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Four Seasons Goes to Paris: "53 Properties, 24 Countries, 1 Philosophy"

Europe is different from North America, and Paris is very different. I did not say difficult. I said different.

— A senior Four Seasons manager

In 2002, Four Seasons Hotels and Resorts was arguably the world's leading operator of luxury hotels, managing 53 properties in 24 countries and delivering what observers called "consistently exceptional service." For Four Seasons, that meant providing high-quality, truly personalized service to enable guests to *maximize the value of their time*, however the guest defined doing so.

In 1999, Four Seasons opened the Four Seasons Hotel George V Paris (hereafter, "F. S. George V"), its first French property, by renovating and operating the Hotel George V, a historic Parisian landmark. Doing so was, according to John Young, executive vice president, human resources, "one of our great challenges and triumphs." Young mused on what Four Seasons had learned from opening a hotel in France, wondering what lessons would be applicable to other openings given the firm's growth plans, which suggested that new opportunities would be largely outside North America. (Exhibit 1 illustrates property locations in 2002.)

Performance

Four Seasons generally operated (as opposed to owned) midsized luxury hotels and resorts. From 1996 through 2000 (inclusive), Four Seasons revenues increased at a compound rate of 22.6% per year. Operating margins increased from 58.8% to 67.9% during the same period. Four Seasons' 2001 revenue per room (RevPAR) was 32% higher than that of its primary U.S. competitors and 27% higher than that of its European competitors. (Exhibit 2 provides summary financials.)

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Management Structure and Team

Structure A general manager responsible for supervising the day-to-day operations of a single property oversaw each Four Seasons property. General managers had a target bonus of 30% of base compensation. A quarter of the bonus was based on people measures (employee attitudes), 25% on product (service quality), and 50% on property profit. Four Seasons management believed that the firm's regional management structure was "a key component" of its ability to deliver and maintain the highest and most consistent service standards at each property in a cost-effective manner. Exhibit 3 describes this structure.

Italian in Italy, French in France The firm's top managers were comfortable in a variety of international settings. Antoine Corinthios, president, Europe, Middle East, and Africa, for example, was said to be "Italian in Italy, French in France." Born and educated in Cairo, Corinthios spent 20 years in Chicago, but described himself as a world citizen. He was the cultural chameleon he wanted Four Seasons hotels to be. "If you are going global you cannot be one way," he explained.

No bragging, no excuses Modesty, compassion, and discipline were also important. A manager who stayed on with Four Seasons described the Four Seasons due diligence team that came to the property as "very professional and not pretentious; detail oriented; and interested in people. They did not come telling me that all I did was wrong," he remembered, "and showed a lot of compassion." Excuses were not tolerated at Four Seasons: "Oh, but we have just been open a year" or "The people here do not understand" were not acceptable statements. Customer service extended to all levels in the organization: managers routinely helped clear restaurant tables in passing.

Strong allegiance to the firm Four Seasons' top management team was noted for its longevity, many having been at the firm for over 25 years. Both corporate and field managers often referred to the firm as a "family," complete with rules, traditions, and tough love. There was a strong "one firm sentiment." For example, as one general manager explained, "We are happy to let stars go to other properties to help them."

Four Seasons' Approach to International Growth

Today, we have opened enough properties overseas that we can go into any city or town and pull people together to fulfill our mission.

—Isadore Sharp, founder and CEO

Diversity and Singularity

According to Corinthios, "Our strength is our diversity and our singularity. While the essence of the local culture may vary, the process for opening and operating a hotel is the same everywhere." He continued:

My goal is to provide an international hotel to the business or luxury leisure traveler looking for comfort and service. The trick is to take it a couple of notches up, or sideways, to adapt to the market you are in. Our standards are universal, for example, getting your message on time, clean room, good breakfast; being cared for by an engaging, anticipating, and responding staff; being able to treat yourself to an exciting and innovative meal—these are global. This is the fundamental value. What changes is that people do it with their own style, grace, and personality; in some cultures you add the strong local temperament. For example,

an Italian concierge has his own style and flair. In Turkey or Egypt you experience different hospitality.

As a result, "each hotel is tailor made" and adapted to its national environment, noted David Crowl, vice president sales and marketing, Europe, Middle East, and Africa:

Sharp once told me that one of our key strengths is diversity. McDonald's is the same all over. We do not want to be that way. We are not a cookie-cutter company. We try to make each property represent its location. In the rooms, we have 40 to 50 square meters to create a cultural destination without being offensive. When you wake up in our Istanbul hotel, you know that you are in Turkey. People know that they will get 24-hour room service, a custom-made mattress, and a marble bathroom, but they also know that they are going to be part of a local community.

David Richey, president of Richey International, a firm hired by Four Seasons and other hotel chains to audit service quality, believed that "Four Seasons has done an exceptional job adapting to local markets. From a design perspective they are much more clever than other companies. When you sit in the Four Seasons in Bali, you feel that you are in Bali. It does not scream 'Four Seasons' at you."

A manager explained Four Seasons' ability to be somewhat of a cultural chameleon with an analogy to Disney: "Unlike Disney, whose brand name is so strongly associated with the United States, Four Seasons' brand doesn't rigidly define what the product is. The Four Seasons brand is associated with intangibles. Our guests are not looking to stay in a Canadian hotel." In general, Four Seasons managers were wary of being perceived as an "American" company. They found it useful in Europe to position Four Seasons as the Canadian company it was.

According to Crowl, Four Seasons learned from each country and property: "Because we are an international hotel company, we take our learning across borders. At our new property in Egypt, we are going to try to incorporate indigenous elements to the spa, but we will still be influenced by the best practices we have identified at our two spas in Bali."

Globally Uniform Standards

The seven Four Seasons "service culture standards" expected of *all staff all over the world at all times* are described in Exhibit 4. In addition, Four Seasons had 270 core worldwide operating standards (see Exhibit 5 for sample standards). Arriving at these standards had not been easy: until 1998 there were 800. With the firm's international growth, this resulted in an overly complex set of rules and exceptions. The standards were set by the firm's senior vice presidents and Wolf Hengst, president, Worldwide Hotel Operations, who explained: "We had a rule about the number of different types of bread rolls to be served at dinner and number of varieties of wine to be offered at lounges. In countries where no bread is eaten at dinner and no wine consumed, that's pretty stupid."

Exceptions to the 270 standards were permitted if they made local sense. For example, one standard stated that the coffee pot should be left on the table at breakfast so that guests could choose to refill their cup. This was perceived as a lack of service in France, so it was amended there. Standards were often written to allow local flexibility. While the standards required an employee's uniform to be immaculate, they did not state what it should look like. In Bali, uniforms were completely different from uniforms in Chicago. Managers emphasized that standards set *minimum expectations*: "If you can do something for a client that goes beyond a standard," they told staff, "do it." As a result, stories about a concierge bringing a client to the hospital and staying with that person overnight were part of Four Seasons lore.

To evaluate each property's performance against the standards, Four Seasons used both external and internal auditors. "Our standards are the foundation for all our properties," a senior manager noted. "It is the base on which we build." "When you talk to a Four Seasons person," Richey concluded, "they are so familiar with each of the standards, it is astonishing. With many managers at other firms, this isn't the case."

"We have been obsessed by the service standards," Hengst noted. "People who come from the outside are surprised that we take them and the role they play in our culture so seriously. But they are essential: talk to me about standards and you talk to me about religion." Another manager added, "Over time, the standards help to shape relationships between people, and those relationships contribute to building our culture."

Delivering "Intelligent, Anticipatory, and Enthusiastic Service" Worldwide

A manager stated: "We decided many years ago that our distinguishing edge would be exceptional, personal service—that's where the value is. In all our research around the world, we have never seen anything that led us to believe that 'just for you' customized service was not the most important element of our success." Another manager added, "Service like this—what I think of as 'intelligent service'—can't be scripted. As a result, we need employees who are as distinguished as our guests. If employees are going to adapt, to be empathetic and anticipate guest needs, the 'distance' between the employee and the guest has to be small."

There were also tangible elements to Four Seasons' service quality. The product was always comfortable—so much so that at guests' requests, the company made its pillows, bedspreads, and mattresses available for sale. "However, there are differences in the perception and definition of luxury," explained Barbara Talbott, executive vice president of marketing. "In the United States, our properties have public spaces with a luxurious, but intimate, feeling. In the Far East, our properties have large lobbies enabling guests to see and be seen. People around the world also have different ways of using a hotel—restaurants, for example, are more important in hotels in Asia, so we build space for more restaurants in each property there."

Human Resources and "The Golden Rule"

Human resource management at Four Seasons started and ended with "The Golden Rule," which stipulated that one should treat others as one would wish to be treated. "The Golden Rule is the key to the success of the firm," founder and CEO Sharp emphasized, "and it's appreciated in every village, town, and city around the world. Basic human needs are the same everywhere." Kathleen Taylor, president, Worldwide Business Operations, provided an example of how Four Seasons implemented the Golden Rule: "We give employees several uniforms so they can change when they become dirty. That goes to their dignity, but it is uncommon in the hospitality industry. People around the world want to be treated with dignity and respect, and in most organizational cultures that doesn't happen." (Exhibit 6 summarizes the firm's goals, beliefs, and principles.)

Managers acknowledged that many service organizations made similar statements on paper. They believed that what differentiated Four Seasons was how the chain operationalized those statements. Crowl noted: "A service culture is about putting what we all believe in into practice. We learn it, we nurture it, and most important, we do it." "People make the strength of this company," a senior manager stated. "Procedures are not very varied or special. What we do is fairly basic."

In 2002, for the fifth year in a row, Four Seasons was on *Fortune* magazine's list of the top 100 best companies to work for in North America. Four Seasons' turnover was half that of the hospitality industry average of 55%.

Going to Paris

Despite the success of Four Seasons' approach and philosophy, management knew that entering France would be a challenge.

The George V Opportunity

The six hotels in Paris classified as "Palaces" were grand, historic, and luxurious. Standard room prices at the F. S. George V, for example, ranged from \$400 to \$700. Most palaces featured award-winning restaurants, private gardens, and expansive common areas. The nine-story George V was designed in the 1920s by two famous French art déco architects. (Exhibit 7 provides comparative data on Parisian palaces.)

Observers of the Paris hotel scene noted that by the 1980s and 1990s, the George V, like some of its peers, was coasting on its reputation. In December 1996, H.R.H. Prince Al Waleed Bin Talal Bin Abdulaziz al Saud purchased the hotel for \$170 million. In November 1997, Four Seasons agreed to manage the hotel. "We needed to be in Paris," Young explained. "We had looked at a new development, but gaining planning permission for a new building in Paris is very hard. Since we look for the highest possible quality assets in the best locations, the George V was perfect. It established us very powerfully in the French capital."

Physical Renovations

Four Seasons' challenge was to preserve the soul of the legendary, almost mythical George V Hotel while rebuilding it for contemporary travelers. Four Seasons closed the hotel for what ended up being a two-year, \$125 million total renovation. Since the building was a landmark, the façade had to be maintained. The interior of the hotel, however, was gutted. Skilled craftsmen restored the façade's art déco windows and balconies, extensive wood paneling, gilding, artwork, and 17th-century Flanders tapestries that had long adorned the hotel's public and private spaces.

The interior designer hired by Four Seasons, Pierre-Yves Rochon, noted: "I would like guests re-discovering the hotel to think that I had not changed a thing—and, at the same time, to notice how much better they feel within its walls."¹ The fact that the designer was French, Barbara Talbott pointed out, "signaled to the French that we understood what they meant by luxury."

While Four Seasons built to American safety standards, it also had to adhere to local laws, which affected design and work patterns. For example, a French hygiene law stipulated that food and trash be carried down different corridors and up and down different elevators. Another law involved the "right to light": employees had the right to work near a window for a certain number of hours each day. As a result, employees in the basement spa also worked upstairs in a shop with a window for several hours a day, and as many windows as possible had to be programmed into the design.

The new Four Seasons Hotel George V Paris opened on December 18, 1999, at 100% effective occupancy (occupancy of rooms ready for use). The opening was particularly challenging because Four Seasons only took formal control of operations on December 1, in part due to French