

**SKILLS AND COMPETITIVE STRATEGY IN THE UK FITNESS
INDUSTRY**

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Editor's Foreword

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Skills and Competitive Strategy in the UK Fitness Industry

Abstract

It is widely accepted that to produce high value products and services requires a well-trained and skilled workforce. This paper seeks to make a contribution to unpicking the relationship between business strategy and skills in the service sector by presenting research findings from the UK fitness industry. This sector has been fast growing and includes companies who compete on the basis of high quality, alongside those competing largely on cost. If the route to a high skills economy is to shift firms to higher quality products, then we would expect to find that the more up-market employers make use of a workforce with higher levels of skill. The research from the fitness industry questions this simple relationship, finding that there is no clear link between competitive strategy and skills. As quality is not necessarily the impetus for improving the skills of the workforce, the paper then briefly explores the possible skill implications of a number of other developments currently taking place in the industry.

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Introduction

High quality, high value-added goods and services equals a high skilled workforce, so goes the dominant assumption that underpins policy and academic discussion of the role of skills in economic performance. Whether it is the traditional emphasis on the inadequacies of the UK education and training system making it impossible for firms to produce and compete in high quality markets (e.g. Steedman and Wagner 1987) or the more recent view that it is the failure of firms to produce in these markets that ensures a lack of demand for skilled workers (e.g. Keep and Mayhew 1998), all sides of the academic debate seemingly accept the link between skills and product strategy. However, what evidence is there to support this ‘accepted wisdom’ and what are the implications of findings that might suggest this relationship is far from straightforward?

The limited research that has focused directly on the relationship between business strategy and skills has been undertaken in a variety of manufacturing settings, while the service sector remains largely unexplored. This preoccupation with manufacturing, alongside an assumption that skill equates with quality, is reflected in the UK government’s policies on competitiveness and economic growth in the so-called ‘knowledge economy’. There is a detailed manufacturing strategy, where the ‘goal is to narrow the productivity gap, assisting companies to move up the value-added chain to more knowledge-intensive, high-skilled manufacturing’ (DTI 2002:3). Patricia Hewitt (2003), the Trade and Industry secretary, insists that services are important too.

‘The future of the country’s prosperity lies in the knowledge economy. This is as true of the manufacturing sector as it is of the service sector. We must strive to innovate, to produce high quality, value-added products and services. And to do this, we have to ensure the right skills to support growth...’

If services are as important as manufacturing, where then is the comparable service sector strategy? The gap in policy would, therefore, seem to reflect the general lack of analysis and evidence.

This paper seeks to make a contribution to unpicking the relationship between business strategy and skills in the service sector by presenting research findings from

the UK fitness industry. Typical of the leisure industry, it is characterised by a relatively low paid and poorly qualified workforce. Keep and Mayhew (1999a) stress that the long-standing skill problems of a large segment of the leisure sector are an outcome of the emphasis on cost-based competition. They suggest that to improve skill utilisation would require the upgrading of product market strategies, 'better people management systems and practices and approaches to work organisation that allowed for significant levels of job enrichment' (1999a:30). The interesting aspect of the fitness industry is that there are already a number of companies who produce 'high quality' services catering for more sophisticated market niches, as well as companies competing on cost. Are the more up-market employers making use of a workforce with higher levels of skill, thereby supporting the view that quality equates with skill?

The first section of this paper examines the existing literature on the links between business strategy and skills and, in particular, highlights research undertaken within the service sector. What becomes clear is that there is a considerable gap in research in relation to whether high quality *is* associated with higher level skills in services. The main part of the paper examines this issue through qualitative research undertaken within the UK fitness industry. The business strategies of a sample of large companies are identified, and the skills of their core workforce, fitness instructors, are evaluated. The aim is to question the underlying assumptions and explore some of the reasons as to why upmarket production may or may not be associated with a higher level of workforce skills, rather than to generalise across all services. The analysis of the research findings suggests that the relationship between market position and skill is far from straightforward. As the evidence indicates that quality is not necessarily the impetus for improving the skills of the workforce, the paper then briefly explores the possible skill implications of a number of other developments currently taking place in the industry.

The link between skills and product market strategy

It is widely accepted that a high quality product strategy is likely to be associated with more sophisticated forms of human resource management (HRM) and a higher level of workforce skills. In pursuing a strategy of high value-added goods and services, 'treating employees as resourceful humans makes good business sense' (Legge

1995:67). A driving force of HRM, particularly the soft version, is that only by investing in the workforce can high quality goods and services be provided. The model 'assumes the desirability of policies to recruit, develop and retain staff with high levels of ability, skill and adaptability' (Guest 1987:515). Similarly other management techniques have also emphasised the importance of employee skills. The rhetoric of Total Quality Management (TQM) is that to produce a 'quality product' requires employees to be better trained (see Rees 1998 for a discussion). The high performance work systems' (HPWS) literature also stresses workforce skills, for example in enabling workers to undertake more flexible job roles and to take on greater responsibilities (Appelbaum *et al.* 2000).

What is surprising, given the emphasis on employee skills as central to the way that these types of management practices are claimed to work, is that there is very little direct investigation of the relationship between business strategy and skill. Where reference is made, it tends to be indirectly, for example by testing whether HRM or HPWS policies are more applicable to particular business approaches. Most authors refer back to Schuler and Jackson's (1987) three models approach (derived from Porter (1980)), where different competitive strategies are linked to a range of HRM practices. In relation to the skill characteristics of each approach, a cost reduction strategy is said to require minimal levels of training, whereas a quality enhancement strategy should be associated with extensive and continuous training and development of employees. The third category of innovation involves the selection of highly skilled individuals and the development of a broad range of skills. Although there is a clear role for skills and training in this approach, there appears to have been no systematic attempt to test whether particular skill patterns can be linked to each of the business strategies.

More significant advances have been made by those working directly on the issues of skills and vocational education and training (VET) systems. The writings of Sorge, Streeck and Regini have been particularly influential in identifying product strategy and exploring the implications for skill. Batch size is identified by Sorge and Streeck (1988:25) as a key link between the product market and the organisation of work and skills. Large batches are associated with a more rigid segmentation of work and a polarised distribution of skills, while smaller batches are less segmented and less polarised. 'Standardised products are generally sold in price-competitive markets, whereas customised products tend to be quality competitive' (1988:29).

Streeck's work on diversified quality production amongst German manufacturers leads him to argue that countries need to move to a 'more quality competitive product range' in order to sustain high wages. 'Moving product ranges 'upwards' towards more diversified demands and high quality markets requires not only capital investment in research and development for better and more diversified products, but also human resource investment in new and higher skills' (Streeck 1989:91). Based on research in Germany, France, Spain and Italy across five sectors, Regini (1995, 1997) identifies five different types of product market strategy, defined by the extent of customisation and importance of price competition, and links each to a particular pattern of skill requirements. For example, a diversified quality production strategy (using Streeck's term) requires high and broad skills for all occupational groups, while a flexible mass production system is characterised by a polarisation between high skilled and low skilled workers.

These types of links have been reproduced in a limited number of other comparative studies that confirm that higher quality or more sophisticated products require a workforce with higher levels of skill (for example Steedman and Wagner 1989; Mason 1999). Mason *et al's* (1996:186) study of biscuit manufacturing finds 'differences in skill levels were closely related to the predominant choice of product strategy in each country'. Despite the limited available evidence, Ashton and Felstead argue that 'at a theoretical level... there is a growing awareness of the link between companies' product market strategies and the demand for skill. Companies operating in high value-added markets tend to generate a demand for higher level skills... than those operating in low value-added markets' (2001:177). Similarly, Lauder (2001:198) states that, 'in general terms competing on quality will bring higher profits and a more skilled workforce'.

The important words here may be 'general' and 'tend', as Thompson *et al* (1995:721, emphasis added) argue 'there is no *necessary* congruence between markets, technologies and particular forms of work design.' They suggest a more nuanced relationship between skills and markets, 'mediated by institutional frameworks, corporate strategic choices and attempts by managers and other actors in the employment relationship to socially construct and attach meanings to the processes involved' (1995:740). Others have also implied that the link is less straightforward than is often assumed. Boxall and Purcell (2003:pp58-59) point out that cost-based strategies can be pursued both with high skill and low skill workers,

depending on the technology used, while Keep and Mayhew speculate that ‘there is the possibility that soon it may be feasible to produce high spec by Fordist production (i.e. low skill) methods’ (1999b:8). They suggest that ‘the reality may be far more complex and nuanced’ than the typical bi-polar model of high skills, high value-added versus low skills, low value-added (Keep and Mayhew 1999b:9).

Further adding to the uncertainty, it is clear that expertise in certain areas, such as marketing, may enable a product strategy to be of ‘a more high value-added nature but built on relatively low cost, low skill components for the majority of the workforce’ (Wensley 1999:34). Wensley gives the example of Nike, where the use of branding can ensure a high price (and thereby high value-added) coexisting alongside a simple production process. It is easy to think of many other consumer products that operate with a similar type of strategy, thereby questioning any straightforward link between *high value-added* and skills. However, this does not completely undermine the link between *business strategy* and skill, if strategy is defined in terms of competing on quality rather than high value-added and here the definition of quality is taken to mean product specification, i.e. complexity or sophistication, as opposed to delivery to standards (Del Bono and Mayhew 2001). Nike trainers would not be defined as a complex product, even though they are high value-added, and, as a result, it is not unsurprising that they are made using predominantly low skilled workers.

The research outlined thus far has focused on the manufacturing sector and, in much of this work, the service sector is either ignored or presumed to operate under similar conditions. There is, however, a burgeoning literature, particularly US-based, that deals with management practices within the service sector. The main focus has been on service quality, the ‘service encounter’ and techniques, such as TQM, rather than on workforce skills. Korczynski’s (2002) summarises the approach of ‘the new service management school’ which is to stress that the (assumed) growing importance of service quality requires a new set of HRM practices (including training), as workforce satisfaction is claimed to be directly linked to customer satisfaction (e.g. Heskett *et al* 1997). Making analogies to manufacturing, Bowen and Lawler (1992) identify two strategies to service delivery; a production line approach, which might be more appropriate for high volume services at low cost, such as fast food and supermarkets, and requires limited investment in workforce skills, and the empowerment approach, which involves significant investment in selection, training and recruitment, and is more relevant for those services requiring a ‘tender, loving

care dimension'. However, as Korczynski (2002) points out, the extent of difference is questionable given that 'high quality' training can last for as little as one week. Heskett *et al* (1990) use a slightly more complex four dimensional framework, dependent upon the extent of service customisation and the degree of customer contact. It seems that customisation is the predominant influence on the level of employee skills required (not dissimilar to Sorge and Streeck's (1988) batch size approach). The problem is that the four boxes are at such variants, i.e. fast food in one, lawyers in another, that it provides little assistance in distinguishing between business strategies (and associated HR practices) within similar types of services.

The empirical research is to some extent even more limited than the development of conceptual models. What tends to be tested is the relationship between different competitive strategies and HR practices (see Hoque (1999) on hotels in the UK), where training or multi-skilling is treated as one variable amongst many. One exception is the study by Batt (2000) on HPWS in US call centres, where an attempt is made to assess differences in levels of skill. This research found that workplaces servicing high value-added markets required employees to have significantly higher levels of skills than those in low value-added markets, thus seeking to confirm the assumption of skill equals high value-added (if not quality). Regini *et al*'s international comparative study of banking, although not specifically designed to investigate the link, finds a similar relationship between the customisation of products and workforce skills. A universal trend is for banks to have 'standard products sold by poorly trained employees... for lower end customers' alongside 'the development of close personal relationships and integrated service offered by highly skilled consultants as a way to attract corporate and higher-end customers' (1999:328).

These two studies seem to indicate a confirmation of the findings from the manufacturing sector. Similarly, Nickson *et al*'s (2002:19-23) review of the literature on the UK hospitality industry concludes that standardised services are predominantly provided through competing on low cost and low specification in association with a low skilled workforce. However, they do not make a similar generalisation about whether competing on quality equates with high skill. A cursory glance at some of London's top hotels, where prices can be £2000 per night, would certainly question the view that a high spec service *has* to be produced by a highly skilled workforce. Cleaning staff often earn the minimum wage and, for some, training consists of: 'She

found me a mop and bucket, bin bags and rags for cleaning, and left. That was my training' (Abrams 2002).

The link between product strategy and skills in the service sector thus remains rather elusive. The research for this paper aims to provide a starting point for pushing this issue to the centre of the research agenda around skills and business strategy. If the government's aim is to shift the UK towards a knowledge economy with skilled workers in manufacturing and services, then there is a pressing need to know what impact moving service sector firms up-market is likely to have on workforce skills. Defining product market strategy and skills levels is, nevertheless, far from simple, perhaps partly explaining why there is so little research in this area. The use of a sectoral approach, however, would facilitate the identification of the market segment the service is aimed at and the relative skills of the same broadly defined group of employees.

The fitness industry is a subset of the leisure sector and has its own distinctive characteristics that might provide the opportunity for a variety of approaches to skill formation. The market for the fitness industry is wide-ranging, from the most exclusive gyms of the rich and famous to the local leisure centre with provision for swimming lessons for school children. It also utilises a workforce that can operate at varying levels of skills, e.g. a well-trained and experienced instructor able to undertake risk assessments for those with serious medical conditions and an instructor who may have undertaken a course over one weekend. These types of features, therefore, offer the possibilities of different combinations of quality and skill levels.

The research that forms the basis of this paper was conducted in the first half of 2002. It involved interviews with senior employees within SPRITO (the national training organisation), the Fitness Industry Association (the main employers' organisation), Fitness Professionals (a professional body for fitness workers) and with the Institute of Leisure and Amenity Management and the Institute of Sport and Recreation Management (two professional bodies involved in education and training provision). This was supplemented with a range of documentary evidence and reports provided by the various organisations. From this material, along with trade and company websites, 16 of the largest companies were contacted (across a range of different types of provider) and agreement was reached to undertake interviews within eleven. In each organisation, interviews lasting on average two hours were held with either senior HR managers, training managers or operations directors. In four

companies interviews were held with two relevant individuals. Interviews were also supplemented with documentary evidence, company reports and relevant industry and press reports. The next section provides a brief summary of the key features of the sector.

Background to the industry

It is estimated that there are 3.4 million members of private health and fitness clubs in the UK, representing around 7% of the adult population (Mintel 2001). Add to this 343 million admissions to the 3640 local authority leisure centres and swimming pools (Mintel 2002) and it is apparent that the fitness industry has a significant presence in the consumption activities of the British public and is a major part of the economy. The private sector has a turnover of over £1.7 billion, employed 48,000 people in 2000, predicted to be 100,000 by 2005, in over 2600 fitness clubs (Mintel 2002).

The private sector has expanded rapidly in recent years, with an estimated growth of 70% in turnover between 1996 and 2001 (Mintel 2001). Just over half the clubs are independent single site operations, ranging from one room gyms with a treadmill and some free weights to clubs with all the facilities imaginable in a luxurious and exclusive environment. These independents are gradually declining in significance as they are taken over or put out of business by the rapidly growing fitness chains. Companies such as David Lloyds (owned by Whitbread), Cannons and Fitness First operate clubs across the UK (and a number have expanded overseas) catering for a range of market segments. Through a series of mergers and acquisitions and rapid opening of new sites, the chains are moving towards a position of dominance, particularly in London, the South and the Midlands.

The other main players in the private sector are hotels, with their own in-house clubs with membership open to guests and non-guests, and companies specialising in running clubs located at the workplace. However, it is local authorities which remain the largest provider of gym and leisure facilities, with the overwhelming majority managed in-house, although compulsory competitive tendering and more recently 'best value' has seen significant numbers of leisure centres being run by private contractors and not-for profit trusts.

The expansion of the chains has been associated with a rapid rise in the workforce of the largest companies. Employment in the fitness sector in at least six companies has now reached over 2000, with 8 companies in the private sector owning over 50 clubs and a further two companies running more than 50 local authority contracts. These companies have become large organisations, yet they have similar structural features to the restaurant, hotel or small retail chains, in that each workplace employs a limited number of people. A recent Mintel survey (2001) found that half of all clubs employ less than 10 full-time staff, while only 15% employ more than 30.

The rapid growth in the sector came to a sudden halt during 2002, as the economy slowed and growth in new membership stagnated. Over-expansion led to a number of quoted companies issuing profit warnings, a take-over of one leading company by venture capitalists and a further three involved in buy-out talks (The Business 2003). The response has been a slow-down in new openings and a focus by the larger companies on strategies aimed at consolidating market share, particularly through reducing membership turnover. Within this context, some companies have claimed that they are emphasising the importance of quality of service as a means to maintain competitive position.

The Fitness Instructor

Fitness instructors are the main employee group within the sector and, arguably, have the most direct interaction with the customer in the provision of the 'product'. The estimated 26,000 instructors working in the UK are predominantly young and low paid - between £5 and £6 per hour is fairly common. Turnover of staff in some companies is as high as 70% and it is estimated that 18 months is the typical length of job tenure. However, partly as a result of the expansion of the large chains, there has been the potential for rapid career progression into management positions.

A fitness instructor may undertake a variety of roles, usefully described by SPRITO, the then National Training Organisation for the sector:

Instructors... have responsibility for supervising users of the gym to ensure that they are exercising safely and effectively. They write individual, personalised programmes, supervise and demonstrate the use

of equipment and exercises. They usually also undertake medical screenings and/or assessments, inductions and sometimes run group training sessions.

More highly qualified and experienced instructors will do more one-to-one work called personal training, and work with special sections of customers (such as GP referral cases or 55+ age group or high performers...)

Other instructors have specialised qualifications for teaching exercise to music classes, including aerobics, Step... or they may be lifeguards.

At the 'front line' of the industry, instructors need to be confident in relating to people. In small clubs, instructors have to cover a variety of other duties, including reception work, sales, health and safety checks... and cleaning. Typically, equivalent NVQ [National Vocational Qualification] levels are 2 and 3.

(SPRITO 2001:7)

If any group is able to differentiate clubs on the basis of the service provided, then it is likely to be fitness instructors, in terms of their provision of advice and instructions and in their interaction with the user. Fitness instructors are not required by law to hold any qualification, although a company that employed staff as lifeguards without a First Aid Certificate or Life Saving Qualification would open themselves up to negligence claims and have difficulties in gaining insurance.

A number of factors have been operating to push the sector towards forms of self-regulation of training standards. The mass of available qualifications (one estimate was of over 400) has led to considerable confusion about the quality and standards required of an instructor. Private companies provide an array of vocational courses (often with no validation or accreditation process), while further and higher education institutions have an ever-growing assortment of sports science and leisure related studies. Scare stories in the press about the use of unqualified instructors, fears over litigation, broad concerns about the level of professionalism within the industry and the threat of mandatory coaching certificates have no doubt contributed

to the decision by the Fitness Industry Association, the employers' body in the sector, and SPRITO - to establish a Register of Exercise Professionals (REP). In addition, a recent NHS initiative, that provides funding for general practitioners to refer patients to gyms, requires instructors to be qualified at level 3 and to have received relevant training in relation to the particular medical condition, eg. obesity or cardiac rehabilitation. The REP provides a mechanism for existing vocational qualifications and companies' training programmes to be validated against National Occupational Standards (NOS) and used as entry criteria for different levels of registration.

Fifteen months after the launch of REP, 6500 instructors had registered, with 40% being given provisional entry (an interim measure that accepts a number of qualifications that do not match NOS). Table 1 summarises the levels of the Exercise Register and compares them to the European Qualification Structure. For the UK, Level 2 registration available, for example, after successful completion of a two week course run by leading providers such as YMCA or Premier, enables an instructor 'to work independently to promote physical fitness and plan, lead and evaluate sessions.' (REP website). A Level 3 qualification is for an advanced instructor who 'is able to devise and deliver programmes to meet individual or group fitness needs'. This qualification is available for example by following a 12 week full-time personal trainer course provided by Premier. The REP levels clearly contrast with the European Qualification Structure, where level 2 is designated as a trainee or assistant instructor and level 3 an independent instructor. There may be disputes about the equivalence of training, education and work experience across Europe, but in France, for example, an instructor by law must have a *Brevet d'Etat d'Edicateur Sportif* - equivalent to a *baccalaureate professionnel* - a two year full-time post-secondary school course.

Table 1: Fitness Instructor Qualification Frameworks

Level	UK Academic Qualification (equivalence)	Register of Exercise Professionals (REP)		European Qualification	
		Job Title	Approved qualifications (examples)	Job Title	Standard Training period
1	1 GCSE	Assistant	None required	-	-

		Instructor			
2	5 GCSE A-C	Instructor	NVQ2 YMCA Certificate in fitness instructing (2 weeks FT)	Trainee/ Assistant Instructor	60 hours
3	2 A Levels	Advanced Instructor	NVQ3 Premier Diploma in Personal Training (12 weeks FT)	Exercise & Fitness Instructor	300 hours
4	Degree/HND	To be developed	NVQ4 under development	Senior Exercise & Fitness Instructor	300 hours
5	Higher Degree	-	-	Health & Fitness Trainer	2400 hours

Source: EOSO 1999; REP 2003

Although the possession of vocational qualifications in fitness instruction and personal training is the most popular route into the industry, there are also significant numbers who enter via higher education having followed a two or three year course in sports science or health club management. They normally enter the industry at the same level as those with vocational qualifications, i.e. as fitness instructors, although in the local authority sector there are a limited number of posts in positions such as duty managers and a few graduate trainee jobs are available throughout the industry.

Being a fitness instructor is not just about having the right technical knowledge but also having the 'social skills' to communicate effectively with users of the gym. The interactive service work is an integral part of the job and is reflected in SPRITO's survey of skill requirements of workers in the sector, where the four most important skills identified by managers - communications, maintaining safety, team

working and customer service - were in all but one case 'social skills'. In contrast, the 20% of survey respondents reporting a gap between the skills of their current workforce and the skills required of the organisation identified skills across the board: technical skills, customer service skills and management skills. In spite of the health and safety aspects of working in the fitness industry, 30% of the organisations surveyed had provided no training at all in the previous 12 months. Considering the high levels of turnover, it would suggest that many employees take responsibility for training themselves or are not trained at all.

Fitness instructors can be recruited with varying levels of qualifications and skill and may be subsequently trained by their employer to differing degrees. This variation provides the opportunity to explore the relationship between the skills of instructors and product market strategy. The next section outlines first, the product market position of the companies involved and, second, the skills and training of the fitness instructors employed.

Product market strategy

Each company involved in the research could be relatively easily located within a particular market segment (see Table 2). Companies were classified according to target customers, main competitor and descriptions of market position, i.e. exclusive, middle market, value for money. These positions were confirmed by examining the financial press and industry reports. In all cases price of membership reflected the market position, as well as geographical location.

Four clubs were identified as being in the 'premier' market: Premier1 and Premier2 were stand-alone clubs providing similar facilities and aimed at comparable consumers, while Premier3 catered for a slightly younger, less family-orientated and more London-based market. The fourth company, Premier4, provided high quality gyms for corporate clients, mainly blue chip companies. The upper-middle range consisted of three companies: UM2 operated gyms based in their own chain of hotels, UM1 was also predominantly hotel-based but had a number of stand-alone gyms. The other operator, UM3, had its main business in stand-alone gyms, while operating

some local authority contracts - the market position reflects the stand-alone gyms only. Two chains (LM1 and LM2) were identified as being in the lower-middle range competing with each other on the basis of 'affordable' fitness. The two companies (LA1 and LA2) classified at the bottom end of the market held a large number of local authority contracts. They charged the lowest prices and were aimed at a broader socio-economic group than the other companies.

Table 2: Market Position of Fitness Companies

Market Position	Club Name ¹	Employees in the UK	Main business areas			
			Stand-alone	Corporate	Hotel	Local authority
Premier	Premier1	2000+	✓			
	Premier2	2000+	✓			
	Premier3	2000+	✓			✓
	Premier4	Under 1000		✓		
Upper-Middle	UM1	2000+	✓		✓	
	UM2	Under 1000			✓	
	UM3	2000+	✓			✓
Lower-Middle	LM1	1000-2000	✓			
	LM2	2000+	✓			
Lower	LA1	Under 1000				✓
	LA2	2000+				✓

Recruitment and training

In order to probe the issue of the extent to which skills reflect product market position, each manager was asked about their recruitment criteria for new instructors, what initial training was provided and what on-going training and development was available. From these responses, a picture emerges of the types and level of skill that are generally required of instructors in each of the companies. If there is a clear

¹ Fictitious names are used throughout this paper.

relationship between product markets and skills, we would expect the premier clubs to be recruiting the most highly qualified, and providing the lengthiest and more systematic training.

Although the top companies were more likely to be able to attract instructors who had previously worked in other clubs, all the companies were predominantly recruiting those new to the industry. Only one club, Premier2, mentioned that they looked for people with experience. In contrast, all managers emphasised the importance of particular personality traits, or what have been called ‘social skills’, as being key to recruitment.

‘We need people with a disposition for customer care - that is a major requirement’ (LA1)

‘easy going, bubbly, very friendly, customer friendly’ (LM2)

‘attitude is the primary thing... sociable, gregarious, fun’ (UM3)

‘how they interact with other people - personality and character’
(Premier3)

In addition to these personality attributes, Table 3 identifies the key qualifications sought when recruiting to the position of instructor and the initial training provided. One key observation is that the companies adopted a variety of approaches in terms of the extent to which they bought in skills or trained themselves. Two companies, for example, were seeking predominantly those with a higher education (HE), three companies demanded no qualifications at all, while the others looked for either those from HE or more frequently an industry vocational qualification. This latter qualification was normally cited as a YMCA or Premier level 2 course, consisting of two weeks full-time training and assessment.

Entry requirements seemed to bare little relationship to market position, except, at the time, all the premier clubs asked for some sort of qualification. However, one of these clubs (Premier1) was in the process of changing its policy from one of recruiting qualified instructors to selecting purely on the basis of ‘personality’, ‘attitude’ and ‘willingness to learn’. New recruits would then undertake a five week intensive training period, including two weeks off-the-job. The senior

HR manager claimed that the company was already known for expertise, in terms of the knowledge of instructors and the ability to teach, but ‘we also want to be famous for service. We are looking for people who show empathy with the members... It’s about eyes and teeth with a bit of depth’ (HR Manager). The new selection process based purely on personal attributes, however, did not last long, as managers realised that many new instructors were unable to move swiftly through the company’s training programme, leaving them short of staff. This suggests that, contrary to the view of a number of managers, the technical skill requirements are not that easy to teach and, therefore, might conflict with a ‘personality-based’ recruitment process.

Table 3: Recruitment and Initial Training of Fitness Instructors

Market Position	Club	Qualifications normally required	Initial Training
Premier	Premier1	HE/Vocational	1 week induction (on site)
	Premier2	Vocational	12 weeks (on-the-job) + First Aid, Lifeguard
	Premier3	HE/Vocational	Induction (on site) + 1 week training school
	Premier4	HE	1 week induction (off site) + job specific (external)
Upper-Middle	UM1	None	2 days (off site)
	UM2	HE	First Aid + Life guard
	UM3	None	Induction + training school (level 2), Lifeguard, First Aid
Lower-Middle	LM1	HE/Vocational	2 day induction (off site)
	LM2	Vocational	Unspecified induction (on-the-job)
Lower	LA1	HE/Vocational	Induction (1 day) + job specific
	LA2	None	5 days (off site) + job specific

At another top club (Premier4) which manages in-house fitness facilities for corporate clients, the company was adopting a rather different strategy. They recruited predominantly those having completed higher education, with some sort of

sports science qualification. With many clubs only having two employees, there was an expectation that instructors would move rapidly to a position where they managed a small club. In addition, the job was relatively broad, as instructors were involved in developing strategies to maximise workforce participation, interacting with senior managers both as club members and as managers of the contract, and dealing with a customer base that had a high level of 'risk' factors and medical problems. As a result, Premier4's HR manager argued that the instructors needed a broad knowledge base, while some corporate clients even made it a requirement of the contract that they were qualified to degree level. The other company recruiting principally those with degrees was a 3 and 4 star hotel chain (UM2) in the upper-middle product market position, who wanted instructors 'with a good base of knowledge'. Similar to Premier4, staff worked in relatively small teams, had to undertake a variety of jobs and had opportunities to quickly move into managing a hotel gym. Both these two companies had relatively limited training programmes, linked to specific skill courses and regulatory qualifications, such as Life Guard and First Aid.

At the lower end of the market, the expectation is that the companies would be systematically recruiting those with limited qualifications and providing minimal levels of training. The two local authority contractors had different approaches to each other in their selection of employees. LA1 recruited those with either a higher education or a vocational qualification. Although there were some recruitment difficulties the HR Director felt it was not necessary, and probably not affordable, to train people from scratch. He stressed that the people should have a 'disposition for customer care', but there was also an emphasis on the technical and supervisory aspects of the job: 'There are 19 and 20 year olds looking after swimming pools, that is quite a responsibility'. These new recruits were given a one day induction and courses were provided for Life Guard and First Aid, where appropriate. Job specific skill training was considered after the person had been in-post for three months. In contrast, LA2 recruited 'purely on personality, nothing to do with knowledge, because we are a customer-driven service industry.' The manager explained that the facilities available in a local authority funded leisure centre could not compete with the private sector. As a result, they had to rely on quality of service: 'The customer decides where to go to train, the service is providing them with reasons to stay.' Training consisted of a probationary period spent shadowing the manager and an initial five day training course to enable the instructor to undertake customer inductions.

As these two companies are located in the local authority sector they have different criteria and priorities from the private sector and, therefore, do not necessarily provide an accurate reflection of those companies producing at the low spec end of the market. Among the chains, two clubs offered 'affordable' fitness, categorised as lower-middle. LM2 described themselves as 'cheap and cheerful', while LM1 offered 'value for money'. The two companies aimed to recruit people who already held qualifications, although both had recruitment difficulties in certain geographical locations, particularly London and the Home Counties. LM2 admitted relaxing the recruitment criteria and taking on people with no qualifications, who were subsequently given training in order to reach NVQ level 2. For those already qualified, if they were joining a new club that was opening, all employees would be given a one week's training course, but 'for an old gym, they are left to it. If an individual wants training, they speak to their general manager' (HR Manager). LM1 provided only a two day induction programme offsite, alongside a one month on-the-job training period around job-specific and health and safety issues. The recruitment criteria and training provided varied across the four companies at the lower end of the market, but they were not substantially different from those at the top end, while they could be considered superior to those of the upper-middle club, UM1.

The premier and upper-middle clubs also had a mix of recruiting with or without qualifications. The one club that stands out is UM1, an upper-middle company, recruiting people without qualifications and giving them only two days training. The operations director stated that they were competing for staff with employers outside the industry 'such as Tesco and B&Q'. Pay was relatively low compared to the other middle range companies and there was no grading structure to reflect either experience or extra qualifications. Initial training consisted of a two day course which would then allow the instructor to undertake inductions and assessments. The senior manager's view was that an individual's qualifications were less important than the overall profile of the club, 'for example that someone is on level 3, a few on level 2 and all the rest on level 1'.

Although recruitment practices in the companies were highly contrasting, there appeared to be little relationship between market position and the approaches adopted. Initial training in some cases compensated for recruiting without qualifications by bringing instructors up to a level 2 (e.g. UM3 and LA2), while at UM1 it clearly did not. The premier clubs were slightly superior in terms of length of

training and prior qualifications, but it was difficult to distinguish between the other three levels. Nevertheless the difference between Premier1 and LM1 was three days training, although the former was at the workplace and managed locally, while the latter was formalised teaching off-the-job. Given the length of the training period to reach level 2 is around 60 hours, then it is perhaps not surprising that some companies preferred to ‘get the right people’ by selecting on the basis of personality and training themselves, rather than closing down the field by recruiting those with the qualifications. However, the competence and knowledge obtained from a two week vocational course or from a one week company training programme are clearly significantly different from that gained following a two or three year HND or degree in Sports Science. Can clubs who recruit without a qualification ‘catch up’ on the technical knowledge of those with degrees, even if they are providing the ‘best’ training programmes? For Premier1, they decided that for most new recruits, the answer was ‘no’.

Developing the workforce

The skills of new fitness instructors, if taken to reflect qualifications prior to entry plus initial training, seem to have no clear relationship to market position. Nevertheless, are the top clubs providing better opportunities for development and training over a longer time period, thereby ensuring a more highly skilled workforce profile? Systematic training for existing instructors was available at only one of the premier clubs (Premier3), one in the upper middle range (UM3) and one local authority contractor (LA2) (see Table 4). LA2 was the only company to provide accredited training at level 3 and the manager regarded training as one of their key selling points, both to customers in terms of quality of service, and to staff in recruiting: ‘there is a massive amount of internal training. There is not a great salary but there is free training.’ For the remaining companies, training modules were available, e.g. in personal training, aqua, Step, but their uptake was dependent on both the individual instructor and the local club manager.

The route from fitness instructor to fitness or studio manager, to deputy club manager, to club manager is a fairly well-trod path. Most of the recruitment of managers is internal, which would suggest that the main mechanism for developing managerial skills is company-driven. The training provided for managers was extremely varied and systematic training programmes were only available in the same

companies that provided the structured instructor training. The two companies who recruited graduates had a more limited management training programme for their employees. Not all the top clubs had systematic approaches to training, but the worst practices were found at the bottom end of the private sector market (rather than in local authorities). LM2 provided no management training at all: ‘If someone wanted a GM position, there is coaching and extra responsibilities but generally it is sink or swim. We leave them there and wait for them to yell if they are not coping’ (LM2).

Premier2 was an exception to the pattern found, in that training provision had been drastically cut as a result of company losses. There had previously been systematic and extensive management training, including the sponsoring of MBAs but this had been suspended. This is possibly a short-term reaction - a not uncommon response in the UK to financial pressures - but it does raise the issue of whether they can still maintain their premier product market position without the accompanying training provision.

Table 4: Instructor and Manager Training

Market Position	Club Name	Dedicated Training Centre	On-going FI training	Management Training
Premier	Premier1s	X	Modules available	Specific modules
	Premier2	X	Extensive (suspended)	16 week programme + external courses (suspended)
	Premier3	✓	Structured training encouraged	1 year programme
	Premier4	X	Modules available	Piecemeal
Upper-Middle	UM1	X	Modules available	Specific modules
	UM2	X	Limited	Minimal
	UM3	✓	Modules encouraged	Management programme (80-100 hours)
Lower-Middle	LM1	X	Modules available	Piecemeal

	LM2	✓	Modules available	None
Lower	LA1	X	Modules available	Specific modules, supervisory training, external courses
	LA2	✓	Structured training encouraged (including level 3)	1 year programme Level 4

Quality and skills - the link

The research indicates that the relationship between skills and product market position is more complicated than is commonly depicted. Why might producing high quality services not require a highly skilled workforce in the fitness industry? The first step is to consider what is meant by high quality services and the extent to which the interaction with employees is a key component. All the companies claimed that they were providing a quality service - but there were clear differences when they defined what that meant. Companies at the top end of the market associated quality with luxury, the range of facilities available, the activities on offer and extras such as free towels and toiletries. Lower down, quality was associated with cleanliness, the equipment working and, for example, there were always paper towels and soap available in the toilets. The ‘servicescape’ (Bitner 1992), i.e. the range of facilities, spatial layout, and aesthetic appeal, is one element of quality that could be viewed as analogous to specification in the manufacturing context as discussed earlier. The other element is more about cleanliness and the functioning of facilities i.e. quality as delivery to standards. It was the former element that characterised the difference between clubs in the higher market positions from those towards the bottom end.

The other aspect that was highlighted across the clubs was the role of employees. Customer service; the way that staff spoke to and dealt with users of the club, how they were greeted, helpfulness etc., was mentioned by all the clubs. However, two of the premier clubs admitted that this had not really been a focus of their approach, while lower down quality was, on a number of occasions, associated

with a certain consistency or standardisation in the interaction with customers. Only four managers (Premier1, Premier4, UM2, and LA2) mentioned the importance of a good knowledge base and partly equated quality of staff with the ability of instructors to induct, assess and develop programmes for customers. Technical skills, therefore, appeared to be only a minor element of what counted towards being a quality fitness club. Nevertheless, for two of these four companies, technical skills were at a relatively low level, ie. equivalent to level 2. The overwhelming response was that when it came down to the quality of the club, what was being identified were customer service skills rather than technical competence, and more importantly the appeal of the fixtures and fittings, the range of facilities and the 'extras' provided.

A widely held, although not universal, view was that technical skills were relatively easy to teach - reflecting the two week training programmes, whereas 'social skills' were not. As a result, the selection processes were predominantly focused on personality characteristics in order to obtain the necessary customer service 'skills'. Many of those interviewed raised concerns about the lack of standards in the industry, but this was predominantly in terms of instructors not reaching level 2. A couple of interviewees did question this further. The most extreme opinion was from a representative of single site operators:

You have 3000 members who are there for very different reasons and you have a 19 year old fitness person who has to do inductions and medical background. They need a general knowledge, medical knowledge... it's a hell of a list to do... You can't learn those skills in 12 weeks. You need a three year degree and further training.

This view, however, was very much in a minority amongst those interviewed. If customer service skills are the ones that are equated with high quality, then these are not necessarily produced through higher education or a vocational course in fitness instruction. Nevertheless, there was a certain paradox in that two of the premier clubs admitted that their customer service needed improving, indicating that this aspect had not been a vital part of their high quality product strategy. In addition one of these clubs (Premier1) had rejected (after experimenting with) a 'personality only' recruitment strategy, finding that the technical skills at the higher levels (level 3) were not so easy to teach.

The research has found that quality in services is more complicated to define than in the manufacturing sector. The fitness industry appears to rely heavily on the physical attributes of the clubs, leaving the role of employee as a relatively minor factor in defining quality and up-market product strategies. As a result, encouraging firms to shift product strategies up-market could easily leave skills unaffected.

How to improve skills?

If the aim is to improve the skills of the workforce, then up-market provision in the service sector may not be enough on its own. This section considers the extent to which upskilling may occur as a result of i.) intensified competition, ii.) the introduction of the REP and iii.) improving VET provision.

Competition

The large chains experienced a boom period during the 1990s, when they expanded without facing much competition. However, as the number of potential new sites started to dry up and the growth in membership stagnated, companies began to compete more directly with each other for members. As one manager stated, whereas previously there had been a kind of unwritten agreement not to open up next door to another club, this was no longer the case. For a number of companies, pressure on profits has pushed the focus towards the internal management of their organisations and club structures in a desire to retain membership, differentiate their product and cut costs. To what extent does this mean that firms are emphasising the quality of their staff in the competition for members?

A number of the managers interviewed claimed they were paying more attention to the quality of service provided by the staff. This was, however, predominantly directed at the interactive element of service quality, rather than technical expertise. Two premier clubs, for example, that were known for their technical skills, were shifting the emphasis to customer service. A number of others were putting in place strategies to present themselves as more of a 'club' for social occasions rather than a gym for physical activity. The 'skills', therefore, being emphasised were those largely relating to the service element. What was meant by customer service was evident when a number of companies stated that their

recruitment approaches were being influenced by the retail sector, i.e. companies like Tesco. Two HR directors had been appointed directly from large retailers, partly because of their experience in recruiting ‘similar types of staff’ and their experience of customer service. There is, however, a tension between this approach and the industry’s concern to convince the wider world of the professionalism of their employees. Although pay might be similar, directing people to the cornflakes is not generally considered to be a similar competence to that of giving advice about which exercise to undertake to someone with a ‘dodgy knee’.

Exercise Register and GP referrals

The industry’s own attempts to improve the quality of employees has been through the REP, aimed principally at the technical skill requirements. Sixteen months post-launch, an estimated 28% of instructors had registered, with 55% at level 3. The view of the Registrar was that a number of companies were improving their training programmes because of the REP. It was also indicated that a level 2 qualification would in the future become more difficult, as it would not only involve obtaining a qualification but also show competence linked to practice in the workplace.

When the interviews were conducted, six months after the launch of the Register, there was general support for the principles involved. Five companies wanted to register their workforce and were willing to pay for them, although two of these would have to make significant improvements in their training provision to reach this level. One of these was UM1, which recruited people without qualifications and then gave them training of around 2 days - amongst the poorest from the chains. A subsequent discussion reveals that training has been totally revamped with the view that level 2 (rather than level 1) would be the minimum, with two or three in each club at level 3. Premier1 had revamped its instructor training and on-going training to match level 2 and level 3 on the REP. The two local authority contractors were exploring more directly the cost implications of registration, with LA1 arguing, in addition, that if local authorities insisted on it, then they would have no choice but to pay for and register all staff. Managers in one company, however, had not heard of the REP and managers from two other companies had very little knowledge of it.

There was some evidence, therefore, that the Register was beginning to impact on these companies’ training, at least at Level 2. It may also push companies to invest

in level 3 training in order that instructors are able to register as personal trainers. The REP can then be seen as a motivating factor in pushing firms to improve their training, although its very establishment suggests that the main companies (those active in the FIA) were already keen and willing for this to happen. If level 2 becomes the minimum standard within the industry, then the REP will have had some impact, at least on formal qualifications. Nevertheless, this is a relatively low standard, and is significantly below the levels identified in other European countries.

Improving VET provision

Would boosting the supply of skills, through for example more HE-relevant courses, raise skill levels within the industry? All the evidence indicates that there is not really a skill shortage within the sector. A survey by SPRITO found that less than 8% of companies had hard-to-fill vacancies (SPRITO 2001), significantly less than the national average (DfEE 2000). Of the companies interviewed, a few towards the lower end of the market found it difficult to recruit instructors, although this tended to be for clubs in London and the Home Counties. Calling these skill shortages, however, would be hard to justify, given the low rates of pay on offer and the extraordinary high levels of labour turnover. Rates of 50-60% were not uncommon amongst the chains (even the premier clubs) and, for many managers, this was viewed as an accepted feature of the industry. The job was said to attract employees who were young and often transitory and, as a result, turnover could not be significantly reduced.

However, one company had successfully improved labour retention because they found that keeping staff was an essential element of their business strategy. Premier4 who managed gyms for corporate clients, undertook a more rigorous recruitment process, and had significantly higher levels of pay, alongside opportunities for career development. 'We are not just looking for someone who will stay for six months, but that they will start as a fitness instructor and then move to managing a one or two person site' (Premier4). Why are other companies not following this approach? There is a general acceptance across the industry that pay is too low and needs to improve, yet at the same time a number of operators lobbied against the minimum wage (Terry 2003:3). It is not a low profit/ low price industry, as companies (in the private sector) tap into the consumer market of the top income earners.

It could be argued that the stream of young people, coming out of educational institutions and/or who have completed industry vocational qualifications, provide little incentive for companies to change their current employment practices. The industry has an attractive image, and there appears to be no shortage of young people keen to enter. However, many leave within a relatively short time period, having decided that they have little reason to stay. Pay is low and the unsocial hours may make it unattractive for older workers, particularly those with families. Remaining as an instructor provides few opportunities for advancement, with most companies paying no extra for those with added responsibilities or qualifications. Career progression is available but to earn significantly extra means either becoming a self-employed trainer, with all the insecurities associated with that, or moving into managerial or sales positions, that are far removed from the desires of many of those entering the industry. For those who are motivated and are relatively competent, there have been plenty opportunities to rise quickly to managerial positions. The problem is that many instructors are taking on managerial responsibilities without the appropriate skills, training or experience. The provision of more qualified people entering the labour market at the level of fitness instructor is only likely to reinforce current poor practice, rather than have a positive impact on how the sector manages its staff.

From a brief consideration of three possible mechanisms to improve skills within the fitness industry, it would seem that only the use of self-regulation through the REP could have a positive impact. Intensified competition has led to a greater concern with customer service, while adding to the number of new labour market entrants is only likely to reinforce existing poor personnel practices. The REP, however, is currently set at a relatively low level and would need to be far more stringent to push firms to invest significantly more in workforce skills.

Conclusion

This research has attempted to open up the difficult linkages between competitive strategy and skills through an analysis of skills and business strategy in the UK fitness industry. The main conclusion from the initial findings is that there is little support

for the hypothesis that higher quality necessarily equates with higher skills. Recruitment and initial training practices, although varied, did not systematically improve as firms moved up the quality chain. On-going training provision was more thorough towards the higher end of the market, but the same could also be said for the local authority sector. However, the differences between the clubs were certainly not substantial. Although the research is restricted to the views of senior managers of the largest operators and representatives of various bodies within one sector, it does provide some critical evidence on the under-researched area of the relationship between skills and competitive strategy in the service sector.

A key finding is that the relationship between quality and skills appears to break-down because of the nature of 'quality' within the fitness industry. It is apparent that the technical aspects of employee skills are relatively marginal to how companies identify their product market position. Even the 'customer service' elements did not seem to be important in defining a premier club. Instead the 'servicescape' was overwhelmingly important, pushing further the argument made by Nickson *et al* (2002:17), that 'within certain areas of hospitality... the tangible elements of the hospitality product are also extremely important'. If the design of the swimming pool, the size of the sauna and the brand of the free shampoo defines quality, what are the implications for government policy aimed at encouraging firms to move up-market? Why pursue such an approach when it means improved fixtures and fittings (and inevitably higher prices for the consumer) and not necessarily any positive impact on employee skills?

Rather than assuming that up-market services plus skills makes 'good business sense' and should be the driver of government policy, an alternative approach for the service sector might be to consider what kind of services people want. In relation to the fitness industry, one might question why advice and guidance is being offered on physical health by people who may be more adept at smiling than they are at understanding knee ligaments. Why in the UK are trained employees considered to be at level 2, when the rest of Europe identifies level 3 as the standard? Although this may not affect the profitability of companies, it could have long-term implications for the health of the nation. Quality services, in terms of free towels, a whirlpool and the latest treadmill may not be what is needed, whereas the quality of the employee may have an impact on the well-being of the 'consumer' and on the job prospects and satisfaction of the workforce.

How might skills be raised in the industry? Increasing the supply of skills through more HE/FE programmes is likely to only exacerbate existing problems of low pay and high labour turnover. The main issue is to change employers' behaviour so that they will employ and utilise the skills of their employees. This is likely to happen either through a belief that competitive advantage can be achieved through emphasising the technical competence of their instructors (yet to have happened) or by regulations that force employers to improve the skills of the workforce. The self-regulation that is currently taking place has been restricted to ensure that minimum standards are low enough to be generally obtainable throughout the sector. A more stringent REP might have a bigger impact through stimulating employers' demand for skill but there is nothing to indicate that either the industry or the government would like to or are willing to undertake such a venture.

This research questions the link that is commonly made between high value-added, high quality and skills. It suggests that the relationship is more complex in the service sector and may depend to a large extent on the relative importance of the 'servicescape', as opposed to the 'service encounter' with the employee. If the aim is to improve the quality of services and the skills of employees, it is essential to be clear about what is meant by 'quality' of service and to recognise that one does not necessarily follow from the other.

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