Changing Education for Changing Times

Elsewhere in this issue, William Hsu and Robert O'Halloran explain the seemingly inexplicable decision made a few years ago by Hutchison Whampoa to demolish the Hong Kong Hilton and replace it with a commercial office building. Certainly this is not the first time a hotel has been demolished, and it is not the first time that an owner has decided to maximize the value of its real estate. How unusual, though, for an owner to end a long-term relationship with a first-rate operator and to remove a prosperous, well-located hotel from service. To be sure, the Hilton was by no means the only hotel thus replaced, and the situation in Hong Kong stemmed from an unusual confluence of market forces. But the fate of the Hong Kong Hilton demonstrates the continuing evolution of the hotel business.

FROM THE PUBLISHER

The Hong Kong Hilton was built at a time when location was perhaps the essential consideration for a hotel property—and this hotel had a prime location in Hong Kong's Central district. In fact, the location was *too* prime, it turns out, and that is the lesson from this drama. To wit, times change.

When Cornell University started its hotel program, the industry was just departing from its "mine host" phase as a cottage industry and entering a new era of professional operation. The first hotel chains appeared; the industry expanded as never before; and modern technologies (e.g., private baths, running ice water, and, later, telephone service) attracted a new market of leisure and business travelers.

With the market crash and the depression, many hotel companies entered receivership. Some companies eventually retrieved their properties, while others took the opportunity to acquire real estate at a great discount. Conrad Hilton, for example, purchased the debt notes for such gems as the Plaza and the Stevens (now the Chicago Hilton and Towers) in this way.

World War II froze hotel development, but it also froze prices. Never had hotels had higher occupancy levels or more restrictions on ADR. When the postwar era brought strong competition from the rapidly coalescing "motor-hotel" segment, many full-service city hotels struggled to fight off the challenge.

Barely noticed in the late 1940s and 1950s was the bifurcation of hotel ownership and management. Pioneered by Inter-Continental and Hilton, the management contract put the final nail in the "mine host" theory of hotel operation. Franchising likewise allowed for a divergence of management and ownership, and turned a hotel's brand name into a product in its own right—separate from either management or ownership.

Product tiers, as developed by Choice Hotels, revolutionized the way hotel brands marketed themselves—to both consumers and would-be owners. In recent years HFS and Choice have gathered an unprecedented number of franchises under a single roof. The industry's chief source of financing changed from private owners backed by banks and savings and loans in the 1980s to publicly funded investors in the 1990s. As an example of this turnabout, consider this figure from Coopers & Lybrand: hotel REITs raised nearly one-half billion dollars in just the first quarter of 1997. Ten lodging companies and one REIT have market capitalization in excess of $1 billion each.

The point of this abbreviated history lesson is to demonstrate the forces that have caused hospitality education's continued evolution. The important point in this discussion is that management skills have become more complex over time, and hospitality education has likewise become more intricate.

Most of the management skills needed to operate a hotel in 1920 were also needed in 1950 and virtually all are still needed today. Along the way, however, a vast array of new skills have been added to a manager's résumé. In addition to paying attention to guest satisfaction, marketing, human resources, and operations, GMs also have to attend to the overall value of the hotel asset—not to mention being aware of the latest technology. Managers must accomplish their tasks with a thinner organization, and relate to a host of specialists, including market-feasibility analysts, asset managers, and property-valuation experts.

So finance courses now include asset management in addition to traditional accounting. Engineering has changed from wrapping a lead pipe to maintaining computer networks, as well as dealing with waste-stream separation. Far from just keeping track of time clocks and training employees, human resources ranges from setting up child-care programs to establishing 401(k) accounts and extends to investor relations. It goes without saying that students still should know how to clean a room, run a front desk, and manage food service. Those skills—which once represented the apex of the hotelier's art—are only the beginning for today's hotel students.

When I am asked, "What is the future of hospitality education?," I point to the evolution of the hospitality industry and hospitality education. By transcending a curriculum based only in operations, we have kept the promise made 75 years ago to develop a program that educates the leaders of the hotel industry. Hospitality education must give its students the management-level education that allows them to grow as the industry grows. ❑