Status of Ethical Behaviors in the Hospitality Industry

The hospitality industry has willingly looked at its ethical behavior and determined a need for improvement. University hospitality management programs can help meet this need by incorporating formal ethics instruction into their curricula and testing for changed ethical behavior as a result of the instruction.

Introduction

Business ethics are rules businesses choose to live by. They are not necessarily laws. They are rules that make trust between parties possible. Marion Isbell, the founder of Ramada Inns, gave the School of Hotel and Restaurant Management at Northern Arizona University an endowment to promote the growth and development of improved ethical decision-making within the hospitality industry. Isbell Hospitality Ethics was established for that purpose. To be able to make improvements (assuming improvements are needed), it was first necessary to define the ethical status of the hospitality industry. A thorough review of ethics articles appearing in the hospitality journals from 1990 through 1999 was conducted to serve as the basis for constructing a long-term plan for future applied research and practical application of the results to achieve the mission of Isbell Hospitality Ethics.

One hundred seventeen articles on ethics appeared in 33 hospitality journals from the years 1990 through 1999. Fifty-five of the 117 articles appearing over the decade were determined to address the ethical status of the industry. The purpose of this paper is to review the 55 articles on the status of ethical behaviors in the hospitality industry throughout the past decade and to suggest appropriate actions for this decade.

Method

The Lodging, Restaurant, and Tourism Index out of Purdue University was used as the only source of hospitality journals. Articles were found under the key word heading of “Business Ethics.” Once all the articles were read and analyzed, the qualitative methodology of allowing the topic areas to emerge from the data was utilized, and nine topic areas were delineated. The topic areas were rearranged in an order that represented a sequential flow of the topics. Relationships between topic areas and journal titles and publication dates were looked at for evidence of obvious trends and/or interest continuity.

The articles in each topic area were rearranged until a reasonable order and outlines emerged. The researcher was not looking for any particular results or findings, satisfied with simply accepting and organizing the writings of others with the expectation that conclusions could eventually be drawn from the processing and synthesizing of the materials.

Fifty-five of the articles were categorized in the first three topic areas of unethical actions, ethical identity, and making ethical choices. The three areas combined are indicative of the status of ethical behaviors in the hospitality industry and are reviewed in depth.
This integrated research review was conducted by one researcher utilizing established qualitative methods. It is possible that other researchers might have categorized the articles differently. The primary purpose of the study, however, was to serve as the basis for constructing a long-term plan for future applied research and practical application of the results to achieve the mission of Isbell Hospitality Ethics. The researcher’s intent was to provide a solid basis that could result in growth and development of improved ethical decision-making in the hospitality industry. The researcher’s findings indicated a need for a cooperative effort and thus, sharing the results of the integrated research review with colleagues is offered as a service.

Description of the Data

Figure 1 lists the three topic areas and the total number of articles for each topic area. Figure 2 provides a visual overview of the total number of articles written in the three categories in each journal, their publishing dates, and topics. Figure 3 shows the categorized hospitality journal articles written per year for the ten-year period.

The three journals with the most articles on ethics were Successful Meetings, Meeting News, and Meetings & Conventions. The ethical behavior of meeting planners and the inherent ethical dilemmas they face are prime concerns of the meeting planning industry with 29 of the 55 articles (53%) devoted to ethics in meeting planning. Twenty-seven of the 55 articles fell in the first topic area which simply identified unethical behavior, while the other 28 articles concerned identifying ethical awareness and individual personal actions to make ethical decisions.

Ethics articles appeared in the hospitality journals somewhat consistently except for 1992 where 14 appeared and 1995 when none appeared. The differences, however, were small, there weren’t enough articles, and the time period wasn’t long enough to draw valid conclusions (see Figure 3). Figure 2 is of interest in terms of who did what when, but trends or conclusions are not readily apparent.

A complete review of the literature for each of the three topics follows. Each topic literature review is followed by a summary and analysis.

Unethical Actions (Topic 1)

Of the 27 articles in Topic 1, 17 (63%) were from the journals of the meetings industry (Successful Meetings, Meetings & Conventions, and Meeting News). Planning the meetings and conventions, which contributed an estimated $56 billion to the U.S. economy in 1991, is extremely time consuming, expensive, and stressful. Planning the meetings and conventions, which contributed an estimated $56 billion to the U.S. economy in 1991, is extremely time consuming, expensive, and stressful. Planning the meetings and conventions, which contributed an estimated $56 billion to the U.S. economy in 1991, is extremely time consuming, expensive, and stressful. Planning the meetings and conventions, which contributed an estimated $56 billion to the U.S. economy in 1991, is extremely time consuming, expensive, and stressful. Planning the meetings and conventions, which contributed an estimated $56 billion to the U.S. economy in 1991, is extremely time consuming, expensive, and stressful. Planning the meetings and conventions, which contributed an estimated $56 billion to the U.S. economy in 1991, is extremely time consuming, expensive, and stressful.

In the early 1990’s fam (familiarization) trip abuse (complimentary on-site visits to properties by planners) was a major issue. The International Association of Convention & Visitor Bureaus took steps to identify bogus planners and report their activities to the IRS, state attorney generals, and the U.S. Postal Service in order to protect the reputations of legitimate planners and the planning industry.

Many of the expenses for meetings, such as shuttle services, audio-visual, entertainment, receptions, convention center charges, etc., are not covered by registration fees. For the past 30 years hotels have been willing to rebate a few dollars from the negotiated room rates back to the planners to cover expenses. The planning industry has been debating the issue of whether attendees should be notified of the rebate. Planning industry attorneys, however, find it unethical and potentially illegal to not disclose rebate agreements to attendees. Rebates from the hotels sometimes go to individual planners...
rather than to pay for meeting expenses, and kickbacks given to third parties bringing business can be criminal.\textsuperscript{6}

It has become apparent more recently that covert commissions, where planners demand secret payments for booking with a property, can result in commercial bribery suits. Most planners say they do not accept or ask for covert commissions.\textsuperscript{7} While there are recommendations, there are no industry-wide guidelines to govern rebates and third party commissions, and planners’ decisions are left to their own discretion.\textsuperscript{8}

All three meeting planning journals had articles describing questionable hotel tactics. Some planners thought gifts with the hotel’s logo were acceptable but found expensive or personal gifts unacceptable.\textsuperscript{9} Free rooms, limo service, and entertainment are among the incentives hotels have used to encourage planners to book meetings at their properties. The line between acceptable and unacceptable gifts is not clear and makes for difficult ethical decisions.\textsuperscript{10}

Some hotels were reported tacking on surcharges if planners wanted to use their own vendors. Hotel recommended vendors may be very good, however, it was suggested that the issue of surcharges should be openly discussed during negotiations rather than be an after-the-fact surprise for planners.\textsuperscript{11} Often the surcharges were dropped if planners balked at paying them.\textsuperscript{12} Some hotels have exclusive agreements with preferred vendors. Quality control can be improved, however services may be more expensive. Planners need to have an awareness of possible profit motives in the relationships between hotels and preferred vendors and “shop-around.”\textsuperscript{13}

Hyatt and Marriott offer points for booking meetings. The points can be redeemed for free rooms, vacations, and/or frequent flyer miles.\textsuperscript{14} Meeting Professionals International and The Society for Government Meeting Planners prohibit accepting points and/or gifts. The incentive programs are, however, extremely successful.\textsuperscript{15}

The American Medical Association, the Pharmaceutical Manufacturers Association, and the Food and Drug Administration issued ethical guidelines concerning sponsorship of medical meetings. Formerly pharmaceutical companies planned lavish meetings and presented continuing medical-education courses for physicians.\textsuperscript{16} The new ethical guidelines no longer allowed drug companies to have a role in creating or influencing scientific exchange.\textsuperscript{17} Because drug companies could no longer sponsor continuing education, they no longer needed to hire meeting planners, and meeting planners found themselves frozen out of the business.

The meeting planning industry has been very open about its ethical shortcomings. Restaurants and hotels have indicated some ethical problems also. Huxley’s and T.G.I Friday’s in New York were cited for charging tourists higher prices than regular customers.\textsuperscript{18} Deceptive advertising with the use of contrived restaurant ratings given to member restaurants came to the attention of the Center for Science in the Public Interest.\textsuperscript{19}

Questionable ethical practices seem to take place on all sides. Clients have been known to share meeting planner proposals with lower bidders and implement the original planners’ ideas.\textsuperscript{20} The Illinois Department of Public Aid asked its employees to take the amenities from the hotels they stayed in on business trips, to give to the homeless.\textsuperscript{21} Liquor liability became an issue for meeting planners when meeting attendees were involved in accidents and the companies holding the meetings were held liable.\textsuperscript{22}
Between 25% and 50% of all trade show organizers and managers have provided inaccurate attendance figures to exhibitors. Trade show organizers were given “lukewarm” encouragement by the Society of Independent Show Organizers to audit attendance.23 The treatment of founders of successful hospitality corporations such as Marie Callender’s, Pizza Hut, Popeyes, and Carl Karcher Enterprises, when they were voted or sold out, was described as “disgraceful.”24

Questionable ethical practices can have devastating personal effects when they are identified as illegal. Ethical misbehavior resulted in a tax evasion conviction for Victor Posner whose holding company, DWG Corp., owned Arby’s.25 Kathleen Tompkins was a meeting planner for Salomon Brothers until she admitted stealing $1 million from them by submitting false invoices for gifts never given out at corporate functions.26 British Businessman Richard Branson accused American businessman Guy Snowden of trying to bribe him, and Snowden sued for libel.27 The San Diego County Grand Jury accused and exonerated Mayor Susan Golding of misconduct for allegedly appropriating $4 million toward the San Diego Convention and Visitors Bureau’s marketing program in exchange for the San Diego County Hotel-Motel Association’s support of a new ballpark and downtown redevelopment project.28

Hospitality managers and employees are at risk when someone in the organization “blows the whistle” and reports wrongdoing. Whistle blowers are often wrongfully discharged, but may not be successful in court if they try to sue for their jobs.25 The Professional Conduct Committee of Meeting Planners International conduct investigations of ethical breaches involving their members with the hope of avoiding law suits and/or criminal charges. Being accused of unethical behavior can ruin reputations, so Meeting Planners International strongly encourages that all investigations be conducted confidentially.30

Books such as *The Meeting Planner’s Legal Handbook* are useful guides to the legal and ethical issues meeting planners face.31 When trying to make good decisions W. P. Fisher writes, “the best ethical posture for any organization or person is unswerving commitment to the truth, to progress, to service to others, and to the integrity of one’s own existence.”32

**Summary of Topic 1**

Twenty seven articles identified unethical actions taking place in the hospitality industry. The meeting planning industry was by far the most open and concerned with questionable ethical practices. Seventeen of the articles appeared in the meeting planning journals and were targeted to meeting planners rather than academicians.

Fam trip abuse was regularly cited early in the decade as problematic. Fam trip abuse declined as planning industry leaders built awareness of fam trip abuse and helped to identify abusers. Other problems, such as planners receiving undisclosed rebates and kickbacks, covert commissions, and gifts from hotels, then came under planning industry leaders’ scrutiny.

Unethical behavior can ruin the reputations of both wrongdoers and those who have been wronged. While ethical misbehavior of individuals in the hospitality industry was reported in the various journals, Topic 1 only identified wrongdoing without addressing reasons for wrongdoing and/or solutions.

**Ethical Identity (Topic 2)**
Sixteen articles spread evenly over the past decade indicate an interest in identifying the levels of ethical awareness in the various segments of the hospitality industry. The meeting industry, with 6 of the 16 articles, addressed ethics at local and national conferences regularly. The meeting industry may be more concerned with ethical issues because of outside perceptions as a “freebie-laden industry of party throwers and party goers.”

A few of the professional meeting planner organizations adopted codes of ethics and adherence programs to improve the image of the industry, and a 1992 survey showed that some previously accepted business practices had become unacceptable. On-going ethical instruction in the industry journals and conferences exposed professionals to appropriate ethical decisions through the use of scenarios.

The results of a poll of 104 members of Meeting Professionals International’s Georgia Chapter showed a disparity between what planners say they do and what they actually do. It was suggested that the members polled were professionals, and the disparity was caused by the actions of non-member, part-time planners.

Organizations are realizing that values may have to come from the organizations rather than from the individuals in the organizations and are beginning to conduct ethics training. Sixty-three percent of the members attending the Society of Incentive & Travel Executives International Conference in 1999 said they had to deal with ethical situations at least once a month and felt their ethics were compromised regularly. Decisions often come down to how much the planner or company wants the business.

Results of 250 planners and industry suppliers polled at the Meeting Professionals International World Education Congress indicated lying, cheating, and stealing were not uncommon practices in the industry. Without an industry-wide ethical standard, unethical actions may seem to be the norm, and the reputation of the planning industry will be further tarnished.

Similar surveys were administered to professionals in various positions in the hospitality industry. Financial managers were asked if they agreed with the actions of the controller in 16 hypothetical scenarios in a survey of 630 members of the International Association of Hospitality Accountants. Four hundred lodging managers responded to 15 similar scenarios in a survey by the same researcher. Club managers were also surveyed. Agreement between the professionals surveyed and the actions taken in the hypothetical situations was consistent. Agreement did not, however, indicate whether the actions were ethical or unethical.

Controllers, lodging managers, and club managers’ responses were compared in a fourth similar study with just seven scenarios. The three groups were found to be in overall agreement, disagreeing more often with the hypothetical club manager. Readers of Lodging were given the opportunity to take the survey for the purpose of measuring themselves against the lodging managers’ responses from the original survey. Results of graduating seniors in a university hospitality program, taking the same survey, were found to parallel those of lodging managers. The hypothetical manager in each of the scenarios for each of the three groups was not, however, acting in defined ethical or unethical ways. Rather, managers, students, and readers were simply comparing their behavior to that of other managers instead of with an ethical standard.

Three hundred forty nine students from six university hospitality programs responded to a survey requesting their perceptions of the most pressing ethical issues
facing the hospitality industry. Discrimination and employment relationships were identified as problematic and perhaps related to high turnover rates. Air/water pollution was ranked as the most serious issue.\textsuperscript{47} It was noted in later research that examples and wording can bias respondents’ answers. In a replication of the above study, with only an example changed, the perception of pollution as an ethical issue went from 34.4\% to 7.7\%.\textsuperscript{48}

Forty-two hotel human resource directors in 15 different states were interviewed to identify ethical issues. Lack of work ethic followed by drug use, theft, incivility, and lying were identified as critical.\textsuperscript{49} Another thirty human resource directors in 11 states were interviewed to determine real-life ethical scenarios (in response to the Schmidgall hypothetical scenarios). A survey was then created and 84 human resource directors and 81 university hospitality students responded as to whether the action in each scenario was ethical or unethical.\textsuperscript{50} There was a clear difference between the responses of human resource directors and students. Students identified many situations as ethical that the human resource directors found to be unethical. This disparity between students and managers indicated a need for communication of ethical standards to new hires and perhaps to all employees.\textsuperscript{51}

Defining a code of conduct (ethics code) can help employees and managers recognize acceptable behavior. Managers are encouraged to discuss ethics with employees to positively build the culture of the organization and increase affiliation.\textsuperscript{52} A survey of foodservice directors, employees, and students found that managers, older employees, and those with more experience had higher ethical scores.\textsuperscript{53} Students scored 44\% lower than foodservice directors and university hospitality programs are encouraged to teach ethics to better prepare future foodservice directors.\textsuperscript{54}

**Summary of Topic 2**

Topic 1 identified specific episodes of wrong doing by various people and positions within the hospitality industry, with a strong self-emphasis on the meeting planning segment. Topic 2 moved beyond specific episodes into assessing and comparing group behaviors within the hospitality industry. Thirty-eight percent of the articles in Topic 2 dealt with the meeting planning industry. Surveys given to members of several meeting planner groups indicated frequent ethical dilemmas, lack of ethical standards, and recurring ethical misbehaviors. Sixty-two percent of the articles, however, were concerned with other segments of the hospitality industry such as foodservice, hotel human resources, club management, lodging, controllers, and hospitality students.

Hotel human resource directors and foodservice directors were found to have higher ethical scores than students taking the same surveys. This corresponds to findings in ethics literature outside the hospitality journals and is important because it encourages university hospitality management programs to teach ethics to prepare their students to be better able to deal with the ethical dilemmas they would face as managers in the industry.

Hospitality organizations were also urged to discuss ethics with new hires and to foster ethical cultures.

**Making Ethical Choices (Topic 3)**

Six of the 12 articles (50\%) in this topic area are from the meeting industry journals, while four articles are from the foodservice industry, one from hotels, and one from marketing. Ethics are not necessarily laws. Ethics may be defined as “standards of
civility, duty and professionalism that cause decisions to be made and actions to be taken that are in the best individual, organizational and public interest.”

Some companies have created “corporate ethics officers” to help managers confront difficult questions without clear-cut answers. In the absence of ethics officers and/or ethics codes managers are urged to periodically review their decisions and ask whether they would like to see their actions reported in the press or known by their clients or the public. People prefer doing business with organizations and people they trust. Breaking contracts or promises, giving or taking kickbacks, unfair hotel pricing policies all undermine trust and can decrease profits.

Foodservice suppliers often send gifts at Christmas. The intent of expensive gifts is to influence foodservice directors’ purchasing decisions. Expensive gifts (over $5) should be returned to suppliers with notes explaining no-gift policies. Or in advance of any gifts, gift policy statement letters could be sent to suppliers to avoid embarrassment. When gifts or perks become bribes may be a function of disclosure, however in the meeting planning industry, it is ultimately up to individual planners to decide what is right to accept. Meeting planner professional journals encourage planners to make ethical decisions by exposing readers to scenarios with ethical solutions.

Customers and the public could construe hotel pricing strategies as unfair. Consistent rates would enhance the reputation of the industry and result in higher profits. It has been suggested that the hospitality industry needs to move from transactions to relationships, that is, from control to trust. Shared ethical convictions motivating organizations benefits employees, customers, and the bottom line. Because dishonesty is a moral failure and bad for business, hospitality professionals must make personal commitments to be honest, look at their behavior, and develop integrity.

Summary of Topic 3

Hospitality organizations benefit from internal ethical decision-making. A few organizations have instituted ethics codes and/or ethical officers to encourage ethical decision-making, but it is mostly left up to individuals within the organizations to do what they think is right.

The meeting industry is again in the lead with more articles describing ethical decision-making. The hotel and foodservice segments represented in this topic are in agreement with the meeting planning segment, that it is necessary for everyone in their organizations to make ethical choices. They are all, however, left with very little institutional support for enabling ethical decision-making.

Appropriate Actions for this Decade

Considerable descriptive research in the form of surveys has been conducted to identify ethical beliefs and orientations of hospitality managers, employees, and students. Unethical behavior has been identified as well as the myriad of ethical situations inherent in the various segments of the hospitality industry. Research has shown the difference in ethical perceptions and beliefs between age groups, gender, and experience levels.

The hospitality industry has become a profession to the point where managers often come through university hospitality management degree programs. Hospitality students’ ethical belief systems have been shown to be less developed than experienced managers’. Because young adults may be guided into higher levels of moral reasoning,
university hospitality programs should teach ethics to enable potential managers to discern ethical dilemmas, analyze outcomes, and determine correct/ethical decisions.

Ethical behavior results in more successful business for everyone—customers, workers, management, the community, and the company. Hospitality graduates, however, take entry-level management positions in organizations that may or may not be able to provide realistic ethical behavior guidelines that managers and employees can be taught and that can be adhered to by all. University hospitality programs must not shirk their responsibility to prepare students to be successful hospitality managers by assuming their students will learn ethical behavior on-the-job.

Knowledge of ethical perceptions, beliefs, and orientations was initially necessary to determine needs and direction, but descriptive survey research has fulfilled its usefulness. The degree of ethical awareness has been measured and found lacking. It is time to move to higher levels of research and look at effects of treatments, in other words, changed behaviors as a result of education.

Additional research, not reported in this paper, indicated that it is more productive to incorporate a thoroughly planned ethics component into each required course than to teach a separate ethics course, and an integrated case study approach is thought to be the most effective method. As a result of these findings, Isbell Hospitality Ethics has developed a hospitality ethics curriculum which will be pilot tested Fall 02. Data has been collected for the past four semesters from incoming freshmen and outgoing seniors to measure the state of their ethical awareness. Data will continue to be collected to measure any effects attributable to the hospitality ethics curriculum. If successful, the hospitality ethics curriculum will be made available to hospitality programs nationwide. Once the long-term study is completed, results will be disseminated to hospitality ethics researchers.

Isbell Hospitality Ethics is creating a web site that will reprint all the ethics articles appearing in the hospitality journals each year with a summary and analysis. The purpose of the web site is to facilitate hospitality researchers, interested in ethics, to work in a more coordinated effort toward the goal of increasing ethical awareness and ethical behavior in the hospitality industry.

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