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1. Introduction

1.1. Objectives of Assessment

This assessment is being carried out as part of the Business Management Initiative (BMI) component of the AMIR 2 Program, and is intended to outline an operational plan for possible further activities by the AN41R Program with the Ammon College for Hospitality & Tourism Education.

This report is based on an on-site assessment of the resources and activities of Ammon College and a review of evaluation surveys previously conducted. The assessment examines the current situation at the Ammon College, the needs of directors, management, faculty staff, students and industry stakeholders.

The objectives of the assessment are as follows:

1. To conduct a comprehensive assessment of Ammon Hospitality College current capabilities and weaknesses in hospitality management training;
2. To document existing programs and services; and
3. To determine private sector needs of Ammon College.

1.2. Background to the Assessment

Ammon College for Hospitality and Tourism Education was founded in 1980 by the Jordanian Government with the assistance of the United Nations Development Program (UNDP) and the International Labor Organization (ILO). During an initial period of two years, the college was managed by the ILO after which the operations and management of the college were passed to the Jordanian Government. In 1996, an agreement was signed with the government which

allowed the Jordanian Hospitality and Tourism Education Company to lease and operate the Ammon College and hotel for a period of ten years. The agreement was further revised at a later stage to extend the lease and management period to thirty years.

Two evaluation survey reports were conducted at Ammon College. An initial business development study was undertaken in 2000/'01 by MMIS Management Consultants and a further management & institutional assessment of Ammon Hospitality College, conducted by AMIR in 2002. Specifically, the reports examined:

- the college's overall strategy;
- the institutional capacity of the college to successfully execute its strategy;
- the Jordanian tourism product and education market;
- the competitor institutions in tourism education market;
- the college's (and company's) Organization and management, including its Organizational structure and key processes;
- the financial position of the college;
- the development scenarios for the college

This assessment report draws on the above studies together with material obtained from site visits at Ammon College, the Ministry of Education and from Ammon Government Agreements. The report also incorporates materials relating to college curriculum and academic Programs acquired at Ammon College.

The report is structured to provide an overview of the current situation at Ammon College using relevant data contained in previous reports and observations made from the recent site-visit. The overview will be presented in the form of a synopsis of the previous studies elaborating upon the key issues identified from the research undertaken. Drawing from the previous reports, an assessment of the facility and operations will be presented under a number of key headings. Finally, the strategic options for future growth and development will be detailed together with a set of recommendations from the analysis undertaken.

2. Synopsis of Key Findings of Survey Reports Conducted on Ammon College

The key findings emerging from the previous studies undertaken may be outlined as follows:

2.1. Tourism Education in Jordan

The tourism sector in Jordan is an important contributor to the country's overall economic growth and performance. The income generated by tourism increased by an average of 4% during the six year period 1994-2000 attracting a total of 1.4 million tourists in 2000. The significance of tourism for Jordan can also be gauged by the fact that over 8% of the total workforce was employed within the sector in 2000, providing employment for 21,500 persons.

In line with the overall growth of tourism in Jordan, interest in educational opportunities within the sector has also increased in recent years. Recent research suggests that a variety of colleges and universities have introduced programs in the area of hotel and tourism studies. Table 2.1. details the numbers of colleges and universities that provide hotel and tourism education.

Table 2.1. Number of Colleges and Universities providing Hotel and Tourism Education in Jordan.

Year	Colleges	Student Numbers	Universities	Student Numbers
1998/'99	6	467	2	71
1999/'00	6	471	3	183
2000/'01	10	599	5	329
Growth	**67%**	**28%**	**150%**	**360%**

The table shows that the total number of students that were registered in colleges and universities for hotel and tourism studies in 2000/'01 amounted to 928 students representing an overall growth rate of 72% over a two year period.

This figure had increased from a total of 538 students who had enrolled in hotel and tourism studies in the academic period 1998/'99.

The hotel management subject area appears to attract the majority of students even though education providers also offer specializations in tourism management. The study of hotel and tourism appears to attract male students who represent 95% of all those students that enrolled in Programs in 2000/'01. Competition for students within the sector is strong and there are a wide variety of institutions offering hotel and tourism educational opportunities. Research data reveals that in 2000/'01 a total of 599 students opted to undertake studies at the diploma level. The tables that follow show the level of competition within both the degree and diploma markets.

In the market for the provision of diplomas, the Arabic College occupies a leading position with a market share of 33.1% followed by the Intermediate University College with a share of 26.4% and Ammon College accounting for a 10.9% total share. The remaining share of the market is divided between seven other providers highlighting the growing competitive nature of the business, as detailed in Table 2.2.

Table 2.2. Colleges and Market Share – Diploma Level Education

Institution	Market share
Arabic College	33.1%
Intermediate University College	26.4%
Ammon College	10.9%
Grenatah College	5.7%
Al-Andalous College	5.5%
Al-Quds College	5.2%
Zarka National College	4%
Iben Khaldoun College	3.8%
Arab Community College	3.2%
Al-Khawarizmi College	2.2%

The available data in Table 2.1. shows that in 2000/'01 a total of 329 students undertook 4 year Programs of study at five universities. Within this sector, the key players appear to be Philadelphia University and the Hashemite University who occupy 57% of the market. At this end of the market the number of providers is less with each holding a respectable share. It is noteworthy that of the universities, Hashemite is the only provider to offer specializations in both hotel and tourism management. Given the available data, Ammon College is currently attracting only one in fifteen of all students entering either 2 or four year Programs.

Table 2.3. below outlines the university institutions offering hotel and tourism education together with their respective share of the market for students.

Table 2.3. Universities offering Hotel and Tourism Education

Institution	Market share
Philadelphia University	29.2%
The Hashemite University	27.4%
Applied Sciences University	15.2%
Zaytoonah University	14.3%
Amman Private University	14%

2.2. Student Needs and Requirements

From a student perspective, university education and the choice of institution is a key consideration. In sciences and arts studies, 96% and 90% of students respectively consider university as their first choice, with 62% indicating an interest in pursuing hotel management studies. In the case of students not achieving a place at a Jordanian public university, most indicated that they would prefer to travel abroad for university education than attend a private university, community college or vocational training centre. This also holds true for those interested specifically in hotel management studies.

There are also important social and cultural issues concerning hotel management education. The achievement of a 'BA' degree is a key consideration for students of hotel management, otherwise it is not recognized in the wider social context as being a worthwhile endeavour. Also while interest appears strong, students would not consider it as a possible choice and in many cases the area as a subject of study would be perceived as 'totally unacceptable' by their families. This issue appeared particularly problematic for females. For many students, the Arab college appeared better known than Ammon and even more acceptable in terms of seeking higher education.

Fee structure is also an important consideration for students. Those interested in pursuing further education have pointed to the high tuition fees at Ammon and this would appear to affect their overall decision on choice of educational institution. The fees to attend Ammon are the highest of all two-year diploma Programs in the field, and nearly twice as high as most of its direct competitors. Hence it is not attracting large numbers of students due to its relatively high cost.

2.3. Tourism Employer Perspectives

Overall university graduates were perceived to have stronger academic and management skills and were viewed by employers to be of a higher quality in comparison to other non-university students. The students were also perceived to be more flexible in terms of work undertaken and to be more presentable in their positions. However, there were some issues in relation to the level of practical training undertaken at the universities and in particular to students' exposure to the working environments of hotel and tourism employers. Another point noted in earlier research was the level of expectations of university students entering the workplace. Most of the university graduates expected to occupy senior management positions on graduation and many did not show the commitment necessary to succeed within the industry.

Those employed however by leading hotels enter as trainees, and are given entry-level positions as bellhops, busboys, etc. As they develop their practical skills, they are promoted, and may aspire to reach positions of middle management. In general, the better educatioin an individual has, the faster he or she will progress, but virtually all those entering with less than a university degree enter at the trainee level.

Information provided by Ammon College suggests that it has been significantly more successful in acquiring placements for its graduates than its competition, including both two- and four-year Programs. Thus, while Ammon graduates have generally not held the higher level positions typically occupied by BA/BSc graduates, students can be more confident of at least finding a job after graduation. In this sense, Ammon College does not appear to be attracting large numbers of students due to the relatively high tuition costs (see section 2.3) and the limited job prospects it offered after graduation.

Hospitality industry employers focus attention on the need to foster a service-oriented attitude in graduates. This involves a willingness to provide personal services to others without feeling that such an attitude is degrading to one's self-image. This is perhaps the single biggest challenge for employers, especially in Jordanian society.

Other important attributes noted by Jordanian tourism industry employers are those of personal presence and overall employee work ethic. The development of these attributes allows new recruits to use common sense to solve problems and a willingness to understand and proactively take part in whatever work activity is required.

A key issue for employers of two-year diploma graduates would appear to concern language abilities. The diploma holders are perceived to have weak language skills in comparison to their university counterparts. Employers have also noted problems in the areas of personal care and hygiene and overall attitude towards the work environment. Ammon College graduates were strong in the practical/technical areas of food and beverage management and were also commended for their overall work ethic and attitude.

In terms of future requirements, employers emphasize the need for graduates to have stronger managerial skills when entering the business. A simultaneous requirement exists to promote awareness amongst students and college staff of technical knowledge and hygiene realisation.

2.4. Organizational Evaluation

The current Organizational structure does not account for Organizational needs and instead reflects qualification levels of current staff. It appears that a coherent, agreed-upon Organizational structure has not been developed. This problem appears to be compounded by the fact that clear job descriptions have not been put in place for employees of the college. As a consequence, there are control problems, with staff unsure about lines of authority and responsibility.

The Ammon college faculty comprises 14 individuals. None of the academic members of staff possesses a PhD and only a very small number are qualified to Masters level. Table 2.4. is drawn from the MMIS research and provides an outline of the distribution of qualifications across the academic members of staff.

Table 2.4. Outline of the distribution of qualifications across the academic members of staff.

Academic Degree	Numbers	Hotel Mgmt (Related)	Hotel Mgmt (Not-Related)	Required by MOHE (%)
PhD	-	-	-	20
Master	2	-	2	55
BA	8	2	6	25
Diploma	3	3	-	-
High School	1	1	-	-
Less than HS	-	-	-	-
Total	14	6	8	100%

The table reveals that the distributions are below the requirements set down by the Ministry for academics working in such colleges as Ammon. According to the requirements and the current number of students, Ammon College should have at least 8 full-time academic staff with at least two holding PhDs, four holding Masters degrees and two holding BA degrees. Current staff qualifications do not satisfy such requirements. At the hotel operation level, only 10 out of 36 employees (28%) have degrees related to hotel management. Those members of staff who have BSc degrees in hotel management are in similar areas i.e. front office while other parts of the operation lack staff of such specialty.

In terms of salary provided, earlier research shows that salary scales at the college compare favourably with those of five-star hotels. When compared with other educational institutions, college staff salaries are higher across all qualification levels.

The college does not possess clearly documented procedures for its operations. The current system appears to be managed on the basis of experience and set of operating procedures could not be readily identified. The college appears to have introduced documented procedures for the area of admissions and registration. However, outside this area SOPs (standard operating procedures) were not clearly evident.

2.5. Program Appraisal

The hotel's management Program offered by Ammon college of Hospitality and Tourism Education is accredited by the Ministry of Higher Education and Balqa Applied University. The syllabus provided is that used by the different intermediate colleges for the hotel management diploma. The curriculum that is currently in use was assessed and benchmarked against other curriculum in a range of international institutions.

The research data would suggest that the current curriculum for the diploma in hotel management at Ammon is diverse in nature and does not provide for student specialisation in particular areas. The curriculum is also lacking in that it does not provide some core courses that are offered at other universities. Such courses provide for development of student knowledge

concerning the hospitality environment as well as subjects focusing more specifically on managerial development.

In particular, the college does not offer courses that provide the student with an introduction and overview of the hospitality industry nor do they allow students to develop an understanding of the law as it relates to tourism and hospitality. Other notable areas that were absent from the current offerings included such subjects as 'Hospitality Supervision' and 'Human Resource Management'. These are critical areas of study in hotel and tourism management.

The college management have aspirations to develop further Programs in the areas of Culinary Arts, Restaurant Management and Front Office Management. It is estimated that the development of such Programs will cost in the region of JD100,000. However discussions on such developments are at a very early stage and there is no evidence that the envisaged Programs will be introduced in the academic year 2002/'03.

2.6. Facilities Assessment

Ammon College shares an area of 18,000m^2 with the training hotel premises. The overall size of the college is sufficient from a regulatory perspective to provide hospitality and tourism education – the college should not be less than 15,000m^2. The available area is capable of hosting 514 students (35m^2 for each student). On closer examination, it is evident that the college facilities need to be up-graded in line with new regulations governing education provision for hospitality and tourism education. The facilities needed would include those outlined in Table 2.5. as follows:

Table 2.5. Facilities required by Ammon College

Facilities	Cost (JD)	Requirement
Front office simulator	6,000	Extra 40 m^2 area is required
Library	150,000	Minimal area 100 m^2 (including books and shelves)
Theatre	11,250	An extra capacity for 50 students (1.5 m^2 per 8 students150 JD/ m^2)

The college authorities have also identified additional facilities that are required to establish both a housekeeping and a languages laboratory. The costs are presented in Table 2.6.

Table 2.6. Costs of Developing Facilities at Ammon College.

Facilities	Cost (JD)	Requirement
Housekeeping training laboratory	9,000	Upgraded classrooms (including training furniture and equipment)
Languages laboratory	6,000	Utilizing one of the classrooms, including the infrastructure and equipment

The Ammon Hotel adjoins the college and is classified as a four star operation. The hotel contains 62 rooms including two suites and six studio rooms. The room capacity is below that required to provide four star services – the number of rooms for a commercial four star hotel is 104 rooms. Also the facilities provided are lacking in comparison to those provided by four star hotels. At present the facilities would equate to those of three star operations and there is a need to add amenities to the current facilities. In a wider sense, the facilities do not match those provided regionally and in some cases not even locally. Additionally the college outdoor facilities do not reflect an image that would be associated with a highly professional Organization.

It is also evident that the potential for practical training offered through Ammon Hotel is not fully realised by the college. The hotel operates with relatively little interaction with the college, which maintains its own practical training laboratories within the college itself.

Middle and senior management at the hotel do not view their positions in terms of providing practical training to Ammon College students. In practice, Ammon College's students receive offers for short-term or temporary work from Ammon Hotel as well as from other hotels in the city, but generally prefer to accept offers from other (five-star) hotels. These hotels offer higher rates of pay and provide opportunities for long-term employment of graduates.

The overall level of service provided by the hotel is also below standard across a range of dimensions namely; responsiveness to customers, timing, quality, appearance of employees, layout of restaurant and table set-up. In order to improve upon the existing situation the hotel

needs to address the current service standards and identify areas for improvement across the operations of the business.

2.7. Development Barriers – Ammon College

As part of an overall assessment, staff were requested to identify and prioritize the top ten barriers that affect development of Ammon college. The purpose of the exercise was to highlight areas of common concern and achieve consensus amongst staff concerning current problems. Outside some issues in relation to the Organization structure, there was general agreement amongst staff about the problems facing the Organization.

The area of customer service was noted as a development barrier by academic staff. In viewing their students as 'customers', staff emphasised service as a key factor in helping the college to achieve its objectives. Students were perceived to be treated in an 'improper manner' and guests were also treated poorly due to staff incompetence. To achieve a strong service performance staff also stressed the need to incorporate a management information system into the operations of the business. This, it was perceived, would assist the more effective co-ordination and dissemination of information between staff and functions. The use of an information system would also help in developing standards and procedures for operational matters and provide a basis for managing and evaluating staff performance.

A further development barrier that was identified by staff was strategy and direction. Staff perceived that while strategy and overall direction was clear for senior management, other staff members were unclear about Organizational direction. It was also noted that the strategy of the Ammon college was not documented and therefore actions in support of the mission of the college were not made clear.

Staff also remarked that Ammon College lacked a clear image or culture and that this is affecting overall morale within the college. The work environment and culture is perceived to have been 'inherited' and such legacy issues is affecting current work practices at the college. Problems in

relation to poor communications and co-ordination issues were noted as additional barriers in this regard.

Other problems that were identified included the areas of staffing and the future competition posed from small centres and colleges. While staffing was adequate at the college, housekeeping staff were not sufficient and current staff needed mentors to guide them through their workloads and responsibilities. Also trainer skills were perceived to be limited and staff lacked the flexibility to work across various functions. Finally, the competition from small centres and colleges was identified as a particular concern for the college moving forward.

The evidence would suggest that Ammon College lacks the strategic capacity to implement a plan capable of generating a premium Program in hospitality management. There are recognised deficiencies in its Programs, and also in the curriculum that underpins them. The available data also points to problems with the teaching faculty and facilities. The development opportunities open to staff are limited and, as remarked upon earlier, few staff possess appropriate teaching qualifications in the area.

Additionally, the relationships that have been established with leading hotels and restaurants in Jordan are questionable which again presents challenges to the Organization in terms of the value offered to graduating high-school students. The product is therefore viewed by the market as significantly over-priced, and is not perceived to offer strong employment prospects in the hospitality market. The result is that the college is operating under capacity and is facing financial pressures. This situation has not been helped by the lack of success with short course development and implementation. Further the hotel operation is adding to current difficulties and is not contributing in any substantial way to the educational activities the college.

3. Assumptions Underpinning Proposals for Operational Development of Ammon College

3.1. Assumptions regarding the Hospitality and Tourism Industry

Previous studies would appear to indicate that the industry demand for entry level employees is centred around key personal characteristics. Such characteristics are the product of an individual's upbringing and basic education, rather than the sort of technical training offered by Ammon College. There appears to be a general consensus amongst hospitality and tourism industry employers that if an individual has the required basic intelligence and behavioral characteristics, then he/she can be trained to meet the needs of the industry through on-the-job training Programs. Positions at entry level generally require a willingness and capability to participate in practical training, and graduates of the Ammon College Program are stronger than other graduates in this area. Ammon College graduates demonstrate more rapid on-the-job progression based on the practical training provided at Ammon College. However, the more senior levels additional knowledge and skills sets are required, particularly those that are acquired in educational Programs (as opposed to training Programs) where the emphasis is on the development of analytical and reasoning skills.

The data reveals that graduates of the two-year Program in hospitality offered by the Ammon College tended to be employed only in lower level positions, while those occupying higher level positions in hotels tended to be graduates of four-year Programs or graduates of two-year Programs outside the tourism/hospitality industry. This would suggest that at this level, there does not exist a preferential demand within the hospitality industry in Jordan for graduates of two-year Programs in tourism and hospitality. Also it would appear that graduates of such Programs who are employed in the tourism and hospitality industry might find it more difficult to progress to middle and senior management positions.

3.2. Assumptions regarding the student population

The analysis of available data also suggests that few students opt to study hospitality and tourism at Ammon College. As noted in earlier sections, the tuition costs are perceived to be prohibitive for many students compared to other offerings in the marketplace. Also, a general sense of overall uncertainty about the industry and job prospects have served to undermine student interest in this area. Furthermore, the socio-cultural context is an important consideration in this regard. Within Jordanian society there appears to be a strong desire amongst students to pursue professional careers. This is encouraged by parents who fear paying exorbitant amounts on college fees only to find their children working in entry-level service positions in hotels. Such considerations play a key role in the selection of post-secondary education by high school graduates and their families.

Those high school graduates who do not wish to pursue careers in medicine or engineering may find a career in hospitality attractive. However, such students generally do not possess the basic formation desired by the hospitality industry in terms of personal characteristics, general education, or language abilities; nor do they generally have the financial resources to pay premium tuition rates. It can also be argued that the underdeveloped personal characteristics might explain the poor career progression of Ammon's graduates. If Ammon College was in a position to draw its students from other social strata, its graduates might demonstrate greater success in career advancement. At present those students who might have successful careers in the hospitality and tourism industry choose other "professions", while those who do elect to study tourism and hospitality frequently lack the basic education and personal characteristics to be successful in this industry.

The difficulty for Ammon College therefore is that the demand for two-year Programs in hospitality management is focused among high school graduates with limited career ambitions or prospects for career advancement in the hospitality industry. Other segments of the market would not generally be willing to pay premium tuition rates due to the lack of attractive career prospects in the hospitality and tourism industry following graduation.

4. Assessment of Current Financial Structure, Management Planning, Resources, Program Portfolio and Curriculum

The following is an assessment of the current operating environment of Ammon College and Ammon Hotel.

This assessment is based on a field visit, interviews with key stakeholders, industry representatives and focus group discussions with interest bodies.

The assessment was planned and structured into five main areas:

1. Financial Structure,
2. Management Planning and Practice,
3. Resources,
4. Program Portfolio and
5. Curriculum Review

The assessment generated a range of action outputs essential for the development of Ammon College and Ammon Hotel as a hospitality and tourism enterprise.

Assessment	Recommended Action
1. Financial Structure	
1.1. Financial Analysis of Current and Projected Statements	
The financial projections prepared for the Jordan Hospitality and Tourism Education Company were reviewed. The analysis involved a review of the assumptions made for each of the two businesses (the hotel and college/university) presented in the MIIS Report. This is followed by a review of the financial statements prepared for the various scenarios (primarily the Cash Flow Statement and the Profit and Loss Accounts). The analysis involved a review of the assumptions followed by an assessment of the results. Finally the evaluation metrics were considered along with some concluding general remarks. A full analysis of financial statements presented in the MIIS Report is contained in Appendix A. This analysis highlights a number of shortcomings in both the assumptions used and the preparation of the statements presented.	**Action Outputs** 1. ***Complete aa audit of current and projected financial accounts.*** 2. ***Prepare projected financial accounts including: Trading and Profit & Loss accounts; Cashflow Accounts and projected Balance Sheet Accounts;*** 3. ***Prepare a comprehensive financial investment plan.***

Assessment	Recommended Action
1. Financial Structure	
1.2. Financial Resources and systems	
The financial management of Ammon College is combined with that of the hotel and the overhead accounts of the company, under the direction of a financial manager and a staff of five. No attempt is made to allocate company overhead (which is equal to 60% of total expenses for the company, college and hotel) among the operating divisions, making profitability assessment for the college impossible. Accounting records are maintained manually, with no use of any sort of computerised accounting package. There are major problems evident in the detail of the accounts. The school (and company) does not have a viable cashflow, it has not broken-even on a full-cost basis or on a cash basis, since it was established.	**Action Outputs** ***i. Prepare and introduce a comprehensive Financial Management Plan.*** ***ii. Revise accounting systems in line with standard systems of accounting.*** ***iii. Transfer all accounting systems to an computerised financial management reporting system (MIS) , to allow prompt and accurate financial management.*** ***iv. Develop a strategic (3-5 year) cashflow management system.*** ***v. Install independent accounting and cost control systems for the:*** • ***Company;*** • ***College and;*** • ***Hotel.***

Assessment	Recommended Action
1. Financial Structure	
1.3. Generating Revenues	
The school is not operating at anywhere near capacity, and significant a number of those who do attend do not pay full tuition. Students do not perceive they receive value for money. One factor limiting student interest in Ammon is its tuition and fee structure, which is the highest of all two-year diploma Programs in the field, and nearly twice as high as most of its direct competitor colleges. Those who it might attract are unwilling to pay premium prices for an education which will not lead to advancement to middle and senior management positions. The marketing proposition offer by Ammon College to prospective students is that by paying a substantially higher tuition fee to attend Ammon, as compared to other private colleges offering degrees in hotel management, the students will be better positioned for immediate entry level employment and subsequent career advancement in the hospitality industry following graduation. In practice, this marketing strategy is not delivering students Career advancement in associated with educational and personal characteristics which are generally found among high school graduates electing to shun entry into the two year hospitality management Program in favor of four year Programs in other areas.	**Action Outputs** ***i. Draw up and introduce a marketing strategy focused on delivering premium fee paying students.*** ***ii. Develop marketing plans based on a core product offering focused strongly on a solid basic degree level education and possession of critical personal characteristics, rather than on specialized preparation in 2 year diploma Programs such as those offered currently by Ammon College.*** ***iii. Revenue and Program pricing to be based on a premium tuition strategy, justified by the improved prospects of full-time employment for Ammon College graduates.***

Assessment	Recommended Action
2. Management Planning and Practices	
2.1. Strategic Planning	
The strategy and the operational plan are flawed, due to both unreasonable assumptions regarding the education and industry market and the college's and hotel's Organizational capacity to execute the strategy. The extent to which the company and college have participated in formal strategic planning up until now appears to be minimal. Ammon College has been unable to successfully implement its strategic plan due to fundamental errors in its assumptions regarding the hospitality and tourism industry and the student population, as well as to a lack of institutional capability to execute its strategic plan. In evaluating Ammon College's institutional capacity, it was confirmed that the Organization, including the academic faculty, the physical facilities, and the relationship with Ammon Hotel (and the hotel itself) were inadequate to fulfill their respective roles as components of the Ammon College strategic plan. Any Program intended to improve either the quality of the faculty or the physical facilities would be inadequate if changes were not also made to the Program portfolio offered to the education market and curriculum developed to underpin these Programs. The entire business model of the Ammon College is in a critical state. Significant investment in improving its facilities will not remedy its state. The ultimate worth of the Hospitality and Tourism Education Company and the College will depend on their ability to develop an overall strategic plan which will ensure long term viability.	**Action Outputs** ***i. Initiate a strategic planning process prior to any operational implementation and actions. A strategic plan should be supported by a comprehensive business plan to allow a follow through to project / task implementation and budgetary plan.*** ***ii. Develop a viable business plan based on realistic appraisals of the current and planned Program portfolio in hospitality and tourism management.*** ***iii. Develop an incorporated strategy and business model of the hotel as a 'training school' based on the business plan.***

Assessment	Recommended Action
2. Management Planning and Practices	
2.2. Organization Structure	
The Organizational structure of the company and its operating components, the college and the hotel, are inadequate and inappropriate for the Ammon College mission. As an Organization, the Ammon Hospitality and Tourism Education Company exists for the purpose of operating Ammon College and Ammon Hotel as a teaching hotel to support the Programs and curriculum of Ammon College. The Ministry of Higher Education has mandated that the Organization and management of Ammon College must be Organizationally and physically separate from that of its parent Organization (the Jordan Hospitality and Tourism Education Company). In fact the college and company function as a single unit, located in a wing of the college building.	**Action Outputs** ***i. In consultation with Ammon Hospitality and Tourism Education Company and management of Ammon College and Ammon Hotel, restructure the management organization so facilitating effective lines of authority, responsibility and communication.*** ***ii. The organization structure should include job descriptions, human resource management policies, salary scales, staffing levels and qualifications, procedures and projected staffing requirements.*** ***iii. The Ammon Hospitality and Tourism Education Company and its subsidiaries should execute its strategy on a phased bases and by means of a series of key processes; including investment restructuring, strategic and operational planning and budgeting, human resource management, marketing and recruiting, instruction, placement of graduates, hotel services, and financial management.***

Assessment	Recommended Action
3. Resources	
3.1. Human Resources (Staff and Faculty)	
The headcount in the Jordan Hospitality and Tourism Education Company is as follows: ***Organization Units Functions*** — ***Headcount*** *Company Management* — *24* *College College Academics* — *14* *College Administration* — *10* *Hotel Hotel Operations* — *36* ***Total*** — ***84*** The faculty at Ammon College, as reported in the recent MMIS Management Consultants report, consists of only 14 individuals. Of the 14 members of the faculty of the College: 2 - (14%) hold Masters degrees; 8 - (57%) hold BA/BSc degrees; 4 - (22%) hold college diplomas and This distribution of degrees is substantially below the minimum requirements established by the Ministry of Higher Education for colleges such as Ammon, which require for 20% of the faculty to hold the Ph.D., 55% a Masters degree, and 25% a BA/BSc. Evidence suggests that Ammon's salary scales have made it difficult to attract quality faculty members. There is considerable	**Action Outputs** ***i. Prepare a human resources development plan for the Faculty of the College to enable Academic Faculty upgrading (critical if the College is to develop and survive).*** ***ii. Prepare an integrated human resources management system with a robust staff appraisal system, staff development plan and position profile descriptions.***

room for improvement in terms of faculty quality, independent of the need to meet the formal degree requirements of the Ministry of Higher Education. Shortcomings in the teaching faculty and the lack of access to practical trainers at the hotel suggests that Ammon College currently lacks the institutional capacity to offer a Program portfolio above the level of its current diploma offering.	

Assessment	Recommended Action
3. Resources	
3.2. School Facilities	
The college cannot be considered to be a premium school of hospitality due to its inadequate faculty and facilities, and to a poor working relationship with the Ammon Hotel. Ammon College falls far short in its institutional ability to meet a basic standard required for education and training students in hospitality management. Virtually all facilities, from classrooms and student recreation areas to laboratories and equipment are critically inadequate, out of date and frequently in disrepair. The need for extensive renovations of Ammon College's physical infrastructure have been made known both through studies published by the college itself, and the recent reports carried for AMIR. The practical training facilities at the College are of very poor standard, outdated and unsuitable for training of students. The college facilities are in need of a major investment and refurbishment. The training kitchen is a health and safety hazard area and in its present condition should not be used as a training facility. The training restaurant area is outdated in design. Classrooms and other laboratories are in need of refurbishment, most lacking the basic technologies for teaching. To support the specialist training element of a curriculum the College requires a high quality teaching hotel where students are allowed to receive additional practical training in a virtual setting as part of the curriculum.	**Action Outputs** ***i. Upgrade specialised facilities including: lecture room facilities, kitchen and restaurant laboratories and equipment and information technology laboratories etc, all reflecting current international best practices in the hospitality industry.*** ***ii. Prepare and implement an aggressive renovation plan of all Ammon College's physical infrastructure to present Ammon College in the desired market position.*** ***iii. A comprehensive design specification standards and brief is required based on a thorough needs analysis.*** ***iv. A funding plan should form the basis for requests to industry, government and donor agencies for their support of Ammon College.***

Assessment	Recommended Action
3. Resources	
3.3. On-site Hotel Facilities	
Ammon Hotel is neither a teaching hotel, nor a four-star hotel Most alarming is the near total lack of availability of the hotel as a training resource, which is in itself in poor repair and far from its current 4 star rating (company spokespersons categorise it as a 2 star hotel). Despite the presence of an operating hotel next door, Ammon College has its own laboratories which it uses to provide practical training in hotel management, rather than making extensive use of the facilities of the hotel. The hotel is not acting as the primary provider of practical training opportunities. The bedrooms, kitchen and backhouse areas are in need of a major investment and refurbishment to take them to a minimum standard suitable for training of students.	**Action Outputs** ***i. Modify current plans for the upgrading of the Ammon hotel to a 5 star hotel. The gap between its current condition and a comparable 5 star standard in Amman is far too wide and would not warrant the investment.*** ***ii. Prepare and implement a plan of renovation to complete the hotel as a high international standard training facility for the College.***

Assessment	Recommended Action
4. Program Portfolio	
4.1. Market Demand for Existing Programs	
Market demand for two year Programs in hospitality management is concentrated among high school graduates with limited career ambitions for advancement in the hospitality industry. This population segment is generally not willing to pay premium tuition rates due to the lack of attractive career prospects in the hospitality and tourism industry following graduation. Only one in fifteen students who begin studies in the tourism and hospitality industry, does so at Ammon College. Among reasons suggested for this apparent lack of interest in Ammon College are: • high tuition, • uncertain long term job prospects, and, • a lack of interest in careers in the hospitality and tourism industry among a large segment of the Jordanian population. Explanations for the lack of interest in careers in tourism and hospitality may be related to aspirations for professional careers by many high school graduates and their parents. For those families with the funds necessary for enrollment in a private college or university, the prospect of paying the same tuition to become a hotel busboy as one would pay to study medicine or engineering is unattractive.	**Action Outputs** ***i. Reposition the Ammon College in the private university market and draw its students from other social strata. The consequences will be that the graduates will demonstrate greater success in career advancement hence consolidating the position of the College in the market and in the industry.*** ***ii. career talks and scholarship support.***

Assessment	Recommended Action
4. Program Portfolio	
4.2. Number of Applications to Programs	
Those high school graduates who may find a career in hospitality attractive, generally do not possess the basic characteristics or resources. The lack of significant career progression of Ammon's graduates is more related to the personal characteristics, general education and language abilities of the people who enter these Programs, than it is of the quality of the Programs themselves. Ammon College is unable to attract students with a high potential for successful careers in the hospitality industry. The ten colleges offering two-year diploma Programs in hospitality and tourism management attracted 599 entering students during academic year 2000/01, with Ammon College in third place behind Arabic College and Intermediate University College. Five universities also attracted a total of 329 entering students into their four-year Programs in hotel and tourism studies, with Philadelphia University, as the leader, attracting nearly 100 entry level students. Ammon College is currently attracting only one in 15 of all students entering either two or four-year Programs in hospitality and tourism studies.	**Action Outputs** ***i. As part of the marketing strategy, prepare and introduce a sustained marketing campaign aimed at high school students presenting the prospects of a career in the hospitality and tourism industry.*** ***ii. Design and publish a range of marketing brochures aimed at the identified market segments of Ammon College.*** ***iii. Form partnerships with the various hospitality and tourism industry representative bodies to promote and educate potential student sources regarding careers in the industry.*** **iv.** ***Develop a strategy for building relationships with High Schools and Technical Colleges by attendance at School Open days, careers fairs…*** **.**

Assessment	Recommended Action
4. Program Portfolio	
4.3. Graduate Prospects	
Ammon College graduates have generally not held the higher level positions typically occupied by BA/BSc graduates or by graduates of two-year Programs in other fields. They have, however, been able to find a job after graduation. It was reported that graduates of the two year Program offered by Ammon in hospitality tended to be employed only in lower level positions, while those occupying upper level positions in the surveyed hotels tended to be graduates of four year Programs or graduates of two year Programs outside the tourism/hospitality industry. It can therefore be concluded that there does not exist a preferential demand within the hospitality industry in Jordan for graduates of two-year Programs in tourism and hospitality, and that graduates of such Programs who are employed in the tourism and hospitality industry are in a relatively disadvantageous position for promotions into middle and senior management positions.	**Action Outputs** ***i.*** ***Prepare a structure and plan for a graduate career advice service.*** ***ii.*** ***Negotiate a careers structure with industry for graduates of various Program levels.*** ***iii.*** ***Arrange graduate internship schemes with the leading hospitality and tourism operators.*** ***iv.*** ***Appoint a careers officer with responsibility for graduate career development.*** **v.** ***Seek funding for local and international scholarship schemes, these can be used as USP's (unique selling points) in marketing Programs.***

Assessment	Recommended Action
4. Program Portfolio	
4.4. Integration Between College and Industry	
There appears to be a lack of integration between the hotels' own practical training Programs and the academic Program offered by the college. Each hotel runs its own practical training Program. If the purpose of the college's Program is to provide practical training to prepare individuals to work in the hotel industry, there is obviously some sort of a breakdown if the very owners of Ammon College feel that they must then offer their own practical training Program to graduates upon entry into full time employment. The close relationship with Jordan's hospitality sector is of benefit to Ammon College students. This is due to the summer internship and occasional employment opportunities during the academic Program, and leads to increased opportunities for entry-level employment following graduation. There is a need for closer formal integration of the college curriculum and the requirements of the hotels. While the hospitality industry influences company and college operations at board level, there is little evidence that there is any sort of close contact in terms of curriculum design or review, or that the hotels' needs are being actively sought and acted upon in terms of curriculum design.	**Action Outputs** ***i. Conduct a hospitality and tourism needs analysis, identifying core competency areas, key skills and knowledge domains for curriculum and training.*** ***ii. Prepare 'training manuals of operation' for coordination of training standards between College education and hotel training.*** iii. ***Appoint an industry Advisory Board to the College. The owners of the company (who are also owners of large hotels) must take a more active role in the College, and must consider the College to be the primary focus of their own practical training Program***

Assessment	Recommended Action
4. Program Portfolio	
4.5. Industry Support to Programs	
The Jordan Hospitality & Tourism Education Company (the company), which is the parent of the college, is owned by Jordan's principal hotels and/or owners. The company's owners have demonstrated their support for the college over the past five years through their continued financial support. The college also benefits by its close contact with the hospitality industry. The college's students are given frequent opportunities to work in hotels, both during their summer holidays and part time for special events. It does not appear that these opportunities for internships at local hotels are integrated in any formal way into the college curriculum, nor are they required for graduation. However, prior experience as an intern is undoubtedly of critical value to the students in securing full-time employment in the hotels after graduation. While Ammon Hotel apparently does offer a limited number of similar internship opportunities, students prefer to work in other, preferably five star hotels because they pay better and in order to advance their job prospects.	**Action Outputs** ***i. Develop closer working relationships with industry. Given the fact that the hotel industry is paying a high price to operate Ammon College, it would seem that a considerably closer working relationship might be developed for the benefit of all concerned.*** ***ii. Prepare and introduce a plan for the improvements of industry relationship to include:*** • ***Documentation and formalisation of the internship Program with sponsoring hotels in order to expose all students to a variety of hotel operations in an orderly fashion.*** • ***Internship activities integrated into the overall curriculum such that classroom learning and practical training activities are scheduled in an orderly and logical sequence.***

Assessment	Recommended Action
4. Program Portfolio	
4.6. Program Review - Existing Programs	
Ammon College offers a two-year college diploma Program in Hotel Management, which is recognised by the Ministry of Higher Education and the Al Balqa Applied University, and may be used as a basis for transferring to a four-year university and obtaining a professional degree. In addition to the two-year diploma Program, Ammon College offers a number of one-year diploma Programs in various aspects of the hospitality and tourism business, and a small number of additional short courses. The two-year diploma Program in hotel management constitutes Ammon's core product academic Program, although from a financial planning perspective, the one-year Programs appear to play as important role in terms of total revenue receipts. Similar to investments in physical infrastructure, improvements in the marketing plan will not ultimately have their desired effect until and unless changes in the value proposition make it attractive for prospective new students to pay Ammon College's high tuition.	**Action Output** ***i. Draft a strategic plan based on a review of existing Programs.*** ***ii. Conduct a rigorous marketing research survey to underpin a marketing plan for the College.*** ***iii. Draft and agree a marketing and recruiting plan.*** ***iv. Plan and implement an aggressive promotion plan supported by a series of events, brochures and announcements, etc., to be held in different parts of the country and designed to encourage recent high school graduates to apply for admission.***

Assessment	Recommended Action
4. Program Portfolio	
4.7. Program Review - New Programs and Future Growth	
The current plan of the College assumes that sufficient numbers of qualified high school graduates will be interested in pursuing two-year Programs in hospitality and tourism, and will be willing to pay a premium tuition fee. This plan is seriously flawed There does not appear to be a demand for graduates of Ammon College (or other two-year diploma Programs in hotel management) for jobs other than entrylevel positions, and few if any holders of two-year diplomas in hotel management are promoted to middle or senior management positions in the hotel industry due to their lack of a good basic education and the personal characteristics which are required for successful careers in the hospitality industry. The segment of the student population with the educational and personal characteristics necessary for successful careers in the hospitality industry are generally not interested in pursuing the two-year diploma Program in hotel management, and show a preference for either a four-year university degree Program in tourism and hospitality, or other, non-hospitality related fields.	**Action Outputs** ***i. Develop a new range of four year degree Programs in Hospitality Management and Tourism Management.*** ***ii. Prepare a curriculum and syllabus for the delivery of four year degree Programs.*** ***iii. Validate the four year degree Programs through a quality assurance process.*** ***iv. Develop a course modular system to allow integration of all Programs including one, two and four year Programs.*** ***v. Conduct market research for a new range of two year Programs, to include:*** • ***Culinary Arts*** • ***Food and Beverage*** • ***Rooms Division***

Assessment	Recommended Action
4. Program Portfolio	
4.8. Partnership	
Ammon College has explored a number of college partnership options both in the region and internationally. Ammon College has also been approached by a number of international prospecting companies / schools.None of these approaches have resulted in a partnership. The college is not at an appropriate standard to enter a mutually beneficial partnership. With the current standards of curriculum, resources, faculty and facilities the best Ammon College could hope to attract would be a sub-standard private Hotel School.	**Action Outputs** ***i. Develop a partnership strategy which will attract synergistic partners which will allow Ammon College to build its national and international reputation and positioning.*** ***ii. Draft a criteria of partnership supported by a draft model memorandum of understanding.*** ***iii. Actively research partnership options of best fit (Training Materials, Facilities and Equipment, Staff Support and Training) in the:*** • ***Region,*** • ***Europe,*** • ***USA.***

Assessment	Recommended Action
5. Curriculum Review	
5.1. Curriculum Levels	
The demand of the hospitality industry for entry level employees is focused on individuals with personal characteristics which are primarily the result of their upbringing and basic education, rather than the sort of technical training offered by Ammon College. It is the generalized position of the hospitality industry that if an individual has the required basic intelligence and behavioral characteristics, he/she can be trained to meet the needs of the industry through on-the-job training Programs. Entry level jobs require a willingness to participate in practical training, and the one identified advantage of the Ammon College graduate over graduates from other schools was a greater willingness to participate in practical training. For upper level positions, additional basic formation is required, of the sort frequently found in educational Programs where the emphasis is on the development of management skills. Ammon College offers the curriculum in hotel management which carries the approval of the Ministry of Higher Education and the Balqa Applied University, and played a leading role in its initial design and the approval process. However, in order to meet the academic requirements of the Ministry and Balqa Applied University, the curriculum includes a number of required academic courses which are not necessary in a Program intended to provide practical training for the hospitality industry.	**Action Output** ***i. Total revision of the individual courses which make up the curriculum in of Programs at Ammon College.*** ***ii. Drafting and establishment of a rigorous quality assurance system.***

Assessment	Recommended Action
5. Curriculum Review	
5.2. Teaching / Learning Methodology	
Instruction, including practical training, form the core of Ammon College's mission. Ammon needs to improve the quality of its faculty, and to reorient its curriculum to focus more closely on providing practical training for entry level jobs in Jordan's hospitality and tourism sector. Of critical importance in the improvement of instruction will be significant change and improvement in the relationship between Ammon College and Ammon Hotel such that the latter is able to play a much more central role in the provision of practical training to Ammon College students. The role of the Ammon Hotel in providing practical training should also be designed to complement and support a much higher level of integration between the college and other hotels in Jordan. This should reduce the additional investment required to provide entry level graduates with additional practical training once they are hired by the hotels for entry-level positions.	**Action Output** ***i. Design and deliver a curriculum development and teaching methodology Program for all faculty staff.*** ***ii. Research and agree operations standards for the Ammon hotel.*** **iii.** ***Design, draft and introduce a training operations manual to facilitate appropriate training standards for students in the Ammon hotel facility.*** **iv.** ***Research and draft a library resource specification for the College library.*** ***v. Draft and agree a redevelopment plan for the College library.*** **vi.** ***Draft a resource budget for library resources.***

Assessment	Recommended Action
5. Curriculum Review	
5.3. Practical Training Placement / Internship	
Formal training such as that provided at Ammon College may help trainees to assimilate the benefits from practical training faster, and thus facilitate their success in being hired for permanent positions. The more practical the formal training (and Ammon College is the most practical of those offered), the easier it will be for the graduate to be hired as a trainee. However, formal training is not a substitute for practical training.	**Action Output** ***i.*** ***Improve the interaction between the college and the hotels to maximize the various opportunities for internships afforded to Ammon's students.*** ***ii.*** ***Draft a specification for the position of a Placement Officer for the College.*** ***iii.*** ***Recruit and appoint a full time Placements Officer to the College. This member of the college staff will be in charge of maintaining these relationships and securing for the students both temporary placement (internships) and fulltime employment following graduation.*** ***iv.*** ***Draft and introduce Internship / Placement manuals for the College and its industry partners.***

Assessment	Recommended Action
5. Curriculum Review	
5.4. Role of Ammon Staff in Training Students	
The hotel is not acting as the primary provider of practical training opportunities, and in fact, most students prefer to receive whatever practical training they are able to arrange at other hotels. Normal hotel services offered by the Ammon Hotel are intended primarily to serve as an opportunity for practical training for Ammon College students. Furthermore, Ministry of Higher Education requirements prohibit most members of the hotel staff from assuming formal roles as members of the college faculty - even as providers of practical training. The Ammon Hotel would have to significantly improve its own operations to a level of standard commensurate with four-star hotel. Were it then able to develop an integrated and effective practical training Program in close collaboration with the college, it would be fulfilling its intended mission.	**Action Outputs** ***i. Implement a plan, policies and guidelines to state the role of the Ammon Hotel as a teaching hotel school for the college.*** ***ii. Introduce a train the trainer Program for staff of the Ammon hotel to facilitate them in their role as trainers of students. An intensive Program of train the trainer for all department staff and section leaders is required to allow them to fully integrate into the education and training elements of the college.***

5. Strategic Recommendations

The following section outlines the core strategy areas and elements for implementation

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
1. Financial Structure	
1.1. Financial Analysis of Current and Projected Statements	· ***Complete a complete audit of current and projected financial accounts.*** · ***Prepare projected financial accounts including: Trading and Profit & Loss accounts; Cash flow Accounts and projected Balance Sheet Accounts;*** · ***Prepare a comprehensive financial investment plan.***
1.2. Financial Resources and systems	· ***Prepare and introduce a comprehensive Financial Management Plan.*** · ***Revise accounting systems in line with standard systems of accounting.*** · ***Transfer all accounting systems to a computerised financial management reporting system (MIS), to allow prompt and accurate financial management.*** · ***Develop a strategic (3-5 year) cash flow management system.*** · ***Install independent accounting and cost control systems for the: Company; College and; Hotel.***
1.3. Generating Revenues	· ***Draw up and introduce a marketing strategy focused on delivering premium fee paying students.*** · ***Develop marketing plans based on a core product offering focused strongly on a solid basic degree level education and possession of critical personal characteristics rather than on specialized preparation in 2 year diploma Programs such as those offered currently by Ammon College.*** · ***Revenue and Program pricing to be based on a premium tuition strategy, justified by the improved prospects of full-time employment for Ammon College graduates.***

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
2. Management Planning and Practices	
2.1. Strategic Planning	· ***Initiate a strategic planning process prior to any operational implementation and actions. A strategic plan should be supported by a comprehensive business plan to allow a follow through to project / task implementation and budgetary plan.*** · ***Develop a viable business plan based on realistic appraisals of the current and planned Program portfolio in hospitality and tourism management.*** · ***Develop an incorporated strategy and business model of the hotel as a 'training school' based on the business plan.***
2.2. Organization Structure	· ***In consultation with Ammon Hospitality and Tourism Education Company and management of Ammon College and Ammon Hotel, restructure the management organization so facilitating effective lines of authority, responsibility and communication.*** · ***The organization structure should include job descriptions and human resource management policies, salary scales, staffing levels and qualifications, procedures and projected staffing requirements.*** · ***The Ammon Hospitality and Tourism Education Company and its subsidiaries should execute its strategy on a phased bases and by means of a series of key processes; including investment restructuring, strategic and operational planning and budgeting, human resource management, marketing and recruiting, instruction, placement of graduates, hotel services, and financial management.***

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
3. Resources	
3.1. Human Resources (Staff and Faculty)	· ***Prepare a human resources development plan for the Faculty of the College to enable Academic Faculty upgrading (critical if the College is to develop and survive).***
	· *Prepare an integrated human resources management system with a robust staff appraisal system, staff development plan and position profile descriptions.*
3.2. School Facilities	
	· ***Upgrade specialised facilities including: lecture room facilities, kitchen and restaurant laboratories and equipment and information technology laboratories etc, all reflecting current international best practices in the hospitality industry.*** · ***Prepare and implement an aggressive renovation plan of all Ammon College's physical infrastructure to present Ammon College in the desired market position.*** · ***A comprehensive design specification standards and brief is required based on a thorough needs analysis.*** · ***A funding plan should form the basis for requests to industry, government and donor agencies for their support of Ammon College.***
3.3. On-site Hotel Facilities	· ***Modify current plans for the upgrading of the Ammon hotel to a 5 star hotel. The gap between its current condition and a comparable 5 star standard in Amman is far too wide and would not warrant the investment.***
	· ***Prepare and implement a plan of renovation to complete the hotel as a high international standard training facility for the College.***

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
4. Program Portfolio	
4.1. Market Demand for Existing Programs	· ***Reposition the Ammon College in the private university market and draw its students from other social strata. The consequences will be that the graduates will demonstrate greater success in career advancement hence consolidating the position of the College in the market and in the industry.*** · ***Introduce a systematic Program of career talks and scholarship support.***
4.2. Number of Applications to Programs	· ***As part of the marketing strategy, prepare and introduce a sustained marketing campaign aimed at high school students presenting the prospects of a career in the hospitality and tourism industry.*** · ***Design and publish a range of marketing brochures aimed at the identified market segments.*** · ***Form partnerships with the various hospitality and tourism industry representative bodies to promote and educate potential student sources regarding careers in the industry.*** · ***Develop a strategy for building relationships with High Schools and Technical Colleges by attendance at School Open days, careers fairs...***
4.3. Graduate Prospects	· ***Develop a structure and prepare a plan for a graduate career advice service.*** · ***Negotiate a careers structure with industry for graduates of various Program levels.*** · ***Arrange graduate internship schemes with the leading hospitality and tourism operators.*** · ***Appoint a careers officer with responsibility for graduate career development.*** · ***Seek funding for local and international scholarship schemes; these can be used as USP's in marketing Programs.***

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
4. Program Portfolio	
4.4. Integration Between College and Industry	· ***Conduct a hospitality and tourism needs analysis, identifying core competency areas, key skills and knowledge domains for curriculum and training.*** · ***Prepare 'training manuals of operation' for coordination of training standards between College education and hotel training.*** · ***Appoint an industry Advisory Board to the College. Owners of the company (who are also owners of large hotels) should take a more active role in the College, and should consider the College to be the primary focus of their own practical training Program***
4.5. Industry Support to Programs	· ***Develop closer working relationships with industry. Given the fact that the hotel industry is paying a high price to operate Ammon College, it would seem that a considerably closer working relationship should be developed for the benefit of all concerned.*** · ***Prepare and introduce a plan for the improvements of industry relationships to include:*** • ***Documentation and formalisation of the internship Program with sponsoring hotels in order to expose all students to a variety of hotel operations in an orderly fashion.*** • ***Internship activities integrated into the overall curriculum such that classroom learning and practical training activities are scheduled in an orderly and logical sequence.***

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
4. Program Portfolio	
4.6. Program Review - Existing Programs	· ***Draft a strategic plan based on a review of existing Programs.*** · ***Conduct a rigorous marketing research survey to underpin a marketing plan for the College.*** · ***Draft and agree a marketing and recruiting plan.*** · ***Plan and implement an aggressive promotion plan supported by a series of events, brochures and announcements, etc., to be held in different parts of the country and designed to encourage recent high school graduates to apply for admission.***
4.7. Program Review - New Programs and Future Growth	· ***Develop a new range of four year degree Programs in Hospitality and Tourism Management.*** · ***Prepare a curriculum and syllabus for the delivery of four year degree Programs.*** · ***Validate the four year degree Programs through a quality assurance process.*** · ***Develop a modular course system to allow integration of all Programs including one, two and four year Programs.*** · ***Conduct market research for a new range of two year Programs.***
4.8. Partnership	· ***Develop a partnership strategy that will attract synergistic partners which will allow Ammon College to build its national and international reputation and positioning.*** · ***Draft criteria of partnership supported by a draft model memorandum of understanding.*** · ***Actively research partnership options of best fit (Training Materials, Facilities and Equipment, Staff Support and Training) in the: Region, Europe and USA.***

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
5. Curriculum Review	
5.1. Curriculum Levels	· ***Total revision of the individual courses which make up the curriculum in of Programs at Ammon College.*** · ***Drafting and establishment of a rigorous quality assurance system.***
5.2. Teaching / Learning Methodology	· ***Design and deliver a curriculum development and teaching methodology Program for faculty staff.*** · ***Research and agree operations standards for the Ammon hotel.*** · ***Design, draft and introduce a training operations manual to facilitate appropriate training standards for students in the Ammon hotel facility.*** · ***Research and draft a library resource specification for the College library.*** · ***Draft and agree a redevelopment plan for the College library.*** · ***Draft a resource budget for library resources.***
5.3. Practical Training Placement / Internship	· ***Improve the interaction between the college and the hotels to maximize the various opportunities for internships afforded to Ammon's students.*** · ***Draft a specification for the position of a Placement Officer for the College.*** · ***Recruit and appoint a full time Placements Officer to the College. This member of the college staff will be in charge of maintaining these relationships and securing for the students both temporary placement (internships) and fulltime employment following graduation.*** · ***Draft and introduce Internship / Placement manuals for the College and its industry partners.***

5.1. Implementation Strategy

Core Strategy	Implementation Strategy
5. Curriculum Review	
5.4. Role of Ammon Staff in Training Students	· ***Implement a plan, policies and guidelines to state the role of the Ammon Hotel as a teaching hotel school for the college.***
	· ***Introduce a train the trainer Program for staff of the Ammon hotel to facilitate them in their role as trainers of students. An intensive Program of train the trainer for all department staff and section leaders is required to allow them to fully integrate into the education and training elements of the college.***

5.2. Phased Development Plan for Implementation of Strategy

Phase of Strategy	Strategic Element	Implementation by	Funded by
Phase 1	1. Prepare and draft business plan for each strategic phase. 2. Draft plan and source seed capital investment. 3. Upgrade College facilities (laboratories). 4. Complete renovation of Hotel bedrooms. 5. Refurbish the hotel kitchen suitable for student training. 6. Renovate the exterior and entrance to the College/hotel. 7. Implement organizational changes. 8. Restructure management of College and School.	Expert Advisors Board of Management	Experts funded by agencies.. Strategic elements funded by seed capital sourced by the Board
Phase 2	1. Reposition College and Hotel as an Applied University. 2. Revise Program portfolio offering. 3. Conduct a skills needs analysis research. 4. Develop standards of operational competency. 5. Design curriculum and syllabus for each Program in portfolio 6. Implement an academic quality assurance system. 7. Draft and introduce organizational structures for College and Hotel. 8. Organise and operate teaching methodology Programs.	Expert Advisors Development by management and faculty staff of College	Experts funded by agencies. Soft elements funded by agencies Strategic elements funded by seed capital sourced by the Board
Phase 3	1. Draft and implement a strategic marketing plan. 2. Develop certification standards, criteria and processes. 3. Draft and introduce a staff development plan. 4. Draft and introduce internship-placement guidelines. 5. Seek a range of international partners.	Lead by the Director of the College	Experts funded by agencies. Strategic elements funded by seed capital sourced by the Board. Tactical elements funded by capital from College Finances. Prepare projects for NGO funding

5.2. Phased Development Plan for Implementation of Strategy continued:

Phase of Strategy	Strategic Element	Implementation by	Funded by
Phase 4	1. Review development plan for future strengthening of the College. 2. Review and draft investment plan. 3. Develop expansion plan. 4. Develop new Programs.	Expert Advisors Board of Management Lead by the Director of the College	Experts funded by agencies. Strategic elements funded by seed capital sourced by the Board. Prepare projects for NGO funding
Phase 5	1. Establish a Centre of Excellence for the Hospitality and Tourism Industry. 2. Establish an industry research base. 3. Seek leading international accreditation.	Lead by the Director of the College	Experts funded by agencies. Strategic elements funded by seed capital sourced by the Board. Tactical elements funded by capital from College Finances. Prepare projects for NGO funding

5.3. Summary

The school (and company) does not have a viable cash flow; it has not broken even on a full-cost basis or on a cash basis, since it was established.

The school is not operating at anywhere near capacity, and significant a number of those who do attend do not pay full tuition fees. Students do not perceive they receive value for money.

The college cannot be considered to be a premium school of hospitality due to its inadequate faculty and facilities, and to a poor working relationship with the Ammon Hotel which in fact, is neither a teaching hotel, nor a four-star hotel (company spokespersons categorise it as a 2 star hotel).

The Ammon College strategy is based on the assumption that there is now and will increasingly be an effective demand for graduates of two-year college Programs in hospitality and tourism, and that such graduates can be reasonably assured of attractive entry level jobs following graduation, and significant opportunities for career advancement within the hospitality and tourism industry.

The Ammon College business model is closely related with the value proposition. Ammon College's business model suggests that a superior value proposition offered to students will result in large numbers of students paying full premium tuition, and that these premium revenues will support a premium school of hospitality management which will include a world class faculty, superior facilities, and a fully functional four star teaching hotel.

The above assessment and resulting action outputs should be executed in a phased basis and by means of a series of key processes, including investment restructuring, strategic and operational planning and budgeting, human resource management, marketing and recruiting, instruction, placement of graduates, hotel services, and financial management.

APPENDIX A

Financial Analysis – Jordan Hospitality and Tourism Education Company (JHTEC)

A.1. Introduction

The purpose of this financial analysis is to review the financial projections prepared for the Jordan Hospitality and Tourism Education Company. It should be pointed out at the outset that all financial forecasts are only as good as the underlying assumptions. This analysis will involve a review of the assumptions made for each of the two businesses (the hotel and college/university). If the underlying assumptions are unrealistic then the resultant output will be misleading. This is followed by a review of the financial statements prepared for the various scenarios (primarily the Cash Flow Statement and the Profit and Loss Accounts). The analysis will involve a review of the assumptions followed by an assessment of the results. Finally the evaluation metrics will be considered along with some concluding general remarks.

A.2. Hotel – Assumptions for 4 and 5 Star Hotels

Hotel profitability is determined by a number of factors

1: Standard of hotel

2: Occupancy rates

3: Expense levels

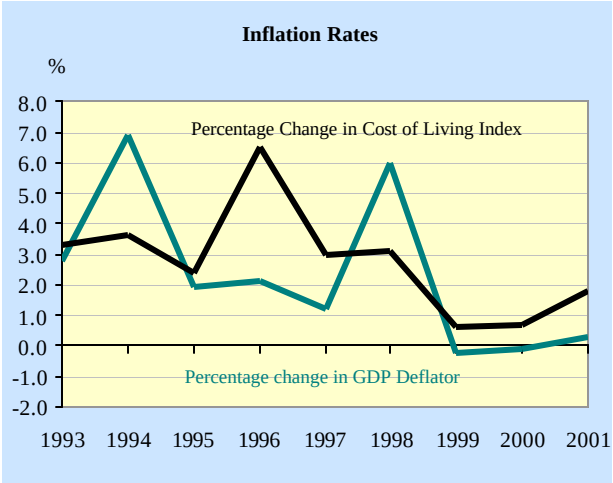
4: Other Factors

A.2.1.1: Standard of Hotel

The standard of the hotel determines the rate per room that can be charged. In the projections both a 4 star and 5 star grade hotel are considered. Evidently the higher the grading the greater the average room rate. When considering a 4 star rating an initial room rate of JD20 was assumed, this increases to JD29 by 2007 (an annual increase of nearly 12% per annum). The 5 star service level hotel envisages an initial room rate of JD24 in 2003 rising to JD35 by 2007; this is an annual rate of increase of 10%. The rates currently charged by the hotel range from JD19 to JD18.

While the rates charged are internally consistent (a 4 star hotel is less expensive than a 5 star hotel), they need to be viewed in the context of the underlying inflation rates in Jordan and the rates charged by competitors. The average rate of inflation in Jordan over the past 10 years is under 4% (source: Central Bank of Jordan). Consequently there would need to be clear justification for increasing the room rate outside of the general inflation increase. A review of 4 and 5 star hotels in Jordan leads to the conclusion that average room rates are considerably less than what one would expect to pay in an equivalent hotel.

A further implication of changing the standard of the hotel is the level of investment required in the initial renovation of the hotel and in ongoing maintenance. Under the 4 star option there is an investment of JD645,800 required while this increases to JD945,800 under the 5 star option. While it is difficult to comment on the suitability of the amounts it should be questioned as to whether JD300,000 is enough of an investment to raise the grade from 4 to 5 stars in the context of a 62 bed hotel with restaurant and leisure facilities. The various scenarios do include an allowance for ongoing maintenance at a rate of 5% of total revenues.



A.2.1.2: Occupancy Rates

The second major factor determining hotel profitability is occupancy rates. In the financial forecasts various assumptions are made regarding future occupancy rates. These need to be considered in the current/expected hospitality environment in Jordan. In the financial analysis the occupancy rates for the 4 star hotel begins at 30% and increase to 50% by 2006 while for the 5 star hotel the occupancy rate begins at 30% and increases to 65% also by 2006. These are very strong growth rates and there would need to be a clear business plan evident to justify these increases. This is further exacerbated by the increase in room rates referred to earlier. In order to generate this level of activity the business intends to hire 4 marketing/sales staff and spend on advertising and promotion (for both the hotel and the college). The total marketing spend for the 4 star hotel in initial years is 4.3% of total revenues falling to 2.5% in later years, this appears low given the increase in volumes anticipated. The annual marketing spend for the 5 star hotel is similar if indeed a little lower.

Against this line of argument is the fact that projected occupancy rates are lower than what would be expected for 4 star hotels. The Hilton group for example had an average occupancy rate of 65% for the year ended 31 Dec 2001 (source: Hilton Group Annual Report) while the Jarvis hotel group had a similar occupancy rate (source: Jarvis Hotel Group Annual Report). The Thistle Hotel Group performed slightly better at 71% occupancy. However, these hotel groups are well-established brand names operating in a different economy, further local information would be needed to assess the appropriateness of the room occupancy rates. The current occupancy rates in the hotel are 21% (2001), increasing this to 65% will prove to be quite a challenge.

A.2.1.3: Expense Levels.

- **Wages:**

Once the revenue of a hotel is determined (by the grade of the hotel and occupancy rates) the next factor that needs to be considered is expense levels. Generally the main driver of expenses in a hotel is wages. The hotel will employ 44 people. However there will also be 20 employed in administration, these people will cover both the hotel and the college. The number of people employed under the 4 and 5 star versions will be the same even though guests at a 5 star hotel expect a higher level of service. Employee costs are expected to rise at 5% per annum, this is reasonable given historic inflation rates in Jordan. Hotel employee wages account for between 39% to 50% of total hotel expenses under the 4 star model while in the 5 star version they account for between 29% to 45% of total hotel expenses. These percentages fall further when an apportionment for general expenses is included (a 50:50 split was assumed), an average of 26% for the 4 star hotel and an average of 23% for the 5 star hotel results. This compares with wages to total cost in for example Thistle Hotels, UK of 38%, Jury Doyle, Ireland of 42% and Jarvis Hotels, UK of 39% (source annual reports)

The average cost per employee is initially expected to be JD2700. In the UK and Irish Hotel groups the average cost per employee is a little under €20,000 (source annual reports of Hilton, Jarvis, Millennium & Copthorne, Thistle and Jury Doyle), this is approx JD15,000. This difference could probably be explained through structural differences in the economies, the per capita GDP in Jordan is JD1,200 (source Central Bank of Jordan, 2001). In conclusion, it would appear that employee costs are low, this is a function of the economy where wages tend to be low and not necessarily due to an exceptional level of efficiency. The headcount is quite high given the number of beds in the hotel (44 direct employees for 62 beds).

- **Other Costs:**

The other expenses have been calculated based on the revenue generated. For example food costs are based on a mark up on cost of 285% (if food is sold for JD10, then the raw material will cost JD3.50). Beverages are sold on a mark up on cost of 357% (a drink that retails for JD5 will cost JD1.40). These are indeed high margins and well in excess of margins in similar business in Ireland and UK.Housekeeping costs, water and energy expenses and maintenance run at approx 17% of total revenue under both options.

A.2.1.4: Other Factors

The most significant 'other factor' which impacts on the profitability of the JHTEC hotel is the inclusion of significant revenues for food and beverage – food income is assumed to be 110% of the room revenue i.e. for every guest that stays in a room costing up to JD35 they will spend JD38.50 on food and a further JD7 on beverages. This is important on a number of fronts; firstly this represents a large extra spend, there will have to be a clear case for this. Secondly the impact of this on profitability is increased by the huge margins obtained. Finally this income grows from JD149,358 to JD364,458 (for the 4 star hotel) without any corresponding increase in staff numbers. In the case of the JHTEC operation, its profitability is largely determined by its ability to meet these forecasts.

A.3. College – Assumptions for College and University

The profitability of a college/university is determined by a number of factors:

1: Level of Enrolment on Courses

2: The fees charged

3: Cost Structure

A.3.1.1: Level of Enrolment on Courses

The analysis assumes that under the college option the number of students will start at 380 (spread across 2 year diplomas, 1 year diplomas and short courses), this grows to 660 students at the end of 10 years. In the university model the number of students starts at 380 students and increases to 833 students by the end of 10 years. By European standards these numbers are modest but these numbers need to be put into the context of the local operating environment – factors which should be considered are:

- at what level is the college currently operating at – do these numbers represent a significant increase? It is evident that they do as current student numbers are approx 65.
- the underlying demographics in Jordan – are there enough young people coming through the system to drive the increases or will the increase be driven by capturing students that might have otherwise gone to different colleges. If the latter is the case then it might be more difficult to reach the projections as the existing competitor colleges may react to the increased threat in the market.
- the tradition of third level education in Jordan in general – do large percentages of the population complete third level education, this will make it easier to reach the enrolment numbers
- the image of the hospitality sector – as both an employer and as an area worthy of further education.

The numbers on the courses assume that dropout and failure rates are very low. In the university model on the degree Program there was no drop-outs or failures, if 60 students start the course then in 4 years 60 students finish the course. This is contrary to all experience in the education sector where non-completion rates can be as high as 50%. If this were to be included in the analysis it would have a significant negative effect on the profitability of the operation. At diploma level (in both the college and university options) there is an allowance for non-completion; however, the allowance is low running at less than 5%. Interestingly there are no failures under both models amongst the Arab students; all the non-completion is within the Jordanian student group. The low number of failures may impact on the reputation of the college, as there may be a perception that the courses are too easy and standards are poor.

A.3.1.2: The Fees Charged

The fees charged for the 2-year diploma courses start at JD1,100 and increase to JD1,500 over the first 5 years. The 1-year diploma course costs JD1,000 initially increasing to JD1,200. The fees charged on the university degrees begin at JD2,500 increasing to JD3,000 in year 5. Arab students (the students with 100% completion) are charged double these rates on the diploma courses, there is expected to be 70 Arab students on diploma courses and 100 on degree courses. The increases in the fees charged are modest – near the underlying inflation rate in the economy of about 4%.

The level of fees should be considered against an annual GDP per capita in Jordan of JD1,200 (source Central Bank of Jordan, 2001). A degree course costs up to JD12,000 to complete, a student will also have to consider maintenance costs while in college/university. A student will have to invest 10 times the annual GDP in their education. Furthermore salaries in the hospitality sector in Jordan appear low, it might be difficult to persuade a student to spend JD12,000 on fees when a front office supervisor earns JD400 (source – salary schedule for the JHTEC hotel). Indeed, the only hotel staff that earn significant salaries is the Executive Chef (JD750 per month) and the Operations Director (JD1000 per month). With an annual output of 60 students on the degree Program it wouldn’t be long before these positions are filled across the whole sector.

A.3.1.3: The Cost Structure

- Wages:

The main cost of operating a college/university is staff. The college will employ 36 staff; of this approx 9 will be support staff. This results in a teacher/lab supervisor per student ratio of 27. However under the university option only 3 new staff are employed at a cost of JD325 per month (total cost of JD11,700 – 4 students on a degree Program). This appears to be too little as the university model includes a new degree Program with 4 years teaching – probably an extra 80 hours teaching per week, this could involve hiring up to 10 extra staff. The number of academic staff in the college model appears adequate – between 15 and 20 academics (depending on classification) for two 2-year diploma courses and one 1-year diploma.

- **Other Costs**

The non-wage related costs of the college/university appear adequate. Little detail is given on what these costs represent, however, the costs include items such as books, student uniforms, support materials, IT support, photocopying/office costs. These costs tend to be about 13% of revenues.

A.4.0 Additional Costs Common to Both Operations

In addition to the assumptions underlying the hotel and college/university options a number of assumptions have been made regarding common costs. For the purposes of the discussion the common costs include items such as depreciation, administration salaries and wages, training costs, electricity and insurance and the salary of the General Manager.

It is evident that the depreciation rates chosen are unsuitable in relation to the underlying assets. Fixture & Fittings and Equipment & Tools are depreciated over 25 years. This is unusual as a more normal depreciation rate is between 5 to 10 years. The effect of this change would be to reduce profits over the life of the project, there would however be no change to cash flow.

The administration is made up of 22 staff. This is a large administration workforce when put into the context that there are 44 employees in the hotel and 36 employees in the college. This number remains constant as the level of activity increases in both operations but does rise by 5% per annum to cover inflation. Also one member of administration accounts for over 40% of the total administration wage bill, the General Manager (GM). The GM earns JD44,400 per annum while the 2 next best-paid people earn JD12,000 – the Operations Director of the Hotel and the Dean of the College/University. No justification is given for such a large salary that is 37 times the GDP per capita.

The other costs included in this category are location specific – amounts paid for legal, audit, electricity and insurance depend on local prices and operating conditions. There is also an allowance included for maintenance and a small amount for advertising and promotion. Under some of the options the amounts spent on marketing is as low as JD14,000 – this is in the early years of the first scenario (4 star hotel and college). If such small amounts are spent on marketing (2% of revenue) then it is difficult to determine how the increase in revenues assumed will arise.

In 2001 JHTEC spent JD454,000 on General and Administration Expenses and Other Fixed Charges. Under the new scenarios presented over many of the initial years of the forecasts the expected spend on Other Expenses and Company Charges is less than the amount spent in 2001. For example in the 4 star with college option the expected spend in 2003 in this area is JD387,237 – it is not clear how this reduction in cost will be achieved.

A.5.0 Analysis of the Financial Statements

This section considers the Cash Flow and the Profit and Loss Accounts produced for each of the scenarios. This section should be read bearing in mind the previous discussion on the various assumptions. The financial statements are a product of the assumptions and are only as realistic as the underlying assumptions used in their preparation.

The main issues that arise out of a review of the cash flow statement and the profit and loss account are common to all the scenarios – rather than repeat the analysis 4 times, the detail is presented for the first scenario (4 star hotel and college), it should be a relatively easy task to extrapolate this to the other scenarios.

A.5.1 Cash Flow

Cash flow is vital to any Organization and is more important than profit. An operation can continue if it makes losses but without cash it will soon run into difficulty. This is why it is important to analyse the cash flow statement before the profit and loss account. A number of points need to be made on the basis of the cash flow.

A.5.1.1 Payments to Previous Creditors

In the first 2 years all the scenarios the business needs to make a payments of JD416,195 in respect of previous debts incurred. This is a total payment of JD823,250. At the same time the business is looking to raise capital of JD1 million and get a loan of over JD1 million. Any banks or investors will be slow to fund this type of arrangement as it will appear to them that their funds are being used to pay off past debts. This is common to all 4 scenarios

A.5.1.2: Cash Shortfall

In the initial years of the operation the analysis is predicting a cash outflow of up to –JD798,650 (based on information in the report). There is no information provided as to how this shortfall will be financed. The amount is significant as the overall investment required is JD2.2 million but only JD176,231 is being allocated to working capital requirements. This situation persists across all 4 scenarios.

A.5.1.3: Cash flows over later years of the project

The positive cash flows towards the end of the project are dependent on the company meeting the revenue projections that are rather high.

A.5.1.4: Cash flow in year 10 on Sale of Equipment

In the cash flow statement in the final year there is a cash inflow based on the predicted salvage value of the equipment. This is calculated based on 50% of the book value of the underlying assets. However, the nature of depreciation is the book value which should reflect the final salvage value (not be twice the salvage value), if this is to be the case then the annual depreciation charge should be increased. The effect of this would be to depress cumulative profits by JD959,384 spread over the 10 years. The under-estimation of the annual depreciation charge is also highlighted by the fact that Furniture & Fittings and Equipment & Tools are depreciated over 25 years. This is unusual as a more realistic useful life of these assets is generally less than 10 years.

This is especially true in the hotel industry where periodic refurbishments are necessary to maintain the standard of the hotel. If the depreciation rate is reduced to ten years it will have the effect of reducing cumulative profits by JD622,475 spread over the 10 years of the plan. This is similar in the other 3 scenarios.

A.5.1.5: Taxation

It appears that the treatment of tax in the analysis was not given the appropriate attention. There are a number of deficiencies:

- no account was taken of losses made in the initial years of the project which can be set against future profits – this will reduce the tax payments
- a tax rate of 20% was used when 15% is the rate applicable to hotel and most other activities – this will further reduce the tax liability
- the deductibility of depreciation for taxation purposes is subject to different rules, this will further impact on the taxation liability – a detailed review would have to be carried out to determine the net effect.

Source: http://www.jordanembassyus.org - the Jordanian embassy in the US

The cumulative effect of these changes would probably be beneficial resulting in a lower tax expense. This issue applies to all 4 scenarios

A.5.1.6: The Treatment of Amortisation of pre Operating Expenses

From a recalculation of the figures it is apparent that the Amortisation of the pre Operating Expenses have been included in the Cash Flow Statement. This is not a cash outflow in each of the relevant years instead it is an accounting entry to spread the pre-operating expenses over a number of years. The cost of the pre-operating expenses are included in the initial investment hence to include them in the Cash Flow Statement is double counting. This applies to the other 3 options.

A.5.1.7: Expenses Excluded from Cash Flow

This is potentially the most serious of the deficiencies with the Cash Flow statement. The Operating Expenses outflow appears to have left out the company charges.

This includes the General Managers & secretary annual salary, the government rental charges and other annual management expenses. These expenses have been included in the profit and loss account but not in the cash flow statement. Assuming that these should be included the net effect on the annual cash flows is significant – an additional outflow JD170,054 to JD223,035. The effect of this is to reduce the Internal Rate of Return to –3% and the project does not achieve payback for scenario 1.

A.6. Profit and Loss Account

The outcome in the profit and loss accounts is solely dependent on the assumptions made. If the revenue assumptions are too optimistic and the cost assumptions too low then it is clear that a profit can be shown (see earlier analysis of the assumptions).

When evaluating a business proposal a Profit and Loss Account is of only secondary importance. The Cash Flow Statement is the primary driver – if the project can generate cash in excess of the initial investment then profitability is guaranteed. The only real significant difference between the Cash Flow Statement and the Profit and Loss is the inclusion of depreciation in the Profit and Loss Account. Thus many of the points made in relation to the Cash Flow Statement also apply to the Profit and Loss Account, in particular points A5.1.3, A5.1.4 and A5.1.5.

A.7. The Evaluation Metrics (IRR, Payback)

The evaluation metrics used are appropriate (subject to clarification on the Cash Flow issue number 6 & 7) however any outcome depends on the original cash invested.

If the initial investment is underestimated then this will have the effect of over-estimating the various metrics.

Additionally the extra investment required for the more advanced scenarios appears very low. To upgrade from a college to a university does not involve any extra investment yet at the same time appears to offer huge revenue generating possibilities. To change from a 4 star to a 5 star hotel costs just JD300,000. The minimal extra investment required has an impact on the IRR and Payback making them look more attractive than would otherwise be the case. This is further improved by the impact that the assumptions have on the future revenues of the more advanced scenarios.

The other evaluation metrics (average return on equity and average return on investment) should be discounted as they are not cash based. These measures are profit based and are influenced by depreciation charges, these have earlier been shown to be inadequate.

A.8.0 Concluding Observations

The way the analysis is presented ensures that the selection of the 5 star hotel and the university option is a fait accompli. Take the Hotel analysis, if the room rate and occupancy rates are higher for the 5 star than the 4 star then it is obvious that the 5 star version is going to appear a better option as costs are generally assumed to be based on a percentage of revenues. The same is true of the college versus university option; there is no extra investment required to upgrade to a university and the additional costs are minimal (primarily 3 extra staff) yet under the university model there are more students who are charged twice as much – the outcome of this should be obvious, the university option wins every time. Serious consideration should be given to the fact that the base case scenario (the 4 star hotel and the college) resulted in a negative IRR and no payback was achieved under the corrected cash flows – the other 3 scenarios are refinements of this base case, each one more optimistic than the previous until eventually the most optimistic version is deemed the ‘winner’ (the 5 star hotel and the university scenario).

Based on the scenarios provided an investment of between JD2.2 million to JD2.5 million is needed. It is not clear as to how these funds will be raised. A 'soft' loan of JD1 million is mentioned, however, a commercial bank would have difficulty supporting this type of business plan unless the loan was guaranteed by the government or there was some collateral provided. The funding plan also envisages a capital injection of JD750,000. However, the government are already providing the existing structures; will they also be expected to provide the capital? It is evident from the analysis that the capital investment is not enough to cover the cash shortfalls that will arise in the first few years under each scenario.

Finally it is always easy to criticise a financial projection, it is a lot more difficult to prepare a forecast that will address all the relevant issues. Any opportunity involves a degree of risk. Before reliance is placed on any financial projection the basis of its preparation should be examined. It is important to subject any forecast to rigorous review particularly if the projections are being used to justify a particular course of action. However, if the business model is well thought-out and a market exists for the particular product/service then this should provide a level of comfort that a financial forecast may lack.