



## **Spa Management Workforce & Education: Addressing Market Gaps**

General Session: GSWS Research

Wednesday, June 6<sup>th</sup> 2012 9:45am – 10:15am

Paepcke Auditorium, Walter Paepcke Memorial Building, The Aspen Institute

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KATHERINE JOHNSTON: I'm here to talk about a challenge that probably most of you face in your day-to-day business: That's the challenge of finding great and well-trained spa management personnel. At last year's Summit, in the delegate survey, you as a group, said that you believed training in education is the number-one challenge facing today's spa industry, and you also said that a lack of professional human resources is the number-one obstacle for growth in your own businesses. According to the online study that we ran for this study, 95 percent of you said that you have problems finding great spa managers and directors with the right qualifications, skills and experience. About half of you said that these problems will either stay the same or get worse over the next 10 years.

So why are these problems so important and critical for the industry? Well, of course, as you all know (you are experts on this), spas fundamentally are about the experiences, the human touch and the service that you provide to your customers. So in order to be innovative and be competitive in the marketplace, your people, your employees and your business are really your number-one asset.

I want to emphasize upfront that the challenges you are facing with management personnel are not something unique to the spa industry. As you probably know, the economy and many parts of the world really fundamentally shifted from manufacturing based to services and knowledge and innovation industries over the last few decades. Along with that change, there has really been a fundamental shift in the nature of competitive advantage. Today, having talented and innovative employees and having a strong, organizational culture are really the most critical, competitive success factor across many industries including spa. At the same time,

many businesses and many industries are finding that it is increasingly harder to hire and retain great employees, and especially, at the management level.

This is caused by a lot of factors, and I think Elizabeth yesterday in her talk at lunch, talked about these labor force trends that are driving this. Things like demographic changes, the fact that it is easier to change jobs now and people do it more frequently, and the fact that today's jobs simply require a much higher skill level than jobs did from previous generations – all of those are driving these challenges.

Economists have been talking about this labor force challenge for the last couple of decades, and about 10 to 15 years ago, McKinsey did a lot of great research on this topic. They labeled this topic, “The War for Talent,” and so many of you may think that's a good descriptor of what you're facing with your workforce challenges.

So what needs to be done to address this problem? Who's responsible for addressing the problems with spa management? Just think to yourselves: Is it the school's responsibility to go out and change [its] approach and [its] curriculum? Is it the employee's job – if they don't have the right skills, they should just go get better training? Or is it the spa business' responsibility to fix [its] employees weaknesses? This is not meant to be a trick question, but the correct answer is all of the above. All of these groups, the schools, the employees, the businesses, everyone needs to be responsible for working together to make sure that skilled and competent spa managers are available for the industry.

One of the most important takeaways that I hope you remember from this presentation is that workforce development depends on partnership systems and networks. Everybody needs to be taking a more proactive and partnership-based approach for developing a strong spa management workforce, and really, for developing a strong workforce for the industry at all levels of jobs. Schools and training companies need to make sure that they're offering industry-relevant curriculum and lots of opportunities for hands-on and practical training. Spa businesses need to do a better job communicating and partnering with schools; also make sure that they are offering strong resource development and training opportunities for your employees. Meanwhile, if you are a person working in spa management or interested in spa management, you need to make sure that you are going out and seeking the appropriate education, training and credentials at the appropriate points in your career, and then bringing this knowledge to your job.

What I'd like to do now with the rest of this presentation is focus a little on each of these three key components in the workforce system, talk about the current state of affairs, some of the important challenges facing these groups, and then I'll wrap up

with some suggestions about ways that we can work on making the system work better, work more closely together, to address some of these problems.

First, to start out with the situation of people actually working in spa management, I just want to emphasize upfront, something anybody who has worked in spa management knows firsthand: That is, being a spa manager is truly a very difficult job, and in many ways it can be much more difficult than being a manager in other types of industries.

There are a number of key attributes and qualities that are much needed in order to be a very great spa manager or director. The first is that spa managers really need to have their foot in the door in the spa world and a foot in the door of the business world. You have to embrace and be passionate about the spa lifestyle, but at the end of the day, you need to be able to run a good and profitable business and be a good business manager. This is a very tough combination of qualities because in a lot of ways these two pieces are kind of incompatible. It's kind of a right brain/left brain dichotomy. It can be challenging to find someone that has both of these.

Second, great communications in their personal skills are probably much more important for managers in the spa industry than in other industries. Third, being a great spa manager is almost like being an entrepreneur. Running your own business rather than being sort of your own management-type position. This is especially true in the day spa world, where a lot of the managers are in fact the owners of a business.

Fourth, as you know, spa management is a very demanding career, very long work days and long work weeks. As you move up, you need geographic mobility, a lot of travel. So it's a career that can easily lead to burnout and may not necessarily be family friendly, that kind of lifestyle.

Another key challenge for spa managers is there really is no tried and true of typical route for entering a spa management career like there is in many other industries. The pathways that people take into spa management jobs are literally all over the place. Because of that the types of education and training that people receive, and the points in their career where they receive it, are also all over the place and incredibly fragmented. This is really a huge factor contributing to the skill gaps that people are experiencing with their spa managers.

I wanted to put here a simplified, but not that simple, graphic showing kind of the typical career pathways for people in the spa management. There are really two primary routes that spa businesses use to hire managers. The first, of course, is to promote people upward within a spa, often within a therapist position or from other

low positions. The second is looking outside the spa when needing to hire someone. This could be from another spa. It could be straight out of a school or degree program, which may or may not be directly related to spa. It could even be from another industry. But really the types of training people are going to have received, or education they will have received, depends on which route they're coming through into the management jobs. Generally what we hear is people coming into management jobs from that first part; typically have the heart and passion for spa, but probably lack any kind of training in business and management skills. People coming from the second route are often the opposite; they may have business and management training skills, but a lot of times they lack that experience and that in-depth understanding of spa.

Once you move into a management job, you kind of move up through the ranks of different levels. One thing I want to point out is that the use of these job titles I am pointing out here is incredibly inconsistent in the industry, and what I am showing on the screen is the most typical. There are lots of spas out there that use these terms differently. We actually found in our surveys that sometimes these job surveys are used differently by different spas in the same international chain. So it can be a little confusing.

Moving upward beyond management jobs poses another challenge because there are fewer and fewer senior level positions out there. If you want to look at moving into management positions in hotel and hospitality, moving into spa consulting, opening your own business, all of those routes have their own challenges. So this can be tough for people looking at the long-term career pathways in management. We actually hear, anecdotally, that a lot of people stay in spa management for a very long time, and the turnover is actually lower in those positions than in other lower-level positions in the spa. We also hear that a lot of people end up leaving the industry when they can't find jobs to move into beyond the spa manager roles.

[The] third major challenge of spa management is that it really does require a huge range of skills, of hard skill and soft skills. Generally, it would be impossible for a person to possess all of these skills without having both significant education and training and also having a lot of experience and mentoring in the spa industry, but of course, what I mentioned earlier, the typical pathways into spa management mean that people generally lack one of those two elements: either the education and training or the experience.

On the screen, this is just a graphic we tried to put together for the report to summarize those key skills for spa managers. I don't want to talk a lot about this, but basically we wanted to condense and summarize a lot of the skill sets here, and we still

ended up with 20 things on this list. ISPA has done a lot of work in this area, and [it has] put together what [it calls], “A Body of Knowledge for Spa Management Personnel.” It’s much more detailed than this; we included it at the end of our reports, and I encourage you to look at it. That document is about eight to 10 pages long and has over 300 items on it. The point I’m trying to make is the required skill set is massive and complex for managers in the spa industry.

According to the surveys and interviews our research team did, the number-one complaint the industry has about spa managers is they’re lacking the strong management, finance and business skills. We asked both the industry leaders and the spa managers themselves about their training needs and gaps, and interestingly, their responses were very similar across both groups. They really emphasized those gaps in the hard skill areas. The top gaps that both groups said exist are strategic planning, IT skills, public relations and promotion, our revenue management, legal and regulatory compliance, financial management and accounting. As schools, companies, spa businesses and training providers all think about how to improve training for spa managers in the future, those would definitely be areas for you to focus on.

To move on to the next key player in the workforce system: the schools and the training providers. I want to be a little bit more specific of what I am talking about here because, really, there are two different types of training and education that people would receive during their career pathway. The first is a degree or educational credential, something like an associate’s or foundation degree, bachelor’s, masters, something that would be offered by a university, college or technical school. Usually, people earn these types of degrees before entering the workforce, but it is harder to go back and get a degree like this after you are already in your career. And usually people would pay for this type of education themselves.

The second category is continuing education and on the job training. This is training people get when they are already in their career and already working at a job. It can be offered through a lot of different routes, sometimes it’s done by someone’s employer, by an outside training company, an industry association, and there are even schools and universities out there that have programs that specialize on continuing education for people in the workforce. Sometimes people get a certificate or credential from this training; it may not necessarily be a degree. And sometimes this training is paid for by the person themselves; sometimes it’s paid by their employer. My sense from talking to people is that there is some confusion in the spa industry about these different types of education and training, and who provides them and the roles that they play, so I just wanted to emphasize upfront this distinction. Really, more importantly than that, I wanted to emphasize that all of these types of training are essential for building a strong workforce pipeline for spa management. There’s not one single best

educational program or degree out there that everybody needs to get because really everyone, depending on their background, needs different types of education and training at different points in their careers. All of these are important pieces of the puzzle.

Now to take a quick look at the universities and schools that offer degree programs related to spa management – that's the first category of education I talked about. We counted up about 64 programs or schools worldwide that are offering spa management-related training. You can see on the map the distribution; most of them are located in the U.S. and Europe. Most of these programs are either bachelor's level, or what we call associate's or foundation degree, a two-year degree level, there are a few other degrees and master degree programs out there. What we're including in this counter are three different types of spa management degrees. The first is what we call pure spa management; this would have a curriculum that's entirely focused on preparing someone for a career in spa management. There are about 27 of these programs. Second, we included hotel, hospitality, tourism management programs that have some kind of spa component within them, that might be a formalized concentration of spa management, or it could just be a few elective courses. We counted about 22 schools offering these types of programs, but only about 10 of them have a formalized concentration of spa management as part of the degree.

We're also including here an increasing number of spa therapy programs that are offering spa training as part of their curriculum. There are about 16 programs that we were able to count, but I think there are probably more out there. Some of these kind of have an even split in the curriculum between therapy and management, and then some of these are really fundamentally therapy programs that include a few short management courses or modules. This is a really important development because so many people coming into spa management start out with that therapy background; this is a place to get that foundation of skills.

A few other things I wanted to highlight about the degree programs out there: First, all of these are incredibly new programs. Most of them started in the last five to six years. There are maybe three or four schools that have been around for eight to 10 years or more. These programs are very small. Most of them have between 10 and 40 students enrolled in the spa management degree. There are maybe four or five schools that are in the range of 100 students enrolled. Tuition rates vary widely within these programs. It can be anywhere from \$100 dollars to \$100,000 a year to enroll in one of these degree programs. And lastly, but very importantly, very few people in the spa industry actually know anything about these schools and these programs. We ask people in surveys and interviews to name schools that actually provide spa management education. Only about 20 percent were able to name one school. Among

those people, almost all of you probably came up with about three specific schools consistently, and none of the rest of these. So most of you are probably surprised that there are 64 of these schools out there, but honestly, it's not surprising, since these are so small and so new. Probably none of you have actually hired a graduate from these programs, so if you haven't hired someone or seen someone come out of this program, how would you know about them?

Again, just to emphasize about the smallness of these programs, we've estimated that there is somewhere between 130,000 and 80,000 people currently working in spa management positions in the industry. And, of course, that number continues to grow as the industry grows. As a comparison, we estimate that there are only about 4,000 students that are enrolled in all of the spa management degree programs that we counted around the world. Clearly, the number of people that are actually receiving degrees that are preparing them for spa management careers is nowhere near the people that the industry needs to hire into these types of positions.

A statistic to illustrate that: In the online survey, we surveyed just under 500 spa managers and directors, and among that group only 4 percent of them said that they had a spa management degree, so that's about 20 people out of 500 that have this type of degree. This gap is very much related to the skills gap that you as an industry are facing with spa managers, and especially within those gaps of hard skills and business management skills, because there just aren't enough people coming out of specific programs preparing them with those skills for spa management.

To take a look at the continuing education providers, this caters to people who are already in their careers, on a job. The clientele for this type of training would be people who are already spa managers and directors who want to upgrade their skills; might be spa therapists or lower-level spa employees who are interested in moving up in their careers into management; and sometimes these also cater to people who want to change careers and move into the spa industry. We counted about 41 continuing education providers around the world, and I think there are more out there, can be hard to find these if they don't have a good web presence. These include private training companies; they include consulting firms that do training; industry associations; and even a handful of universities and colleges. As you can see on the map, most of these providers are in North America and Asia, [and] to a lesser extent in Europe.

Couple of other things I wanted to highlight about continuing [education]. First, like the spa industry, this is a pretty new market. Most of the providers of continuing education are relatively new, their programs are still evolving and changing a lot, and there's also a lot of turnover in these training providers. They're experiencing a lot of

trial and error in terms of figuring out which programs work best. Lately, a lot of the trainers seem to be moving towards online models or hybrid online and face-to-face models for training because they're finding that these are much more effective and attractive for people who are already on the job. The biggest challenge for continuing [education] is to be able to provide meaningful training and in-depth training within the very limited time and resources that people in the workforce have to spend on training, because it's very hard to take time away from your job to attend training, especially if you have to pay for that training yourself.

Because the continuing education providers are so diverse, are constantly in flux, it can be really difficult for businesses and for you as an industry to judge the value or the merit of the programs and the skills that are being taught through those training programs. As an example, a lot of these training programs offer some kind of certificate or credential, but there is no consistency in this. You might earn a certificate in a two-day course. You can earn a certificate from a yearlong part-time program. So it's really hard to judge the meaning of those credentials other than word-of-mouth reputation for the programs.

One way industries address this challenge is through what the industry is credentialing. This is where an industry association or some kind of body establishes learning models, skill sets and exams and certificates that become recognized throughout the industry as a standard for what people in the profession need to learn. The spa industry actually already has this type of credentialing, but it's for the therapist level and technical skills. Things like massage and aesthetics. But to date, there hasn't been much of this at the spa management level.

The first step has been made in this direction by efforts by ISPA. [It has] been working with the American Hotel & Lodging Educational Institute to develop; first [it] did a certified spa supervisor certificate, and [it has] also developed an additional spa management certification. This is based on a lot of training, modules and resources [it has] developed. If you're not familiar with these, I'd encourage you to look them up online or read about them in our report. I mention this because when we talk to people in the industry, there is a lot of interest among you and developing some kind of industry standard, certificate credentials for spa management. There is a sense that it is very difficult to do this because the skills sets at a manager level can be kind of fuzzy; it's hard to develop something that is very international in scope, but I wanted to mention that there are strong precedents out there for doing manager credentialing. I feel like the American & Hotel Lodging Education Institute is probably the best example of this for you. [It has] been at this for three to four decades, it takes a long time to develop these, but [it has] hospitality management certifications that are really a gold standard in the industry and that are widely

accepted by international chains. Those are the types of models you may want to look into as an industry, if you think about this.

I want to jump to that third key player in the workforce system, and that is the spa businesses in the industry. I want to say the continuing [education] that I just talked about is most effective when it's not something that people have to seek out on their own, but rather when it is integrated into their jobs, into their professional lives, and is supported by their employers. In the industry survey that we conducted for our research, you, as industry leaders, think that on the job experience, mentoring and training are the most important ways for spa managers to gain the knowledge and skills that they need for their jobs, but only two-thirds of you said, as companies, you are actually providing any kind of in-house training for your spa management employees. Also just about half of the spa managers and directors we surveyed said that they wished that their employers would provide more on the job training. What we learned from our surveys about the online job training going on right now is that most companies, when they do training for spa managers, it's only for new employees, kind of a one-off thing when people first start their job. And only about one-third of spa managers are receiving any other kinds of training beyond that as they move on in their careers. Also, the spa companies that are doing training are developing their own curriculum, doing a lot of in-house. Very few of your businesses are taking advantage of the external training providers, the books and resources that are increasingly available out there. Also there are very few spas paying their managers to take external training courses or take online training.

So employee training is really going to be effective if it is not a one-time thing or not an occasional thing, but when it is a part of a very well-coordinated and proactive approach for developing talent, leadership and human resources in your business. There's a sense in the spa industry that spas are not generally investing enough time and resources into human resource development. In our interviews with industry leaders, we asked people to name companies that they thought were doing a good job in training and developing their spa managers. Some people could mention one or two companies. Most people couldn't think of any, and most people said they thought their own company is not doing a good job in terms of this.

To give you a sense of the types of things I am suggesting here, I've thrown in some ideas up on the screen of some successful approaches that have been used in other industries, and there are more details about that in the report. But human resource development is a huge field of study on its own; there is a massive health of resources out there about different approaches that can be effective for developing your employees and your workforce. So this is really something that spa businesses in the industry would benefit from investing in more time thinking about researching and

pursuing because this is really critical for developing a strong spa management workforce and really developing a great workforce at all levels in the industry.

To wrap up here, to address this talent gap in spa management that we have been talking about, as I said at the beginning, all of the key players in the workforce system are going to need to work together, more cooperatively and more proactively. There's a huge amount of fragmentation surrounding this right now. Industry people don't know what schools, training providers and resources are out there. Schools are finding it hard to connect with businesses and industries. There are a lot of training books, resources, credentials, like the ISPA books I talked about, that have been developed over the past five years that the industry has not taken advantage of and not aware of. In general, the spa industry is not supporting and developing the programs and resources that are already out there for spa management education and training and much less working on addressing gaps and developing new resources.

In the report which you have all received, we listed about 20 recommendations on things that could be done by the industry. I'm not going to go through all of those, but what I want to do to wrap up is really focus on three specific things that we think are [the] most important steps and [the] most obvious first steps for the industry to address some of these problems. So if you do nothing else with this report, I would encourage you to at least think about these three things.

The first, very simply, is to build awareness about the resources and programs that are already out there and work together as an industry to do this. You need to disseminate information about those spa management degree programs I talked about: the continuing education providers, the books, training materials, resources, credentials and internship opportunities. All of this information can be very easily disseminated on industry websites; a lot of the information is already provided in our reports, and you have it there at your fingertips. If you personally are not familiar with these resources, go learn about them yourself because this is the most important first step, and, as an industry, how can you work on improving spa management education and training, if you don't even know what programs and resources already exist?

The second recommendation is to reach out to the universities and schools that are already doing spa management training. You can do this as an industry, and you can also do this as an individual business, but you do need to be proactive about it. If there's a school in the report that you have received that is in your local region in your country, call them up. We talked to a lot of educators when we were doing our research. All of them work really hard to develop contacts and industry, but universally, they all said they would love to hear from more businesses. So really think about how you can connect with them and partner with them. Also, as an industry,

you can think about reaching out to those schools out there that don't have spa management training, try to educate them about the growth and opportunities in the industry, and see if you can get more programs to develop.

Our third recommendation is within your own business. Think really hard about how you can be more proactive on supporting your employees as they move through their career. How can your business provide more training? Can you work on being more proactive on succession planning so the people are prepared to move up from therapists to management jobs? Can you develop more internship programs or management trainee programs so that students and university graduates have good opportunities to build those practical skills and experience? Can you raise the bar for credentials and the requirements you have to hire spa managers? Start seeking out the graduates of the spa management degree programs. Start encouraging your managers to get outside training and credentials and pay for them to do this. It's actually not that costly to pay for. All of these programs, the degrees, the continuing education, the resources, they're not going to grow and flourish – you're not going to see them develop until there is more demand in the industry for these resources for spa managers.

It's the people in these companies, at the Summit, here in this room, who should be leading the way and leading the charge in this area, setting the best practice examples for how to grow talented employees, how to make skills and people the number-one priority in your business. Along the theme of the Summit, I encourage you to be innovators in this area and to think about how you can pursue some of these activities and really start making a difference in the workforce.

I think we have three or four minutes for questions, so I'd like to hear if anybody has a question or comment.

## **Q & A**

AUDIENCE MEMBER: The numbers you showed [included] 130,000 to 180,000 spa managers and 4,000 students. Do you have anything that shows what the replacement rate is, or how much turnover there is in the industry, and how quickly we need to replace managers?

KATHERINE JOHNSTON: No, we weren't actually able to get that detail in the statistics; these are rough estimates. But what we looked at – and there's a little more detail in the report – but if you say that big 130,000 to 180,000 number, some percentages of those people are going to retire and move on every year, and you're going to need to replace them. You also have a replacement growth rate that you need

to deal with. The 4,000 students – that’s not even the number of people that are graduating, it’s just the number of people enrolled – so say a quarter to a third of those students are actually graduating each year. The gaps are so wide that the details, and even the number, don’t even matter because it’s just to show the magnitude of the gaps.

AUDIENCE MEMBER: Thank you for a great report.

KATHERINE JOHNSTON: Thanks. We actually had a great panel discussion about this yesterday with a lot of the people in the room who I think are really committed to this issue. There’s a lot of excitement with people getting involved, and I think Anna already has some ideas for activities to work on. So I’d encourage if you are interested in working on this, you should please talk to Anna. She has volunteered kindly to lead the way on some of these things. Any other questions?

AUDIENCE MEMBER: It’s all very useful information, but I believe that this type of research is missing a critical component, and that’s the positions in the back of the house. I believe that it would be very useful to apply this approach to research and look at the back of the house. The reality is, these people spend 70 percent to 90 percent of their time with our guests. These positions are physically demanding, emotionally demanding, and it takes a special person to be able to do that, so it would be really interesting if we could, maybe next year, look at the back of the house.

KATHERINE JOHNSTON: I totally agree. I mean, really, this is one piece of the puzzle, and when you think about workforce, you have to think out that entire progression, and those other positions in the spa are just as essential as these and have just as many challenges and issues in the training and career pathways, and it all needs to work together. Actually, a lot of the things in the recommendations we’ve made in the report, we did say, I think, apply across the board to all levels of positions, not just managers. If we tried to focus on the other piece, it would have been twice as long, so we had to start somewhere. Anyone else?

AUDIENCE MEMBER: One thing that’s really puzzled me in the past five years of the spa industry is that the schools are actually not making contact with the businesses, and I know from going to business school that the value of business school is 50 percent of the opportunity you will have to make with your employer. I haven’t really seen that in the schools within the spa industry, so I was wondering if it’s missing something, or if it’s something that is missing from the schools.

KATHERINE JOHNSTON: I think there’s a lot of misperception about that on both sides. Most of the schools that we talk to, especially the ones that we profiled in

the report, are doing the best job they can reaching out to industry. A lot of them do participate in industry events. A lot of the outreach the schools are able to do often tend to be in their local region because that's the most obvious place to start ,especially when they are trying to place student interns, have mentoring and things like that. It's easier to deal with businesses in a closer geographic proximity. The schools we talked to are trying to place interns internationally; it's much harder to make those contacts, but they are working on it. You may not have heard about it because, again, there may be one person at one school who is trying to reach out and do that. That's why I say that communication needs to go both ways, and, as a business, call them up. They would love to hear from you. It's very easy to do that, and maybe you could be a guest speaker for them, maybe you could offer to be a mentor, offer an internship. There are so many things that, as a business, you can do to support these programs and support the training for the students. Again, it's a two-way channel that needs to be worked on.