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

*This case was written by **Debapratim Purkayastha**, IBS Hyderabad. It was compiled from published sources, and is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.*

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

“As our Employee Promise states, the ladies and gentlemen of The Ritz-Carlton are the most important resource in our service commitment to our guests, members, and residents. That’s why our commitment to learning and development is so important.”¹

– The Ritz-Carlton Company

“At a hotel you have a lineup three times a day for morning, afternoon, and night shifts. Four days a week we talk about our service values. We remind our ladies and gentlemen about the meaning of our service values.

“Once a week we share a best story of the week at every hotel. It’s about reminding everyone about our commitment. They’re not employees. They’re ladies and gentlemen serving ladies and gentlemen.”²

– Herve Humler, President and COO, The Ritz-Carlton Company, in 2013

A guest visited St. Thomas on a client incentive trip along with his girlfriend and checked in at the Ritz-Carlton. One day, during his stay at the hotel, he decided to rent standup paddle boards for a little fun on the beach. While paddling, he lost his balance and plunged into the water, losing his sunglasses in the process. Later that afternoon, a member of the hotel staff approached him and asked him if he had lost his sunglasses. When he said he had, the hotel staff handed over the missing sunglasses to him. Though the guest had not mentioned the sunglasses to anyone, one of the staff had overheard him talking about it. Some of the hotel staff indulged in a little snorkeling later in the day and recovered the glasses. Needless to say, the guest was delighted as it was way beyond his expectations. Such instances were a daily routine at the Ritz-Carlton hotels worldwide. The fulfillment of guests’ unexpressed wishes and needs formed a part of the Ritz-Carlton mystique.

Ritz-Carlton was often cited as an example of a service company that had successfully leveraged the potential of its human resources to achieve excellence. It was also ranked first in the ‘Training Top 125 Winners’ list published by *Training* magazine in February 2007. The recognition was given based on the comprehensive training program that all its employees were asked to undergo to achieve service excellence. Ritz-Carlton was known for its sophisticated and elegant ambience and the exemplary quality of its service. The company cultivated its reputation by training its employees to provide high quality service that conformed to precise specifications and standards. The company invested sizeable resources (10% of its total payroll expenses³) in employee training and in developing the potential of its employees. It was one of the best employers in the US and had a voluntary attrition rate of 18%⁴, which was significantly lower than the industry standard. According to Mandy Holloway (Holloway), senior director of global learning at Ritz-Carlton, “We take training and learning very seriously. We focus on the design of learning, measured competency, and whether the skills learned are truly being delivered to the customer.”⁵

ABOUT RITZ-CARLTON

The Ritz-Carlton Hotel Company, LLC, headquartered in Chevy Chase, Maryland, USA, was a wholly-owned subsidiary of Marriott International, Inc. As of September 2013, it operated 80 hotels and resorts in the Americas, Europe, Asia, the Middle East, Africa, and the Caribbean, with 30 more projects under development across the globe (*See Exhibit I for Ritz-Carlton location across the three continents; and, Exhibit II for Ritz's Lodging and Timesharing products*). The company had revenue of US\$3billion for the year 2012 (*See Exhibit III for Marriott's Revenues*). Ritz-Carlton was known for the luxury and world-class service its hotels offered to guests. Further, it was the only service company to have earned the prestigious Malcolm Baldrige National Quality Award twice – in 1992 and in 1999. In addition to this, the company had earned many other awards and certifications in recognition of its quality excellence and achievements.

The foundation for Ritz-Carlton's service quality excellence was laid in 1898 when Cesar Ritz, a Swiss hotelier (known as the 'king of hoteliers and hotelier to kings'⁶), opened the first Ritz hotel in Paris. Prior to this, Cesar Ritz had worked in several well-known hotels. He had definite ideas about what constituted a good hotel and he designed the Ritz Paris in keeping with these ideas. The hotel turned out to be one of the most elegant hotels of the time and became a great favorite with the wealthy and aristocratic members of society due to its design, furnishings, and meticulous service. During the early 1900s, Cesar Ritz focused on expanding the Ritz hotels across Europe. He opened the Carlton hotel in London during the same time. To franchise the Ritz-Carlton name and logo, he also set up the Ritz-Carlton Management Corporation (RCMC), which set the service and culinary standards that had to be adhered to by the franchisees.

In 1918, Cesar Ritz died and his wife continued to manage RCMC. In 1927, the first Ritz-Carlton in the US was established in Boston. Several others followed –in New York, Philadelphia, Pittsburgh, Atlantic City, and Boca Raton in the US and also across Europe. However, between the late 1920s and the 1940s, the business suffered a downturn due to the Great Depression and World War II (1939-1945). All the hotels, except the Boston Ritz-Carlton (set up in 1927), went bankrupt. After World War II, Charles Ritz, Cesar Ritz's son, took over the management of RCMC. He franchised the name to several new investors in Europe, as the European luxury hotel business had recovered quickly.

In 1983, Johnson Properties (Johnson), a company owned by William B. Johnson (a real estate businessman from Atlanta), purchased the Boston Ritz-Carlton and the US trademark for the Ritz-Carlton name for \$75.5 million. Johnson then incorporated its hotel business as the Ritz-Carlton Hotel Company LLC, with headquarters in Atlanta. In 1988, Johnson also bought the global rights to the Ritz-Carlton name (except for the Hotel-Ritz, Paris, and the Ritz-Carlton in Montreal). To turn around the Boston Ritz-Carlton and revive the hotel's reputation for service, he invested significant amounts in the company. In addition, he built several new hotels (wholly-owned) under the Ritz-Carlton name across the globe, of which only a few were built in partnership with other investors.

In the late 1980s, Horst Schulze (Schulze), a highly experienced hospitality industry executive, became the vice president of operations at Ritz-Carlton. Under his leadership, a conscious effort was made to ensure that the hotels projected an image of refined elegance and laid particular emphasis on providing an extraordinary level of service. As a result, in 1992, Ritz-Carlton received the Malcolm Baldrige National Quality Award for the first time.

But by the mid-1990s, Ritz-Carlton found itself floundering in debt. Analysts said the debt was the consequence of rapid expansion and the company's emphasis on high quality service which resulted in higher costs. In 1995, Marriott bought a 49% stake in Ritz-Carlton for \$200 million in cash and assumed debt. In 1998, the stake was raised to 99%.⁷ However, Marriott maintained an independent brand identity for the Ritz-Carlton chain. In 1999, Ritz-Carlton (with 35 hotels across the globe) received the Malcolm Baldrige Award for the second time.

In the early 2000s, Ritz-Carlton embarked on a diversification program. The company set up luxury residential condominiums called the 'Residences at the Ritz-Carlton', increased its focus on the Ritz-Carlton Club, a timeshare business that it had launched in 1999, and also opened spas and golf courses at some of its resort hotels. Schulze retired in 2001 and was succeeded by Simon Cooper (Cooper) as the president and COO of the company. In 2003, Ritz-Carlton shifted its headquarters from Atlanta to Chevy Chase in the State of Maryland to improve operational efficiencies. In the following years, it further expanded its properties and presence across the globe and by 2013, Ritz-Carlton operated 81 hotels in 26 nations (including Bahrain, Canada, Chile, China, Egypt, Germany, Grand Cayman, Indonesia, Italy, Jamaica, Japan, Korea, Malaysia, Mexico, Portugal, Qatar, Singapore, Spain, Turkey, the United Arab Emirates and the US) with 38,000 employees.

Ritz-Carlton had managed to maintain its reputation as an exceptional service organization over the years, and was branded as a "lifestyle company" that also managed golf resorts and spas and even sold bedding. According to the company, an average guest spent US\$100,000 at the Ritz-Carlton over a lifetime.⁸ So the company made every effort to keep each customer happy by providing exceptional customer service. It felt that service began with training.

TRAINING AND DEVELOPMENT AT RITZ-CARLTON

Earlier in the 19th century, when the hotels and inns were small, the inn-keeper directed all the activities personally including managing the quality. But as they grew in size, managing them was beyond the capacity of the inn-keeper and delegation became necessary. Apprentices were trained and put in charge of managing various activities and quality, subject to inspection and audit by the inn-keeper. In the 20th century, the organization's size grew sharply and the hotels required functional departments. Here, planning was delegated to the division or department heads and execution was left to the first-line supervisors and workforce. Thereby, a factory concept emerged, in which people were assigned a single task rather than an entire sequence of tasks. Managers no longer managed quality directly and so quality suffered. However, the hotels remained profitable despite these quality concerns as competitors too faced similar problems.

In 1983, Horst Schulze (Schulze) joined Ritz-Carlton and faced the same challenge. Schulze realized that the management of quality could not be delegated. He and his team decided to personally take charge of managing quality. While the team's initiatives ranged across a broad spectrum, there were four most significant activities. First, the team defined the traits of all company products in The Credo. Second, it translated The Credo into basic standards to clarify the quality responsibilities of its products for its employees. Third, the team took up the responsibility of personally training the employees on the Gold Standards (*Refer to Exhibit IV for the company's Gold Standards*). Last, the passion for excellence was aggressively instilled in the employees.

Quality management and training were then undertaken by Ritz-Carlton with the President and other members of the top management as the senior quality management team which met every week to review product and service quality and guest satisfaction across the chain. The team prepared the overall strategic plan besides establishing and monitoring performance targets. Each hotel had a quality leader and monitored 720 work areas and recorded daily reports to provide early warning of quality and service problems. The company's aim was not just to satisfy guests, but to exceed their expectations and provide exceptional customized service. To track customer data, the staff was trained to note down both the stated and unstated preferences of customers during their stay, as it was felt that this information would be useful when the customer revisited the hotel chain.

Ritz-Carlton developed an organization culture that inspired its employees to go beyond conventional customer service and provide a 'WOW' experience to the guest. Employees here were referred to as 'The Ladies and Gentleman of Ritz Carlton.' The company considered its

employees as the cornerstone of its exceptional service culture and the most important resource in fulfilling its service commitment to its guests and therefore took great care of its employees. It also empowered them so that they had the freedom to contribute to creating guests for life. Training the selected talented individuals was the engine that drove Ritz-Carlton's growth strategy and helped it win in the competitive luxury hotel market. "The most important thing for us is the depth of our culture. We are ladies and gentlemen serving ladies and gentlemen. And the entire company culture is based around [this]: If we are treated with respect and dignity and there is pride and joy in the workplace, the automatic human reaction is that we will turn around and make magic for the customers,"⁹ said Diana Oreck (Oreck), vice president and director of the Ritz-Carlton Leadership Center.

Considering the importance of training, each Ritz-Carlton hotel had a fulltime Director of Training and each department had one person with training responsibilities. Top performers from each department were provided with the responsibility of coaching in their own areas of expertise after attending a three-day "Train the Trainer" event.¹⁰

RECRUITING THE SKILLED

As a service organization, Ritz-Carlton realized that the quality of its end product was only as good as the people providing it. Therefore, it took great care to recruit the right kind of employees and provide them with the necessary inputs to enable them to provide exceptional service.

Ritz-Carlton did not 'hire' employees; it 'selected' them. In fact, the company believed in "casting" the right person for the right job, thereby ensuring the best customer service.¹¹ The selection process was rigorous and was based on 'benchmarking' and selecting ideal employees. The company prepared an ideal profile, job description, and qualification requirement based on the top performers from its hotel chain and other comparable organizations. This ensured that it brought the best people with the right qualifications and personality traits on board and was one of the reasons for Ritz-Carlton's low attrition rate. With five to ten applicants for each position, the selection process consisted of several stages. The initial screening was done through telephonic interviews. However, this screening was not done for skill-based jobs (like cooking) and the candidates were called for a demonstration. After the initial screening, the HR department issued a standard behavioral interview questionnaire to the candidates. This determined whether the candidate shared Ritz-Carlton's values and assessed his/her level of comfort when working with people. This was followed by several rounds of interviews with different managers including the line manager, the division head, the HR Director, and finally the General Manager of the hotel. The General Manager's interview was intended to make the candidates feel important to the company. According to Bruce Seigel (Seigel), an area marketing director for several Ritz-Carlton properties, "The Ritz-Carlton doesn't hire; it selects its staff. A candidate must look you directly in the eye, be warm and friendly during the first interview. We are looking for ability to show empathy. If they can't do that in the first interview, how are they going to react with our guests?"¹²

In addition to the basic academic qualifications, Ritz-Carlton looked for a positive attitude empathy, passion for service, and the ability to smile naturally in its recruits, and for people who sought a long-term career with the company, which made them ideal for the hospitality industry.¹³ The company believed that these qualities would instill a commitment in the employee toward the company and its values and would thereby enable the candidate to serve guests better. The company felt that while technical skills could be taught to the candidates, bringing about a change in their attitude was a different matter. In addition, it also chose people with the special traits required for specific jobs. For example, a housekeeping position would need a person who was meticulous about his/her work whereas a front desk job would need a people-oriented person. As Sue Stephenson, Senior Vice President of HR, said, "If we don't select someone with a passion for service, everything we do around that is wasted. When it comes to the training we provide, particularly with employees who will interact with customers, the focus is on the talents of the

individual, less so on the technical skills. We can teach those, but we can't really teach them to smile and to want to provide great service.”¹⁴

TRAINING AT RITZ-CARLTON

Training at Ritz-Carlton was a rigorous process. Once committed service individuals with varying levels of technical skills and backgrounds had been found, learning coaches were assigned to them. These coaches trained and certified them on the core competencies of their jobs. The company invested significant time and resources on its comprehensive training program to instill its values and educate its employees about its service standards. The Ritz-Carlton training was conducted in five broad stages – initial orientation, 21-day certification, 365-day certification, ongoing training, and the daily lineup (*See Exhibit V for Training & Development interventions at Ritz Carlton in the first year*).

INITIAL ORIENTATION

Every new employee had to undergo a two-day orientation program before being assigned to their job at Ritz-Carlton. Ritz-Carlton ensured that no new recruit joined work without the two-day orientation.¹⁵ The Director of Training and Organizational Effectiveness was responsible for the training activities at each hotel. As it was an important activity, the General Manager and people from the HR department conducted the initial orientation, where the new employee was familiarized with the company's history, culture, philosophy, values, standards, expectations, and benefits.

The new recruits were welcomed by a top manager who gave them handwritten welcome cards, and they were treated like hotel guests. They were also asked about their food preferences, and these were meticulously followed when refreshments were provided during orientation. The orientation program was conducted in the rooms used by the guests, and the recruits ate in the best restaurants of the hotel. According to Oreck, the company wanted to ensure that the new recruits felt that they had made the right decision in joining the company. A major part of the training was focused on team building, to bring about a sense of cohesion among the employees. The employees were also given a wallet-sized card with the company's Gold Standards printed on it. To reinforce the teachings of the orientation program, employees were required to carry this card with them at all times. “It's all about them and it's all about culture. We feel that orientation needs to be a significant emotional experience. Because think about it – you are making a very big decision in your life to either start a job or change a job. So our two days of orientation, they are solely revolving around our culture, which we call the gold standards. And the reason we do that is we know that the culture creates passion advocates of our employees,”¹⁶ said Oreck.

‘DAY 21’ CERTIFICATION

After the initial orientation, each new recruit was assigned to an experienced employee (learning coach) from the department for three weeks of on-the-job training. This was done as the company realized that recruits might have varying levels of technical skill and backgrounds both inside and outside the hospitality industry.¹⁷ The recruit accompanied the trainer to observe how the jobs/duties were carried out and the departmental trainer helped the recruit become familiar with the job and the company culture. This was the first time the new employees got to meet the guests and hence the trainers focused on developing their customer service skills and taught them the finer details related to these like addressing the guests properly, anticipating their needs, soothing them in case of complaints, and solving customer problems. The company believed that it could ensure the loyalty of customers only when customer problems were resolved efficiently by the employees as 51% of its guests were repeat customers.¹⁸ The trainees also had access to online training modules and detailed operational manuals.¹⁹

In the third week of training, the new recruit was allowed to handle job responsibilities alone. The trainer later gave feedback on the recruit's performance. The company trained its recruits to use formal language like addressing the guests with a 'Good Morning' or 'Good Afternoon,' accompanied by the guest's name, instead of a 'Hello.' The trainees were also instructed on the kind of language to use, on dressing and appearance, and the behavior they should or should not use while interacting with the customers.

On the 21st day, the new recruits again met with the top management of the hotel to recall the company's values and standards along with their experiences about the training and to provide feedback on the training program. "The Day 21 meeting allows us to fill in any holes that were not covered in the initial orientation,"²⁰ said Tom Donovan, General Manager at the Ritz-Carlton Bachelor Gulch Hotel and Resort, Vail, Colorado. While the employee experience helped the management in assessing whether the behavior of the employees was in line with the company's standards, the feedback helped it in identifying the shortcomings of the training program. The management then addressed the employee concerns, if any. The employees then took a test that gauged their technical skills and their understanding of the company philosophy. The trainees who cleared the test were certified while those who did not pass were given the option to leave or look for employment in a department more suited to their skills and abilities.²¹

365 DAY RECERTIFICATION

At Ritz-Carlton, training was an ongoing process. After the 21-day certification, employees were assigned their jobs, and formal on-the-job training continued till day 365. On the 365th day, the new employees were recertified after a written test, interview, and role-play session. The employees were recognized for their service and presented with 'service pins' indicating that they were now a formal part of the team. This one day meeting with lunch was used to remind them of the Gold Standards and reinforce these standards. Ritz-Carlton spent US\$5000 on each new recruit. In one year, the recruits received about 310 hours of training on job skills, computer courses, and company culture.²² The company also provided service recognition for five and ten years of employment at such events.²³

ONGOING TRAINING

Both the management and the non-management employees at Ritz-Carlton were provided with ongoing training and 70% of all learning was accomplished by on-the-job training.²⁴ They also had access to a number of instructor-led classes, workshops, and e-learning classes. "Those tools also are in alignment so that we can analyze operational skills acquisition against the results of mystery shopper and customer engagement surveys. In essence, secret shoppers are looking for the exact criteria that staff members are certified to meet. As such, we're not doing training for the sake of training,"²⁵ said Holloway.

After the first year, employees received 100 hours of training every year. All training programs were conducted by the Ritz-Carlton Leadership Center (started in the late 1990s). It consisted of three schools: The School of Performance Excellence (training and development programs for hourly employees); The School of Leadership and Business Excellence (provided leadership development and soft skills training); and The School of Service Excellence (dealt with benchmarking). The Leadership Center also conducted workshops for outsiders. Department specific workshops and general classes for the employees were conducted on a monthly or quarterly basis. CARE classes (Controlling Alcohol Risks Effectively) were meant for employees dealing with food and beverages. GLOW (Guest Loyalty Opportunity Workshop) and LEAP classes (Listen, Empathize, Act, Produce) were designed for customer-centric roles to enhance the employees' sales and problem-solving capabilities. Other workshops included the POSH training (Prevention of Sexual Harassment), leadership development, diversity training, and personality development.

New employees were also trained to anticipate the unexpressed needs of the guests through a workshop named “Radar on, Antenna Up, and Focus” where the trainees were provided with scenarios. “One of the scenarios might be a young couple comes into the restaurant with a two-year-old baby. What should you do? Then we discuss, you bring a high chair, you bring crayons, you bring our stuffed lion, Roarie. We have hundreds of scenarios like that. Because we know that it’s going to be through the unique, memorable, and personable experiences that our customers are going to be fully delighted and engaged,”²⁶ explained Oreck.

Ritz-Carlton’s managers had access to different types of instructor-led classes including Senior Leadership Development Certification and the Art of Facilitation. They could also enroll for Harvard Manager Mentor eLearning classes where they were provided inputs on financial essentials, managing their career, preparing business plans, and managing workplace stress. They were also encouraged to expand their learning by being part of the task force by taking up projects or volunteering for temporary assignments at other locations. Non-management employees too were encouraged to take advantage of such “lateral service”.

THE DAILY LINEUP

The Daily Lineup was a critical learning tool and a key component of Ritz-Carlton’s learning strategy.²⁷ Every shift at Ritz-Carlton started with a 10-15 minute employee meeting within each department. The main objective was to reinforce the Gold Standards and service values of the company. They also discussed the previous day’s problems, menu items for that day, guests arriving for the day and their preferences, etc, which differed depending on location and department. The daily lineup was held thrice a day at every shift change. A speaker discussed one of the 20 Basics every day while others expressed their views about it or its implementation in the company (*See Exhibit VI for the 20 basics*). After all the basics were discussed, the cycle was repeated. Other topics like the events occurring at the corporate level were also a part of discussion sometimes. Monday had a special daily lineup known as the ‘Monday Wow’, as it included stories of employees who had gone the extra mile in delivering customer service. The stories were discussed at all locations and this motivated Ritz-Carlton employees to perform better. It was also a forum for discussing best practices and guidance from the industry. “This program energizes... You get to know everyone on your team, their desires, where they want to be,”²⁸ said Seigel.

The daily lineup was the most important tool for the company to keep its employees attuned to its corporate culture and it kept them focused on the company’s expectations of them. Apart from that, it ensured good communication with employees and kept them informed about the events happening at the corporate level. It also acted as a platform for employees to express their concerns to their superiors and played a critical role in team building. According to Oreck, “We engage in our culture each and every day. Many companies have visions and missions and all of that, but they only refer to it when the numbers are going south, or they’ve had a shock or a customer complaint. We are engaging in the culture each and every day.”²⁹ Oreck added, “Why bother with culture training? At Ritz-Carlton, we’ve quantified through research that happy customers spend more money.”³⁰

EMPLOYEE EMPOWERMENT AND FEEDBACK

“It’s all about empowerment. The thing our guests are most wowed about is that every single employee has \$2,000 a day per guest to delight or make it right...we are saying to our employees—we trust you,”³¹ said Oreck. Every employee, regardless of position or rank, was empowered to spend up to US\$2,000 to correct a problem or handle a complaint, without having to ask a superior for permission. There was no limit on the number of times the employee could use this authority, as long as there was a valid reason. Employees were also expected to look out for ‘Mr. Biv’ (Mistakes, Rework, Breakdowns, Inefficiencies, and Variation) in their work process and contribute to continuous improvement. Once an employee spotted any of these, he/she was

expected to report it to his/her superior for immediate corrective action (*See Exhibit VII for Employee Empowerment at Ritz-Carlton*). Employees could also give ideas for cutting costs or improving quality by giving in a formal report showing the implications of his/her idea. Any worthwhile suggestions were rewarded with cash bonuses and other prizes through an employee recognition program. Theo Gilbert-Jamison, Vice President of Leadership Development at the Ritz-Carlton, said, “We believe that to create pride and joy in the workplace, you must involve the employees. And you create that pride and joy by making employees feel like they are a part of the Ritz-Carlton.”³²

The company treated its employees with respect and dignity, making them feel important and increasing their job satisfaction. Though the salaries of the employees were not higher than those of other comparable organizations in the industry, Ritz-Carlton was a preferred employer because of its organizational culture and the way it treated its employees. “I’ve worked in a lot of places, but never anywhere where they treat me as nice as here,”³³ said a waiter at Ritz-Carlton. The company also had a policy of promoting from within to encourage employees to remain with the company for the long term.

The company believed that such empowerment motivated employees to take personal responsibility and deal with any guest complaint regardless of the position or department that they belonged to. Jeff Hargett, the corporate director of the Leadership Center, said, “If you’re afraid of giving power to the staff because they’re going to make a mistake, you’re absolutely right. They’re going to make a mistake. But employees also learned from their mistakes and gained confidence, which eventually benefited the company in the long run.”³⁴

EVALUATING TRAINING

The company used mystery shoppers and guest surveys to evaluate the impact of its training interventions. Ritz-Carlton polled its customers once every month. The company enlisted the services of Gallup, a leading agency providing research, analytics, and advisory services, for this. Gallup randomly sent out surveys to 38% of guests that had stayed at Ritz-Carlton the month before. The customers were asked 30 questions. According to Oreck, the questions included, “How likely is that guest to recommend Ritz-Carlton? Were they delighted and satisfied with their stay? If there was a problem, did we take care of their problem? We know that, if that guest engagement number goes up, our training programs have been successful.”³⁵

At times, this indicated the need for further training of some employees who had earlier been certified. “Even though the employees were at one time proficient and certified at that skill, the customer feedback affords the opportunity for what we call ‘just-in-time learning’ to take place to quickly refresh that service delivery standard,”³⁶ said Holloway.

RESULTS

Ritz-Carlton’s training and development initiatives were widely recognized. The company was ranked as the # 1 Global Learning Company in the world by Training Magazine 2007 and in 2008 it was inducted into Training Magazine’s Top 10 Training Hall of Fame.³⁷ Moreover, many professionals and companies wanted to emulate Ritz-Carlton and use its human resources, leadership, quality, and training practices as benchmarks. Many companies and individuals, cutting across industries, had benefited from the courses provided by the Ritz-Carlton Leadership Center, which was founded in 1999, to work with companies interested in benchmarking the business practices followed by Ritz-Carlton. The Ritz-Carlton Leadership Center headed by Oreck, offered courses on customer service, leadership development, executive training, changing corporate culture, etc. through Certified Leadership Center Ambassadors and expert consultants.³⁸ Over 3,000 clients from diverse industries such as Automotive, Finance, Healthcare, Transportation, Legal, Energy, Technology, Retail, Fitness, Insurance, Human Resources, and Hospitality, had benefited

from these courses and advisory services at Ritz-Carlton properties and locations around the world.³⁹ Even very successful companies such as Apple, Inc. modeled its service after the Ritz-Carlton. Potential recruits were judged on whether they would be able to “offer a Ritz-Carlton level of service?”⁴⁰ In October 2011, The Leadership Center was ranked #2 out of 235 large organizations in Leadership Development by the Leadership Excellence Organization.⁴¹ Earlier in September 2008, Oreck was also named as one of the top 100+ people in Learning & Development by Leadership Excellence Magazine.⁴²

Analysts believed that it was Ritz-Carlton’s training and development initiatives that helped it maintain its mystique, retain customers, and grow its sales. “We know that fully-engaged guests are spending more nights in a Ritz-Carlton every year than any other guest. There is a direct correlation to profitability. I can assure you we would not be spending the kind of money we do on training and reinforcement if we didn’t think it was going to show us the money,”⁴³ said Oreck. Moreover, Ritz-Carlton’s training and development interventions also helped it retain talent. According to Oreck. “It’s about engagement... The lodging industry as a whole tends to run a 60-70 percent turnover in a year. Here at Ritz Carlton we run in the low 20’s. It’s a huge difference.”⁴⁴

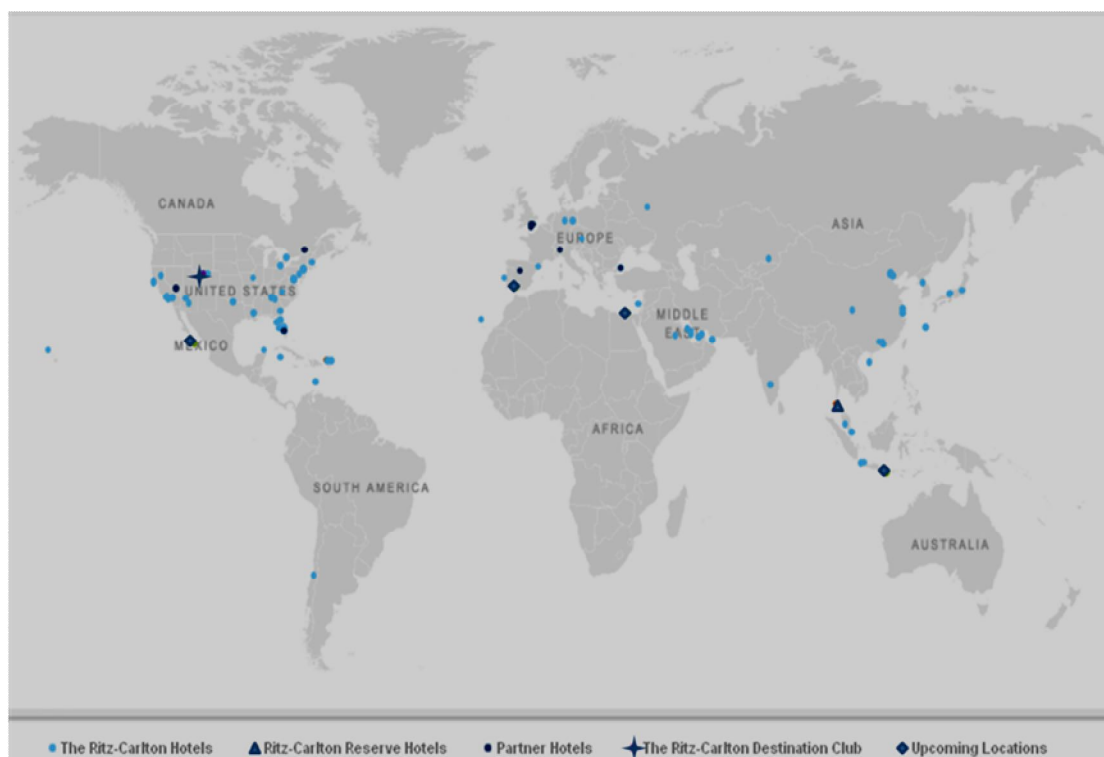
However, some analysts opined that this kind of service put in detailed scripted format and its daily recitation by its employees was not a good way to motivate the employees. While they agreed that the selection and training at Ritz-Carlton was critical for its service excellence, they opined that the employees tended to follow the rules blindly as its rituals had become repetitive and monotonous. Such an organization culture would make these employees reluctant to change. It would become a challenge for the company to prevent its rituals from becoming monotonous, they said. The analysts felt that effective customer service should be tailored according to guests’ needs rather than having them scripted and standardized. Critics also opined that it put tremendous pressure on the employees and created inordinate amounts of stress for them. There were also some who opined that implementing and maintaining such an organization culture and training was very expensive for the company. However, Ritz-Carlton maintained that the company was evolving from a training organization into a learning environment. “We moved away from that heavily prescriptive, scripted approach and toward managing to outcomes. We’re now saying, ‘We won’t tell you specifically how to get to the goal of a happy guest’,”⁴⁵ quipped Oreck.

LOOKING AHEAD

Over time, Ritz-Carlton developed a very refined process of making training a person-to-person continuous activity that led to the inculcation of its corporate values and mission. As the company was focusing on global expansion, the management felt that its commitment to training and skills certification provided it with a competitive advantage. Even in emerging markets such as China, where there was a lack of qualified hospitality staff, Ritz-Carlton was able to attract, train, and retain top talent. Recognizing that the issue of training new recruits for a new hotel was a far more daunting task than training new recruits in existing hotels, the company’s senior management worked together to source the coaching needs of the new hotel by involving some of the most talented coaches and trainers from across the Ritz-Carlton system. The top management of Ritz-Carlton also saw to it that they were present during the opening of a new international hotel location. According to Bob Kharazmi, senior vice president of international operations, “No matter what we have going on at our corporate headquarters, we drop everything to make sure the hotel is launched from a solid cultural and operational foundation. We work with both the front line and leadership, helping them understand our Gold Standards and our approach to business.”⁴⁶

Exhibit I

Ritz-Carlton's Locations Across Three Continents



Adapted from www.ritzcarlton.com/en/Locations/Map.htm

Exhibit II

Total Lodging and Timeshare Products

	Properties			Rooms		
Luxury Lodging Segment	US	Non-US	Total	US	Non-US	Total
The Ritz-Carlton	38	42	80	11,357	12,410	23,767
Bulgari Hotels & Resorts	-	3	3	-	202	202
EDITION	-	1	1	-	78	78
The Ritz-Carlton Residential	30	5	35	3,598	329	3,927
The Ritz-Carlton Serviced Apartments		4	4	-	579	579
Total	68	55	123	14,955	13,598	28,553

Source: "Marriott International, Inc. 2012 Annual Report",
http://files.shareholder.com/downloads/MAR/2734095087x0x651624/51819A94-F37F-4A6A-B735-E6F861259F1C/Marriott_2012AR.pdf, 2012

Exhibit III

Marriott International, Inc. Consolidated Statements of Income (2010-2012)

	\$ in Millions, Except per Share Amounts		
	2012	2011	2010
Revenues			
Base Management Fees	581	602	562
Franchise Fees	607	506	441
Incentive Management fees	232	195	182
Owned, leased, corporate housing and other revenue	989	1,083	1,046
Timeshare sales and services	-	1,088	1,221
Cost reimbursements	9,405	8,843	8,239
Total	11,814	12,317	11,691
Operating Costs and Expenses			
Owned, leased and corporate housing-direct	824	943	955
Timeshare-direct	-	929	1,022
Timeshare strategy-impairment charges	-	324	-
Reimbursed costs	9,405	8,843	8,239
General, administrative and other	645	752	780
Total	10,874	11,791	10,996
Operating Income	940	526	695
Gains (losses) and other income	42	(7)	35
Interest expense	(137)	(164)	(180)
Interest income	17	14	19
Equity in losses	(13)	(13)	(18)
Income Before Income Taxes	849	356	551
Provision for income taxes	(278)	(158)	(93)
Net Income	571	198	458
Earnings Per Share-Basic			
Earnings per share (\$)	1.77	0.56	1.26
Earnings per share-Diluted			
Earnings per share (\$)	1.72	0.55	1.21
Cash Dividends Declared Per Share (\$)	0.4900	0.3875	0.2075

Source: "Marriott International, Inc. 2012 Annual Report",
http://files.shareholder.com/downloads/MAR/2734095087x0x651624/51819A94-F37F-4A6A-B735-E6F861259F1C/Marriott_2012AR.pdf, 2012

Exhibit IV

The Ritz-Carlton Gold Standards

The Gold Standards are the foundation of The Ritz-Carlton Hotel Company, L.L.C. They encompass the values and philosophy by which we operate and include:

The Credo

- The Ritz-Carlton Hotel 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 ambience.
- The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.

Motto

- At The Ritz-Carlton Hotel Company, L.L.C., "We are Ladies and Gentlemen serving Ladies and Gentlemen." This motto exemplifies the anticipatory service provided by all staff members.

Three Steps Of Service

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.

Service Values: I Am Proud To Be Ritz-Carlton

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.
4. I understand my role in achieving the Key Success Factors, embracing Community Footprints 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.
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.

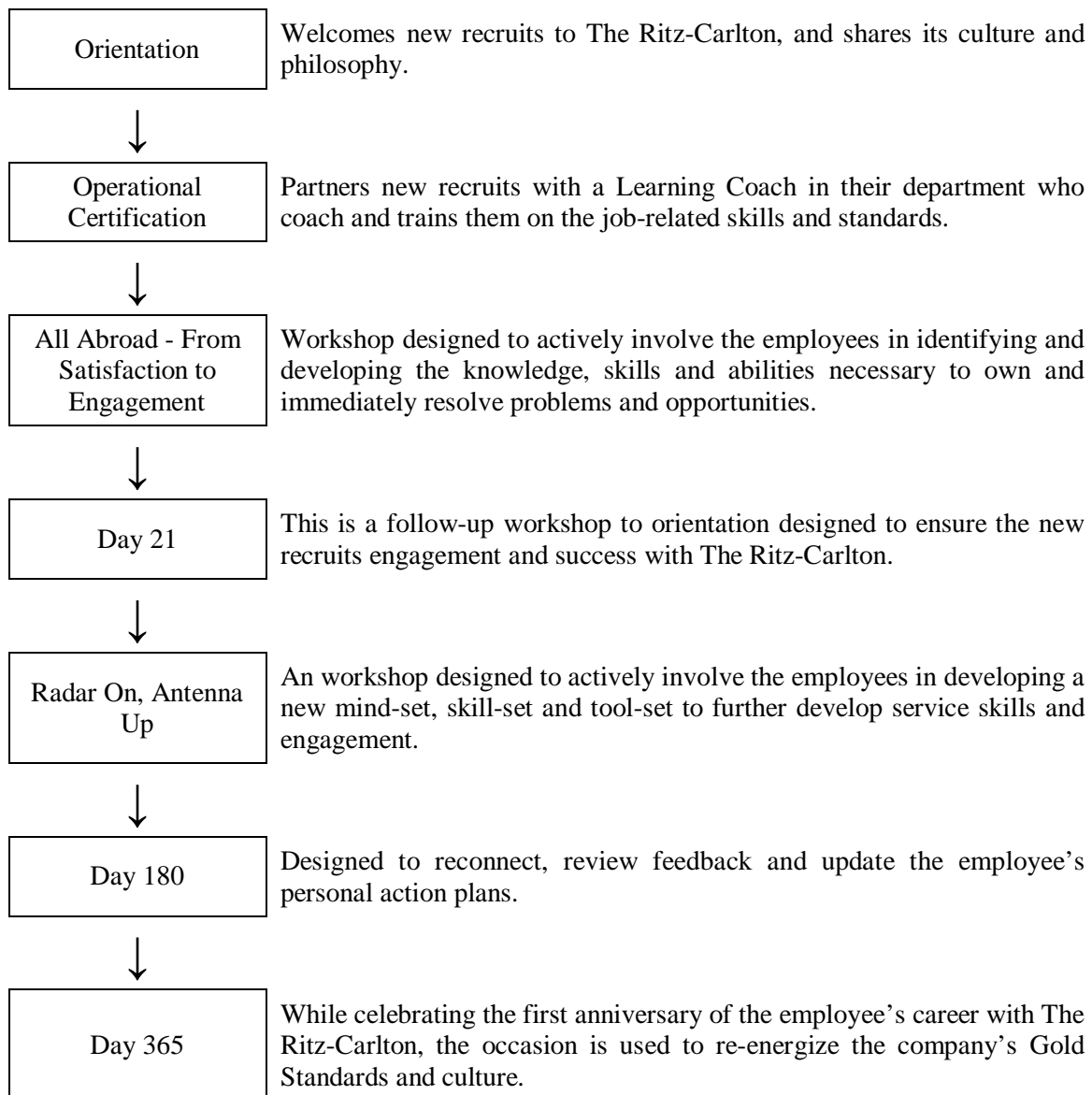
The 6th Diamond

- Mystique
- Emotional Engagement
- Functional

The Employee Promise

- 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.

Source: "Gold Standards", <http://corporate.ritzcarlton.com/en/About/GoldStandards.htm>

Exhibit V**Training & Development Interventions at Ritz Carlton in the First Year**

Adapted from <http://corporate.ritzcarlton.com/en/Careers/YourCareer/LearningAndDevelopment.htm>

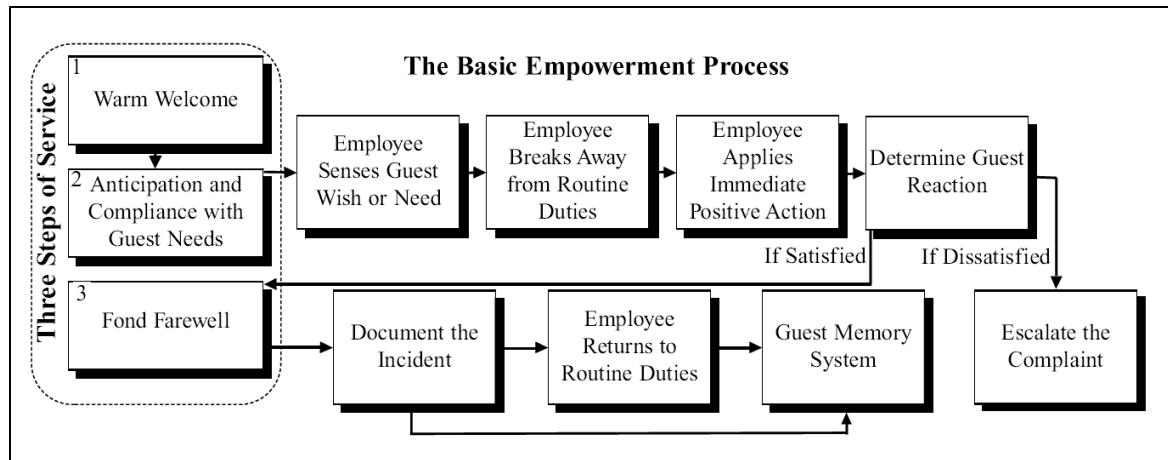
Exhibit VI

The Twenty Basics

1. The Credo will be known, owned and energized by all employees.
2. Our motto is: “We are Ladies and Gentlemen serving Ladies and Gentlemen”. Practice teamwork and “lateral service” to create a positive work environment.
3. The three steps of service shall be practiced by all employees.
4. All employees will successfully complete Training Certification to ensure they understand how to perform to the Ritz-Carlton standards in their position.
5. All employees will successfully understand their work area and Hotel goals as established in each strategic plan.
6. All employees will know the needs of their internal and external customers (guests and employees) so that we may deliver the products and services they expect. Use guest performance pads to record specific needs
7. Each employee will continuously identify defects (Mr. BIV) throughout the Hotel.
8. Any employee who receives a customer complaint “owns” the complaint.
9. Instant guest pacification will be ensured by all. React quickly to correct the problem immediately. Follow-up with a telephone call within twenty minutes to verify the problem has been resolved to the customer’s satisfaction. Do everything you possibly can to never lose a guest.
10. Guest incident action forms are used to record and communicate every incident of guest dissatisfaction. Every employee is empowered to resolve the problem and to prevent a repeat occurrence.
11. Uncompromising levels of cleanliness are the responsibility of every employee.
12. “Smile-We are on stage.” Always maintain positive eye contact with our guests. (Use words like- “Good Morning,” “Certainly,” “I will be happy to” and “My pleasure”).
13. Be an ambassador of your hotel in and outside of the work place. Always talk positively. No negative comments.
14. Escort guests rather than pointing out directions to another area of the Hotel.
15. Be knowledgeable of Hotel information (hours of operation, etc.) to answer guest inquiries. Always recommend the Hotel’s retail and food beverage outlet prior to outside facilities.
16. Use proper telephone etiquette. Answer within three rings and with a “smile.” When necessary, ask the caller, “May I place you on hold.” Do not screen calls. Eliminate call transfers when possible.
17. Uniforms are to be immaculate; Wear proper and safe footwear (clean and polished), and your correct name tag. Take pride and care in your personal appearance (adhere to all grooming standards).
18. Ensure all employees know their roles during emergency situations and are aware of fire and life safety processes.
19. Notify your supervisor immediately of hazards, injuries, equipment or assistance that you need. Practice energy conservation and proper maintenance and repair of Hotel property and equipment.
20. Protecting the assets of a Ritz-Carlton Hotel is the responsibility of every employee.

Source: “The Ritz-Carlton hotel”, <http://www.gwu.edu/~umpleby/mgt201/THE%20RITZ.doc>

Exhibit VII
Employee Empowerment at Ritz-Carlton



Source: "1999 Application Summary", <http://corporate.ritzcarlton.com/NR/rdonlyres/22E2CEC9-62A4-4EA2-9C3C-51628265E10E/0/rcappsum.pdf>

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