

## The New Gold Standard

### 5 Leadership Principles for Creating a Legendary Customer Experience

Courtesy of the Ritz-Carlton Hotel Company

by Joseph A Michelli



While most people probably think of the Gold Standard as a monetary system in which currency is convertible into precious metal, for employees of the Ritz-Carlton Hotel Company, it has a totally different, though equally worthy, meaning.

It is a set of principles that broadly encompass the way they do their jobs. And these are enshrined in a trifold card that each one of them carries at all times, like a badge of honor.

The card is actually called The Gold Standard but is more commonly referred to by the name of one of its constituents — The Credo — which is, in turn, a concise version of the company's mission statement. It declares:

"The Ritz-Carlton is a place where the genuine care and comfort of our guests is our highest mission."

"We pledge to provide the finest personal service and facilities for our guests, who will always enjoy a warm, relaxed, yet refined environment."

"The Ritz-Carlton experience enlivens the senses, instills wellbeing and fulfills even the unexpressed wishes and needs of our guests."

In many other businesses, this kind of statement might be regarded with a pinch of cynicism, a source of lip service with little bearing on the way things actually pan out day to day. But at Ritz-Carlton The Credo is not only a core belief, shared by employees — or "our ladies and gentlemen" as the company prefers to call them — it is a code to live by each and every day.

And it is the obsessive application of this belief ("Credo" is the Latin word for "I believe") that has enabled Ritz-Carlton to define the American luxury hotel experience and, in recent years, to almost triple annual earnings to \$3 billion and to embark on a \$1 billion global expansion program, now in full swing.

Joseph Michelli is the internationally renowned speaker and business consultant who previously turned a spotlight on business success into his bestselling book [The Starbucks Experience: 5 Principles for Turning Ordinary Into Extraordinary](#).

Michelli states: "Whereas Starbucks leadership took an ordinary product and significantly added value by staging it in an environment of affordable luxury, Ritz-Carlton has elevated luxury experience to a true art form."

And his observations of the underlying ingredients of that success, he stresses, have application across all industries and geographical boundaries. You can use them to strengthen your business and touch the lives of staff, teams, customers, shareholders, communities, and reinforce the bottom line.

As the subtitle indicates, the author identifies five principles that successive leaders of Ritz-Carlton (now part of the Marriott International hotels family) have applied to management of the business.

### **1. Define and Refine (What You Stand For and How You Do Things)**

This first principle involves articulating the core identity and corporate culture of the business in a way that everyone can understand and buy into. Much of this is rooted in more than a century of Ritz-Carlton tradition, so that some parts may actually seem out-of place today.

But the management trick is to know which elements of the philosophy, though they may sound somewhat old-fashioned today, are still highly relevant and valued by customers, and which parts need to change and be updated (thus putting the "New" in The New Gold Standard).

For example, the company motto — "Ladies and gentlemen, serving ladies and gentlemen" — may sound distinctly Victorian. But it actually makes a strong statement about how the company regards its employees vis-à-vis customers. This turns out to be immensely empowering, as will be seen later.

The Credo, outlined above, was introduced only 20 years ago and stands alongside a simple, **Three Steps of Service** statement, that is also printed on the trifold:

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 goodbye and use the guest's name.

But this is more than a statement of customer service. It reflects the way the Ritz-Carlton hierarchy works as well. Leadership applies the model to managers and managers apply it to their staff. For example, new employees are warmly welcomed in this manner and employees receive a fond farewell when they retire, transfer or otherwise leave the company.

A key ingredient of the business culture that has undergone very recent change is the replacement of a long-standing set of "basic standards" of service delivery that were used to amplify the Three Steps.

This codified, very precisely, how ladies and gentlemen should behave, even to the point of setting down exactly what they should say in particular circumstances.

The underlying principles of these basics have not been abandoned but refined

into a new, more flexible set of "service values."

These begin with the declaration "I am proud to be Ritz-Carlton" and go on to enumerate 12 personal statements that also open with the phrase "I am," covering areas of relationships, empowerment, responsibility, responsiveness, ownership, privacy and mutual respect.

But if all of the above elements drive the corporate culture, what keeps it in place? The answer: it is drummed in — in the nicest possible way of course.

As the author says: "While most businesses go through the requisite exercise of defining key values or composing mission statements, few leaders understand the importance of regular and repetitive presentation of these core aspects of their business."

The Ritz-Carlton solution is a sort of oral tradition called the "lineup" — a daily conversation about the Gold Standard that constantly reinforces it.

For example, at the start of a shift, food preparers and chefs might spend 20 minutes in the process. The Master Chef may begin by talking about how The Credo helps to create a unique guest experience. Then, say, a pastry chef may share a real example of exceptional customer service, perhaps from a letter of gratitude.

The group discusses how this reflects on core company values and there's a debate about what the team can do to create a memorable experience for guests that day.

Finally, a few brief announcements are made, staff employment anniversaries are announced and celebrated, and a motivational quote is provided by another member of the circle.

With all of these cultural ingredients in place, refining the Ritz-Carlton experience to keep pace with the evolving tastes and style of clientele is a challenging, ongoing process. The company retains consultants to analyze and advise on customer groups and uses the evidence of its own observations to institute change.

Attitudes to formality are changing, for instance. A long-established and favored jacket-and-tie rule for a Ritz-Carlton restaurant in Florida was challenged by an employee who noticed that guests were choosing to dine elsewhere rather than dress formally at the close of a warm and relaxed day.

More broadly, the old concept of uniformly-designed and furnished hotels, which would be the same the world over, has now been replaced with a much more individual style, suited to the location and clientele, though still within an overall framework defined by company president Simon Cooper as "comfortable contemporary."

The author provides readers with a series of questions to test their own business and leadership against the Ritz-Carlton standard. On the "Define and Refine" principle, for example, he asks:

- Have you distilled your mission statement into a short, memorable and operational set of phrases (as in The Credo) and do you discuss this regularly with staff?
- What are the most basic aspects of service you wish to see consistently delivered in your business (as with the Three Steps)? How do you present them?
- How can you increase the consistency and frequency of messages regarding corporate mission and values (in the way that the lineup does)?

## **2. Empower (Employees) Through Trust**

If there is a single attribute that can be regarded as the secret weapon behind the Ritz-Carlton mystique, it is in how employees are treated and the way in which they respond.

The approach starts with finding the right people for the job — ladies and gentlemen who can share the ideals and the passion for service. The selection process is intense and relies on the reputation of the company rather than pay rates. Ritz-Carlton does not pay a premium wage.

Candidates are selected then hired through a system of multiple interviews, with panels that include existing staff members. In fact, the company operates its own interview skills certification scheme for existing employees.

"By creating layers of evaluation, new hires feel that leadership has invested in getting to know them..." says the author. "Ultimately, staff members feel a responsibility to live up to the trust placed in them..."

Patient exploration for talent is coupled with a willingness to pass over people who are not passionate about service, and recruitment is followed by a carefully structured, formal orientation program.

Many businesses do not appreciate the critical importance of orientation, seeing it rather as a necessary evil that fulfills legal requirements. But at Ritz-Carlton, new employees begin at the receiving end of the customer experience, dining in a hotel restaurant, spending two days discussing The Credo and other cultural components and then training for formal certification for job suitability.

With a new hotel, when staff must be employed en masse, service "champions" from the company's global workforce are drawn into the recruitment process.

Once employed, all ladies and gentlemen are provided with mentoring and training opportunities and encouraged, through practical exercises, to develop team working skills. And throughout their employment, the anniversary of their

joining the company is formally acknowledged and celebrated.

All of this is merely the foundation for an employer-employee relationship that is like no other. It begins, says the author, with employees needing to know they can trust the company to deliver a financial, recruitment and management performance that protects their interests.

To achieve this, the company produces and disseminates an annual set of **Key Success Factors**. These are based on current priorities in the business and built around five elements:

1. The Ritz-Carlton Mystique – that almost indefinable quality that creates the company's uniqueness.
2. Employee engagement – including fulfillment of the Ritz-Carlton Employee Promise (see below).
3. Guest engagement – personalizing relationships.
4. Product and service excellence – such as strengthening operational and Gold Standards.
5. Financial performance.

Staff participate in discussions on how the individual objectives attached to these factors will be achieved. The **Employee Promise** is also incorporated into The Credo card. It reads:

"At the Ritz-Carlton, our Ladies and Gentlemen are the most important resource in our service commitment to our guests.

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.

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."

While these terms can sound like platitudes in some work environments, the author notes, they are viewed as the DNA of interpersonal relationships at Ritz-Carlton, and they set the standard for actions to be taken by employees at every level.

To put its money where its mouth is, so to speak, the company underlines that relationship by empowering every single employee to spend up to \$2,000 per guest, per day, if needed to either enhance the guest experience or to immediately resolve a problem — without seeking permission from anyone else.

While some may feel that this approach might encourage reckless spending by employees, it actually has the opposite effect. It encourages people to be thoughtful, cautious and instills a sense of ownership and fiscal responsibility.

It is also merely an extreme example of the way in which employees are empowered to take whatever action they feel is appropriate in the guest's interests. A more mundane example is given where a food server, on discovering a restaurant guest wanted grape jelly, which was not available in the kitchen at the time, simply went out to a store to buy some.

Questions to ask yourself include:

- Beyond assessing technical skills, what processes do you have to study commitments and strengths of prospective employees? Do frontline workers help with interviews?
- As described above, Ritz-Carlton uses current priorities and a set of predetermined components to assure employees of how it intends to achieve performance targets. How do you define the shortlist of annual key success factors to help staff trust you can deliver? Do you communicate the salient drivers of success to your frontline employees?
- What can you do to help employees automatically respond to the needs of customers without seeking higher level approval?

### **3. Build a Business Focused on Others**

Rather than taking a top-down approach to quality, in which leaders create processes and impose them on staff, Ritz-Carlton has built its processes through inquiry — learning from customers, other world-class businesses, staff and business partners.

When monitoring other industries, the company's most common way to mine for best practices is to use multiday site visits to other companies. For example, one year managers spent time at both Cisco Systems and Corning Inc because of their reputation for driving organizational change and their expertise in dealing with innovation.

Through learning and observation on this and other visits, Ritz-Carlton developed a new process for evaluating proposed innovations in the business. It tests suitability of the innovation by ensuring it is:

- Part of a systematic approach for achieving key success factors.
- Driving employee empowerment and innovation.
- Embracing product and service benchmarking.
- Based on research of proven best practices.
- Transferable to Ritz-Carlton's culture.
- Effective in creating a culture of innovation.

The \$2,000 empowerment of employees idea also came from study of another company, in this case Zytec Corp.

In terms of learning from customers, the company uses a Gallup study to measure customer engagement (as specified in its key success factors above), rather than

customer satisfaction.

(Engagement measures the emotional connection and perceived fit held by a customer towards a business, while satisfaction measures thoughts on the business offerings).

Some 19,000 interviews are conducted each year, covering issues such as the trustworthiness of the brand, whether the customer is treated with respect and about how he or she feels about using the hotel in the future.

Since the same approach is used by many other world-class companies, this enables Ritz-Carlton to benchmark against others, aiming to be in the 97th percentile of rankings or above.

The focus on customers, of course, goes well beyond surveys. The company maintains a secure, computerized database on all clients, which is accessible internationally, so that any hotel can gain as much insight as possible into the needs of returning guests.

This enables staff to go beyond merely fulfilling expressed wishes and instead go into anticipating their unexpressed and sometimes even unrecognized needs. The analogy, says the author, is that staff behave as you would if you were dealing with a member of your own family — always trying to anticipate those little extras.

Indeed, this was precisely the author's experience when he arranged to interview the general manager of one hotel. The appointment involved the author having to catch a "red eye" flight. Anticipating the effect of this, the manager provided breakfast and reserved a room for him so that he could have a nap before doing the interview.

Questions to ask:

- What outside business experts do you invite to your company? Whose processes do you study?
- What efforts do you make to measure customers' emotional engagement with your brand? Do employees understand the way you measure?
- Does your staff understand the distinction between anticipating and fulfilling customer needs? How do you track customer preferences?

#### 4. Deliver "Wow!"

Ritz-Carlton has mastered the art of exceeding expectations to a degree rarely, if ever, witnessed elsewhere in the customer-facing business world.

They know that a "satisfied" customer is nowhere near as valuable as an "extremely satisfied" one. This latter group is composed of loyal customers who each represent potentially \$1 million of Ritz-Carlton business during the lifetime of the relationship.

The aim, therefore, is to create a memorable first impression with every new customer and then to continue to "wow" them. Every effort — including Google photo searches — is made to identify guests before they arrive, for example, so they can be greeted by their names without introducing themselves. Earpiece radios are even used to convey information to the greeter from other members of the staff.

Guests' possible future needs are often anticipated through a phone call a week before their visit, and, once they have arrived, details about them may be discussed by staff during their lineup sessions. They may then seek opportunities to create the memorable experiences that create loyal customers.

Sometimes, it is not just the positive "wow" factors that leave a lasting impression with guests. It may also be seen in how staff respond to and deal with problems. Staff empowerment is a key factor here — in terms of both owning the problem and creating imaginative, empathetic solutions.

For example, in most hotels, if you mentioned to a restaurant server that the remote control in your room was not working, the best you might hope for is a promise that the problem will be mentioned to someone else. At the Ritz-Carlton, the server may very well go get a remote, test it and deliver it to you.

The company has a simple five-step process for salvaging a bad experience:

1. Share a genuine and compassionate reaction to the person's distress.
2. Offer appropriate apologies.
3. Assure the person you will take care of the issue.
4. Individually, and through the resources of your team, see that the problem is taken care of in a way that meets the satisfaction of the customer.
5. Go one step further to demonstrate you want to try to compensate the person's loss or frustration.

Whether the "wow" experience arises from an inspired anticipation of a guest's needs or a recovery from a service problem, "wow" stories are shared at lineups and in company publications, where they are linked back to the core values of the business.

Employees are encouraged to share praise with one another, and staff actively participate in recommending co-workers for recognition. There are monthly, quarterly and annual awards, and the stories that underpin them are not just those of epic achievements like hiring aircraft to fly in stranded wedding planners but also the more mundane, like the concierge who loaned his shoes to a guest.

Questions to ask:

- How does staff gain awareness of the opportunities they have to "wow" or make emotional connections with customers?
- How readily do you and your staff "wow" customers through immediate

service recoveries?

- What methods do you have in place to capture positive stories and how are they shared?

## 5. Leave a Lasting Footprint

As with every other aspect of its business, Ritz-Carlton does not pay lip service to its principles. It lives them. It seeks as much to leave a memorable impression on the world at large as it does on individual guests.

At a commercial level, this is seen through the company's territorial and brand extension. For instance, it aims to expand the number of its hotels globally by roughly one third (to 100) by 2011, it has launched a fractional-ownership residential property program under its name, and developed a new upscale exclusive resort concept called The Reserve.

And just as the company has sought to benefit from the knowledge and experience of others, it has also reciprocated by passing on its own expertise and best practice through an internationally-recognized Leadership Center, which has over 50,000 graduates.

Beyond the commercial lies the company's commitment to community. Although there may be commercial benefits to be derived from perceived corporate social responsibility, these, says the author, are not the main driver.

Company president Simon Cooper explains: "Doing the right thing and giving back to ladies and gentlemen and to the communities we serve, and even making contributions for good causes in areas of the world that we don't serve, are not a business strategy; rather, they are part of our DNA."

In fact, rather than seeking to score propaganda advantage from its community and charitable activities, Ritz-Carlton tends to underplay them.

"We don't want them to appear self-serving," says Cooper. Nevertheless, in 2007, the company contributed approximately \$7.4 million in products, service and donations, and staff logged over 40,000 hours of charitable work.

Its efforts are focused on three specific areas: hunger and poverty relief; the wellbeing of disadvantaged children; and environmental conservation. And, of course, this is in addition to the substantial job creation that serves local populations.

"Great businesses strengthen communities often by their mere presence..." the author observes. "When values-based companies make positive investments in communities, the gratitude is often reciprocated by those they employ and the people in the communities they serve."

Questions to ask:

- What product or service offerings would stretch the elasticity of your brand?
- Have you clearly defined a systematic approach to corporate social responsibility, with specified themes for giving?
- What measures do you have in place to assess the impact of your social giving?

## **Conclusion**

To many of us, the name of Ritz-Carlton is synonymous with the ultimate in hotel luxury. To those in the know — its loyal guests — the real differentiator is actually the unsurpassed standard of service.

This, in turn, is the legacy of a corporate philosophy that truly values and empowers employees. They are imbued with a sense of mission that is continually rehearsed and refined. It is almost as though they are in friendly competition with each other to create the most memorable experiences for guests.

The quest is unending. As John Timmerman, vice president of quality and program management puts it: "We're not satisfied with just doing things better. The experience should have been perfect in the first place."

Gold Standard sets the standard for climate and development interventions to quantify, certify and maximise their impact – creating value for people around the world and the planet we share. Reducing mileage of the average new car from 24,000 to 16,000 km a year will save more than a tonne of CO2. Walk or cycle to work. Switch to public transport. The gold standard was essentially abandoned, starting in 1862, in order to provide financing for the Civil War. The Legal Tender Act was passed in 1862, where paper currency made its debut but was only backed – on faith – by the government; paper currency couldn’t be redeemed for gold. The Union – to take advantage of this new currency – printed \$450 billion worth of it, and inflation rose to 80%. By the end of the Civil War, U.S. debt sat at an unprecedented \$2.7 billion. A new gold price of \$35 per ounce was set in 1934 with an indefinite governmental guarantee. Citizens were no longer able to redeem paper money for gold. The only legal use of gold in the country at the time was for transactions with foreign governments.