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AHFME ACADEMIC MEMBERS 2003 TOTAL ANNUAL EARNINGS SURVEY

Raymond S. Schmidgall

ABSTRACT

This study was conducted to determine the 2003 annual earnings of hospitality financial management educators. Fifty-seven percent of AHFME's members affiliated with educational institutions responded. Annual base salaries ranged from \$33,000 to \$172,000. The lowest-paid member is an instructor while the highest-paid member is a full professor. Most respondents supplement their base salaries by both teaching during summer school and consulting. The total annual earnings of members ranged from \$33,000 to \$252,000. Hospitality financial management educators appear to be more highly compensated than hospitality industry financial executives.

THE 2003 SURVEY

Financial management educators are respected as teachers and researchers, but how well are they paid by their institutions? Further, how much additional income do they earn from their employers beyond their annual salaries? What are their external earnings? How have their total earnings changed over the past few years? How satisfied are they with their salaries and their professional careers? In order to determine answers to these questions and others, a questionnaire was mailed to the 65 educator members of AHFME in February 2004. This article is based on the response of 37 (57%) members who responded.

Table 1 reflects selected characteristics of the respondents. The largest groups of respondents by faculty rank were 14 associate professors and 13 professors followed by seven assistant professors and two instructors. Eleven (30%) of the respondents are administrators of hospitality programs. The locations of the respondents' academic units were separate colleges, colleges of business and human ecology, and other colleges. The highest degree granted by the universities of the respondents for the hospitality discipline ranged from a bachelor's degree to a Ph.D.

Other characteristics of respondents included the following:

- 67% percent of the respondents were employed by public universities while 33% were employed by private universities.
- 8% of the respondents were female and the remaining 92% were male.
- The specializations of respondents included twelve in accounting (32%), nine in cost control (24%), eleven in finance (30%), and the remaining five (14%) in other areas. Other areas of expertise indicated by AHFME members include human resources, real estate, information systems and tourism.

Table 1

Selected Characteristics of the Respondents

| Part A | |
|--------------|---|
| Faculty Rank | % |

| | |
|---------------------|-------------|
| Instructor | 5% |
| Assistant Professor | 19% |
| Associate Professor | 38% |
| Professor | 35% |
| Other | <u>3%</u> |
| Total | <u>100%</u> |

Part B

Department Location

| | |
|------------------|-------------|
| Business College | 35% |
| Human Ecology | 22% |
| Separate College | 19% |
| Other | <u>24%</u> |
| Total | <u>100%</u> |

Part C

Highest Hospitality Degree

| | |
|------------|-------------|
| Bachelor's | 28% |
| Master's | 39% |
| Ph.D. | <u>33%</u> |
| Total | <u>100%</u> |

- The highest degree earned by respondents varied from eight members with a master's degree to 28 with doctorates.

Five respondents had earned a CPA, seven the CHAE, and four members had other professional certifications such as the CHTP, CFBE, CHE, FMP, and CHA.

Respondents, on average, have been with their current institutions 13 years. Seven (19%) have less than four years with their current institutions while six (17%) have more than 20 years. Nine (24%) have 4 to 9 years of experience and fifteen (41%) have 10 to 19 years of experience. The average duration of employment with education organizations was 15 years; thus, on average, respondents have been with their current institutions just over 87% of their educational careers. AHFME members were queried regarding their years of industry experience. Responses ranged from zero years (one respondent) to over twenty years. The median response was 14 years. Eleven reported less than ten years, 20 reported between 10 to 20 years, and six reported over twenty years.

Salaries

The annual salaries, excluding additional university compensation such as summer school pay, of responding AHFME members ranged from \$33,000 to \$172,000. The mean average salary was \$86,520 and the largest groups of respondents received between \$60,001 and \$70,000 and greater than \$100,000 as shown in Table 2.

Table 2
Annual Salaries of AHFME Members

| <u>Salary Levels</u> | <u>Number of Respondents</u> | <u>%</u> |
|----------------------|------------------------------|-------------|
| <50,000 | 3 | 8 % |
| 50,000 – 60,000 | 1 | 3 |
| 60,001 – 70,000 | 9 | 24 |
| 70,001 – 80,000 | 6 | 16 |
| 80,001 – 90,000 | 7 | 19 |
| 90,001 – 100,000 | 2 | 6 |
| >100,000 | <u>9</u> | <u>24</u> |
| Total | <u>37</u> | <u>100%</u> |

Table 3
Average Salary by Faculty Rank

| <u>Rank</u> | <u>Number of Respondents</u> | <u>Range</u> | <u>Mean</u> |
|---------------------|------------------------------|---------------------|-------------|
| Instructor | 2 | \$33,000 – \$38,000 | \$35,500 |
| Assistant Professor | 7 | 52,000 – 83,000 | 69,829 |
| Associate Professor | 14 | 61,000 – 118,000 | 79,000 |
| Professor | 13 | 80,000 – 172,000 | 114,804 |

The range of mean annual salaries varies from \$35,500 for instructors to \$114,804 for full professors. Eight respondents, who indicated they were administrators, reported salaries ranging from \$38,000 to \$172,000 with an average of \$92,918.

The range and average salary by the location of respondents' academic units are shown in Table 4.

Table 4
Salaries by Location of Academic Unit

| <u>Location</u> | <u>Number of Respondents</u> | <u>Range</u> | <u>Mean</u> |
|------------------|------------------------------|----------------------|-------------|
| Business College | 13 | \$33,000 – \$141,000 | \$86,950 |
| Human Ecology | 8 | 52,000 – 105,000 | 78,000 |
| Separate College | 7 | 67,000 – 170,000 | 108,129 |
| Other Colleges | 9 | 38,000 – 172,000 | 76,667 |

Based on the above tabulation, the range of average salaries by the location of academic unit is \$31,462. AHFME members “located” in separate colleges earn the highest average salaries while those faculty whose hospitality programs are located in other colleges have the lowest average salaries. Average annual salaries of faculty in business and human ecology colleges fall between these two.

The ranges and averages of salaries by specialization are shown in Table 5. AHFME members reported three major specializations: accounting, cost control, and finance. Five respondents identified other areas. Of the three major areas of specialization, the highest average salary is paid to faculty specializing in accounting. Still those specializing in other areas reported salaries that averaged higher than the three specializations listed.

Table 5
Salary by Specialization

| <u>Specialization</u> | <u>Number of Respondents</u> | <u>Range</u> | <u>Mean</u> |
|-----------------------|------------------------------|----------------------|-------------|
| Accounting | 12 | \$38,000 - \$170,000 | \$92,342 |
| Cost Control | 9 | 67,000 – 110,000 | 83,039 |
| Finance | 11 | 33,000 – 172,000 | 77,073 |
| Other | 5 | 75,000 – 141,000 | 99,600 |

Finally, respondents were queried regarding their levels of satisfaction with their annual salaries and professional careers. First, four (11%) indicated they were very satisfied with their annual salaries while 24 (65%) revealed that they were reasonably satisfied. The remaining nine (24%) indicated some degree of dissatisfaction; three were dissatisfied while six indicated they were very or terribly dissatisfied. Clearly, the majority of AHFME respondents are satisfied with their salaries. In regards to their careers, 21 (57%) respondents indicated they were very satisfied while 14 (38%) indicated reasonably satisfied. One respondent was dissatisfied while the remaining one gave no indication of satisfaction with his/her career.

Additional Compensation

Twenty-seven of the respondents (73%) indicated they received additional compensation from their universities. This compensation often (19 of the 27) was for individuals on a 9 or 10 month contract who were paid for teaching summer school. The summer school compensation ranged from \$3,000 to \$24,000. The average (mean) summer school compensation was \$11,537 while the median amount was \$8,000. Nine respondents were paid by their universities on an overload basis which ranged from \$2,000 to \$23,000. The median and mean amounts were \$12,000 and \$10,278, respectively. Another five respondents received “other compensation”

from their universities. These amounts ranged from \$10,000 to \$21,000 while the median and mean were \$17,500 and \$16,700, respectively. Some examples of this other compensation included pay for patent royalties and seminars.

The total additional income received by the 27 AHFME members from their universities ranged from \$3,000 to \$43,000. The median was \$18,900 while the mean was \$14,437. The total earnings from universities, including salaries and additional income, ranged from \$33,000 to \$176,000. The median and mean were \$91,000 and \$97,201, respectively.

External Earnings

AHFME members were further queried regarding their earnings from sources external to their institutions. Choices included on the questionnaire were honorariums, royalties, consulting fees, and other. Table 6 contains a summary of members’ responses. Consulting was the most common source of noninstitutional income, as 21 members (57%) earned a median average of \$8,000 per year. Nine members reported being paid honorariums and nine reported royalties. Four members have other income sources. In total, 27 (73%) of the AHFME reporting academic membership earn income from external sources, ranging from \$1,000 to \$77,000. The average external earnings for respondents reporting external earnings is \$21,166.

Table 6
External Earnings

| Type of <u>Income</u> | <u>Number of Respondents</u> | <u>Range</u> | <u>Median</u> | <u>Mean</u> |
|------------------------------|-------------------------------------|---------------------|----------------------|--------------------|
| Honorariums | 9 | \$1,000 – \$35,000 | \$ 5,000 | 10,833 |
| Royalties | 9 | 500 – 40,000 | 4,000 | 10,833 |
| Consulting | 21 | 1,000 – 60,000 | 8,000 | 13,048 |
| Other | 4 | 2,500 – 75,000 | 17,500 | 28,125 |
| All Sources | 27 | 1,000 – 77,000 | 15,000 | 21,166 |

Total Earnings

The average annual total earnings of reporting AHFME members is \$107,832. The range of total earnings is \$33,000 to \$252,000. Seventeen individuals (46%) reported total earnings in excess of \$100,000. Table 7 reveals the total average earnings of AHFME members by faculty rank. As expected, full professors have the highest total earnings of the three faculty rankings. The difference between the average total earnings for assistant professors of \$80,500 and full professors’ average earnings of \$131,500 is \$51,000. AHFME members who are full professors earn an average of 63% more than assistant professors. However, this research also suggests that as assistant professors earn their rank, much larger paychecks will come!

Table 7
Total Earnings by Faculty Rank

| <u>Faculty Rank</u> | <u>Number of Respondents</u> | <u>Range of Total Earnings</u> | <u>Mean</u> | <u>Median</u> |
|---------------------|------------------------------|--------------------------------|-------------|---------------|
| Instructor | 2 | \$33,000 – \$38,000 | \$35,500 | \$35,500 |
| Assistant Professor | 7 | 55,000 – 93,000 | 79,371 | 80,500 |
| Associate Professor | 14 | 61,000 – 173,500 | 106,786 | 93,750 |
| Professor | 12 | 99,000 – 252,000 | 152,779 | 131,500 |

A comparison of the average salary by faculty rank and total earnings by rank is shown in Table 8.

Table 8
Comparison of Average Salaries and Total Earnings by Faculty Rank

| | <u>Average Base Salary</u> | <u>Average Total Earnings</u> | <u>Diff. \$</u> | <u>Diff. %</u> |
|---------------------|----------------------------|-------------------------------|-----------------|----------------|
| Instructor | \$35,500 | \$35,500 | \$-0- | 0% |
| Assistant Professor | 69,829 | 79,371 | 9,542 | 14 |
| Associate Professor | 79,000 | 106,786 | 27,786 | 35 |
| Professor | 114,084 | 152,779 | 37,975 | 33 |
| Administrators | 92,918 | 113,964 | 21,046 | 23 |

The higher the faculty rank, the larger the difference between the base salary and total earnings. The differences as shown above are in both absolute and relative terms. Assistant professors on the average earn \$9,542 more than their base salaries, which is a 14% difference, while the full professors' annual total earnings are \$152,779 which is 33% greater than their average base salaries of \$114,084. Responding members who are associate professors had a 35% increase in compensation. Administrators, who have twelve-month contracts, generally have less time than the tenured professors to increase their total earnings beyond their salaries. The difference was \$21,046 or 23% -- both a smaller absolute and percentage differences than those for both associate and full professors.

The average nonsalary earnings and average total annual earnings by areas of specialization are shown in Table 9. The average total annual earnings by area of specialization varied significantly. The average nonsalary earnings is only for the number of recipients in each category.

The average nonsalary earnings of respondents specializing in other areas exceeds those specializing in accounting, cost control, and finance.

Table 9
Nonsalary Earnings and Total Earnings by Area of Specialization

| <u>Specialization</u> | <u>Average Nonsalary Earnings</u> | <u>Average Total Annual Earnings</u> |
|-----------------------|-----------------------------------|--------------------------------------|
| Accounting | \$26,485 | \$118,827 |
| Cost Control | 25,641 | 108,650 |
| Finance | 20,200 | 97,273 |

Other

29,000

128,600

Comparisons to Prior Years

Similar studies of total annual earnings of AHFME members were conducted for 1989-2002.¹ A brief comparison of the results are shown in Table 10. Overall, salaries increased from 1989-1991, dropped slightly in both 1992 and 1993, increased significantly from 1994 to 1996, dropped slightly in 1997, increased annually for 1998 through 2002, and dropped slightly in 2003.

¹Schmidgall, R.S. (2004) AHFME Academic Members 2002 total annual earnings. *The Journal of Hospitality Financial Management*, 12 (1), 67-76.

Schmidgall, R.S. (2003) AHFME Academic Member 2001 total annual earnings survey. *The Journal of Hospitality Financial Management*, 11(1), 55-64.

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Schmidgall, R.S. (1999) AHFME member 1997 total annual earnings survey. *The Journal of Hospitality Financial Management*, 7(1), 77-85.

Schmidgall, R.S. (1998) AHFME member 1996 total annual earnings survey. *The Journal of Hospitality Financial Management*, 6(1), 75-83.

Schmidgall, R.S. (1997) AHFME member 1995 total annual earnings survey. *The Journal of Hospitality Financial Management*, 5(1), 49-57.

Schmidgall, R.S. (1996) AHFME member 1994 total annual earnings survey. *The Journal of Hospitality Financial Management*, 4(1), 105-114.

Schmidgall, R.S. (1995) AHFME member 1993 total annual earnings survey. *The Journal of Hospitality Financial Management*, 4(1), 115-124.

Schmidgall, R.S. (1994) AHFME member 1992 total annual earnings survey. *The Journal of Hospitality Financial Management*, 3(1), 57-70.

Schmidgall, R.S. (1993) AHFME member 1991 total annual earnings survey. *The Journal of Hospitality Financial Management*, 2(1), 45-55.

Schmidgall, R.S. (1992) AHFME member 1990 total annual earnings survey. *The Journal of Hospitality Financial Management*, 2(1), 23-42.

Schmidgall, R.S. (1991) AHFME member earnings survey. *The Journal of Hospitality Financial Management*, 1(1), 65-74.

Table 10
Comparative Salaries and Total Earnings
1989 – 2003

| | <u>1989</u> | <u>1990</u> | <u>1991</u> | <u>1992</u> | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average Annual Salaries | \$43,000 | \$50,820 | \$51,613 | \$51,491 | \$51,428 | \$57,390 | \$59,263 | \$70,473 | \$68,827 | \$70,125 | \$70,434 | \$74,259 | \$77,619 | \$87,250 | \$86,520 |
| Average Total Annual Earnings | 65,415 | 69,106 | 68,642 | 66,479 | 70,460 | 75,128 | 74,106 | 88,186 | 93,533 | 89,825 | 96,620 | 97,373 | 102,456 | 115,111 | 113,637 |
| Average total earnings by faculty rank: | | | | | | | | | | | | | | | |
| Instructor | \$38,250 | \$39,400 | \$40,765 | \$43,760 | \$43,000 | \$27,000 | \$37,337 | NA | \$29,000 | \$75,500 | \$12,000 | \$73,333 | \$40,000 | \$53,162 | \$35,500 |
| Assistant Professor | 52,540 | 59,096 | 53,775 | 52,680 | 56,000 | 49,072 | 53,086 | 64,386 | 68,360 | 64,875 | 66,583 | 61,938 | 79,967 | 90,621 | 79,371 |
| Associate Professor | 65,511 | 66,152 | 71,057 | 65,612 | 73,433 | 69,849 | 73,795 | 77,694 | 82,729 | 85,335 | 103,070 | 92,727 | 89,561 | 103,732 | 106,786 |
| Full Professor | 99,207 | 96,917 | 90,700 | 95,391 | 96,478 | 108,783 | 99,745 | 115,493 | 121,408 | 126,447 | 127,082 | 131,618 | 148,803 | 152,623 | 152,779 |
| Administrator | * | 71,667 | 64,842 | 70,622 | 77,213 | 71,908 | 72,750 | 82,200 | 105,679 | 94,775 | 91,943 | 93,805 | 91,191 | 104,841 | 113,964 |

*Not included in the 1989 survey.

Comparisons to Others

It is interesting to compare the above results to the average compensation of financial executives in the hospitality industry and to other educators. The annual compensation projected for HFTP members including salary, deferred compensation, and bonuses for 2003 by position was as follows:²

| | |
|------------------------|----------|
| Accounting Manager | \$55,683 |
| Assistant Controller | 55,073 |
| CFO | 132,685 |
| Consultant | 87,880 |
| Controller/Comptroller | 82,533 |
| Corporate Controller | 99,340 |
| IT Director | 104,696 |
| Regional Controller | 129,768 |
| VP Finance | 140,198 |

The Chronicle of Higher Education reported average salaries for 2003-2004 by faculty rank across all institutions with academic ranks as follows:³

| | |
|---------------------|----------|
| Professor | \$88,591 |
| Associate Professor | 63,063 |
| Assistant Professor | 52,788 |
| Instructor | 38,501 |

Clearly, hospitality financial management professors appear to be compensated more generous than educators in general and many counterparts in the hospitality industry.

Summary

The mean average salary of AHFME members participating in AHFME's annual total earnings survey was \$86,520. The average salary varied by rank from \$35,500 for instructors to \$114,804 for full professors. AHFME members focusing in areas other than accounting, cost control and finance topped the list.

Seventy-three percent of the responding AHFME members reported receiving additional compensation from their institutions. The mean average was \$14,437.

The most common source of external earnings was consulting. Seventy-three percent of the respondents reported external earnings which averaged \$21,166.

The total annual earnings that respondents reported for 2003 ranged from \$33,000 to \$252,000. The average was \$107,832. The percentage increase in compensation of respondents from their base salaries to total compensation by rank varied from 0% increase for instructors to a 35% increase by associate professors.

Finally, 76% of the respondents reported some degree of satisfaction with their salaries while the remaining 24% reported some degree of dissatisfaction. In regards, to their professional careers, 95% reported some degree of satisfaction.

² Countryman, Cary and Agnes DeFranco. "2004 HFTP Compensation and Benefits Survey." The Bottomline, November, 2004, 5-33.

³ What Professors Earn, The Chronicle of Higher Education, April 23, 2004, page A13.

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