

Stick-Up At Check-In: A Manager's Response To Identity Theft In The Hospitality & Tourism Industry


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ABSTRACT

Resolving and decreasing identity theft is a burden shared by businesses managers and consumers; civic groups (non-governmental agencies); and governmental agencies. Terri, a hotel manager of a large international flagship resort is notified by authorities that her hotel and some of its key employees have been the focus of a 3-month long identity theft sting. Terri, has to handle ethical, legal, and organizational issues while facing possible criminal charges. She has a small window of time to try to resolve this issue internally and re-establish trust with all key external stakeholder constituencies. This case can be used in the following undergraduate and graduate courses: business ethics, management information systems, organizational behavior.

Keywords: Business ethics, crisis management, identity theft, privacy

INTRODUCTION

 One year ago, Terri decided to leave a full-time career as an independent insurance agent to enter into the field of hospitality and tourism. Terri began to realize that some of the larger national-chain based insurance companies such as State-Farm, Allstate, and GEICO had the ability to leverage and increase their market-share through brand identity, mass-marketing, and heavy investment in IT and internet marketing. Terri decided to go back to the career 'drawing-board'. Terri knew that she needed a career change, so she did some soul-searching and began to think back on her college days. She graduated as a dual-business major in marketing and information systems. Terri built databases, made computer programs, and did event scheduling for her uncle each summer during her college years. She continued these activities on-the-side during her 20s and early 30s while being an insurance broker. Terri's uncle, Carlton Louis is a well-known self-made hotelier of five upscale national and international hotel and vacation resorts.

Terri was brought up to believe in hard-work, integrity, honesty, and determination. Initially, she did not want to go into the family's business because she wanted to establish a name for herself and create her own legacy. She later realized that she was simply not an heir or benefactor of her family's success, but she brought her own sense of education, expertise, and experience to the table. So, when asked by her uncle coupled by turbulence in the insurance industry to come on board to become the manager of Louis Resort International's (LRI) flagship hotel in Chicago, IL; she could not refuse. Like her uncle, Terri always thought big, she looked at Chicago as a great place to change careers. She saw the cultural diversity of the Chicago-land area and the prosperous business scene of the Chicago-loop. In addition to the external environmental attributes of the offer, Terri always admired her uncle's decentralized style of management. She knew that she would have autonomy to be creative in her position which she enjoyed as an independent insurance broker. In terms of authority, she also appreciated the fact that policies were made on the local hotel level, she did not have to refer to a corporate arm-authority to make decisions at the hotel.

ACCEPTING THE POSITION

LRI's Chicago-based flagship hotel was well-staffed with 125 employees. The union staff consisted of desk-clerks, concierge, receptionists, security, maintenance, and housekeeping. The management staff consisted of

book-keeping (finance and accounting), marketing, operations, event planning-scheduling, human resources-administration, and information technology. Terri understood the enormity of the position and decided to seek additional academic training. She did not want to enroll in a full-time MBA program, so she took online courses to attain a graduate certificate in Hospitality and Tourism from a well respected B-School. Her coursework included ethics, training and development, and a refresher course on IT-security. In one of her courses, she was re-introduced to the importance of IT security, privacy, and identity theft in the hospitality and tourism industry. However, LRI is a very upscale hotel chain with high-profile business clients and international tourists. Terri assumed that issues such as identity theft and fraud had never and would never affect LRI; but as a preliminary she thought that she should at least consider these issues in light of a recent privacy breach that took place at a high-scale European resort.

EMPLOYEE TRAINING PROGRAM: TOP PRIORITY

After completion of the graduate certificate program and six months in her new position, she devised a training program for all of the hotel's employees. Her primary concern was making sure that every employee that dealt with customer records was trained on ethics and privacy. She was primarily concerned about the management staff because they had real contact with customer files and there was an additional cost savings of training 15 employees as opposed to all 125 employees. In addition, the other 110 employees were required to watch a video on Identity Theft and sign a revised Intellectual Property agreement form that was later placed in each of their employee files.

Employee training was one of Terri's top initiatives; other initiatives consisted of increasing: market-share, direct marketing, operational efficiency, and IT security. She reflected upon her experience in the insurance industry and recalled that it was important to leverage LRI-Chicago's competencies; perform a SWOT and gap analysis; and focus on continuous improvement. So, she decided to contact Wolcott and Associates to perform a SWOT analysis, Gap analysis, and a needs assessment of LRI-Chicago. The gap analysis performed by Wolcott showed vulnerabilities in IT security and data management practices and policies. However, the firm commended Terri on her in-house DBMS; dedicated staff; web-marketing campaigns; and competitive strengths.

To address Wolcott and Associates' findings, Terri hired a former college friend named Paul Jacobs as director of IT. Paul was a great friend and self-proclaimed IT geek; he was super at programming all through-out college. She did not feel a need to do a national search for a candidate because she heard from a colleague that Paul was looking for work. Terri reflected upon her college days and remembered that Paul was the type of IT student that did not have to go to lab or class to figure out a programming assignment. He was proficient in C++, Java, Oracle, and even older programming languages i.e., Cobol and Fortran 77. In addition, Paul was Microsoft certified and held the highest certification offered by Cisco. Paul was also looking for a career-change; he was formerly employed at one of the Big-6 accounting firms as a senior software developer. With Paul at the helm of IT and data management; Terri could focus on strategic planning, customer relationship management (CRM), and other aspects of LRI-Chicago. Terri felt comfortable allowing Paul to independently construct the operative and technical links between CRM other business critical applications.

ISSUE ARISES

Paul assured Terri that he liked to work independently and suggested that she should seek opportunities to work with managers of the other four resorts to bring them to the heightened level of LRI-Chicago. Terri's uncle, Mr. Carlton Louis agreed that he would love to see LRI-Boston, LRI-LA, LRI-New York, and LRI-France perform nearly as well as LRI-Chicago. Several months after Paul joined LRI-Chicago it soared in all of the areas that concerned Terri. Market-share was up, new systems were deployed, and the resort was seeing unprecedented revenues. Terri decided to have a mid-year employee luncheon to show her appreciation for all of the resort's accomplishments and for Paul's diligence.

In the ninth month of Paul's tenure he decided to take what seemed to be a much needed and well-deserved overseas vacation. While Paul was on vacation, Terri received calls from the Federal Trade Commission, the FBI, and local authorities regarding an ongoing 3-month investigation of an ID theft ring that was allegedly taking place at LRI-Chicago. The authorities notified Terri that they've had the cooperation of several employees during the sting

and a warrant has been issued for the arrest of Paul Jacobs and ten of the hotel's employees. Authorities alleged that the identification of over 1200 guests was stolen in a 6-month period and linked to their stays at LRI-Chicago. Terri tried to get additional information from the authorities but she was told that she needs to seek legal counsel and be prepared to surrender all company records and files and possibly face criminal charges.

WHAT TO DO NOW?

Terri hung up the phone alarmed and distraught. Her mind was racing with the following questions:

Where is Larry? What actually did he do? Why didn't I know before now?

As she walked out of her office she was ambushed by several camera crews, reporters, and journalists from the local newspapers and new stations. With cameras flashing, and a mirage of cameras in her face; she had to find the where-with-all to deal with this crisis.

QUESTIONS FOR DISCUSSION

1. State the problem concisely
2. Point out key issues; how did they influence the problem(s)
3. Determine management's objectives in the case
4. Understand the company's goals regarding this case
5. Analyze the facts of the case as they contributed to the problem
6. Consider and write the advantages and disadvantages of each alternative
7. Choose a solution, based on the evidence

CASE QUESTIONS

1. What does Terri say and or do now?
2. What are Terri's options in terms of addressing this crisis?
3. Where did Terri go wrong?
4. What does this negative publicity potentially mean for the resort? If you were Terri, how would you overcome such negative PR implications?
5. How will customer-traveler trust be regained?
6. What about the ID theft victims?
7. What will happen to the legacy created by Uncle Carlton?
8. What must Terri do going forward?

AUTHOR INFORMATION

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LEGISLATIVE RESOURCES

1. Fair Credit Reporting Act of 1970 (www.ftc.gov/os/statutes/031224fcra.pdf)
2. Freedom of Information Act of 1970 (www.oshrc.gov/foia/foiaguide.html)
3. Privacy Act of 1974 (www.usdoj.gov/04foia/privstat.htm)
4. Electronic Communications Act of 1986 (en.wikipedia.org/wiki/Electronic_Communications_Privacy_Act_-_23k)
5. Computer Security Act of 1987 (epic.org/crypto/csa/)
6. Graham-Leach-Bliley Act <http://www.ftc.gov/privacy/privacyinitiatives/glbact.html>
7. Sarbanes Oxley Act of 2002 (<http://www.soxlaw.com/>)
8. Identity Theft and Assumption Deterrence Act of 1998 (www.ftc.gov/os/statutes/itada/itadact.htm - 19k)
9. Children's Online Privacy Protection Act 1998 (COPPA) (www.ftc.gov/ogc/coppa1.htm)

SOLUTIONS MANUAL

1. State the problem concisely

Terri Louis has been contacted by the Federal Trade Commission, FBI, and local authorities regarding a 3-month long identity theft sting as a result of identify theft of 1200 hotel guests. She has been told that warrant has been issue for her director of IT (Paul Jacobs) and ten of the hotel's employees. Terri now faces social (public relations), ethical, legal, organizational issues, and personal (relationship with Uncle Carlton) issues.

2. Point out key issues; how did they influence they influence the problem(s)

Terri has not done anything wrong, she has trusted her director of IT (Paul Jacobs) to handle all IT related functions. She has been thoroughly trained in ethics and on privacy protection. She has also provided training for all of her management staff and a video for all of the union staff.

Choice/Consequence 1: Terri can get out of the hotel business. She can explain to her uncle the circumstance(s) and resign immediately. She can agree with authorities to be cooperative with the investigation as she seeks new employment in her former or a new industry.

Choice/Consequence 2: Is she truly responsible for what happened at LRI-Chicago? Is she equally as guilty as Paul for simply hiring him, being his manager, and giving him complete autonomy to control critical business applications at the hotel? If she accepts shared responsibility should she also accept accountability for resolving the looming issues? If so, Terri must stay on board and see LRI-Chicago and its internal and external stakeholders through this crisis.

Choice/Consequence 3: Terri could seek legal counsel and work diligently to prove her innocence while finding out what is considered necessary cooperation to protect herself and LRI-Chicago.

3. Determine management’s objectives in this case

Terri and the management of LRI-Chicago must conduct a thorough internal investigation of the happenings of the hotel in terms of data access and data transference in the last 6 months or more. Terri must find out which employees were involved in the identity theft ring, what roles they played, and what exactly did Paul do to involve them?

Management has to turn the various PR entities into allies. They must take this event and use it as positive public relations. Keeping the media abreast of the internal investigation decreases their ability to ‘sensationalize’ the issue.

In addition, management must explore the negative impact faced by affected customers-visitors, current clients, and prospective clients. Trust must be restored through communications and valuable marketing promotions.

4. Understand the company goal’s regarding this case

LRI-Chicago’s goal is to make sure all employees work together to resolve this issue. LRI-Chicago wants to maintain its current positive image, as well as retain loyal employees that were not a part of this issue. LRI-Chicago wants this occurrence to be labeled as the act of a few criminals who happened to employed by the hotel and not the act of the hotel as a whole.

Internally, management must put safeguards in place to decrease the likelihood of another incident of this nature occurring again at LRI-Chicago or any of the other 4 resorts.

5. Analyze the facts of the case as they contributed to the problem

Terri must take action. She and LRI-Chicago are facing criminal charges and must cooperate with local and federal authorities. Paul is on vacation, and Terri must wait until he returns to hear his side of the story, if he is willing to talk honestly to Terri. Over 10% of LRI-Chicago’s staff has been formally trained in ethics and privacy protection.

Terri’s actions in and during this crisis will have a great impact on the success or failure of LRI-Chicago and her uncle Carlton’s legacy.

Terri did not do a national search for a director of IT, nor did she seek to find the reason(s) for Paul’s exodus from his former industry and position.

6. Consider and write the advantages and disadvantages of each alternative

a. Terri walks away...

Advantages: Terri is innocent; she can get out early, her uncle is a multi-millionaire and he can afford the services of the best legal team. Her name never has to come up, it can all directly reflect on LRI-Chicago and not her as a manger or individual.

Disadvantages: Her uncle’s respect is lost. She will have to seek training and qualification(s) in a new industry. Who will recommend her, if her well-renowned uncle does not?

b. Terri sticks it out...

Advantages: Terri proves integrity, wear-with-all, and persistence. She will exemplify commitment and diligence in meeting the expectations of past, present, and future clients. Her uncle’s trust will be restored. Her leadership, decision-making, and experience will be tested through adversity. She will stay around to re-examine and reconstruct management practices and policies as related to data management and customer records.

Disadvantages: She could potentially be proven responsible/negligent in a court of law. Paul could imply that he acted under the direction of Terri in his negative behavior. Current employees can question Terri’s

authority, decisiveness, and her ability to make good managerial decisions. If she stays on board, news and media groups could have a ‘field day’ linking her as the face of the ‘identity theft-rink’.

c. Terri seeks legal counsel...

Advantages: Lawyers know these types of cases. She does not and will not have to directly speak to authorities or new/media groups. Her actions can be recounted and protected according to and by the ‘letter of the law’...

Disadvantages: Terri can be presumed guilty by some of the internal and external stakeholders by seeking and hiring the services of legal. The fees of legal groups are high and serve as a distraction to staying on the job and somewhat of a hindrance in moving forward.

7. Choose a solution, based on the evidence

First, Terri must respond to media groups by saying: “I am shocked by all of this, I will be performing an internal investigation; and at this time: I have no further comment”! Terri must pursue options b and c. Terri has to stick it out and seek legal counsel. The legal group has to advise Terri on what her next steps should be; in addition the legal group can deal directly with Paul Jacobs, alleged conspirators of the ring, Federal Trade Commission, the FBI, local authorities, and victims of the identity theft ring.

Terri should stick it out and handle the organizational issues of customer and employee confidence. Terri has to conduct a full-scale internal investigation while seeking the advice and cooperation of Wolcott and Associates to perform internal IT audits. Terri needs to construct a rebound plan, while implementing new practices and procedures regarding customer data access, manipulation, and storage. Management must also work to envelop and deploy the hospitality and tourism current industry’s standards when it comes to customer data and privacy protection.

CASE QUESTIONS

1. What does Terri say and or do now?

Tell the truth, seek legal counsel, and work to maintain positive relations with internal and external constituents.

2. What are Terri’s options in terms of addressing this crisis?

- a. Get out of the hotel industry...
- b. Stick-it-out, and try to prove innocence and resolve by cooperatively managing and moving the hotel beyond this crisis...
- c. Seek legal counsel, let the attorney’s work on her behalf to prove her innocence and to place accountability on Paul Jacobs and his conspirators...

3. Where did Terri go wrong?

Terri did not make sure that all employees were formally trained on ethics and privacy protection. She did not conduct a national or local search for the best qualified and available director of IT. Terri did not perform a background check on Paul nor did she consult his prior employers.

From a management standpoint, Terri took a laissez-faire or Theory Y approach to management and allowed Paul the autonomy to do whatever he desired (independently).

4. What does this negative publicity potentially mean for the resort? If you were Terri, how would you overcome such negative PR implications?

Well, it is often said that ‘No news is good news’; in this case Terri and LRI-Chicago has made the news in a negative manner. It could mean a scarred reputation that could be shared by all 5 resorts; resulting in the

tarnishing of Mr. Carlton Louis' reputation and legacy; lost revenues, market-share, and consumer confidence.

I would turn this around, by trying to make the media outlets my microphone. I would try to get air-time through strategic philanthropy efforts and by keeping them in the loop of the outcomes of my internal investigation.

5. How will customer-traveler trust be regained?

I would send letters and promotional coupons to all of my clients/guests whose information is stored in the database. The letters would express my regret of the current situation, my actions to resolve it, and the steps that I've taken to ensure that their identity is protected going forward. I might even site instances or use examples of other hotels where similar incidents have occurred, and comparably describe how my hotel's actions to resolve it are positively unprecedented and unparalleled.

6. What about the ID theft victims?

Under the direction of my legal team, I would draft a letter of apology and commitment to ensure that their losses are minimized and my primary goal and initiative is to ensure that their good names and credit standing is restored.

7. What will happen to the legacy created by Uncle Carlton?

Uncle Carlton will be okay. After or even before contacting a legal team, Terri must explain to him all that she knows regarding the situation. He has great trust in Terri and knows that she would not be the culprit behind this. Uncle Carlton's expertise and wisdom can be used to help move through and beyond this crisis.

8. What must Terri do going forward?

As a leader Terri must respond appropriately during this crisis by doing the following:

- Stay calm and listen harder
- Be visible
- Tell the truth
- Communicate a vision for the future

Terri has to create a rebound strategy that ensures that this type of event never happens again. She must work with the legal team and the media to restore and maintain the trust of former guests, present, and future guests.

NOTES