Business case analysis:

Employing Training & Development at Ritz-Carlton: Fostering an Exceptional Customer Service Culture

1. You have been retained as a consultant for the Ritz-Carlton hotels and requested to assess the company’s strategy to perpetuate its culture of elegance and service through selection, training and development of its employees. Please, prepare a report to the Board of Directors of Ritz-Carlton that includes:

   • a description of the philosophy and selection process for new employees. Describe how the company attempts to get the “right employee”;
   • the pros and cons of the company’s training strategy,
   • an assessment of the Ritz-Carlton’s globalization strategy,
   • a set of action recommendations to deal with these issues and problems of the Ritz-Carlton.

Your report should be 5–6 pages.

2. (Short written case assignment/class presentation) What are the pros and cons of the Ritz-Carlton’s strategy? What evidence indicates that the strategy is working well or not so well?

3. (Short written case assignment/class presentation) Trace the development of the Ritz-Carlton’s corporate strategy from the first hotel in 1898 to the current time. Assess the efficacy of this culture for the success of the company.

SPECIFIC Questions assigned

1. Describe the culture of the Ritz-Carlton hotel organization. What are the key features of the culture?

2. Explain the Ritz-Carlton philosophy of selecting employees to build their capabilities for proficient strategy execution. How did the Ritz-Carlton get the “right kind” of employees? What attributes were required to work at the hotels?
3. Describe the first year experience for new employees at the Ritz-Carlton.

4. Evaluate the outcomes of the Ritz-Carlton’s Employee Training and Development initiatives.

5. Describe the Ritz-Carlton’s diversification strategy. Consider the lessons of Chapter 8. What type of diversification strategy did the company use? Why was this strategy particularly appealing?

6. As the Ritz-Carlton focused on global expansion, what did the company believe was its competitive advantage that would ensure success? How did the company approach globalization?

7. What recommendations can you make to the management of the Ritz-Carlton as the company pursues its global expansion?

REPORT

The Ritz Carlton Hotel Company, LLC, headquartered in Chevy Chase, Maryland, USA, is a wholly-owned subsidiary of Marriott International Inc.

It operates 80 hotels and resorts in the Americas, Europe, Asia, Middle East, Africa and the Caribbean with about 38,000 employees and has revenue of $3 billion for 2012.

Ritz Carlton is known for the luxury and world-class service its hotel offer to its guests and it is the only service company to have gained the prestigious Malcolm Baldrige National Quality Award twice in 1992, 1999 and many other awards and certifications for its excellence and achievements.

Its history starts in 1898 when Cesar Ritz opened the first Ritz Carlton Hotel which turned out to be one of the most elegant hotel of the time with wealthy and aristocratic guests thanks to its elegant design, furnishing and meticulous service.

He franchised the Ritz Carlton name and logo and set up the Ritz Carlton Management Corporation (RCMC) which set the service and culinary standards to be adhered by the franchisees.

Between the Great Depression and the WWII all the hotels went bankrupt except the Boston Ritz Carlton.

After WWII Charles Ritz franchised the name to several new investors in Europe, as the European luxury hotel had quickly made up ground.
In 1983, Johnson Properties purchased the US trademark for the Ritz Carlton name for $75.5 million and then in 1988 also bought the global rights to its name.

Starting from 1980, a new revived efforts was made to ensure that the hotels projected an image of refined elegance and laid particular emphasis on providing an extraordinary level of service.

In the mid 1990s, Ritz Carlton found itself bogged down in a full debt condition due to its rapid expansion and high cost of its high quality service.

It was in 1995 that Marriot took over 49% of Ritz Carlton's stakes leaving, though, its brand independent

In 2000, the hotel company kicked off a diversification programme by setting up residential condominium called "The Residences at Ritz Carlton", increased its focus on the "Ritz Carlton Club", a timeshare business launched in 1999, and also opened spas and golf courses and today, it even sells bedding.

It has manage to maintain its reputation as an exceptional service organization over the years and is branded as a "lifestyle company" also managing golf resorts an spas.

The company once declared that an average Ritz Carlton's guest spends up to $ 100,000 in it over his lifetime.

As a consultant of the Ritz-Carlton Hotel, appointed for assessing the company's strategy to perpetuate its culture of elegance and service through selection, training and development of its employees, I want to start by this quotation: "The fulfilment of guests' unexpressed wishes and needs formed a part of the Ritz-Carlton mystique".

The Ritz-Carlton Hotel does not rest on achieving its guests' satisfaction but goes further, even exceeding their expectations by providing exceptional customized service.

In order to figure out what exceptional customized service means I am reporting the case of a guest in a Ritz-Carlton Hotel at St. Thomas that one day rented a stand-up paddle board for a little fun on the beach.

While paddling, he lost his balance, plunged into the water and lost his sunglasses, but later that after an hotel staff member, surprisingly enough, handed them over to him.

What happened? This member of the staff had overheard the guest talking about the unlucky misshape and decided to do a little snorkelling to recover the sunglasses spontaneously.

""We look at where we want to be versus where we are today -- and where we see the trends on the horizon," says John Timmerman, The Ritz-Carlton's vice president of
operations. "Then we frame the key success factors. Then we ask for input with the SWOT process. It's a very defined process because it's our opinion that if you can't define it, you can't control it, you can't measure it, and you can't improve it."

The input of frontline staff -- the people who check guests in, serve food, and occasionally present scented candles -- into the SWOT process is crucial. Their insights are loaded into a global database so leaders can identify macro-level themes, market specifics, individual functions, and even corporate blind spots. As a result, the ladies and gentlemen, as all employees of The Ritz-Carlton are called, feel integrally involved in the business.

"For us, [integrating employee feedback into the process is the] true success because employees are personally engaged, they're fulfilled, they understand their contribution, and we're maximizing their talents," says Timmerman. "Involving [employees] in the SWOT process increases their engagement. And in my opinion, employee engagement measurements are a barometer of leadership effectiveness." (http://www.gallup.com/businessjournal/112906/how-ritzcarlton-manages-mystique.aspx)

QUESTION N.1

Describe the culture of the Ritz Carlton Hotel Organization. What are the key features of the culture?

Nardinocchi Andrea

**Textbook, articles and additional sources**

**Textbook**

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"THE RITZ-CARLTON REMARKABLE IN EVERY WAY"

"Our Vision:

The Ritz-Carlton inspires life's most meaningful journeys.

Service perfected over a century, hotels and resorts that tell their own unique stories and locations in desirable destinations around the world."
Starting from analysing the vision and mission of Ritz Carlton Hotel one can immediately figure out that the business strategy adopted along the decades has been that of providing excellence in terms of service and being committed to pay attention to the different features and stories of their hotels across the globe and to the local preferences.

Ritz Carlton Hotel adopts a transnational strategy, "A think global, act local" approach because it tries to meet the needs of local guests by partially shaping the services according to the location of every unit, whereas, at the same time, it benefits from a standardized and globally integrated approach by using the same brand name, the same capabilities and marketing approach worldwide.

The Ritz Carlton Hotel's culture turns around some key success factors which are: mystique, employee engagement, customer engagement, product service excellence, community involvement, and financial performance.

In order to be a great company and be a sustainable one they started to benchmark different business models and they used the key success factors as instruments to measure the business priorities.

What is easy to notice is that the financial performance comes out as the last instrument of measure the success of the company because it is conceived the result of the other metrics, which is at odds with what many companies actually do by thinking financial performance over as the first step.

The Ritz Carlton reports on everything from the general morale of the restaurant staff of a remote hotel in the other part of the world to the number of bed linens available in New York.

If the company's staff realizes they are not meeting the key success factors they work out what needs to change and how do they achieve this?

The more than 38,000 employees collect everyday quantitative and qualitative data and send them to a database, after that, they are filtered by the requirements of the key success factors and examined to achieve real time information useful to touch up the whole strategy.

The key success factor's measurements constitute a fundamental communication tool that gives back a feedback preventing the Ritz Carlton's service from being mechanical and keeps it personal, tailored for every person in every location in the world and at any time.

I would recommend that Ritz Carlton Hotel continue pursuing excellence in service and manage the “mystique” which makes sure that every employees notices, cares, thinks, acts, pumpers as thoughtfully as no employee is able to in other hotel chains.

The “mystique” concept represents a competitive advantage because it confers to an already excellent service the extra mile that makes the difference and for which the brand is famous.
QUESTION N.2

Explain the Ritz-Carlton philosophy of selecting employees to build their capabilities for proficient strategy execution. How did the Ritz-Carlton get the “right kind” of employees? What attributes were required to work at the hotels?

Summer Andy

Textbook, articles and additional sources

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Additional sources (company disclosures, web pages, video etc)
In the Ritz-Carlton Hotel, the philosophy that feeds this level of dedication and passion of the staff for delivering a so high-level service and care for their guests is that employees are treated with respect and dignity.

Consequently, they are proud and happy to work there and these feelings move employees to turn around and make magic for their guests.

It goes without saying that Ritz-Carlton has a strategy to recruit that is smart enough to pick out the right kind of employees and provide them the necessary training to enable them to provide exceptional service.

There is a saying circulating at Ritz-Carlton reciting that there they do not "hire", they "select" because they believe in casting the right person for the right job.

As a matter of fact, what they essentially do when it comes to "select" is to "benchmark" and select the ideal candidate.

They prepare an ideal profile, job description and qualification requirements based on the top performers’ profiles from its hotel chain and other comparable organizations.

This step automatically enables to draw and take on board only those candidates who really meet the requirements pushing down the attrition rate.

With 5 to 10 candidates per position, the selection process consists of several steps.

The first one is a telephonic interview in order to have a preliminary screening of the candidate and, after that, the HR department issues a standard behavioural interview questionnaire to assess whether he shares the Ritz-Carlton's values and his level of comfort when in a team working kind of situation.

Consequently, the candidate will have to do several interviews with the managers’ lineup including the division head, the HR Director and finally the General Manager of the hotel.

Beyond the basic academic qualifications, what it is carefully looked for across this selection process is the **positive attitude, empathy, the passion for service and the ability to smile naturally** which makes the candidate ideal for the hospitality industry.
The company simply feels that these kind of skills are very harsh to teach because what is at stake is to bring about a change in the personal attitude of an applicant, whereas technical skills can be taught much easier.

At the very heart of this selection process lays the belief that **for every kind of job has to be chosen the person with the specific traits required** as it would be, for instance, the people-oriented attitude for a front desk job.

As far as the training is concerned, once the applicants have been selected they are due to go through 5 broad stages accompanied by qualified learning coaches.

The first stage is the **Initial Orientation** consisting of 2 days orientation to enable the newcomers to familiarize with the Ritz-Carlton's culture, history, philosophy, values, standards, expectations and benefits.

This first step is basically focused on team building in order to bring about a sense of cohesion among the employees and it is all about revolving around the Ritz-Carlton's culture which is deemed to be able to create passion advocates of their new employees.

The second stage is **"Day 21" Certification** in which the new recruit is assigned to an experienced employee for 3 weeks of on-the-job training.

This is the first step for the trainee to meet the guests and starting developing the customer service skills, the details of how addressing the guests properly, anticipating their needs, soothing them in case of complaints, how to problem solve.

They are instructed on the kind of language to use, on dressing and appearance, the behaviour to hold when interacting with the guests and, finally, allowed to handle responsibilities alone.

On the 21st day, the new recruit meets the hotel's top management which verifies whether his behaviour is in line with the company's standards and identifies eventual shortcomings of the training programme.

Finally, the trainee takes a test that gauges his technical skills and understanding of the company philosophy. If he clears the test he will be certified, whereas if he does not he will be given the option to leave or look for employment in a department more suited to his skills and abilities.

The third stage is the **365 day Recertification** in which employees are assigned their job but they are still on-the-job training till the 365th day when they are recertified after a written test, an interview and a role play session.

What is worth taking into account is that Ritz Carlton spends $5000 on each recruit receiving about 310 hours of training.
The fourth step is the **Ongoing Training** where employees are provided with 70% of "on the job training" and have access to a number of instructor-led classes, workshops and e-learning classes.

After the first year of employment, the newcomers receive 100 hours of training every year conducted by the Ritz Carlton Leadership Center which conducts workshops for outsiders as well.

Inside the framework of this step, it is worth stressing the **workshop named "Radar on, Antenna Up, and Focus"** whose aim is to help employees develop abilities of being able to anticipate the unexpressed needs of the guests.

The last step is the so called **The Daily Lineup** which is a critical learning tool of the Ritz-Carlton’s learning strategy and it consists of 10 or 15 minutes employee meeting within each department.

The objective of these short meetings is to keep the employees attuned to the Ritz Carlton corporate culture and focused on the company's expectations of them by discussing on Gold Standards and service values of the company, the previous day's problems menu items for the day, guests arriving for that day, their preferences.

Once a week, a case history about someone who has gone the extra mile in delivering customer service is discussed.

It is all about being engaged with the company culture each and every day rather than recalling it only when **the numbers go south.**

According to me, one of the most brilliant idea of the Ritz Carlton management is the **high empowerment granted to the employees who are allowed to spend up to €2,000,000** to delight their guests, to correct a problem or to handle complaints without even asking permission to their superiors.

They are also **required to look out for mistakes, breakdowns inefficiencies, variation** so that they immediately report them once spotted.

Moreover, they can also give ideas for cutting costs or improving quality.

These are measures able to arise pride and joy in the workplace because employees are empowered and they feel as to be part of an ambitious project they do not feel themselves as simply employees but rather like a kinda as associated of Ritz Carlton.

In other words, they develop a pure and strong sense of belonging which explains why the employee attrition rate adds up to 18% against an average of the lodging industry which skyrocket to 60-70% turnover in a year.
Then, in order to provide some evidence of the goodness of Ritz Carlton training strategy, I want to stress that the company was ranked as number 1 Global Learning Company in the world by Training 2007 and 2008 and inducted into Training Magazine's Top 10 Training Hall of Fame.

Besides, it seems that many companies and individuals have benefited from the courses provided by the Ritz Carlton Leadership Center, founded in 1999. Over 3000 clients from different industries such as Automotive, Finance, Healthcare, Transportation, Legal, Energy, Technology, Retail, Fitness, Insurance, Human Resources and Hospitality have benefited from it.

Many analysts believe that the Ritz Carlton's training system plays a strong role in maintaining its mystic, retain customers, and in growing its sales.

On the other hand, someone opines that this service put in detailed scripted format and its daily recitation by its employees does not motivate them. These analysts argue that the employees tend to blindly follow the rules once inevitably the rituals become repetitive and monotonous. This organization culture would make these employees reluctant to change, therefore, the company should prevent this pitfall by providing a tailored service according to their guests' needs rather than having them standardized and scripted. Indeed, this detailed scripted format to follow puts high pressure on the employees generating a certain amount of stress.

On the other side of the coin, though, we are assisting to some change into the mentality of the company culture which is moving away from a training organization into a learning environment.

As a matter of fact, Ritz-Carlton has been touching up its strategy a little bit along the years implementing what they call the “Ritz Carlton Mystique” which is capable of giving to their customers something more by paying extremely close attention to performance data collection and a broad educational platform to deliver the findings.

Of course, all companies watch standard business measures and train employees. But the Ritz-Carlton watches things that most companies ignore, then uses what they learn in a unique way to create ongoing, top-to-bottom learning. "What we get from the data is essential," says John Timmerman, The Ritz-Carlton's vice president of operations.

QUESTION N. 3
Describe the Ritz-Carlton’s diversification strategy. Consider the lessons of Chapter 8. What type of diversification strategy did the company use? Why was this strategy particularly appealing?

Nardinocchi Andrea and Summer Andy

In the early 2000s, the Ritz-Carlton Hotel got the ball rolling on a diversification programme.

The first move was to set up luxury residential condominiums called the “Residents at the Ritz Carlton”, then, it focused on the Ritz Carlton Club, a timeshare business that it launched in 1999, also opened up spas and golf courses in some of its resort hotels and even started selling bedding.

In a nutshell, Ritz Carlton Hotel has diversified through internal development that means starting a new business from scratch.

Even though setting up a new business from the ground up might be time-consuming, an uncertain process and very expensive, it can also turn out to be very profitable.

In addition, it is true that Ritz Carlton Hotel already had in-house most of the resources and capabilities to open up a new business and compete effectively because it decided to diversify into a related business.

Therefore, investing in building up the “Residents at the Ritz Carlton” was appealing thanks to the cross-business commonalities of a close correspondence between the businesses in terms of how they perform key value chain activities and the resources and capabilities each needs to perform those activities.

In my opinion, we stand in front of a typical example of a related diversification strategy aimed at taking advantage of a good strategic fit across corresponding value chain activities.

As a matter of fact, the two activities are sufficiently similar so that there are opportunities of cross-business sharing and resources and capabilities transferring.

Indeed, this diversification strategy is appealing because of the possibility to share costs between the related value chain activities into a single operation. For instance, it is possible to centralize the marketing activities that deal with similar type of well-off or rich customers.

Moreover, the Ritz Carlton Hotel’s range of services are promoted at the same web site, it has a unique order processing, billing, accounting, after-sale service system, the same call center, the same customer data center.

Furthermore, they exploit the same well-known brand name so that the Ritz-Carlton resorts achieve a significant market share without spending large sums on advertising.
All these opportunities combined can open up to economy of scope, namely the cost reductions that flow from operating in multiple businesses, which actually stems on the strategic fit along the value chain of these related businesses.

The bigger is the strategic fit, the greater is the economy of scope and consequently the higher is the competitive advantage of the Ritz Carlton Hotel over rivals.

Thanks also to this strategy, the Ritz Carlton Hotel operates 80 hotels and resorts spread out all over the world with more than 30 project under development and revenue that adds up to $3 billion for the year 2012.

Textbook, articles and additional sources

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FINAL REMARKS/RECOMMENDATIONS

(ALL TEAM MEMBERS)