

MANAGEMENT DESIGN AND DIFFERENTIAL AGENCY: CHALLENGES ARISING IN TOURISM ACCOMMODATION PROPERTIES IN NIGERIA

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Abstract

This paper reveal the interview findings of a work designed to appraise different agency challenges among owners of unit and resident managers in three separate types of Real Estate Tourism Accommodation (RETA) operation. The three separate contexts of RETA management delivery attempted are (1) Management service provision by small independent owner-operators RETA apartment complex, (2) Management service provision in real estate hotels, and (3) Management service provision by organization that manage multiple RETA apartment complexes. Using the four dimensional agency theoretical frameworks developed by Lambert (2001). It has been found that the potential for agency challenges appear to be highest in the event of a RETA complex managed by a small independent owner-operator.

KEYWORDS: Real estate management, Condominium, Agency theory, Management agency

1. INTRODUCTION

Strata titling is the term applied when referring to Real Estate that is segregated into separate ownership title, but the separate title own some property or infrastructure in common (Ball, 1984). The term “Real Estate” is used in this paper in a manner synonymous to the way that “Condominium” is used in Nigeria. This work reveals the findings of a study that probes into agency issues arising in the relationship between unit owners and resident managers in real estate tourism accommodation (RETA) settings in Nigeria. The theoretical framework for this study is made available by (Lambert’s 2001) four item agency conflict model. With quality to the RETA stakeholders identified by (Cassidy and Guilding 2010), it appears that the relationship between owners of unit and resident managers is the most important to the effective operation of a RETA complex.

RETA appears to be one of the faster growing tourism accommodation sectors internationally (Pizam, 2006; Wernken, Guilding , & Cassidy, 2008). It is obvious that securing an accurate gauge of this growth is challenging, moreover, as the actual volume of RETA properties has not been captured well in statistics compiled by tourism authorities or government bodies (Wernken et al.,2008). Although the focus of tourism accommodation is based on traditional hotels, motels and caravan parks which can be found , because there is a deficiency of statistics recording the number of holiday second homes or a type of mixed use building that would enable an analysis of tourist vs. residential usage to be.

According to (Wernken et al 2008), there appear to be multiple reasons accounting for the rapid growth of RETA complexes. With tourism being multi-sectorial it was expected that long before now, wide consultations would have been held with stakeholders to determine the prioritization and the clear parameters to be utilized for accessing the proposed funds, but as the usual prelude to policy abuse, we are not aware of any convergence of viewpoints. Over the last quarter of a century, the ostentatious facet of second home ownership has been greatly facilitated by a substantial growth of disposable income. This quarter of a century period has also seen enhanced mobility in connection with leisure pursuits and a move to shorter holiday breaks (John and Lynch. 2007). These development appear supportive influence and increased demand for second home ownership, thereby this appears to be an increase in the demand for accommodation that provides self-catering facilities. While this kind of accommodation is provided in RETA model, the RETA model therefore appeal to developers as it provides the prospect of selling units off the plan; in advance of their construction.

Furthermore, this brings forward the timing of property sale cash flow revenue for the developer, identifying a diminution of uncertain or risk exposure. And by subdividing a large tourism accommodation complex into smaller units of ownership, a developer is accessing a much broader market than is the case if the complex is sold to one purchaser. Another factor contributing to RETA growth is the widespread uptake of internet based holiday accommodation bookings. This range of factors has combined to provide considerable impetus for RETA growth worldwide.

However an understanding of the objectives, motivation, characteristics, and capabilities of real estate tourism accommodation(RETA) has not received the attention it deserves (Loannides & Peterson, 2003; Shaw &Williams,1998) especially in Nigeria and much is not known about the extent to which the place where the business is located influence the decision made by tourism entrepreneurs. A 'Place' refers not only to the physical environment but is a "holistic phenomenon involving environmental, social, psychological, and temporal processes" (Hariss, Brown & Werner, 1996). Moreover, "Places are repositories and context within which interpersonal, community, and cultural relationships occur" (Low & Altman, 1992). The RETA is socially important as many operators (entrepreneurs) develop social networks, engage in activities that support local communities (Keen, 2004) and may develop a strong sense of identity as members of their local town. These feelings of socio-physical settings influence individuals "place identity" (Proshanky et al., 1983) their "identity principles" (Twigger-Ross & Uzzell, 1996), as well as their behavior within the place (Pretty, Chipuer, & Bramston, 2003).

The relationship between people and RETA is the subject of environmental psychology. RETA has also place, have been described as "centers of human existence" (Relph, 1976) that help create a sense of meaning and stability in people's lives (Bow & Buys, 2003, Brown & Perkins, 1992; Gustafson, 2001; McAndrew, 1998). The remainder of this paper is structured as it provide other context such as literary and theoretical view for the study e t c and concludes with an interpretation of the study's main findings and an overview of its shortcomings.

Real estate tourism accommodation (RETA) is concerned with many problems as the timeshare study cannot be described at large, therefore making it difficult to fully analyze the complex nature arising in RETA. It was observed that Particular Avenue of timeshare ownership has not

been mirrored in the real estate tourism accommodation (RETA) study. More so, the change in the application of agency theory is basically focus on the relationship among managers and shareholders in the real estate tourism accommodation, thereby left out the difference between the managers and the shareholders. In essence, rapid change in the agency theory has only been achieved through financial economics study.

Furthermore, the problem in the application of legislative differences to real estate properties was not cross-section analyzed thus made holiday properties in large complexes to be seen as continuum that spans the basic timeshare model while holiday properties in small complexes are hidden. However, if the above problems are vividly research it would broaden the knowledge initially acquired about management design in real estate tourism accommodation (RETA). With the aim of tackling the problems, it is important to examine the impact of management design on real estate tourism accommodation.

2. LITERATURE REVIEW

The nascent nature of the RETA literature is evident from the fact that there appears to be no RETA focused study predating. However, several recent papers have taken an Australian perspective on RETA issues Cassidy and Guilding (2010) provide an overview about the kind of stakeholders that Cassidy and Guilding classify as primary, i.e., unit owners and resident managers (RMs). Management challenges arising from fast growth RETA notes the huge number of separate stakeholders involved in RETA complex management relative to players in hotels management. This study also reveal the problem of rejuvenation for destination settings, as well as the need for planning authority(s) on how to manage the eventual specter of an aging RETA infrastructure.

Two studies carry direct particular study reported herein. Firstly, Guilding, Wernken, Ardill, and Fredline (2005) took a whole approach in their examination of agency challenges arising in the unit owner or RM relationship. Easthope and Randolph (2009) concur with Guilding et al.'s view that the relationship is challenging. Everton-Moore, Ardill, Guilding, and Warnken (2006) provide a cross-state analysis of legislative differences applying to real estate properties. A further complex nature arising in RETA research concern the way that holiday properties in large complexes can be seen as continuum that spans the basic time share model, fractional timeshare and fully-owned RETA unit. There are some facts of the timeshare sector that signify a degree of communality with particular issue confronted in the RETA sector.

While the timeshare literature cannot be described at large, it is nevertheless more established than the RETA literature. Thereby, a large part of timeshare literature has been directed to explicating the time share model (e.g. Crotts & Ragatz, 2002, Ragatz & Crotts 2000, Upchurch, 2002, Upchurch and Gruber, 2002). As notable statement that particular avenue of timeshare ownership has not been mirrored in the RETA literature (Sparks, Butcher & Bradley, 2008) with regards to the study described herein, no report concern with agency issues arising between timeshare unit owner and managers of timeshare complexes has been found in the literature. The study hint that a huge part of the timeshare literature has been directed to explicating the timeshare model and also distilling factor that account for timeshare fast growth (e.g. Lawton, Weaver & Faulkner,1998; Upchurch, 2000; Upchurch & Gruber, 2002).

Agency is the principal, frequently represented by a business owner or owners. While the agent frequently represented by an employee of the business owned by the principal delegating some decision making authority to the agent (Jensen & Meckling, 1976; Rose, 1973). Portraying the relationship between RMs and RETA unit owners as a principal-agent exchange appears to be appropriate, as RMs provide letting and caretaking services to RETA unit owners (Mills, 1990). As RETA management appears to be one of the fastest growing tourism accommodation sectors internationally thereby, securing an account gauge or measure of this growth the theoretical framework provided by Lambert (2001) for the examination of fair item agency conflict model is considered. In contrast, to Berle and Means (1932) the development of agency theory, and back to Adam Smith (1776) the wealth of nations, also Letza, Sun, and Kirkbride, (2004) point out agency theory problem.

Agency as one which focuses on relationship where one party, 'the principal' assigns work to a second party as the first party is frequently represented by a business owner or owners. The application of agency theory has changed through financial economics literature, with a basic focus on the relationship between managers and shareholders. Agency theory made incentives problems and also mechanism for controlling incentive problem possible (Bohren, 1998; Eisenhardt, 1989; Lambert, 2001). But Sharma (1997) conceives the strength of the theory that it leverages three fundamental concepts together with an emphasis on efficiency. These have broadened many researchers on agency theory to examine organization behavior, organizational theory and strategic management aspects (Eisenhardt, 1985, 1988, 1989; Kosnik, 1987). While in all Lambert (2001) sees agency theory as constituting one of the most theoretical paradigms underpinning accounting research in the 1980s. Agency theory as posited recognizes two separate costs that a principal can incur when attempting to minimize the possibility of an agent acting opportunistically: (1) Monitoring costs and (2) Metering costs (Sharma, 1997).

Agencies have been established in countries where institutional arrangements inhibit protected areas from themselves providing the diversity and quality of tourism opportunities from which revenue flows back into the protected area. In various countries, including Kenya, Tanzania, South Africa, Nigeria and some Caribbean countries, the response has been to establish parastatal agencies, which function like companies within the public sector, and which operate at 'arm's length' from governments. Some African parastatal agencies were found to have some 15 times as much funding as did government run protected area authorities. In Nigeria, the emergence of parastatals is in keeping with moves towards decentralisation that has been taking place since the end of a heavily centralised political regime in 1998.

Ideally, parastatal agencies should be managed by a Board of Directors who is experts in various aspects of tourism, business and protected area management. These members create vital links to the commercial world, thereby enhancing the potential financial gain by the protected areas themselves. However, parastatals do not have as much autonomy and flexibility as true private sector organisations (Lindberg, K. and Huber, Jr. 1993) because they are responsible for public resources and therefore remain accountable to the public. They are unable to make decisions strictly on the basis of business criteria because they need to maintain non-profitable protected areas as well as the profitable ones, and they should provide benefits to local communities.

Their Boards are usually appointed by the government (Eagles, P., McCool, S. & Hynes, C. 2002) and may be based on political or other vested interests rather than ability, commitment, etc. The public will often continue to regard them as public sector organizations and may object to their paying higher salaries, entering into business contracts, deviating from government procurement processes, etc. There is also a risk that since government underwrite the budgets of parastatals, they may not apply the same rigour to business decisions in comparison with private companies, and may therefore operate less efficiently than an equivalent private company. In a small number of cases, governments have transferred management of specific protected areas to companies in the private sector. Transfer agreements between the governments and private companies concerned, specify the obligations of private company managers to ensure protection of the site, while providing flexibility to allow companies to develop revenue streams that can be used to fund protected area management and to generate profits – generally, through wildlife-related tourism, and establishment of tourist lodges.

Considering the theoretical framework the following hypotheses were:

H₀₁: management design has no significant relationship on real estate tourism accommodation in Nigeria.

H₀₂: there is no significant relationship between management design and real estate tourism in Nigeria.

3. METHODOLOGY

Explorative interview were used in the form of data collection. As thirty five semi-structured interviews were conducted and transcribed. These interviews were with 15 industry experts, 10 resident managers, and 10 owners of resident. Industry expert are those who have extensive and broad experience in the RETA field. Purposive sampling was undertaken as part of an effort to achieve wide representation. It should be known, however, due to the location of a substantial component of the RETA industry as well as the resource team's location. It should also be noted that RMs owning management rights do not exist in all states.

The interview had a typical duration ranging between one and two hours. The industry expert and resident manager interviews all to took place at the participant's place of work. All unit owners' interviews were conducted by phone. Use of an interview protocol for recording information during the interviews assisted in data collection. Clarification of any ambiguous information gathered by way of email correspondence with the participants after their interview confirmation was also achieved by consulting corporate websites and follow up phone calls.

A primary data were used in this study, because explorative interviews were the main forms of data collection, from the industry experts (IEs) resident managers (RMs) and owners of resident. The research instrument used in this study is for explorative interviews. In all, interviews were conducted with 25 respondents in the real estate tourism accommodation (RETA) in Nigeria. Going with this study, vital information which include the Industry Experts (IEs) Resident Managers (RMs) and Owner of Resident. A five-point likert scale questionnaire was the research instrument used in the research, which was sent to resident managers of different real estate tourism accommodation in Nigeria.

A correlation analysis was used to test and make a decision about the impact of management design on real estate tourism accommodation in Nigeria. A 5 point likert scale was also used to generate the questionnaire which ranges from strongly agree, agree, indifferent, disagree and strongly disagree.

Table 1

Dependences S_1 – Position and perspectives of unit owners in RETA apartment

Univariate tests of significance for S_1

The corrected determination index: $R^2 = 0.51$; Std. Error of Estimate: 0.8304684

Effect	SS	Degree of freedom	MS	F	P
Intercept	0.43112	1	0.43112	0.62510	0.431106
IC ₁	26.92879	1	26.92879	39.04546	0.000000
IC ₂	8.53730	1	8.53730	12.37867	0.000665
IC ₃	0.99122	1	0.99122	1.43722	0.233541
Error	66.20907	96	0.68968		

Table 2

Dependences S_2 – Position and perspectives of unit owners in RETA apartment

Univariate tests of significance for S_2

The corrected determination index: $R^2 = 0.38$; Std. Error of Estimate: 0.9152204

Effect	SS	Degree of freedom	MS	F	P
Intercept	2.65921	1	2.65921	3.17469	0.077949
IC ₁	9.99072	1	9.990716	11.92738	0.000825
IC ₂	6.22245	1	6.222454	7.42866	0.007630
IC ₃	4.07450	1	4.074496	4.8643	0.029804
Error	80.41233	96	0.837628		

4. CONCLUSION AND IMPLICATION FOR MANAGEMENT

Based on the table above, result confirmed that management design strategy has a strong correlation with real estate tourism accommodation. Following, result confirmed the existence of a significant direct relation between management design and tourism accommodation; now it is visible to say that management design affects tourism accommodation improvement. Thus, H_1 should be accepted.

This study has examined the nature of agency challenges arising between unit owners and managers in three distinct modes of RETA delivery that have been denoted as X, Y and Z. X means small role trader resident manager operations typically operating a single RETA complex. Y refers to management services provided in hotels where the ownership of a rooms is RETA title based. Type Z means organizations that purchase the rights to provide resident manager services in multiple RETA apartment complexes.

4.1 LIMITATIONS AND FUTURE RESEARCH DIRECTION

While embarking on this research study, some challenges were faced such as lack of adequate materials and information from the respondents. The observation that RETA managers effort aversion is greatest in type X was not expected, as to these notifications which to be place on the certificates of title of the proposed lots confirming that the units are to be used for short stay occupancy are not placed. In addition, development refurbishment such as upgrading of fixtures, fittings and décor by unit owners is not permitted.

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