



# Book The New Gold Standard

## 5 Leadership Principles for Creating a Legendary Customer Experience Courtesy of the Ritz-Carlton Hotel Company

Joseph Michelli  
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### Recommendation

Even if you've never stayed at a luxurious Ritz-Carlton hotel, you are likely to know of the hospitality chain's sterling reputation. Few companies enjoy such powerful brand recognition; after all, the word "ritzy" has become part of the English vocabulary. Incredibly, no one ever wrote a corporate biography about The Ritz-Carlton, and its secrets of success and service, until Joseph A. Michelli took on this project. He details the five principles Ritz-Carlton employees follow to create a memorable, or "wow," customer experience. He shows how the company's leaders teach the "Ladies and Gentlemen" on its staff to live its mission and precepts. Michelli uses quotes and examples to illustrate every point (and is still supporting his position long after the reader's neck is sore from nodding in agreement). Yes, it really is all that. *BooksInShort* believes this book offers any businessperson a valuable case study in excellence and service.

### Take-Aways

- The Ritz-Carlton's founders set high standards.
- Its employees live these "Gold Standards" through the "Credo," the "Motto" and the "Three Steps of Service."
- The credo outlines the company's guest-focused mission statement.
- The motto, intended to engender respect among employees and guests, is, "Ladies and Gentlemen serving Ladies and Gentlemen."
- The three service fundamentals are extending a personal greeting to each guest, anticipating guests' needs and desires, and saying a pleasant farewell by name.
- Every interaction should give customers a "wow experience." Staffers share "wow" stories, information and corporate messages at the daily "lineup."
- The Ritz-Carlton uses a thorough employee selection procedure to find talented people who take pride in giving service.
- Every new person hired, regardless of job level, participates in a two-day orientation.
- The company continually tries to improve its "customer-reaching" processes.
- The Ritz-Carlton operates two training facilities: the Global Learning Center and the Leadership Center.

### Summary

#### How The Ritz-Carlton Began

Who could have imagined that a poor Swiss herdsman's son would start a hotel chain that would make his name synonymous with elegance, luxury and extraordinary service? Young César Ritz began by working at premier hotels in France, England and Switzerland, learning the business at every level. After managing London's Savoy Hotel, he opened The Ritz Paris in 1898. By then, he owned a controlling interest in The Carlton in London and in several posh restaurants.

"Facing struggles, stumbles and transitions, Ritz-Carlton's leadership has been steadfast in its commitment to service and quality."

After Ritz died in 1918, his wife Marie allowed developer Albert Keller to franchise the Ritz-Carlton name. In 1927, Keller opened a Ritz-Carlton hotel in Boston, followed by hotels in New York City, Boca Raton, Atlantic City, Pittsburgh and Philadelphia. The bleak economy after the crash of 1929 forced Keller to close all but the Boston hotel. After World War II, the chain began to grow again. Today, Marriott International owns The Ritz-Carlton Hotel Company, which has 69 properties around the world. The profitable hotel chain plans to expand into China, Egypt, Russia, South Korea and other nations, with the goal of having 100 hotels by 2011.

“When it comes to the Gold Standards, Ritz-Carlton leaders and frontline staff alike can appear, from an outsider’s perspective, to be teetering toward the fanatical.”

The five principles at the base of The Ritz-Carlton’s well-defined corporate culture have produced an extraordinary level of staff loyalty, unparalleled service, significant customer engagement and brand recognition so entrenched in Western society that words and phrases such as “ritzy” and “putting on the ritz” are part of the English lexicon. The company’s five guiding precepts are:

## **Principle One: “Define and Refine”**

The Ritz-Carlton’s founders created a set of principles they called the “Gold Standards.” Many credit the hotel chain’s long-standing success to its commitment to keeping these standards alive with a creed, a slogan and a service plan that penetrate every aspect of its business:

1. **“The Credo”** – Every staffer carries a “Credo Card” that reads, “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 ambience. The Ritz-Carlton experience enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.”
2. **“The Motto”** – The firm’s slogan is, “Ladies and Gentlemen serving Ladies and Gentlemen.” The old-fashion language conveys the idea that excellent service is timeless, and that staff members and guests should treat each other respectfully.
3. **“The Three Steps of Service”** – The first-rate service at the heart of The Ritz-Carlton’s culture rests on giving each guest a sincere greeting by name, predicting and meeting every need the guest has, and bidding the guest a “warm goodbye,” also by name.

“No matter what the nature of the business, a company’s leadership is always tasked with making their vision come alive at the front line.”

The Ritz-Carlton repeatedly weaves its “12 service values” into its employees’ everyday experiences. This results-oriented list replaces its former 20 standards of service, which focused more on behavior than on outcomes. Employees follow these service basics:

1. Foster close relationships with guests so they always stay at Ritz-Carlton hotels.
2. Fulfill hotel guests’ wishes, both spoken and implied.
3. Use the power the company provides to create memorable guest experiences.
4. Become part of the company’s charitable activities, its hospitality and its “mystique.”
5. Look for ways to make the hotel and its service even better.
6. Assume immediate personal accountability for fixing guests’ problems.
7. Work with colleagues as team members to meet each other’s needs and serve guests.
8. Capitalize on any chance to learn more and develop professionally.
9. Become involved in planning their job’s scope and responsibilities.
10. Take pride in how they look, act and speak.
11. Protect guests’ and other employees’ private information; be aware of their security.
12. Maintain facilities that are safe, accident-free and sparkling clean.

“Leadership lives in the actions, not the words, of those entrusted to move an organization forward.”

Managers reinforce these values at daily interactive meetings called “lineups.” Employees participate in lineups at the beginning of every shift in every department at every level. At the lineup, staffers discuss these values, and share stories and information.

To remain relevant and up-to-date, the company conducts ongoing research about what consumers want from a high-end hotel. Recent results showed that luxury hotel customers are either “classic status-seekers,” who want the traditional elegance they associate with the Ritz-Carlton brand, or “discerning affluents,” who analyze luxury purchases beyond brand associations. They won’t buy a Mercedes just because of its name. They want to leave an impression, blaze their own trails, lead interesting lives and enjoy exclusive experiences. Ritz-Carlton must win over both types of luxury consumers without compromising its principles.

## **Principle Two: “Empower through Trust”**

Because The Ritz-Carlton depends on its employees, or ladies and gentlemen, to provide exceptional service, it uses an extensive staff-recruitment procedure. Hiring managers seek talented people who feel proud to work in a service industry. Candidates go through several interviews and layers of evaluation in a process the company calls “selection” rather than “hiring.” Employee turnover is around 20%; the industry average is 60%.

“Leaders who focus detailed attention on the wants and needs of their staff ultimately see that same detailed, personalized attention being passed on to customers.”

Every new person hired into any job goes through a two-day orientation about the corporate culture. Managers spend three more days learning Ritz-Carlton’s leadership expectations. After orientation, coaches train new staff members in the central aspects of their jobs. The goal is to certify new employees in their positions’ basic competencies by “Day 21.” That day, new hires have the opportunity to discuss openly the positive and negative aspects of their first three weeks. The company marks every employee’s one-year anniversary with a “Day 365” celebration.

“In essence, much of what happens at Ritz-Carlton is an extension of the way people would treat family members and other loved ones.”

The Ritz-Carlton believes in selecting the right people, and providing the mentoring, training and tools they need to create optimal experiences for guests. To that end, the company trusts employees to use their judgment in spending up to \$2000 per guest per day to improve the guest’s visit or to solve any of the guest’s problems.

## **Making Money and Mystique**

Company president Simon Cooper explains, “We make absolutely no bones about our need to be financially sound. We don’t want anybody at Ritz-Carlton to think that ‘profit’ is a bad word.” The company fosters internal transparency regarding the financial aspects of its business. Staffers can view pyramid graphs of its progress on five different success scales. The Ritz-Carlton revises and updates these five factors annually. In 2008, they were:

1. **“The Ritz-Carlton mystique”** – Give guests something special to remember. Make the ambience as compelling as possible.
2. **“Employee engagement”** – Encourage employees to take initiative and be creative as part of an effort to hire and keep good people, and help them advance.
3. **“Guest engagement”** – Create personal ties to each guest.
4. **“Product and service excellence”** – Follow the Gold Standards. Set service and location benchmarks and exceed them.
5. **“Financial performance”** – Increase earnings and profits.

**Principle Three: “...It’s Always about the Customer and the Employees.”**

Ritz-Carlton’s executives use a variety of methods to take the pulse of the company’s customers, employees, managers, vendors and stakeholders in a continuing effort to evolve and improve its “customer-reaching” processes. The company won the prestigious Baldrige Award in 1992 and in 1999, the only service industry business to win twice. This achievement is due, in part, to its ongoing quest for improvement and, in part, to its executives’ willingness to invite outside observers to evaluate its systems. Corporate leaders study other businesses for best practices that Ritz-Carlton might borrow. For instance, in 2007 a senior manager observed how Cisco and Corning nurture innovation, and then helped develop the “Ritz-Carlton Four-Step Innovation Process.” The steps are: “Inspire vision, foster environment, stimulate ideas” and “test ideas.”

“People are genuinely wowed when others make a concerted effort to take care of their needs.”

To measure employee engagement, Ritz-Carlton managers collaborated with the Gallup Organization to develop the “Gallup Q12 tool.” The employees rated a series of statements like, “I know what is expected of me at work” and “At work, my opinions seem to count.” The two companies also created a “Customer Engagement Metric” that included such statements as, “Ritz-Carlton is a name I can always trust” and “I feel proud to be a Ritz-Carlton customer.” The survey results allowed the company to build on its successes, and identify gaps and weaknesses.

**Principle Four: “Deliver Wow!”**

Providing a “wow” experience is each employee’s goal during every interaction with a guest, from making a reservation to saying goodbye. Managers want each guest to “feel a rush,” that is, an emotional connection so strong that staying in the hotel becomes a memorable experience. For example, a traveler who stayed at The Ritz-Carlton in San Francisco for a month while working in the area described his experience this way, “When I entered my room, I found they had stocked everything I would ever need. Since I was staying for a month, they did research and found out my favorite snacks, magazines, movies and music. Everything was there for me. I had a bowl of fruit (a favorite snack of mine) and a box of chocolates with my name spelled out on the pieces. They even created business cards for me using the Ritz-Carlton address, which I needed to pass out during my extended stay.”

“Something as simple as a bottle of water can provide a long-lasting memory...if it’s handed to a thirsty person who isn’t expecting it.”

Sometimes a problem or a mistake can give staff members the best opportunity to make a great impression. With the advent of instant worldwide communication – and Web-spread criticism – immediate problem solving is an essential. Employees learn to take a comprehensive approach to fixing guests’ problems. First, they demonstrate genuine, appropriate concern. Then, they apologize, accept responsibility and promise to address the problem immediately. Employees work together to rectify the situation and keep it from recurring. Their last step is to compensate the guests for their aggravation, loss or frustration in the most suitable way possible.

“No company can be all things to all people, but it is possible for your organization to be all things to your customers.”

Ritz-Carlton’s leaders describe and reinforce its crucial principles by sharing “wow” stories. The manager of internal communication collects these stories each week and publishes them in the internal newsletter, *Commitment to Quality*. Managers share the stories at the Monday and Friday lineups. Employees whose stories make it into the publication receive a \$100 bonus. Here’s one wow story: At Dubai’s Ritz-Carlton, assistant manager Saad Khatib struck up a conversation with a guest. He found out that the guest and his wife could not access the beach to enjoy the sunset because the wife’s wheelchair could not make the sandy descent. The next day, Khatib and the hotel’s carpenter supervisor arranged boards to form a path to the sea. At twilight, the couple dined on “an Arabic carpet on the sand” as they watched the sun go down.

**Principle Five: “Leave a Lasting Footprint”**

Ritz-Carlton’s corporate umbrella includes two training facilities. Its Global Learning Center provides employees with additional training so they can advance, and its Leadership Center offers executive training to people from other businesses worldwide.

“In the end, all business is personal.”

Social responsibility has been a part of the Ritz-Carlton chain since its inception, as reflected in its mission statement. In 2002, the company launched its “Community Footprints” program to focus on “hunger and poverty relief, the well-being of disadvantaged children and environmental conservation.” The Ritz-Carlton contributes monetarily as well as through conservation and volunteering efforts. In 2007, it donated more than \$7 million in funds, products and services, and its employees put in more than 40,000 volunteer hours. As former Ritz-Carlton president Horst Schulze explained, “If you focus narrowly on the bottom line, you leave a legacy only for investors.”

**About the Author**

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