

Ritz carlton: total quality management



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In Fall 1992, Ritz-Carlton Hotel Co. became the first hotel company to win the Malcolm Baldrige National Quality Award. Ritz-Carlton implemented total quality management (TMQ) as a means of winning the award and improving its service. Patrick Mene joined Ritz-Carlton 3 years ago as corporate director of quality to coordinate and spearhead the company's TQM program. Mene explains issues concerning application of TQM to the hotel industry and applying for the Baldrige award. One of the planks of TQM – empowerment – was an easy step for Ritz-Carlton. Measurement was a difficult hurdle because the industry does not have service-quality benchmarks. Key product and service requirements of the travel consumer were translated into Ritz-Carlton Gold Standards, which include a credo, motto, 3 steps of service, and 20 “ Ritz-Carlton Basics.” Team building was also a time-consuming effort. Ritz-Carlton is now requiring its vendors also to apply TQM or a similar process.

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The search for sustained, competitive advantage in the hotel industry has become focused to a large degree on product and service quality. Achieving this quality on a consistent and low-cost basis, however, has proven to be an elusive target. In the past, managers have been provided with such techniques and programs as management by objectives (MBO), quality circles (QC), and organizational development (OD). Most recently, total quality management (TQM) has become a focus in many manufacturing and service industries, including the hotel industry.

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The drive for quality improvement has become a nationally recognized goal. To that end, the Malcolm Baldrige National Quality Award, established by Congress in 1987, recognizes U. S. companies that have achieved excellence through adherence to quality-improvement programs. Named for the late Secretary of Commerce, the award is administered by the Commerce Department's National Institute of Standards and Technology. The goals of the award are to promote quality awareness, recognize quality achievement of U. S. companies, and publicize successful quality strategies.

Companies participating in the award application process must submit comprehensive information on the quality-improvement programs they have implemented. The seven categories on which applicants are evaluated are leadership, information analysis, strategic quality planning, human-resource development and management, quality assurance, quality operating results, and customer satisfaction. Applications are graded on a 1, 000-point scale, and companies with the highest scores are visited by a team of quality examiners. The examiners submit their findings to a board of nine judges, who then provide feedback reports to applicants and select award recipients. Two awards may be granted yearly to companies in each of three categories: manufacturing, service, and small business. While award recipients are allowed to publicize and advertise their awards, they are also expected to share information about their successful quality strategies with other U. S. companies.(1)

In the first four years of its existence, 12 firms won the Malcolm Baldrige National Quality Award: eight came from manufacturing; three were in the small-business category; and only one, Federal Express, hailed from the

service sector. Certain aspects of the service encounter that are endemic to the hotel industry may make it difficult but not impossible to apply many of the management principles from other industries. Those aspects include the intangibility and perishability of the product, variability of delivery, simultaneous production and consumption of the service, and the changing needs and expectations of providers and users.(2) In a seminar held at the 1991 Annual CHRIE Conference in Houston, hospitality educators and industry professionals stated their belief that the hotel industry could successfully apply Baldrige award criteria and achieve performance levels needed to win the award.(3) That belief was substantiated on October 14, 1992, when the Ritz-Carlton Hotel Company was named a winner of the 1992 Baldrige award, making it the first hotel company to win this coveted honor.

In this article, I will relate the lessons of the Ritz-Carlton experience, based on an extensive interview with Patrick Mene, Ritz-Carlton's corporate director of quality. At the conclusion, I will discuss some of the issues relative to implementation of TQM in the hotel industry.

The contemporary Ritz-Carlton. The Ritz-Carlton Hotel Company is a management firm that develops and operates luxury hotels worldwide. It was formed in 1983 when Atlanta-based W. B. Johnson Properties purchased exclusive U. S. rights to the Ritz-Carlton trademark along with the Boston Ritz-Carlton Hotel. Today, under the leadership of William B. Johnson (CEO) and Horst Schulze (COO), the privately-owned company operates 27 hotels and resorts in the United States and Australia.(4) Its future international expansion plans include adding hotels in Hong Kong, Barcelona, and Cancun.

Ritz-Carlton also has nine international sales offices and employs 11, 500 people.

QUALITY-MANAGEMENT PROGRAM

Quality management begins with president and chief operating officer Schulze and the other 13 senior executives who make up the corporate steering committee and the senior quality-management team. They meet weekly to review product-and service-quality measures, guest satisfaction, market growth and development, organizational indicators, profits, and competitive status. Approximately one-fourth of each executive's time is devoted to quality-related matters.

Gold standards. Key product and service requirements of the travel consumer have been translated into Ritz-Carlton Gold Standards, which include a credo, motto, three steps of service, and 20 " Ritz-Carlton Basics" (see Exhibit 1). Each employee is expected to understand and adhere to these standards, which describe processes for solving problems guests may have as well as detailed grooming, housekeeping, and safety and efficiency standards.

To provide superior service, Ritz-Carlton created its targeted selection process to ensure a successful match of potential employees to employment. Upon being selected, new employees are versed on the corporate culture through a two-day orientation, followed by extensive on-the-job training, then job certification. Ritz-Carlton values are reinforced continuously by daily " line ups," frequent recognition for extraordinary achievement, and a

performance appraisal based on expectations explained during the orientation, training, and certification processes.

To ensure guests' problems are resolved quickly, workers are required to act at first notice—regardless of the type of problem or customer complaint. All employees are empowered to do whatever it takes to provide “ instant pacification.” No matter what their normal duties are, other employees must assist if aid is requested by a fellow worker who is responding to a guest's complaint or wish.

The responsibility for ensuring high-quality guest services and accommodations rests primarily with employees. Surveyed annually to ascertain their levels of satisfaction and understanding of quality standards, workers are keenly aware that excellence in guest services is a top hotel and personal priority. A full 96 percent of all employees surveyed in 1991 singled out this priority—even though the company had added 3, 000 new employees in the previous three years.

Detailed planning. At each level of the company—from corporate leaders to managers and employees in the individual work areas—teams are charged with setting objectives and devising action plans, which are reviewed by the corporate steering committee. In addition, each hotel has a designated quality leader, who serves as a resource and advocate as teams and workers develop and implement their quality plans. To cultivate employee commitment further, each work area is covered by three teams responsible for problem solving, strategic planning, and setting quality-certification standards for each position.

The benefits of detailed planning and the hands-on involvement of executives are evident during the seven days leading up to the opening of a new hotel. Rather than opening a hotel in phases, as is the practice in the industry, Ritz-Carlton aims to have everything right when the door opens to the first customer. A “ seven-day-countdown control plan” synchronizes all steps leading to the opening.(5) The company president and other senior leaders personally instruct new employees on the gold standards and quality management during a two-day orientation, and a specially selected start-up team composed of staff from the company’s other hotels ensures that all work areas, processes, and equipment are ready.

Quality data. Daily quality production reports, derived from data submitted from each of the 720 work areas in the hotel, serve as an early warning system for identifying problems that can impede progress toward meeting quality and customer-satisfaction goals. Coupled with quarterly summaries of guest and meeting-planner reactions, the combined data are compared with predetermined customer expectations to improve services. Among the data gathered and tracked over time are annual guest-room preventive-maintenance cycles, percentage of check-ins with no queuing, time spent to achieve industry-best clean-room appearance, and time to service an occupied guest room.

From automated building and safety systems to computerized reservation systems, Ritz-Carlton uses advanced technology to full advantage. For example, each employee is trained to note a guest’s likes and dislikes. Those data are entered in a computerized guest-history profile that provides

information on the preferences of 240, 000 repeat guests, resulting in more personalized service.

Quality results. The aim of these and other customer-focused measures is not simply to meet the expectations of guests but to provide them with a memorable visit. According to surveys conducted for Ritz-Carlton by an independent research firm, 92 to 97 percent of the company's guests leave with that impression. As a result of its quality program, Ritz-Carlton received 121 quality awards from the travel industry in 1991 alone, including: " Best Hotel Chain in the United States," by Zagat Travel Survey; " Index Award of Excellence," by Hotel and Travel Index, " Alfred Award" for Best Hotel Chain, by Corporate Travel; and " Top Hotel Chain in Ability to Service Meetings," by Successful Meetings.

PATRICK MENE AND TQM

Patrick Mene joined the Ritz-Carlton Hotel Company three years ago as corporate director of quality to coordinate and spearhead the company's TQM program. Prior to joining Ritz-Carlton, he was with L'Hermitage Hotels in Los Angeles and served as general manager of the Le Bel-Age. He has also been associated with Hyatt Hotels, Westin International, and Omni Hotels. He brings to his position a comprehensive knowledge of all aspects of the hotel industry, from operations to food and beverage and management training.

In Mene's view, Ritz-Carlton's approach to the Baldrige award began long before the award was established and before anyone had heard of TQM. " About eight years ago Ritz-Carlton set out to be a single supplier of luxury properties that met Mobil's and AAA's highest standards. Six years later, we

had achieved recognition from those independent rating organizations as the only hotel company that consistently met their highest standards,” he said. Now, Ritz-Carlton is the benchmark used by AAA and Mobil in rating lodging properties.

“ At that point, company president Horst Schulze shook us to our foundations one day when he told us, ‘ You know what? We’re a lucky, bloody six, on a scale of one to ten.’ What he was saying was that all of our customers were still not being satisfied all the time,” Mene said.

He said that despite a desire to find areas of improvement and a strong quality-based culture, the company had run out of ideas for how to improve. “ We went to several of our main customers and independent quality-rating organizations,” Mene recalled. “ They suggested turning to the Baldrige criteria for guidance. Those criteria were hard to understand, and at first we didn’t think they were relevant to our business. We gradually realized the award criteria could serve as a road map for quality improvement.”

“ I think it is important that everyone understands we were not a classic TQM company to begin with,” Mene added. “ Despite our culture and obsession with quality improvement, we were not a classic TQM company and I don’t even know to this day if we are, although we certainly apply many of the principles. We aren’t as statistically controlled as some of the more traditional TQM companies, but we are beginning to move more and more in that direction.”

EMPOWERMENT

One of the planks of TQM, empowerment, was an easy step for Ritz-Carlton, Mene said. “ To us, empowerment means giving employees the responsibility for solving guests’ problems. We found that happens in two stages if you’re staying at a hotel and you encounter a problem or something is wrong. In stage one, the employee will have to break away from his or her normal routine to take an immediate positive action, to investigate what went wrong, and straighten it out.”

Breaking away is not exactly the proper term, since solving guests’ problems is a major consideration in guest service. Mene explained, “ We would rather have a guestroom attendant, for example, deal with fixing a guest’s problem on the spot rather than having the director of marketing fix it later. It’s the 1-10-100 rule that we believe in: What costs you a dollar to fix today will cost \$10 to fix tomorrow and \$100 to fix downstream.”

Teamwork. Building a team approach did occasion some resistance from managers, because of its novelty. Employees met as teams to spot problem patterns, prioritize problems, and develop measures to prevent their recurrence. “ This was the phase that was completely new to us,” Mene said. “ The way we addressed managerial concerns was by involving all the managers in a review process. Later, we went on to create strategic planning teams where every level of the organization was charged with the responsibility to set goals and action plans. We allowed the managers to sit in on review boards and study each team’s objectives and plans. Of course, they had some training on what to look for. The managers came to see their role as still responsible for objectives and solutions and to ensure they were

adequately researched and funded, but with input and involvement from employees.”

Mene said the company has learned that not everyone wants the responsibility of being on a strategic-planning team and that some managers are better suited to a team approach—particularly as facilitator or coach—than others. “ We use screening methods in hiring to determine who shares in our values, and we use predictive instruments to tell if people are well suited to teamwork. That’s a breakthrough,” he said. “ We also spent more time building the relationship of the team. We took for granted that if you were already a good Ritz-Carlton employee, you already understood our concept of lateral service. So when we put a group of cross-functional people together in a team, we figured they would just naturally work together as a team and go forward. But what we found was that we had to spend more time to allow the team members to get to know each other and learn how to build and maintain support before they could really get the kind of improvement we wanted. Let’s just say that we learned how to better build and maintain our teams.”

FEEDBACK

Winning the Baldrige award turns out to be a “ good-news, bad-news” situation. A month or two after winning the award, Ritz-Carlton received a feedback report suggesting 75 areas of improvement. The next step, Mene said, was to go right back after defects. “ We announced to the employees that by 1996, and this one really shook them, we wanted to reduce the cycle time (the time between identifying a guest’s need and satisfying that need)

by 50 percent, and we also wanted to set an objective of 100-percent customer retention. So, we actually set goals of enormous magnitude right on the heels of winning the Baldrige, long-range quality goals. What I think got people's attention was that not only did we have new high-quality goals, but we weren't stopping at Baldrige. We wanted the highest level of quality." Ritz-Carlton did not target such traditional goals as occupancy rate because the company expects the focus on quality goals will develop quality production that will drive the financial outcome. " That was a real shock to our employees," Mene said. " Whether we end up with the highest average rate and occupancy I don't know, but we will have the most efficient system to satisfy customers."

SUPPLIERS, TOO

Ritz-Carlton is now working with its suppliers for quality management. The firm has developed supplier certification, by which the company not only measures how often suppliers meet specifications on time, but how well they improve their cycle time from order to delivery. " If they don't have the willingness to do that we can no longer do business with them," Mene warned. " We want to see which suppliers are best able to meet our quantity needs, and which will meet our quality needs by doing an internal assessment or by applying for the Baldrige award themselves."

The internal assessment involves a rigorous 100-question internal audit of suppliers' capabilities, plus a survey of the people who use their products and services, including purchasing agents, accounting personnel, sales persons, and hotel guests, who also rate the quality of those suppliers'

products and services. Ritz-Carlton ranks the suppliers based on a score developed from the supplier audits and user surveys. The goal is to get suppliers to advance through a certification program to become a fully integrated partner.

“ Most of our suppliers are already involved in this approach and they’re happy to share with us their capabilities, but we have all sorts of other suppliers showing up and saying, ‘ Look at me, look at what I can do.’ So I think the response to our program has been good,” Mene said.

HUMAN RESOURCES

Ritz-Carlton completely integrates human resources and operations, so that an outside observer might be hard pressed to figure out who were the human-resources people and who were the operations people, Mene observed. Human-resources and operations personnel work together to select, orient, train, and certify employees. They also ensure that the employees remain deeply involved in running the business, since every level of the organization is charged with the responsibility of setting goals and objectives.

Appraisal. “ Our quality performance standards are also established by employees through their work teams in each area of the hotel,” Mene said. “ This leads me to our performance-appraisal system, in which we hold our people responsible only for the things they can control. Appraisal is based on the things that we told employees were important during their orientation– the gold standards. Once our employees become certified, performance appraisals are nothing more than a recertification, so that training can

become a continuous process. We also ask our people to contribute to the process by identifying problems and working to solve them.”

ADVICE FOR EDUCATORS

Mene had the following thoughts for educators: “ The education establishment needs to recognize that quality is a whole new branch of knowledge, and it has to be taught to the students as an entirely separate concept. I don’t even know if it should be a separate course or something that is inculcated throughout the curriculum. I really believe the manager of the future must be a generalist. I don’t think we teach students enough about interpersonal relationships or how to build and maintain a team approach.(6)

“ I think we should teach them less about finances and more about quality. We’ve got to get them off the financial agenda. You cannot improve a company’s financial performance merely by focusing on finances. So, we can no longer say to human-resources people that they be responsible for personnel, and to controllers that they be responsible for finances. Future managers, and employees to a different extent, have to know and be responsible for quality, relationships, and finances.”

ADVICE FOR INDUSTRY

To make quality work successfully, the president and senior leaders must initiate and drive the process, Mene believes. “ The quality culture has got to be there, and top leaders help to set that. It’s also important to understand the criteria before starting, because it may seem irrelevant to the typical

hotel. Guidebooks and TQM seminars can be helpful. An application committee should be formed to assess the current situation and implement the TQM process. Our committee was divided into seven subcommittees based on the seven examination areas in the Baldrige application, with a senior manager as leader for each area. Developing a detailed plan or work flow similar to opening a new hotel is extremely important for the purpose of completing the Baldrige application itself. The application process of drafting the report and then reviewing, editing, publishing, printing, and defending it is a major undertaking. I recommend using a professional editing team, because you are publishing a book, make no mistake about it. I also suggest editing the final document in a business-center environment, like a retreat, where you get your editing team together for a week to lock yourself down and just go through the iterations. The editing process is bigger than one might imagine. Finally, I believe you ought to challenge your organization with an extraordinary goal. The goal to improve by using the application as a guide for self-assessment and developing a quality program should outweigh the goal of wanting to win the Baldrige award.

IMPLICATIONS OF THE RITZ-CARLTON EXPERIENCE

The Ritz-Carlton case demonstrates that the hotel industry can apply Baldrige-award criteria to develop a successful quality program just like other firms in the manufacturing and service industries. The chief mechanism for ensuring the steady quality improvement required by the Baldrige award is empowering employees, which means giving them the authority to identify and solve customer problems on the spot and to improve work processes. A corollary of empowerment is that employees

should be able to make modest changes in normal procedures, especially in resolving a guest's complaint. Ritz-Carlton, for instance, allows each individual employee to spend up to \$2, 000 to satisfy a guest. As Patrick Mene so aptly put it, " Ritz-Carlton employees know that from day one they are empowered to break away from their normal routines whenever they see a problem to bring that problem under control." For empowerment to have a positive effect, however, employees must also have the knowledge and skills to use their authority well. That requires training not only in quality concepts and quality control tools and techniques, but also in how to do the job and how to work together as a team.(7)

Another lesson learned from Ritz-Carlton's quality effort is that hotel companies can achieve excellence in quality improvement without using the sophisticated statistical techniques normally associated with manufacturing companies. Although many persons feel that the precisely measured Baldrige criteria favor manufacturing, the award does not require companies to use computer-generated statistical techniques. Companies are required, however, to collect and analyze information related to customer satisfaction, quality of products and services, cycle-time reduction, and financial and employee-related performance, and to make comparisons with competitors and industry benchmarks.

In fact, measuring quality is one spot where Ritz-Carlton encountered problems. In our conversation, Patrick Mene expressed how difficult it was to find quality-related information on the industry. Except for financial data, neither single competitors nor the industry as a whole was tracking quality-assessment information. The need to change current systems of information

gathering and analysis to focus more on quality and data related to customer satisfaction will be a challenge to other hotel companies in planning their quality programs. Ritz-Carlton's lesson was that it needed immediate responses throughout the system and accessible to all employees, just to keep pace with ever-changing customer demands.

The Ritz-Carlton experience also offers lessons for other hotel companies interested in pursuing the Malcolm Baldrige National Quality Award. For the Ritz-Carlton, winning the Baldrige has been a double-edged sword. On the one hand, the award is a crowning achievement for employees on their successful development and implementation of TQM. It has also been effective in solidifying the company's position as a leader in the luxury hotel market and in generating business from companies interested in doing business with a Baldrige award winner. On the other hand, the number of requests for presentations, appearances, tours, and general information being placed on Ritz-Carlton's executives and staff has been staggering—over 600 in the first three months of 1993 alone. Patrick Mene admitted to spending more than 50 percent of his time traveling and making presentations on Ritz-Carlton's quality program and the Baldrige experience. Although the award winners are not required to respond to such demands, they are expected to support the quality movement by sharing what they have learned with others.

Mene would change nothing, though. The chain's representatives no longer have to convince prospective clients that its properties offer a high-quality guest experience. " People need to understand the economics of quality," Mene warned. " When you don't satisfy all the customers all the time it can

cost you a fortune. So we found the benefits more than outweighed any problems. A quality approach to running a business is the most cost-effective, least capital-intensive path to profitability. I have nothing but positive things to say, and I've spent several years of my life on this."

In light of the substantial effort and actual costs involved in competing for the Baldrige award, not to mention a hefty up-front application fee (\$4, 000), hotel companies may want to consider whether they really want to try for the award itself. Companies that seek the award merely to gain publicity or prestige will find that such pursuits usually do not withstand the scrutiny that examiners give each applicant.(8) The real danger lies in becoming more concerned with winning the award than with quality improvement.(9) Today, Baldrige-award winners typically spend several years working on TQM before even applying for the award, and on that score, Ritz-Carlton's "born at birth" philosophy to quality appears to be prescient.

Ritz-Carlton's experience with TQM and the Malcolm Baldrige National Quality Award provides valuable lessons for any hotel company. The hotel industry today is being challenged by a sluggish economy, increased multinational competition, and a more-sophisticated and demanding customer. How these issues are addressed may very well determine the difference between success and failure. While approaches to TQM can vary depending on an organization's unique circumstances and characteristics, the Baldrige-award criteria serve as a useful guide for setting up and monitoring a quality-improvement program.

If the Ritz-Carlton experience teaches us anything, it's that a focus on customer satisfaction must be built into the management processes of the organization and supported through an integrated system of information analysis, total employee participation, training, and the continuous effort to improve service and product quality.

1 Most of the information presented here is adapted from the 1992 Award

Criteria: Malcolm Baldrige National Quality Award. To obtain a copy at no cost, contact: Malcolm Baldrige National Quality Award, National Institute of Standards and Technology Gaithersburg, MD 20899 (telephone: 301-975-2036).

2 Robert C. Lewis and Richard E. Chambers, *Marketing Leadership in Hospitality: Foundations and Practices* (New York: Van Nostrand Reinhold, 1989), pp. 39-49.

3 R. Dan Beid and Melvin Sandler, "An Evaluation of the Baldrige Award and Its Implications for the Hotel Industry," abstracted in 1991 Annual CHRIE Conference Proceedings (Washington, DC), pp. 256-257.

4 For comments from Horst Schulze, see: Kenneth R. Greger and Glenn R. Withiam, "The View from the Helm: Hotel Execs Examine the Industry," *The Cornell Hotel and Restaurant Administration Quarterly*, 32, No. 3 (October 1991), pp. 18-36.

5 See: William E. Kent, "Putting Up the Ritz: Using Culture to Open a Hotel," *The Cornell Hotel and Restaurant Administration Quarterly*, 31, No. 3 (November 1990), pp. 16-24.

6 These statements are congruent with the findings of the stakeholder survey discussed by Cathy Enz, Leo Renaghan, and A. Neal Geller in “Graduate-Level

Education: A Survey of Stakeholders,” in this issue’s Educators’ Forum.

7 For empowerment to be effective, employees must also be enabled. That is why Deming emphasized the need for training and education in his principles of TQM. Deming’s ideas are presented in: Mary Walton, *The Deming Management Model* (New York: Putnam/Perigee, 1986).

8 Marshall Sashkin and Kenneth J. Kiser, *Total Quality Management* (Seabrook, Maryland: Ducochon Press, 1991), pp. 159-167.

9 Jeremy Main, “Is the Baldrige Overblown?,” *Fortune*, July 1, 1991, pp 62-65.

EXHIBIT 1

THE RITZ-CARLTON “GOLD STANDARDS”

THE RITZ-CARLTON CREDO

The Ritz-Carlton is a place where the genuine care and comfort of our guests is our highest mission. We pledge to provide the best 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.

THE RITZ-CARLTON MOTTO

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“ We are Ladies and Gentlemen serving Ladies and Gentlemen.” Practice teamwork and “ lateral service” (i. e., employe-to-employee contact) to create a positive work environment.

THREE STEPS OF SERVICE

1. A warm and sincere greeting. Use the guest’s name, if and when possible.
2. Anticipation and compliance with guest needs.
3. Fond farewell. Give guests a warm good-bye and use their names, if and when possible.

THE RITZ-CARLTON “ BASICS”

1. The Credo will be known, owned, and energized by all employees.
2. The three steps of service shall be practiced by all employees.
3. All employees will successfully complete Training Certification to ensure they understand how to perform to The Ritz-Carlton standards in their position.
4. Each employee will understand their work area and hotel goals as established in each strategic plan.
5. All employees will know the needs of their internal and external customers (guests and fellow employees) so that we may deliver the products and services they expect. Use guest preference pads to record specific needs.

6. Each employee will continuously identify defects (Mr. BIV": Mistakes, Rework, Breakdowns, Inefficiencies, and Variations) throughout the hotel.

7. Any employee who receives a customer complain