



The Portman Ritz-Carlton: Setting up our Ladies and Gentlemen for Success

Prior to 1998, The Portman Shangri-La Hotel in Shanghai was a five-star property much like any other in the city. Employee and guest satisfaction ranged between 70 and 80 percent, and finances were unspectacular. But after Mark DeCocinis and The Ritz-Carlton took over management of the hotel in early 1998, employee satisfaction soared, guests were much happier, and finances improved. In just a few years, then General Manager DeCocinis and The Ritz-Carlton lifted the hotel to a level all its own, using a proven business approach and sound human resource management practices.

The Portman Ritz-Carlton currently has more than 700 employees. For five consecutive years, its annual employee satisfaction rate has been the highest among all of the Ritz-Carlton's 63 hotels worldwide, reaching 98 percent last year. And while the staff turnover rate for Asia's hotel industry is 29 percent, the rate at The Portman Ritz-Carlton is a modest 15 to 16 percent. Its guest satisfaction rate is between 92 and 95 percent and its annual financial growth at 15 to 18 percent year on year.

In recent years, The Portman Ritz-Carlton has won award after award in recognition of its successful formula. For three consecutive times, it was named "Best Employer in Asia" by Hewitt Associates and "Overall Best Business Hotel in Asia" by Bloomberg TV. For the fifth time, it has been selected the "Best Business Hotel in China" by *Business Asia* magazine.

Mark DeCocinis: Regional Vice President, (Asia Pacific) The Ritz-Carlton Hotel Company



A native of Salerno, Italy, Mark DeCocinis was brought up in the United States. He brings more than 20 years of hotel experience to his position. He was formerly general manager of The Ritz-Carlton, Aspen, following posts as hotel manager and general manager of The Ritz-Carlton, San Francisco. He has held food and beverage director positions at Ritz-Carlton hotels and resorts in Amelia Island and Naples (Florida) and Boston, Massachusetts. During his 17 years with the company, Mark DeCocinis has been a member of The Ritz-Carlton hotels and resorts pre-opening teams in Asia and the United States.

The 578-room Portman Ritz-Carlton, Shanghai is a landmark located in a retail, dining and entertainment complex on the famous Nanjing Road. Under his leadership, DeCocinis has led The Portman Ritz-Carlton to win multiple outstanding awards. In recognition of his contributions to Shanghai's economic and social development, DeCocinis was made a permanent resident of China last year and honored with the Gold Quality Award by the Shanghai Municipal Government. He also received the "Friendship Award" by the People's Republic of China in 2004, Shanghai's prestigious "Magnolia Gold Award" in 2003 and the "Magnolia Silver Award" in

Business and Talent Requirements for the Portman Ritz-Carlton's Success

As a premium hotel whose utmost mission is to provide “genuine care and comfort to our guests,” The Portman Ritz-Carlton pledges to “provide the finest personal service and facilities to our guests who will always enjoy a warm, relaxed yet refined ambience.” And this objective can only be fulfilled by satisfied and engaged employees. Mark DeCocinis, Regional Vice President, Asia-Pacific of The Ritz-Carlton Hotel Company, has stated:

The three goals of our organization are financial results, customer satisfaction and employee satisfaction. These goals are not exclusive from each other. They are very closely interrelated. Without satisfied and engaged employees, there is no way we could ever achieve excellent financial results and guest satisfaction.

To ensure such high service standards, Mark DeCocinis and his management team look for people who will fit the existing culture:

- 1) People who share the same values and purpose. “Our selection focuses on talent and personal values because these are things that can’t be taught. Our culture is special, and we can’t expect to bring someone into this culture if they don’t have the same values and purpose.”
- 2) People who care for and respect others. “We focus on a person’s theme. What do they enjoy? What’s their purpose in life? What motivates them? We look for people who genuinely enjoy contact with people and helping others. It’s not about being introverted or extroverted, it’s about caring for and respecting others. You can work at the front desk or behind the scenes, but you must enjoy contact with others, whether they are guests or other employees.”
- 3) People who smile naturally. “If the person smiles naturally, that’s very important to us because this is something you can’t force. And if you’re happy on the inside, you’re happy on the outside. That makes others feel good.”
- 4) People who seek a long term relationship. “We look at employment as a long-term relationship and we try to select candidates who also seek a long-term relationship.”
- 5) People who have talent for the job: “We select employees with the best talent that fits the culture and philosophy of The Ritz-Carlton and is systematically measured through Behavioral Event Interviews.”

The Portman Ritz-Carlton’s ultimate focus on a candidate’s motivation to connect with and help other people lays the foundation for both individual and company success.

The Portman Ritz-Carlton's Unique Value Proposition – Setting up our Ladies and Gentlemen for Success

While many executives complain about the talent shortage and quality deficiency in China, The Portman Ritz-Carlton, as the Best Employer in Asia, doesn't have an issue finding or retaining talent. The key to their success in people management is **"Setting up our Ladies and Gentlemen for success."**

The company's Employee Promise states: "By applying the principles of trust, honesty, respect, integrity and commitment, we nurture and maximize talent to the benefit of each individual and the company."

Mark DeCocinis and his management team adhere to the Employee Promise through daily execution:

Our priority is taking care of our people. We're in the service business and service comes only from people. It's about keeping our promise to our employees, and making that an every day priority. Our promise is to take care of them, trust them, develop them, and provide a happy place for them to work. The key is every day execution.

The commitment, in fact, is reciprocal. As Lawrence Chi, Regional Director of HR Asia Pacific of The Ritz-Carlton Hotel Company mentioned:

The Employee Promise guides employees' interaction with everybody: not just general management cascading down to line staff, but also line staff committing the promise upward. Managers and staff take care of each other in terms of respect, trust, honesty, integrity and commitment.

The mutual commitment has fostered trust and created a work environment where employees are treated with respect and dignity (like Ladies and Gentlemen) and are given the right tools and freedom to do what is necessary to take care of customers. In return, employees achieve a sense of pride and achievement by being able to do their jobs well. DeCocinis further described how such commitment works in practice:

We select the best people, we train them, give them the environment to do the job, and allow them freedom to do the job. Everyone feels very good about having that ownership and that purpose.

In our hotel, where we [employees] work and where we rest have the same standards as the public areas. That's what 'ladies and gentlemen serving ladies and gentlemen' means to me.

The Portman Ritz-Carlton from the Eyes of Employees

What do employees feel about their experience at The Portman Ritz-Carlton? The numbers speak for themselves:

- 1) Employee satisfaction rate: From 2000 to 2005, the employee satisfaction rate of The Portman Ritz-Carlton has risen from 95 to 98 percent, making it the highest among 60 Ritz-Carlton hotels worldwide for five consecutive years.
- 2) Employee turnover rate: Besides a turnover rate that is half of the industry average in Asia, over 60 percent of its current employees have been with the hotel for more than five years and over 30 percent have been with the hotel for over eight years.
- 3) Best Employer in China Award: Of all the 21 measures Hewitt Associates uses for the selection, which ranges from engagement, pay and benefits to career opportunity and recognition, The Portman Ritz-Carlton's scores were consistently around 95 percent while other Best Employers in China were around 80 percent and the remainder of participating companies in China were around 50 percent.

When interviewed by the media, employees described their feelings about working at the hotel:

- **An environment of respect and dignity:** Instead of being regarded as employees, the company treats them as ladies and gentlemen.

"I still remember my interview. When I entered the employees' entrance I saw the sign: 'We are ladies and gentleman serving ladies and gentlemen.' I thought that was interesting because they usually call you employees. I'd never seen this before, it was very unusual," says Catherine Jin, who joined the company in 1999 and went through three promotions to be guest recognition manager.¹

- **Leader with determination:** Employees believe Mark DeCocinis has a strong will and winning attitude.

"If he wants to achieve something, he will succeed and that's the feeling he gives to the rest of the people who work in the hotel," says Eagle Lu, human resources.²

- **Supportive line managers:** It is not only the General Manager, but also the line managers who are supportive of the employees.

"A major attraction is that we can write down our promotional plan and study it twice a year with our bosses who always consider our requests," said Carrie Ni, a human resource department manager, who has been working for the hotel since 1997.³

¹ David Murphy, "Meet Asia's Best Boss", Far Eastern Economic Review, Hong Kong: April 17, 2003. Vol. 166, Iss.15; pg. 33

² David Murphy, "Meet Asia's Best Boss", Far Eastern Economic Review, Hong Kong: April 17, 2003. Vol. 166, Iss. 15; pg. 33

³ "Asia Best Employers Awarded", Asianinfo Daily China News, Dallas: Sep. 13, 2001, pg.1

Leadership and Management Practices that Create the Unique Value Proposition

Leadership consistency in taking care of employees: Mark DeCocinis attributes the success of people management to consistency in execution and leadership role modeling:

It's our priority every day to make sure we're walking the talk, starting with me and the people around me. The General Manager and the executive team are setting an example. People believe what they see, not what is said.

The executive team works with employees when issues arise, no matter how small they may be:

Most things that cause satisfaction are small and can be corrected every day; for example, does my uniform fit well and is it clean, is the food for employees good, or is the work environment clean and is it representative of the public areas? These are the little things. For the bigger things, we also communicate so employees understand and we work together to solve them.

When it comes to "big" things, there is no better example than how the leadership team performed during the SARS crisis in 2003 when occupancy rate dropped significantly:

By April, our occupancy rate, which should have been at 85 percent, dropped to 35 percent. We told our employees that this was not caused by us or them. These were factors out of our control. Their first thought were, 'What's going to happen to me? I have a family to take care of.' The first step was that I and the executive team took a 30 percent pay cut, and we asked everyone to work five days a week. Then it got worse. In May, the occupancy rate was 17 to 18 percent. We reduced the work week to four days, and people were asked to take their outstanding paid leave days. And then, when these reserves were getting used up, that's when everyone really pulled together. Employees who were single gave their shifts to colleagues who had families to support.

We also renewed contracts without a second thought. Some employees were worried that their contracts would not be renewed given the low occupancy rates, but we told them if their performance and behavior were good, of course, we would keep them on. Our employee satisfaction rate that year was 99.9 percent. We used to have a high level of trust with employees, but it got even better. This was one of those negative things that turned out to be extremely positive.

Selecting right employees critical: Mark DeCocinis believes the key to people's success starts with selecting the right candidates. Hiring is a group decision at the hotel and the General Manager is involved in the interview process of all employees to show how important that individual is to the company. First, Human Resources would administer a standard behavior interview around key themes linked to the company's values, followed by an interview with line managers who assess the candidates on their skills. After that, the Division Head, the HR Director and General Manager will interview the candidate. In 99 percent of the cases, Mark DeCocinis agrees with the selection decision.

When interviewing candidates, DeCocinis usually asks them about themselves and tries to make a connection:

Whatever they say, the most important notion needs to be 'I enjoy working with people' and it's not just using the term 'I like people.' Do they have a genuine connection with people? And are they fulfilled in making people happy?

He will also try to determine whether candidates are seeking a long-term relationship with the hotel:

When someone is applying for a cook's position, I will ask him if he would like to be executive chef someday. You can see from his expression he is thinking, 'I can't believe it. I've not even been selected as a cook and I am being asked if I want to be an executive chef!' If you put that idea in their mind in the beginning, it shows them there is a future for them and that you also see a future for them.

With a connection established in the interview, employees feel they already have a relationship with the General Manager and are comfortable communicating with him once they start working at the hotel.

Training and daily lineup: The Portman Ritz-Carlton provides training to employees to foster an understanding of company culture and improve their professional skills. Before new employees have any contact with guests, they will receive a two-day orientation on company culture and philosophy during which the General Manager, the executive team and Human Resources explain The Ritz-Carlton Credo, Employee Promise, and 12 Service Values (see Exhibit 1). After that, they will receive 30 days of training from a certified trainer from the department. On Day 21, new employees are asked to give the management feedback on how they can improve their training program for future training and recertification. In addition, every employee gets a minimum of 130 hours of training every year which spans training for their department, company culture, language and computer skills. Day 365 is a recognition of one year of loyal service and is an opportunity to reinforce the hotel's culture. Every employee will also go through annual recertification after they pass written tests, role play and interviews on culture and skill.

Daily lineup is a daily briefing to reiterate the company's standard and convey important business messages. It takes place every morning in each department. While each department may conduct briefings differently, the message they convey is the same worldwide: they will talk about one of the 12 Service Values.

Listening and communication: Mark DeCocinis believes communication is important and creates abundant opportunities to interact with employees beginning with the interview and continuing through monthly breakfast meetings and his daily rounds of the hotel:

The General Manager has a breakfast meeting with 10 to 15 employees from different departments once a month. We all speak openly and it's an informal gathering. The purpose is to understand what they're working on and what can be improved, and it's usually very positive. I always learn something from these meetings.

From the employee's point of view, there's a lot of interaction with the General Manager beginning with the selection interview. The General Manager's interest in you establishes what is expected of you as you step into your work area. And with the monthly breakfasts and lunches held every month, you feel more relaxed because you already have a relationship with the General Manager and you're just continuing it. There is no fear of reprimand if you say something is not working well. We don't identify a person and say 'you've done something wrong,' we look at it in a positive way.

The executive team holds a weekly meeting with department managers who will then communicate with their teams. Every quarter, there is a general session during which the executive team speaks directly to the entire staff. Human Resources also holds a monthly feedback session with randomly selected employees for 1 to 1.5 hours to discuss their concerns. Overall, every employee has one opportunity every year to speak with the General Manager or HR Director in private. In addition, the hotel conducts annual employee satisfaction surveys, and on an ongoing basis, collects opinions on employee issues and posts them in public areas identifying those responsible for solving them. The executive team then notes the number of issues solved and measures the satisfaction of the employees.

Empowerment and continuous improvement: Service Value 3 states that employees are empowered: "I am empowered to create unique, memorable and personal experiences for our guests." The employees at The Portman Ritz-Carlton, like employees at any Ritz-Carlton hotel, are also allowed to spend up to US\$2,000 to resolve customer complaints. And as long as there is a valid reason, there is no limit on number of times employees use that empowerment.

Employees are also encouraged to be innovative and creative when it comes to improving their jobs as Lawrence Chi mentioned:

We feel that if you have more ability to affect your work, you have more ownership, more pride and joy. It is actually one of our Service Values – Service Value 9. We don't restrict people's scope. For example, in a kitchen corridor we need to have a mirror. In other companies you have to go through the bureaucratic process to have the right approval. Here we say, that's a great idea. Do it. Once you do it, we recognize you for having a great idea.

Information support: Through their numerous interaction with guests throughout their stay (like check in, room service, and housekeeping) employees continuously record guest preferences and needs in Guest Preference Forms. Every night, such preferences and needs are entered into The Ritz-Carlton's worldwide database ("Project Mystique") so whenever guests make a reservation at a Ritz-Carlton hotel, their needs and preferences are known and taken care of.

When a guest has a complaint, employees are not only empowered to deal with the complaint immediately, but also to record the information on a "Guest Incident Action

Form” and alert other departments of the incident so that appropriate action can be taken to recover customer satisfaction.

Reward and recognition: At The Portman Ritz-Carlton, employees are recognized and rewarded both financially and non-financially. Mark DeCocinis believes if you want your people to be the best, you must pay them top market salaries. While money is not the key motivator, employees are rewarded for improving the goals measured by guest satisfaction, financial performance and employee satisfaction at year end. Employees are rewarded and recognized for their outstanding customer service. Every quarter, a Five-Star Employee Award is granted, with the winner receiving a five-night stay for two at a Ritz-Carlton anywhere in the world, along with round-trip tickets for two and US\$500 allowance.

Managers at the hotel know that their job is to motivate and recognize people. Employees are recognized at staff meetings and through the HR communication bulletin board. Employees also send first class compliment cards to each other to recognize service excellence of their colleagues.

Advice to other CEOs

In short, Mark DeCocinis believes that taking care of employees is key to effective people management and business success:

- 1) Select the right people, provide them with support through training, information empowerment, and treat them with respect by continually involving and communicating with them. If you stick to this, customer satisfaction and financial results will follow naturally.
- 2) Focus on the positive and look at people and areas on how they can be part of something good and create something.
- 3) Leaders should be humble: “We are here as foreigners to share our experience and we bring something good to every country in which we work. But we also learn a great deal, and that’s something that needs to be recognized.”

Exhibit 1: The Ritz Carlton: Credo, Employee Promise, Motto, and 12 Service Values

<p>THREE STEPS OF SERVICE</p> <ol style="list-style-type: none"> 1. A warm and sincere greeting. Use the guest's name. 2. Anticipation and fulfillment of each guest's needs. 3. Fond farewell. Give a warm good-bye and use the guest's name. 	<p>MOTTO</p> <p><i>"We are Ladies and Gentlemen Serving Ladies and Gentlemen."</i></p>	<p>THE EMPLOYEE PROMISE</p> <p>At The Ritz-Carlton, our Ladies and Gentlemen are the most important resource in our service commitment to our guests.</p> <p>By applying the principles of trust, honesty, respect, integrity and commitment, we nurture and maximize talent to the benefit of each individual and the company.</p> <p>The Ritz-Carlton fosters a work environment where diversity is valued, quality of life is enhanced, individual aspirations are fulfilled, and The Ritz-Carlton mystique is strengthened.</p>	 <p>THE RITZ-CARLTON®</p> <p>CREDO</p> <p>The Ritz-Carlton is a place where the genuine care and comfort of our guests is our highest mission.</p> <p>We pledge to provide the finest personal service and facilities for our guests who will always enjoy a warm, relaxed, yet refined ambience.</p> <p>The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.</p>
 <p>THE RITZ-CARLTON®</p> <p>SERVICE VALUES</p> <p>I AM PROUD TO BE RITZ-CARLTON</p> <ol style="list-style-type: none"> 1. I build strong relationships and create Ritz-Carlton guests for life. 2. I am always responsive to the expressed and unexpressed wishes and needs of our guests. 3. I am empowered to create unique, memorable and personal experiences for our guests. 	<ol style="list-style-type: none"> 4. I understand my role in achieving the Key Success Factors and creating The Ritz-Carlton Mystique. 5. I continuously seek opportunities to innovate and improve The Ritz-Carlton experience. 6. I own and immediately resolve guest problems. 7. I create a work environment of teamwork and lateral service so that the needs of our guests and each other are met. 8. I have the opportunity to continuously learn and grow. 	<ol style="list-style-type: none"> 9. I am involved in the planning of the work that affects me. 10. I am proud of my professional appearance, language, and behavior. 11. I protect the privacy and security of our guests, my fellow employees and the company's confidential information and assets. 12. I am responsible for uncompromising levels of cleanliness and creating a safe and accident-free environment. 	<p>MYSTIQUE</p>  <p>FUNCTIONAL</p>