Boston Hospitality Review

www.bu.edu/bhr

Published by the Boston University School of Hospitality Administration

How Three Global Hospitality Companies Led With a Clear Vision

By Gregg Rockett, Professor of Practice at The Hong Kong Polytechnic University School of Hotel & Tourism Management

Leadership - May 2022

About the Author

Gregg Rockett is a dynamic hospitality professional with more than 35 years of international experience working with companies like Marriott and Hilton. Today he is a committed academic instructor whose teaching appointments include adjunct faculty at the University of Houston - Conrad N. Hilton College, Professor of Practice at The Hong Kong Polytechnic University School of Hotel & Tourism Management, and adjunct faculty and Tropaia Outstanding Faculty Award recipient (2020) at the Georgetown University School of Continuing Studies. **Linkedin**

How Three Global Hospitality Companies Led With a Clear Vision

Introduction

"Leadership is about establishing the vision of the future, along with great strategy and building a great culture," Chris Nassetta, CEO of Hilton Worldwide (Smith, 2019).

An effective leader drives the vision for the organization, thus setting out the aspirations of the company, i.e., where it wants to be and/or what it wants to achieve in the future. This article highlights the contrasting vision of the leaders of three hospitality enterprises and how they have influenced the growth strategies of each.

A key to effective leadership is to have a clear vision that is rooted in the mission of the enterprise. Together with the company's values, mission, and vision are the foundation of organizational culture and, in turn, these factors facilitate organizational commitment. Just as important is the role that this vision plays in defining what is expected to be achieved by the enterprise going forward and the resultant steps in formulating strategy, particularly a coherent growth strategy that creates value for the stakeholders.

Since the 1980s, Marriott has operated with a vision of being “one company, many brands” and lauds this vision as the force behind the company becoming the first to offer a collection of brands in the hotel sector (Marriott Website, 2022). The acquisition of Starwood in 2016 is a testament to the commitment to the longstanding corporate vision. The trend toward travelers seeking authentic experience has guided Accor toward a broader vision of “Augmented Hospitality” that reaches consumers in every aspect of their lifestyle, whether at work or at play. The legacy of innovation that has characterized Hilton over the years was an important platform for CEO Chris Nassetta in developing a new vision for the company following the acquisition by Blackstone. Nassetta has felt strongly that the company should be known for a “tradition (of) industry-leading advancements” and focus on introducing “new brands…after a lengthy research and development process” to ensure a good fit with customer needs (Smith, 2019).

Growth Strategies of Global Hotel Companies

Hotel companies can grow their portfolios through various means, either via franchising, management agreements, leasing of hotel properties or direct ownership. The level of resource and capital investment is different for each of these strategies, with the lowest level of capital investment implied in franchising and the highest with direct ownership in unit expansion. The level of risk is also higher as capital investment levels increase.

The availability of a robust level of third-party management options in the hotel industry has facilitated a very competitive landscape. Top hotel companies are showing a preference for franchising as a growth strategy which in turn, provides access to systems and technology for third-party owners of hotel properties. And while there still remains a strong interest by large global hotel companies in the direct management of hotels, particularly for large full-service and luxury hotel brands, an increasing concentration of each company’s portfolio is made up of franchised products.

This preference is well-founded as the franchising model leverages economies of scale for these large, global hotel companies. For one, with each incremental franchise agreement issued, there are very few additional resources added to the existing system. Regulatory frameworks associated with franchising also favor uniformity of the platform, which also accommodates efficiencies. As such, the hotel companies with the most mature systems and related franchising platforms can operate with great speed in adding new units – more than one new hotel per day in the case of some of the larger hotel companies (Parkinson, 2022).

Thus, hotel companies are no longer owners of real estate, but have instead become branding and technology companies. Marriott initiated the “asset light” trend when it spun off its real estate into Host Marriott in 1993. Hilton was the most recent hotel company to shed its owned-assets estate when it split the company into three at the beginning of 2017: Hilton Grand Vacations, a timeshare company; Park Hotels & Resorts, a real estate investment trust; and Hilton, Inc., the hotel brand and management company.

The practice stems from the investment community influencing hotel companies to focus on what they do best – running hotels and leaving the management of brick and mortar to property owners that are singularly focused on administering the real estate. The concern is that decisions regarding capital allocation can get confused if several business units with different objectives are under one hospitality umbrella. Also influencing the migration to asset light is an increasingly sophisticated investment community with a high appetite for holding hotel assets.

Marriott’s Vision for Growth

The acquisition in 2016 of Starwood by Marriott was a watershed moment in many respects. For one, and in the opinion of this author, it signaled to the hotel industry that competitive advantage in the industry would be rooted in scale provided by brand proliferation. It also placed Marriott in a commanding position in terms of the number of hotel rooms, far ahead of its nearest competitor, Hilton. While Marriott seemed an unlikely suitor to acquire the Starwood portfolio at the time (because of the meaningful overlap of the two companies’ brands under a singular umbrella), in hindsight, it should not have been a surprise. To begin with, the acquisition was consistent with the Marriott vision of “one company many brands.” Furthermore, the company has an extensive legacy of acquiring brands as a growth strategy.

Marriott’s twenty-year buying spree began in 1995 with the acquisition of the Ritz-Carlton Hotel Company, which gave the company access to the luxury hotel sector, followed by the purchase of Renaissance from New World Development in 1997, which provided the company with significant representation in Asia. This was followed by strategic acquisitions in under-served geographic markets, comprising AC hotels of Spain, Delta hotels of Canada, and Protea in Africa. The Starwood acquisition was yet another example of the company’s appetite for using its capital to buy existing brands as a growth strategy.

The vision of the late Arne Sorenson, then CEO of Marriott, was that by adding the Starwood collection of brands to the Marriott portfolio, the company could gain meaningful efficiencies, as well as leverage over online travel agents. A meaningful reason for Arne Sorenson being elevated to the CEO position was Bill Marriott's assessment that Arne was thoughtful with a firm and commanding leadership style (Marriott, 2013). Arne demonstrates this by admitting that acquiring Starwood resulted in a portfolio of overlapping brands, but that the company was committed to making sense of the acquisition by developing a strategy for how the various brands would fit under the Marriott umbrella.

Accor's Vision for Growth

Accor is one of Europe's largest hospitality companies and historically has diversified into somewhat related lines of business, including investments into the rental car sector (Europcar) and casinos in France, both of which have since been divested. The company later consolidated the corporate vision with a singular focus on the hotel sector, leveraging a combination of organic creation of brand extensions and acquisition of existing brands/chains. The company added Sofitel So and Sofitel Legend in 2007, as well as MGallery by Sofitel in 2008, followed by the purchase of the Fairmont Raffles chain in 2016 as a means to gain scale in the North American market.

Under the leadership of the CEO, Sebastien Bazin, the company began to broaden its vision as an "experiential" hospitality company in response to the perceived disruption coming from Airbnb. As an important component of leadership, Bazin stresses the ability to try new things and think outside the box (Morgan, 2020). This penchant for innovation has led to strategic investments in the co-working space (WoJo), the home-sharing business (Onefinestay), and a concierge services provider (John Paul). Says Bazin, "through strategic partnerships we are now offering our hospitality expertise in new playing fields….targeting non-travelers by bringing hospitality outside the hotel," (AI, 2018). Accor has branded this vision as "Augmented Hospitality," focusing on a wider scope of "tailor-made services" that addresses lifestyle experiences in every aspect of "Live, Work and Play" (Skift, 2020).

Hilton's Vision for Growth

Hilton's M&A activity over the past two decades has been more limited in comparison to that of Marriott and Accor. The 1999 acquisition of the Promus Hotel Corporation was a watershed event for US-based Hilton Hotels Corporation in that it added a substantial portfolio of limited-service brands (Hampton Inn, Homewood Suites, and Embassy Suites) to a hotel company that was represented mostly by full-service hotels. It also provided a robust franchising platform to complement the management business for which the company was generally known.

Since then, Hilton has undertaken only one other acquisition play, but one that proved crucial to the growth strategy of the company. The purchase of Hilton International by Hilton Hotels Corporation in 2006 reunited two companies that had been separate entities for the better part of 40 years. This was significant in that it provided Hilton the opportunity to formulate a unified global strategy and compete more effectively within the sector. Since then, Hilton has adopted a distinctive vision for growth that focuses exclusively on the organic creation of new brands that add to its burgeoning portfolio.

This growth strategy stems from the preference of CEO Chris Nassetta for creating value through enterprise innovation, i.e. organic brand creation, rather than potentially overpaying for the intangible value of an existing brand in the marketplace. Beginning with the launch of the Home2 Suites brand in 2009, the company proceeded to create and roll out eight brand additions to the portfolio. This confidence in the ability to innovate in the hotel brand space is illustrated in an Associated Press interview of Chris Nassetta in January 2016, in which the CEO maintains that Hilton does not “need to merge or acquire another chain to compete” and would remain “focused on organic growth,” (Mayerowitz, 2016). This commitment to a vision for his company’s growth strategy is what characterizes his leadership style: drawing a clear picture of the direction he was taking the company.

Vision: A Fundamental Element of Effective Leadership

This article began with a quote from Chris Nassetta addressing leadership as leveraging vision, strategy, and culture. In fact, it is vision that is fundamental for effective strategy; without it, the enterprise will not know what the company is meant to be. If there is no vision, there cannot be strategy, and a firm will not know how to compete. Inherent in the leadership styles of each of the hospitality CEOs featured is an emphasis on vision: for Chris Nassetta it is a clear picture that his team can follow; for the late Arne Sorenson, it was a reliance on a firm idea of what the company stood for; and for Sebastien Barzen, it is an emphasis on innovation that has led to a broad vision of how the company operates in the hospitality space.

Acknowledgment

We would like to acknowledge JéAnna Abbott, Peter Bheda, Kaushik Vardharajan, and Mara Littman, for the peer review of this article. This article has been accepted for publication by Taylor Peyton and Priyanko Guchait, Editors of BHR's Leadership edition.

References

Accor & Skift. (2020, January 21). Augmented Hospitality is Changing the Way We Experience Cities. *Skift*. https://skift.com/2020/01/21/augmented-hospitality-is-changing-the-way-we-experience-cities/

AI. (2018, April 25). Accor Hotels: The Transition of a Hotel Brand to a Hospitality Platform or 'Augmented Hospitality.' *HBS Digital Initiative*. https://digital.hbs.edu/platform-digit/submission/accor-hotels-the-transition-of-a-hotel-brand-to-a-hospitality-platform-or-augmented-hospitality/

Marriott. (2022). *Our Story*. Marriott.com. https://www.marriott.com/about/culture-and-values/history.mi

Marriott, B. (2013, May) Marriott's Chief Executive on Choosing the First Nonfamily CEO. *Harvard Business Review*.

Mayerowitz, S. (2016, January 22). Hilton CEO Promises to Grow Without Mergers or Acquisitions. *Associated Press.*

Morgan, J. (2020, March 3). How Accor Hotels Sebastien Bazin Leads Across Generations. Jacob Morgan blog. https://medium.com/jacob-morgan/how-accorhotels-ceo-s%C3%A9bastien-bazin-leads-across-generations-62ef38baa83c

Parkinson, B. (2022, January 26). What Pandemic? Hilton Added More Than One Hotel Per Day In 2021. *Travel Pulse Canada*.

Smith, S. (2019, September 5). Here's Why Hilton Employees Love Working With CEO Chris Nassetta. *Associated Press*.