severe, the effects could substantially affect the performance of the health club.

Two examples in this study illustrate this idea. One facility experienced a burst pipe that ruined a large portion of the facility. Repairs and overtime costs severely hindered the operations and the financial outcome of the facility. The burst pipe was uncontrollable and impossible for which to plan.

A second facility realized a significant increase in leasing costs for their rental space. The community was experiencing some economic changes and the building owner decided to change the lease rates. The facility manager could not plan for this sudden change. Fixed expenses increased substantially making the budgeted profit levels impossible to meet.

Utilizing advanced management strategy with the incorporation of the accompanying skills suggested in this study can increase the potential for facility success. However, because of certain uncontrollable factors, they are not a guarantee for facility success and absolute survival.

Multipurpose Facility Managers More Advanced Than Fitness Only Facility Managers

As was indicated by the Behavioral-Anchored Rating Scales (BARS), the multipurpose facility managers, generally, were more sophisticated in their use of management strategy than the fitness only facility managers. One predominant reason for this relates to the size and magnitude of the facility. Most multipurpose facilities are significantly larger than fitness only facilities; more than double in this study. As a result, the facilities have more funds invested, employ more people, realize a greater sales volume, incorporate a larger ownership group, and, in effect, potentially have more at risk to lose compared to the smaller fitness only facilities.

The increase in risk does not necessarily translate to better management, but, in this study, there was more sophistication in strategy utilization by the multipurpose facility managers. Several possible reasons exist for this outcome: more responsibilities can create added planning and strategy development; the level of risk could require more proficient managers initially; or, the level of fitness only facility managers simply represents their affinity for exercise, not business management.

The exact reasoning behind the differences remains uncertain. However, while the study's data analysis suggested that all managers needed improvement, the multipurpose facility managers were able to speak to strategy utilization with more applicable insight. Furthermore, the quantitative analysis indicated a lower rating for the fitness only facility managers using the BARS evaluation technique.

Minimal Differences Between Health Club Segments

While differences appeared between the fitness only facility managers and the multipurpose facility managers, within the groups the data were fairly similar. Reviewing the qualitative analysis indicated that most of the fitness only facility managers were similar in their utilization of the various strategies and skills that were asked. The same held true for the multipurpose facility managers.

The fitness only facility managers in this study did not appear to be as methodical in their overall management approach. An example of this was depicted in the human resource management discussion. Only one manager of fitness only facilities incorporated an employee satisfaction strategy, while most of the multipurpose managers utilized various approaches to this strategy.

Additionally, job training was discussed as a predominant strategy used by a number of the multipurpose facility managers, but only three of the fitness only facility managers used any training strategies. The remaining fitness only facility managers indicated that their facility did not warrant the effort to train a new employee. One fitness only facility manager even suggested that training, for the most part, was a waste of time.

Similarities within the groups were apparent within the different topic groupings. Multipurpose facility managers recognized most of the various strategies, while many of the fitness only managers did not. The independent fitness only facility managers were especially lacking in strategy comprehension. One independent fitness only facility manager had difficulty recognizing human resource management as a discipline.

The quantitative analysis indicated some differences among the categories within each group. However, these differences turned out to be fairly insignificant as the study's results were reviewed. For example, the fitness only franchise managers received different ratings within the topic groupings. This was also true for many of the other categories. However, as the categories were grouped together, the rating differences between categories became irrelevant. Thus, including the different categories in the study yielded a comprehensive assessment of the industry, but the key element to the analysis was the differences assessed between the two groups: fitness only facilities and multipurpose facilities.

Success Factor Ratio As An Analysis Tool

The success factor ratio (SFR) was developed for this study to determine if there existed any relationship between management strategy utilization and facility success. In order to define facility success, a number of areas were reviewed. The SFR formula was the result of assessing the predominant management groups and their effects on facility success.

The SFR was then calculated for each facility included in this study. The ratio indicated the level of performance realized by each facility based on the four variables included in the SFR formula. Since the SFR formula includes four variables that represent the overall facility operations, it can serve as a benchmark for facility performance.

Reviewing only the SFR can indicate to the manager an overall performance level of the facility, but does not necessarily yield specific operational information. Therefore, while this conclusion suggests that the SFR can serve as a useful management tool, it should not be used exclusively, but rather as a supplement to other valuable management analysis methods.

Recommendations

After review of this study's data analysis and conclusions, three recommendations were developed. Each of these recommendations is a result of the quantitative and qualitative analysis, along with the conclusions that were drawn from the methodology and analysis results.

The first recommendation suggests that the success factor ratio should be addressed in another study. This study concluded that this ratio could be a helpful management tool when used in conjunction with other methods of analysis. However, in order to gain additional confidence in its accurate depiction of a facility's success or failure, the SFR needs to be reviewed using more data from additional facilities.

Another recommendation stemming from this study includes the involvement of a larger sample size. This study included a purposeful random sample of twelve participants. Including a larger sample size could give credence to the correlation analyses that were conducted within each topic grouping. Furthermore, a larger sample size will assist in better assessing the abilities and comprehension of management strategies by additional managers within the industry. It was indicated in Chapter III that generalizations to the entire industry would be inappropriate given the sample size of this study; therefore, continuing the research with a larger sample will aid in developing industry inferences and conclusions.

The last recommendation entails re-addressing this study in five years. The managers in this study suggested that the health club industry is and will realize significant changes: more competition, mergers and acquisitions, and fewer smaller facilities. Conducting this study in five years will indicate whether any of the projected changes have taken place and whether there have been any effects on management's ability to utilize management strategy.

Personal Reflection

At this point as the researcher, I would like to reflect back on this study and how it has affected my assessment of both management and the health club industry in general. After several years of being involved in the industry, I have witnessed many changes, some similar to those indicated by a few of this study's participants.

One of these changes has been the evolution of intense competition. As the investigator of this study, I found some managers apprehensive of my motives to gain detailed information. This thought process is certainly understandable given the bitter competition that has developed throughout the industry. It is my hope that a study of this kind will assist health club managers in addressing some of these competitive concerns. I realize that the competition will likely intensify as time progresses, but if the managers have the appropriate tools with which to analyze, plan, and prepare, this level of apprehension and distrust might subside.

The health club industry is no less exciting or dynamic today than it was thirty years ago when health clubs first became popular. The overriding industry objective still remains, that is to assist people with improving their health and physical well-being. However, like many industries the original mission, at times, can become clouded in the ever-intensifying need to make money; not just for greed, but for survival.

Therefore, it is absolutely essential that managers become more knowledgeable about management strategy, and improve their strategy utilization. This will enable managers to maintain more confidence in their future, make better decisions for their facility, and create a more positive industry environment. In the end, hopefully they can return to the original industry mission with comfort knowing that they can survive and succeed.

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APPENDIX A

LETTER OF INQUIRY

February , 1997

Dear :

I am a doctoral student at the University of Northern Colorado conducting research on health club management. Through a random approach your facility was selected to be a part of this study. This letter is to ask for your participation in this study. Your expertise and management ideas will add considerably to the objectives of my research.

The study's purpose is to identify management strategies that are utilized within the health club industry. I have included six different categories of health clubs, such as fitness only franchise and multi-purpose-hospital based. I am asking for your agreement to participate in an interview with me in which we will discuss some of the strategies you use within your facility. I project that the discussion should take approximately 30 to 45 minutes. Please be assured that you will have complete anonymity within the study. Neither you nor your employer/health club will be discussed. Your facility will be categorized and noted by only a variable, such as "Health Club A".

From the efforts of this study I hope to construct an analysis of strategies that appear to assist in the success of a health club. I am including the four primary management areas (finance, marketing, human resources, and operations) so I believe the study to be fairly comprehensive.

I will contact your office within the week to discuss this study further and to answer any questions you may have. If you agree to participate I will send you an interview guideline, which will prepare you for the interview and will expedite the process, and a consent form, as required by the University of Northern Colorado. Again, thank you for your consideration. This is an important study which should provide valuable management information for the health club industry. Your participation will be greatly appreciated, and please note that all participants will receive a copy of the results.

Sincerely yours,

Jeffrey A. Newkirk

APPENDIX B

INTERVIEW GUIDELINE

Interview Guideline

Please use this guideline to expedite the interview process. If you have any questions or concerns please do not hesitate to contact the researcher, Jeff Newkirk at (970) 490-2595.

Section One: Facility Statistics

Health Club Category:

(1) multipurpose stand-alone facility
(2) multipurpose corporate/franchise operated
(3) multipurpose hospital-based
(4) fitness only stand-alone facility
(5) fitness only franchise
(6) fitness only-women only

Approximate square footage of the facility: ____________________

Number of members currently enrolled: ____________________

Number of members who dropped their enrollment during the last calendar year:

____

*Number of employees*______________ *Number of FTE's (1.0 FTE = 40 hours/week):*___________

Facility's Gross Revenues for the last fiscal year: ____________________

Facility's Operating Expenses for the last fiscal year:

____

Facility's Net Profit (after taxes) for the last fiscal year:

____

Number of employees who left the facility either voluntarily or forcefully within the past year:

____

Services that your facility offers:

__free weights	__swimming	__restaurant
__selectorized weight equipment	__gymnasium	__massage therapy
__treadmills	__racquetball	__rehabilitation/chiropractic
__stair climbers	__aerobics	__pro shop
__step mills	__child sitting/nursery	__tanning
__recumbent bikes	__senior programs	__personnel training
__upright bikes	__nutrition counseling	__corporate memberships
__spinning classes	__juice bar	__pre/post natal classes

Please indicate any other services you offer that are not listed above:

Section Two: Financial Management

What kinds of financial management strategies do you use?

Please rate how often you use financial management skills and strategy in your overall management approach:
(1)=Always--daily
(2)=Often--weekly
(3)=Occasionally--twice a month
(4)=Seldom--once a month
(5)=Never

Do you use financial planning and budgeting?

Do you ever have to use time value of money principles, such as present value or future value analysis?

Do you conduct break-even analysis?

Do you conduct statement and ratio analysis?

Do you conduct capital budgeting analysis?

How do you decide whether or not to purchase new equipment or take on new projects?

How do you assess your profit level?

Section Three: Marketing Management

What kinds of marketing management strategies do you use?

Please rate how often you use marketing management skills and strategy in your overall management approach:
(1)=Always--daily
(2)=Often--weekly
(3)=Occasionally--twice a month
(4)=Seldom--once a month
(5)=Never

Do you conduct pricing analyses (i.e. break-even or competition comparisons)?

Do you assess your target market, if so, how? And who are primary targets?

Have you changed your target markets within the last year?

How do you go about presenting a new, or current product?

Do you have an advertising program, if yes, what kind? What is your advertising budget?

~~*Have you increased or decreased investment in your facility within the past year? How has your*~~
investment changed?

Section Four: Human Resource Management

What kinds of personnel management strategies do you use?

Please rate how often you use human resource/personnel management skills and strategy in your overall management approach:
(1)=Always--daily
(2)=Often--weekly
(3)=Occasionally--twice a month
(4)=Seldom--once a month
(5)=Never

Have you recently sent any employees to conferences or seminars?

How often do you meet with your employees?

Where do you expect your staff to be one year from now, five years from now? Do you have any long-term personnel plans? Do you see your staff as progressing with the organization?

Do you maintain job descriptions for each position in the facility?

Does your facility have a personnel policy handbook that indicates vacation, leave, sick policy, etc.?

Do you routinely recruit employees from who you know, from colleagues in the industry, or from some other mechanism, such as advertisements or a professional recruiter?

How often do you interview prospective employees, or do you have someone else do the interviewing?

Does your facility maintain a job training program?

Section Five: Operations Management

Please rate how often you use operations management skills and strategy in your overall management approach:
(1)=Always--daily
(2)=Often--weekly
(3)=Occasionally--twice a month
(4)=Seldom--once a month
(5)=Never

Does your facility maintain a policies and procedures plan that describes potential liability issues within your facility? If yes, explain?

Does your facility use internal employees to maintain the equipment or do you contract with an outside source?

Do you give your members a membership policy handbook?

How often does management check the weight resistance and cardiovascular equipment?

What kinds of inventory strategies do you use to monitor inventory turnover of your pro shop, juice bar, or front desk sales items?

Section Six: Summary

What are some of the trends you see occurring within the industry?

Where do you see the industry in five to ten years?

Is there anything that has not been addressed that you feel necessary to the objectives of this study regarding health club management?

APPENDIX C

SUBJECT CONSENT FORM

SUBJECT CONSENT FORM FOR
PARTICIPATION OF HUMAN SUBJECTS IN RESEARCH
UNIVERSITY OF NORTHERN COLORADO

Project Title: "An Analysis of Management Strategies Utilized Within the Health Club Industry and The Relationship With Facility Success"

Researcher: Jeffrey A. Newkirk, Department of Sport Administration

Phone #: (970) 490-2595

I am a doctoral student at the University of Northern Colorado conducting research for my dissertation. The focus of this research is on the usage of management strategies within the health club industry, and whether there exists any relationship with facility success. If you agree to participate in this research study I am requesting that you have a discussion with me regarding some of your management strategies. This discussion will take place over the telephone and, for study credibility purposes, will be audio-taped. I assess that the discussion will take approximately 30 to 50 minutes to complete. The interview guide has been included for your review.

Participants in this study include health club managers from six categories: (a) multipurpose facility, corporate operated; (b) multipurpose facility, stand alone; (c) multipurpose facility, hospital based; (d) fitness only, franchise; (e) fitness only, stand alone; (f) fitness only, women only. The information garnered from these sources should provide for an assessment of strategies employed within the different health club categories.

The information you provide me with will be confidential. Only my peer debriefer and I will have access to the audio tape. The peer debriefing must be included so as to secure authenticity of the discussion. Otherwise, the discussion will be categorized, as noted above, without any reference to yourself or your employer. The audio tapes will be transcribed verbatim for analysis purposes. You will receive a copy of the transcription for review in terms of accuracy of statements, and deletion or addition of information.

Your participation in this study may not benefit you directly, but will help in providing an analysis of potentially successful management strategies within the health club industry. The risks to you are minimal. You risk only your time and effort in answering the questions during the discussion, and in reviewing the interview guideline.

Authorization: I have read the above and understand the nature of this study and agree to participate. I understand that by agreeing to participate in this study I have not waived any legal or human rights. I also understand that I have the right to refuse to participate and that my right to withdraw from participation at any time during the study will be respected with no coercion or prejudice.

If I have any concerns for my selection for this study or how I was treated, I will contact: Dr. Karen A. Roberto, Chair of the Internal Review Board, University of Northern Colorado, Greeley, CO 80639 (phone: 970-351-1585).

Participants' Signature Date

Researcher's Signature Date

APPENDIX D

LETTER OF ATTESTATION

CHIROPRACTIC SPORT AND SPINE CENTER
GUNNAR CARLSON, D.C.
2159 U.S. 41
SCHERERVILLE, INDIANA 46375
TELEPHONE: (219) 322-3177

April 11, 1997

To Whom This Letter Concerns:

This letter is to confirm the authenticity and accuracy of the data collected by Mr. Jeff Newkirk in his study, Management Strategy Utilization within the Health Club Industry. I have reviewed the audio tapes and interview transcripts and I can attest to the accurate detailed accounts of the data. The transcripts follow, verbatim, the interviews as recorded on each audio tape.

Furthermore, I reviewed Mr. Newkirk's field notes and am confident that they are legitimate and accurately reflect the occurrences within each interview. I believe Mr. Newkirk was detailed in his note taking and attempted to record his thoughts in a timely and comprehensive manner.

It is with confidence, therefore, that I attest to the authenticity and accuracy of the data collected within this study and any reference that may be made to this data.

Sincerely yours,

Gunnar Carlson DC

Gunnar P. Carlson, D.C.

APPENDIX E

RESPONSE FORM

Response Form

Your assistance with this study is greatly appreciated. If you have any questions please do not hesitate to call the researcher, Jeff Newkirk, at (970) 490-2595. Please read the following points prior to conducting your analysis:

- Use this form for your analysis and response to each interview transcription.
- Feel free to elaborate and add your comments on any points you feel necessary.
- Read the transcription through at least once before completing this form.
- For your convenience you will be supplied with one response form per transcription.
- Again, thank you for your participation in this study, it is paramount to its completion.

Section One: Financial Management.
Please look for the following strategies and skills that manager's could use under the area of financial management:

Strategies:

1. Capital acquisition—looking to retain funds for a project or facility expansion
2. Revenue growth with/without expense reduction—increasing profits
3. Project or product growth

Skills (necessary for use of any of the above strategies):

1. Financial planning and budgeting
2. Time value of money—future value, present value, etc. for project assessment
3. Financial statement analysis
4. Ratio analysis
5. Break-even analysis
6. Capital Budgeting

Please use the following Behaviorally Anchored Rating System to evaluate this manager's expertise and utilization of financial management strategies. Circle the number that best reflects your evaluative response.

5= Could be expected to conduct financial management skills daily, evaluates strategy implementation daily, and indicates a much better than average use of all strategies and skills listed above.

4= Could be expected to conduct financial management skills weekly, evaluates strategy implementation weekly, and indicates a better than average use of all strategies and skills listed above.

3= Could be expected to conduct financial management skills approximately twice per month, evaluates strategy implementation approximately twice per month, and indicates an average use of all strategies and skills listed above.

2= Could be expected to conduct financial management skills only once per month, evaluates strategy implementation only once per month, and indicates a below average use of all strategies and skills listed above.

1= Could be expected to be unable to conduct financial management skills at all, is unable to evaluate strategy implementation, and indicates a far below average use of all strategies and skills listed above.

- **Please add any additional comments you would like to make regarding this manager's ability to utilize *financial management* within the scope of this facility's strategic planning process. If you felt the topic grouping of *financial management* was absent, or weak, please add your thoughts on this as well.**

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Section Two: Marketing Management.

Please look for the following strategies and skills that manager's could use under the area of marketing management:

Strategies:

1. Increasing investment in the facility by way of products, promotions, etc.
2. Maintain consistent investment standards within the facility
3. Changing the target market—going after another segment of the population
4. Milking the firm's investment—gradually removing costs from the facility in order to close
5. Divestment—facility closure

Skills (necessary for use of any of the above strategies):

1. Pricing analysis
2. Product analysis
3. Placement, or distribution analysis
4. Promotional strategies through any medium
5. Market Analysis including competition, target market, and environment analyses
6. Demographic assessment

Please use the following Behaviorally Anchored Rating System to evaluate this manager's expertise and utilization of marketing management strategies. Circle the number that best reflects your evaluative response.

5= Could be expected to conduct marketing management skills daily, evaluates strategy implementation daily, and indicates a much better than average use of all strategies and skills listed above.

4= Could be expected to conduct marketing management skills weekly, evaluates strategy implementation weekly, and indicates a better than average use of all strategies and skills listed above.

3= Could be expected to conduct marketing management skills approximately twice per month, evaluates strategy implementation approximately twice per month, and indicates an average use of all strategies and skills listed above.

2= Could be expected to conduct marketing management skills only once per month, evaluates strategy implementation only once per month, and indicates a below average use of all strategies and skills listed above.

1= Could be expected to be unable to conduct marketing management skills at all, is unable to evaluate strategy implementation, and indicates a far below average use of all strategies and skills listed above.

- **Please add any additional comments you would like to make regarding this manager's ability to utilize *marketing management* within the scope of this facility's strategic planning process. If you felt the topic grouping of *marketing management* was absent, or weak, please add your thoughts on this as well.**

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Section Three: Human Resource Management.

Please look for the following strategies and skills that manager's could use under the area of human resource management:

Strategies:

1. Internal hiring strategies
2. External hiring strategies
3. Structured interviewing process
4. Job training through collegial or supervisory training, and/or seminars and conferences
5. Reward programs for employees
6. Employee satisfaction strategies, such as parental leave, stress reduction programs, etc.

Skills (necessary for use of any of the above strategies):

1. Job analysis
2. Developing a set of personnel policies
3. Written and/or oral communication skills
4. Group interviews or meetings for employee selection
5. Group interviews or meetings for employee development and satisfaction
6. Developing goals and rewards with the employee

Please use the following Behaviorally Anchored Rating System to evaluate this manager's expertise and utilization of human resource management strategies. Circle the number that best reflects your evaluative response.

5= Could be expected to conduct human resource management skills daily, evaluates strategy implementation daily, and indicates a much better than average use of all strategies and skills listed above.

4= Could be expected to conduct human resource management skills weekly, evaluates strategy implementation weekly, and indicates a better than average use of all strategies and skills listed above.

3= Could be expected to conduct human resource management skills approximately twice per month, evaluates strategy implementation approximately twice per month, and indicates an average use of all strategies and skills listed above.

2= Could be expected to conduct human resource management skills only once per month, evaluates strategy implementation only once per month, and indicates a below average use of all strategies and skills listed above.

1= Could be expected to be unable to conduct human resource management skills at all, is unable to evaluate strategy implementation, and indicates a far below average use of all strategies and skills listed above.

- Please add any additional comments you would like to make regarding this manager's ability to utilize *human resource management* within the scope of this facility's strategic planning process. If you felt the topic grouping of *human resource management* was absent, or weak, please add your thoughts on this as well.

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Section Four: Operations Management.

Please look for the following strategies and skills that manager's could use under the area of operations management:

Strategies:
1. Facility policies and procedures in place and adhered to
2. Preventive maintenance programs for the equipment—internal or contracted with outside vendor
3. Inventory management strategies, such as hiring products as needed
4. Employee empowerment to order products as needed given a list of ingredients
5. Gantt chart utilization for product planning and progress assessment
6. Risk management program in order to assess the facility's liabilities and risks.

Skills (necessary for use of any of the above strategies):
1. Ability to evaluate potential risks
2. Development of practices and procedures for facility risk and liability reduction
3. Risk plan adherence
4. Preventive maintenance implementation
5. Development of employee handbook
6. Development of membership handbook
7. Inventory analysis

Please use the following Behaviorally Anchored Rating System to evaluate this manager's expertise and utilization of operations management strategies. Circle the number that best reflects your evaluative response.

5= Could be expected to conduct operations management skills daily, evaluates strategy implementation daily, and indicates a much better than average use of all strategies and skills listed above.

4= Could be expected to conduct operations management skills weekly, evaluates strategy implementation weekly, and indicates a better than average use of all strategies and skills listed above.

3= Could be expected to conduct operations management skills approximately twice per month, evaluates strategy implementation approximately twice per month, and indicates an average use of all strategies and skills listed above.

2= Could be expected to conduct operations management skills only once per month, evaluates strategy implementation only once per month, and indicates a below average use of all strategies and skills listed above.

1= Could be expected to be unable to conduct operations management skills at all, is unable to evaluate strategy implementation, and indicates a far below average use of all strategies and skills listed above.

- Please add any additional comments you would like to make regarding this manager's ability to utilize *operations management* within the scope of this facility's strategic planning process. If you felt the topic grouping of *operations management* was absent, or weak, please add your thoughts on this as well.

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APPENDIX F

RANKINGS OF EACH TOPIC GROUPING STRATEGY UTILIZATION EMPLOYING THE BEHAVIORALLY-ANCHORED RATING SCALES

Table F1

Rankings of Financial Management Strategy and Skill Utilization Employing the Behaviorally-Anchored Rating Scales

Participant	Ratings				Rank
	R	IA 1	IA 2	Final	
F1	4	4	-	4	2.5
F2	3	3	-	3	5.0
F3	3	3	-	3	5.0
F4	2	2	-	2	8.5
F5	1	2	1	1	11.5
F6	2	2	-	2	8.5
M1	3	4	2	2	8.5
M2	4	4	-	4	2.5
M3	3	3	-	3	5.0
M4	5	5	-	5	1.0
M5	1	1	-	1	11.5
M6	2	1	2	2	8.5

Note. Maximum rating = 5. R = researcher; IA 1 = first independent analyst; IA 2 = second independent analyst; Final = final rating given to participant.

Table F2

Rankings of Marketing Management Strategy and Skill Utilization Employing the Behaviorally-Anchored Rating Scales

Participant	Ratings: R	IA 1	IA 2	Final	Rank
F1	1	1	-	1	11.0
F2	1	1	-	1	11.0
F3	3	3	-	3	4.5
F4	2	2	-	2	8.0
F5	2	3	3	3	4.5
F6	3	3	-	3	4.5
M1	1	4	3	3	4.5
M2	4	4	-	4	1.5
M3	2	2	-	2	8.0
M4	4	3	4	4	1.5
M5	1	1	-	1	11.0
M6	2	3	2	2	8.0

Note. Maximum rating = 5. R = researcher; IA 1 = first independent analyst; IA 2 = second independent analyst; Final = final rating given to participant.

Table F3

Rankings of Human Resource Management Strategy and Skill Utilization Employing the Behaviorally-Anchored Rating Scales

	Ratings				
Participant	R	IA 1	IA 2	Final	Rank
F1	4	4	-	4	3.0
F2	4	4	-	4	3.0
F3	2	2	-	2	9.0
F4	1	1	-	1	11.5
F5	1	2	1	1	11.5
F6	3	3	-	3	6.0
M1	3	3	-	3	6.0
M2	5	5	-	5	1.0
M3	2	2	-	2	9.0
M4	5	4	4	4	3.0
M5	2	1	3	3	6.0
M6	3	2	2	2	9.0

Note. Maximum rating = 5. R = researcher; IA 1 = first independent analyst; IA 2 = second independent analyst; Final = final rating given to participant.

Table F4

Rankings of Operations Management Strategy and Skill Utilization Employing the Behaviorally-Anchored Rating Scales

Participant	Ratings: R	IA 1	IA 2	Final	Rank
F1	1	1	-	1	10.5
F2	5	5	-	5	1.0
F3	2	2	-	2	6.5
F4	2	2	-	2	6.5
F5	1	2	1	1	10.5
F6	1	1	-	1	10.5
M1	3	5	3	3	3.5
M2	3	3	-	3	3.5
M3	1	1	-	1	10.5
M4	5	4	4	4	2.0
M5	1	2	2	2	6.5
M6	4	3	2	2	6.5

Note. Maximum rating = 5. R = researcher; IA 1 = first independent analyst; IA 2 = second independent analyst; Final = final rating given to participant.

VITA

JEFFREY A. NEWKIRK
2950 Neil Drive, #14
Fort Collins, Colorado 80526

EDUCATION

Ed.D.	University of Northern Colorado, Greeley, Colorado Emphasis in Sport Administration August 1997
M.B.A.	University of Iowa, Iowa City, Iowa Emphasis in Finance and Marketing May 1989
B.S.	Valparaiso University, Valparaiso, Indiana Emphasis in Finance and Economics May 1986

EXPERIENCE

1996-1997	Part-time Instructor, School of Kinesiology and Physical Education, University of Northern Colorado
1995-1996	Research Assistant, School of Kinesiology and Physical Education, University of Northern Colorado
1994-1995	Part-time Instructor, School of Kinesiology and Physical Education, University of Northern Colorado
1992-1993	Finance Director, Condell Medical Center, Libertyville, Illinois
1989-1992	Projects Coordinator, Condell Medical Center, Libertyville, Illinois
1986-1987	Consumer Loan Representative, South Chicago Bank, Chicago, Illinois

1986-1989 **Sales Associate, The Last Rep Gymnasium, Lansing, Illinois**