



## The Art & Science Of Hospitality

Reprint - By: Keith Kefgen, July 27, 2006 - HVS International - New York

**I**n the literary masterpiece, *The Bhagavad-Gita*, it says, "Through selfless service, you will always be fruitful and find the fulfillment of your desire". Service is the essence of the hospitality industry, whether you are a waiter or a Chief Executive Officer. Unfortunately, economic and geopolitical circumstances have made it more difficult to deliver world-class service and business profitability. To be successful, today's hospitality executive must be a service fanatic, marketing guru, Wall Street analyst, real estate appraiser and a first-rate coach.

Take the typical day in the life of Terrance Lanni, CEO of MGM/Mirage. He wakes up to a conference call with Wall Street analysts reviewing financial forecasts and earnings estimates. Soon after, he attends a meeting to evaluate a new advertising and casino marketing campaign. He then answers mail, which includes guest comments from some of the twenty thousand people who visit his casinos every day. He then chairs a meeting of his executive team to articulate the company strategy. He then reviews the construction plans for an expansion of the MGM, and no day would be complete without talking to Kirk Kirkorian, the billionaire investor and largest company shareholder.

Besides Lanni, when I think of the premier leaders in the hospitality industry a number of names come to mind, Steve Bollenbach, Isadore Sharp, Barry Sternlicht, Bill Marriott, Edouard Ettegui, Jonathan Tisch and Steve Wynn. Each has a unique style that makes them successful. For example,

Bollenbach is known for his strategic and financial acumen, while Steve Wynn is recognized as a creative genius. Ettegui is renowned for his passion for quality and his international savoir-faire, while Tisch is known as a great spokesman and political powerhouse. Sternlicht and Sharp are both known as communicators, Sternlicht with Wall Street and Sharp with employees and guests. Marriott, on the other hand, has built a conglomerate based on systems and market segmentation. Mix these attributes with an obsession for service and you have a set of skills that is difficult to find in any industry.

### Strategic Savvy

Bollenbach, the CEO at Hilton Hotels has earned a reputation as a savvy financial executive and a strategic thinker. While at Marriott Hotels, he engineered the split of the company into Marriott International and Host Marriott. In one strategic move he separated Marriott's management business and its real estate holdings. He created a win/win proposition for management and investors. At Hilton he has crafted a simple strategy based on four "value drivers" that every constituency believes in and has culminated in the merger with Hilton International.

In many C-Level searches, strategic thinking has been a priority. For example, Arlington Hospitality engaged me to find a new CEO following a proxy battle. The direction of the company and the strategic plan were at the heart of the conflict. As part of the interviewing process we made candidates draft a "strategic white paper"

articulating their opinions regarding the future direction of the company. It became a distinguishing feature for the winning candidate. Other candidates who "presented" well did not have the same intellectual focus or vision for the company in their white paper. Many other candidates were discounted because they appeared to represent the "status quo" and did not appear to be progressive thinkers.

### International Savvy

Like many other industries, hospitality is truly global. Leaders must understand business, political and social issues in every part of the world. Edouard Ettegui, CEO of Mandarin Oriental Hotel Group epitomizes the international leader. Schooled in Paris, he has managed businesses in Morocco, Zambia, Zimbabwe, Peru, London and Hong Kong. His global experiences are helping Mandarin expand faster than any other luxury hotel brand with development projects in New York, DC, Boston and Tokyo. The complexity of those development projects made very few companies suitable as an operating partner.

### Balancing Profits & Guest Satisfaction

Bill Marriott, CEO of Marriott International has been adept at one of the greatest balancing acts in the industry. Marriott's business interests involve every market segment of the hospitality industry. Ritz-Carlton in the luxury segment, Marriott in full-service, Courtyard in mid-rate, Residence in extended stay, timeshare, food service, senior living and so forth. Furthermore, Marriott has

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accomplished his success by having the finest systems in the business. When you hear that Marriott “does it by the book” it is the real deal.

### Communication Savvy

Barry Sternlicht, former CEO at Starwood Hotels was the consummate communicator. His reputation on Wall Street was that he was the most accessible CEO in the business. His financial background allowed him to understand the Wall Street mentality and anticipate investor sentiment. Isadore Sharp at Four Seasons is also acknowledged for his ability to connect with people. He has a long-standing policy that every phone call to him or a company manager is returned promptly. He has developed an uncanny ability to establish loyalty with employees and customers alike. Four Seasons is consistently ranked as the best Luxury hotel chain in the world. For six straight years, they have also been named to Fortune Magazine’s list of the Top 100 Companies to Work For.

### Creative Savvy

Steve Wynn of Las Vegas fame is probably the most creative executive of the group. His capacity to create a vision and then turn it into reality is unrivaled. When Steve sold the Golden Nugget in Atlantic City to build the largest casino in Las Vegas, most thought he was crazy. At a cost of nearly a billion dollars, the Mirage was ridiculed as a pipe dream. The Mirage of course was nothing short of incredible. The Mirage’s success set off a building boom in Las Vegas that has gone unabated for the last decade. Wynn followed that up with the Bellagio and most recently the Wynn Resort Las Vegas. Wynn is also one of the great promoters of our era. His casino promotions and his flair for advertising have made him a household name. Another source of Wynn’s success is his ability to attract top talent. Talk to anyone in the casino industry and ask who they would most like to work with, and Wynn’s name comes up most often.

### Community/Government Relations

Solid relations with local, state and federal governments have become a requirement

in the travel industry. Two standouts are Jonathan Tisch at Loews Hotels and Terrance Lanni and MGM/Mirage. Tisch almost single-handedly turned back the repressive tax code in New York City making it one of the most business friendly cities in the world. Lanni has also been a leader in creating win/win public policy for the gaming industry and has supported research on the social effects of gaming.

### Service Mentality

Interestingly, from our historical research it appears that a service mentality must be nurtured at a young age. Selling widgets and selling an experience are dramatically different. Empathizing and anticipating the desires of guests must be learned. How many times have I heard an executive say, “I stay in hotels all the time so I understand what a guest wants”. Just because someone is a discriminating customer doesn’t prepare him/her for the service industry. In fact, very few industry outsiders have done well at the CEO level. Prominent CEOs such as Stewart Bainum, Gary Mead, Rand Araskog and Norm Blake all saw more value in selling their companies. In addition, the research suggests that many of these outsiders got frustrated with the hospitality work environment. Moving the needle in hospitality is very difficult to do without significant time and money.

### Practical Experience + Degree

If you were building the perfect resume for hospitality, what would it look like? First, it would combine practical experience with a college degree. Gone are the days of apprenticeship programs and the school of hard knocks. College programs such as the Hotel School at Cornell University are becoming the norm rather than the exception. With the shift in many world economies to a service orientation, colleges are responding with programs that are geared to those needs. Even the Laussane hotel school in Switzerland (the oldest hotel school in the world) has changed its curriculum to be less focused on apprenticeship and more on western business philosophy.

Practical experience should include experiences in operations, marketing,

finance and real estate. Chains such as Hilton and Marriott are better at providing these cross training opportunities, and as such, have more marketable employees. Likewise, tenure at the chains average 7-10 years versus the industry average of 2-3.

Secondly, the resume would also have some international experience and a consistent increase in responsibilities. Hospitality employers are also very brand conscious. For example, managers at Four Seasons, Ritz-Carlton and Mandarin get recruited much more often than a candidate from an independent operation. Hospitality’s reputation as a job-hopping industry has also been changing. With the enormous investment in human capital required today, employers are insisting on stability and commitment from new employees. To garner commitment, the better employers are offering a structured succession plan and the cross training previously discussed.

My advice to aspiring leaders in hospitality:

- Train your brain – Try distance learning, association & university workshops, become a voracious reader and learn from your mistakes
- Pledge to serve – Take a personal oath to serve others, do volunteer work, give back to the local community, learn empathy
- Show passion and commitment – Understand that success is based on purpose, perseverance and patience
- Think like an entrepreneur – Owners think differently than laborers, put yourself in the shoes of an owner and act like they would
- Get creative – Creative power comes from exercising the mind and body, challenge both. Workout, do yoga, take a painting or creative writing class or join a sports team.
- Lead, don’t manage – You manage things, but you lead people.

**CANADIAN LODGING OUTLOOK  
HVS INTERNATIONAL - CANADA**

July 2006	Number of Rooms	Occupancy Rate (%)		Average Room Rates (\$)		RevPAR (\$)		Room Supply % chg	Room Demand % chg
		2006	2005	2006	2005	2006	2005		
Nova Scotia Area	1,084	74.8%	76.3%	\$105.68	\$99.85	\$79.05	\$76.19	2.0%	0.0%
Halifax, NS	3,297	76.6%	81.4%	\$128.48	\$131.54	\$98.42	\$107.07	2.4%	-3.7%
Montreal Downtown	8,765	78.1%	81.0%	\$157.37	\$161.69	\$122.91	\$130.97	0.1%	-3.5%
Montreal Area	4,986	70.0%	76.5%	\$105.01	\$101.71	\$73.51	\$77.81	1.3%	-7.2%
Quebec City, QC	3,747	78.3%	88.9%	\$149.45	\$160.55	\$117.02	\$142.73	1.1%	-11.0%
Quebec Area	5,462	64.2%	68.2%	\$125.57	\$122.01	\$80.62	\$83.21	1.0%	-4.8%
Toronto Downtown	12,887	70.4%	75.9%	\$167.34	\$166.14	\$117.81	\$126.10	3.6%	-4.0%
Toronto North/East	6,174	69.1%	73.3%	\$113.80	\$113.65	\$78.64	\$83.31	3.2%	-2.8%
Toronto Airport/West	7,708	63.5%	69.8%	\$104.40	\$103.86	\$66.29	\$72.49	7.8%	-1.8%
Ottawa, ON	6,433	62.4%	66.5%	\$125.10	\$124.64	\$78.06	\$82.89	0.0%	-6.1%
Ontario East	3,723	72.6%	76.6%	\$114.53	\$111.97	\$83.15	\$85.77	0.8%	-4.4%
Windsor/ Ontario SW	2,903	56.0%	59.5%	\$100.52	\$99.83	\$56.29	\$59.40	1.1%	-4.8%
London/ Kitchener	5,872	64.4%	65.4%	\$102.19	\$101.08	\$65.81	\$66.11	2.0%	0.3%
Ontario North/ Thunder Bay	1,531	77.4%	78.6%	\$84.69	\$83.33	\$65.55	\$65.50	0.0%	-1.6%
Ontario NC/ Sudbury	3,931	73.0%	73.9%	\$119.56	\$119.95	\$87.28	\$88.64	1.8%	0.6%
Niagara Falls, ON	8,808	82.0%	84.6%	\$178.45	\$175.27	\$146.33	\$148.28	4.0%	0.8%
Ontario Central	3,072	63.6%	70.5%	\$109.80	\$103.58	\$69.83	\$73.02	4.3%	-5.8%
Mississauga, ON	5,512	62.4%	62.1%	\$104.91	\$102.70	\$65.46	\$63.78	2.4%	2.8%
Winnipeg, MB	3,940	62.4%	70.4%	\$90.98	\$88.14	\$56.77	\$62.05	0.0%	-11.4%
Regina/Saskatoon, SK	4,251	61.4%	62.4%	\$93.63	\$89.64	\$57.49	\$55.94	-1.1%	-2.7%
Calgary, AB	7,989	86.5%	87.4%	\$154.39	\$139.71	\$133.55	\$122.11	0.4%	-0.7%
Edmonton, AB	7,119	75.9%	78.4%	\$111.69	\$110.89	\$84.77	\$86.94	1.8%	-1.4%
Alberta North Area	2,328	85.2%	81.0%	\$179.87	\$156.47	\$153.25	\$126.74	1.9%	7.1%
Alberta South Area	6,164	78.4%	80.9%	\$175.86	\$171.31	\$137.87	\$138.59	3.6%	0.4%
Vancouver Downtown	7,915	87.8%	84.6%	\$189.47	\$177.89	\$166.35	\$150.49	0.0%	3.8%
Vancouver/ Burnaby Area	2,223	87.4%	78.6%	\$126.69	\$119.02	\$110.73	\$93.55	0.0%	11.1%
Richmond-Surrey/ East Area	5,475	78.7%	80.5%	\$110.99	\$101.73	\$87.35	\$81.89	-0.9%	-3.1%
British Columbia Area	6,194	70.6%	67.6%	\$135.64	\$127.89	\$95.76	\$86.45	1.9%	6.4%
Kamloops/ Kelowna Area	4,491	75.8%	78.5%	\$122.08	\$119.14	\$92.54	\$93.52	0.6%	-2.9%
Vancouver Island	3,591	73.3%	78.2%	\$160.59	\$158.00	\$117.71	\$123.56	0.8%	-5.6%
<b>Provinces</b>									
Alberta	23,600	81.0%	82.4%	\$150.40	\$141.24	\$121.82	\$116.38	2.2%	0.6%
British Columbia	29,238	79.1%	78.5%	\$148.01	\$139.35	\$117.08	\$109.39	0.8%	1.6%
Manitoba	4,800	63.2%	70.3%	\$88.79	\$86.43	\$56.12	\$60.76	0.0%	-10.1%
New Brunswick	3,698	74.4%	78.0%	\$116.52	\$114.32	\$86.69	\$89.17	1.4%	-3.3%
Newfoundland	1,836	81.2%	81.5%	\$129.47	\$120.66	\$105.13	\$98.34	2.6%	2.2%
Nova Scotia	4,381	76.1%	80.1%	\$122.93	\$124.11	\$93.55	\$99.41	2.1%	-3.0%
Northwest Territories	66	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	68,554	68.6%	72.2%	\$131.63	\$129.90	\$90.30	\$93.79	2.6%	-2.5%
Prince Edward Island	939	76.6%	80.1%	\$135.89	\$125.55	\$104.09	\$100.57	0.0%	-4.4%
Quebec	22,960	73.1%	78.5%	\$138.54	\$142.04	\$101.27	\$111.50	0.9%	-6.0%
Saskatchewan	5,537	64.0%	64.8%	\$88.71	\$85.52	\$56.77	\$55.42	-0.3%	-1.5%
Yukon Territory	585	74.4%	74.0%	\$106.80	\$104.18	\$79.46	\$77.09	0.0%	0.5%
Canada	166,194	69.8%	73.4%	\$118.00	\$115.33	\$82.36	\$84.65	1.6%	-3.4%

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Canada	166,194	58.1%	57.9%	\$108.20	\$103.19	\$62.86	\$59.75	1.5%	1.9%

## CANADIAN LODGING OUTLOOK HVS INTERNATIONAL - CANADA

### DEFINITIONS

Occupancy:	Rooms sold divided by rooms available.
Room Revenue:	Total room revenue generated from the sale or rental of rooms.
Average Daily Rate (ADR):	Room revenue divided by rooms sold.
Room Revenue Per Available Room (RevPAR):	Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR).

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