

#cxexchangeusa

THE INTERVIEW

with Horst Schulze

**An inspiring interview with the Founding President
and COO of Ritz-Carlton, Horst Schulze**

WELCOME

#cxexchangeusa

Today - right this very minute - people are travelling more than ever before. Millennial students on their gap year, families on their long-awaited annual holidays, senior citizens on around-the-world trips and business professionals commuting to work; each have an array of different expectations and needs from their travel & hospitality experiences. The question is - in this highly competitive and saturated market, what does your organization deliver that others can not, both online and offline?

If your day-to-day interactions with your customers aren't central to your business culture, you risk losing their trust and business. We sat down with the Founding President and COO of Ritz-Carlton, Horst Schulze to discuss how he revolutionized the hotel industry, creating one of the most recognizable international brands Ritz Carlton, forever altering the very nature of customer service by creating a culture of "ladies and gentlemen serving ladies and gentlemen."

In this exclusive interview, Horst discusses his inspiring story of how he moved from Hyatt to build Ritz-Carlton, as well as touching on employee engagement and lifetime values of customers.

Horst will be giving a keynote speech at the Customer Experience Exchange USA at the luxury Château Élan Resort (May 29-30, Georgia). The Exchange will bring together 80 VPs and Directors of Customer Experience, Loyalty & Digital Strategy from North America's most successful and well-known retail, travel and hospitality organizations to address the biggest CX challenges facing these industries in 2019 and beyond.

We hope you enjoy the interview and hope you can join us in May.

Best wishes,

CX Exchange USA Team

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RO: Today I have the great pleasure to have as our guest the legendary hotelier, Horst Schulze. For those less familiar with his story, Horst took a career in hospitality at both Hilton and Hyatt and converted into one of the founding members of the team for the Ritz-Carlton hotel chain, which became one of the icons of global luxury in the hotel industry.

Not content with just that, Horst, went on to start another hotel chain, the Capella Group, which now is arguably setting an even higher standard for luxury and service in the industry.

HS: Glad to be here, Richard. Delighted to be with you.

RO: Perhaps we would start by just talking a little bit about your story because, as memory serves, it was obviously a bit of a risky and an entrepreneurial move to go from a well-established brand like Hyatt and get into something brand new like Ritz-Carlton. What was the idea?

HS: I was working for Hyatt, I was very established in the organization. I had been General Manager, Regional Vice President over ten hotels and then in charge of converged operations for the whole United States when somebody called me and said "we are starting a new hotel in Atlanta, we have two hotels in construction and we want to start our own brand."

"I said I am not interested. I love living in Chicago. I have my golden handcuff. I have a very secure, great company. I work with wonderful people for a wonderful company and I'm not interested."



Horst Schulze

Chairman Emeritus,
Capella Hotels and
Resorts and former
President, CEO and
COO of the Ritz
Carlton Group



Richard Owen

CEO,
Owen CX



But, for some reason they kept on calling me. They said “we would at least like to interview you”, and we had a conversation and my question was, “well, what did you really plan to do? What market segment?” And, they said, “well, it’s kind of up to you, but luxury.”

I said “would you allow it to go upmarket? Well, sure, but we would look for the operator to do that”, was the discussion. And, I said “I’m not interested”, but I started to think about what would I do. I started to have a vision. I started to dream what I would do.

After I had told them not to call me anymore, they called one more time and my thinking, my dream, my vision that I had, started to control me, and I said, yes, I will come in for an interview.

I was further controlled by creating a great hotel company and accepted the job. And, I left my golden handcuffs behind, my security behind, my friends behind, and moved to Atlanta.

A little bit over a year later we opened our first hotel which was the Ritz-Carlton in Atlanta, Buckhead, after we had purchased the Ritz-Carlton Boston, which we immediately closed for renovation because it was a totally dilapidated hotel at that time, but we bought it, we adopted the name.

19 years later I left the company and it was a global brand. It was voted best brand in the world, not just best hotel. Of course, many times when I have this conversation, it says I did this and this. But it wasn’t just down to me. It was with many great people, including good bellmen, doormen, maids, waiters, cooks and so on; all of them created Ritz-Carlton.

RO: That’s an interesting point you make there immediately, to zero in on the roles that the extended team played, and one of the things that really distinguished Ritz-Carlton at the time, was a pretty fastidious approach to how employees

related to customers and a very defined way of treating service. You had a plan that was extremely thorough.

HS: I went there to create the greatest hotel company in the world; that was my vision, that was the dream. I hired people that wanted this. I said - that is leadership people in the beginning - don’t join me for a job, join me in this vision. Everything we’re going to do is to become the finest hotel company in the world, for the benefit of all concerned from the investors and owners to the customers and employees, as well as society.

We looked at that and said how are we going to be the best? We need to be most efficient for the customer and more efficient than the competition. And if you want to be more efficient, we had to determine how to do this. As it turned out, it has to be in the area of service by each employee.



Consequently it was very clear; all I had to do is better in my selection. In orientation and employee training; it all depended on each employee and not on me sitting in the office. It depended on that doorman, how he or she said hello, and about the way that the busboy, how we did the job in any location where we would be.

That meant hiring and aligning every employee to what we wanted to be. Giving everybody the motive, why we wanted to be that exceptional company and show them how that motive connected to their lives. Not hiring them just for a function, but hiring them to become part of the organization.

HS: Both but, frankly, that's what I told myself at the time. If I can hire 5% better than the competition, then I'm ahead of the game. And in our industry, this is particularly important since turnover is traumatic; if I can hire a little better, have a little bit less turnover and then, of course, train the people.

Don't just hire them and turn them over to learn, which everybody does in every industry, it seems; turn them over immediately to learn the function that they have. No, align them to our company in orientation. I think that's a key element and then create a culture where the employees work in an environment of belonging and purpose.

That was the whole premise, otherwise you couldn't do what we wanted to do. I knew, if I'm hiring and training like my competition, I will be like my competition, but I wanted to be the leader.

RO: Do you think that the secret to that was hiring extraordinary people, which is hard to do at scale - there's a limit to the degree to which you can do that? Or was it more about the organization and the culture that was built?

Empower the employees work in that environment so that they are actually empowered rather than just saying it. Actually hire them to be a part of something; through empowerment and alignment. And that was the key: respecting that when an employee truly works empowered and in an environment of belonging and purpose.

Not a lot of companies would say that it's all about empowering employees, right? It's a throwaway phrase, everyone says it. But one of the things that distinguishes your approach was the level of precision that was applied.

It wasn't just a matter of saying to people, okay, empowerment equals sort of do whatever you want. You trained people right down to how someone who was cleaning rooms would greet someone in a corridor. There were a very specific set of parameters within which people could operate.

The precise parameters in all areas; it was not that we gave leeway to the individual at the same time; that was the key. For example, we said, "you are empowered to make a decision up to \$2,000."

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