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“THE UNSEEN BUT DECISIVE FACTOR IN ENTREPRENEURIAL SUCCESS”

Ladies and gentlemen:

It has been suggested that I talk to you about entrepreneurship: how a little Canadian company with one small motel in a somewhat seedy area of Toronto, could become, in a relatively short time, the leading luxury hotel group worldwide. At least that's how analysts have been putting it, and, of course, I don't dispute it. Though 40-plus years, to me, doesn't seem like such a short time.

Well, I didn't set out to be an entrepreneur. In fact, as a young builder I can't recall ever hearing the term. But if entrepreneurship is coming up with a new idea, accepting the risk and making it work, then I guess that's what I am.

Now I realize it's currently trendy for a company's founder to start with vision. And often over the years I've been asked, what was my vision of Four Seasons when I first started? What was my grand dream?

Well, to be honest, there was no vision. No grand dream. I was just trying to put one deal together. A concept of combining the informality of a motel with the convenience of a downtown hotel. And if I'd thought then that it would take five years to sell that idea, well, I'd probably have kept on building houses.

And when the Four Seasons Motor Hotel finally opened, my vision of the future was to take in enough cash today to pay yesterday's bills. And as for risk, well, if my tradesmen hadn't trusted me enough to wait for their final pay cheques until the hotel was making money, I wouldn't be standing here talking to you today. Talk of creative financing, ninety-five per cent of everything was either borrowed or leased.

Now, over the years I've often been asked which is my favourite hotel. And because I've played a part in creating every hotel and because, like our children, each is a favourite, though all different, my answer has always been, "The hotel I'm in is the favourite of the day." And that is really the case.

But if the question was, which hotel has been the most important, then there is only one answer. That is the Four Seasons London, England, formerly the Inn On The Park. A hotel we built and opened in 1970. It not only gave me the insight as to what we should do as a company, it was an instant success, and has always generated good profit and paid for a lot of my mistakes. But also, and as important, was my experience of making that deal.

Let me share with you a little history.

Our negotiations spanned several years. Flying overnight to London. Meeting and leaving the next day. Coming back thinking, "It's over". Having them call and say, "We're still interested." And this went on and on and on. One day Sir Gerald Glover, the associate I negotiated with said, "Next time, my boy, you really must bring your wife." So the two of us flew over for dinner. A formal dinner in his town home with about 10 business associates.

After dinner the cigars were passed and, surprisingly, offered to Rosalie. I couldn't believe it when she said, "Oh yes, thank you," and held the cigar aloft as if to smoke it. What did she know about this deal that I didn't?

Then, when the butler came round with a light, she put the cigar in her purse saying, "No thanks, I'll have it later". Everyone laughed. Rosalie, just being her playful self, probably cemented the deal.

But that London hotel, illustrates two primary aspects of entrepreneurship.

One, of course, is exceptional risk. My new London partners wanted a mid-priced hotel of 320 rooms. I held out for a luxury hotel of 230 rooms: luxury without formality, service without a class attitude. Glover's people said it could never compete with London's world-famous hotels. But when I said I would pay them the same rent they expected from 320 rooms, they went along with me. Though they called me "the crazy Canadian" and said I'd go broke.

Of course, had our London venture failed they would have been right, and I'm sometimes asked how one controls the fear of failure.

The answer, of course, is you don't. You never think of failure. You're well aware of the risks, but you think only of succeeding. You're concentrated on succeeding and convinced you can win. It's an intuitive conviction embedded in self-belief, which gives you the self-assurance and perseverance to succeed despite all doubters and difficulties.

From the first year it opened, that London property has probably been one of the world's most consistently profitable hotels. But much more significant was the pleasure I took in running it. It made me realize what I really wanted to do, and that was to develop and operate only mid-sized hotels of exceptional quality.

Years later, I asked Sir Gerald, "How could you trust me with such an important project when you knew I didn't have the wherewithal to cover my obligation if things didn't work?"

He said, "My dear boy, over time you make a judgment about people. You develop a belief and a trust - the foundation of all relationships." You see. Those meetings hadn't been all about business per se. They were about the foundation of business: trustworthy relationships.

Experience has long convinced me that he was right. It was our go-ahead in London, gained by trust, that set us on an entrepreneurial course: to be the best wherever we locate: a goal and a purpose beyond making money that all our people could relate to.

By 1978 we were in every Canadian city big enough to support a five-star hotel. To grow without lowering quality we had to go for broke in the big league, an American market dominated by giant chains.

We knew we had to set ourselves apart. We had already upgraded five-star standards: aesthetics, convenience, comfort; every aspect of every room, from the softest towels to the quietest plumbing.

We also expanded the use of the bedroom for business with two telephone lines and a well-lighted big desk. We became the leader in innovation, the first in many things. Like 24-hour room service, bathrobes, make-up mirrors, hair dryers, overnight laundry, pressing and shoe shining and many, many more. All popular ideas, but very quickly and widely copied.

But we needed something more. So we studied, surveyed and listened to our customers. Most were business executives, often pressured by time and the need to be productive. Luxury was seen then chiefly as architecture and decor. We decided to redefine luxury as service, a support system to fill in for the one left at home and the office.

That customer-service strategy made our customer-employee contact the most meaningful of all our working relationships. And that customer-service focus helped us foresee changes and trends. Kept our priorities straight, challenged employees. And gave us growth in the U.S.

But with new employees came problems of control.

We had always had an implicit operating philosophy. So in 1982, as we expanded, I decided to make it explicit. Spell out our goals, beliefs and values. Tell everyone how to act. Give us a reference point from which to ask: "Does this deal, this decision, this action, square with our values?" In essence, to deal with others - partners, customers, co-workers, everyone - as we would want them to deal with us.

I tried to put this into a few words and took it to our senior people. Some scoffed, called it trite and unnecessary. Some agreed, but only in principle, implying no intention of acting it out. That worried me. Unless all our executives shared the same values, we'd be working at cross-purposes. Employees, even then, believed only what they saw. If we were seen showing greater concern for profit, prestige or quotas than for customers and employees there would be no belief in our values. No wholehearted commitment. And we'd be communicating across a trust gap.

I sat down with our public relations director and detailed a formal credo based on the Golden Rule. The cornerstone of what would later be called our corporate culture.

There was nothing new about this, of course. Even back then, such credos were common - though seldom believed. What was new was that we enforced it. Senior managers who couldn't or wouldn't walk the talk were all winnowed out within a few years.

It was a painful process, personally distressing. And perhaps the hardest thing I ever did. But the fastest way for management to destroy its credibility is to say employees come first and be seen putting them last. Better not to profess any values than not live up to them.

Concurrently, we made another decision, a low-risk financial strategy: shifting investment in hotel ownership to investment in management expertise. Our vision had now evolved. We would create a reputation for service so clear in people's minds that the Four Seasons name would become an asset of far greater value than bricks and mortar.

Conceiving a vision and strategy is relatively easy. The hard part was selling it: getting it across to design staff, purchasing people, and engineers. Getting it down to the bottom: bellmen, waiters, chambermaids, dishwashers, the lowest-paid and traditionally our least-motivated people, but the ones who can make or break a five-star reputation.

I became an evangelist, preaching the gospel of service every hour of every day on every trip to every hotel. Continuously restating it. Clarifying it. Developing it. Reinforcing it by rewarding and celebrating outstanding performance. Focussing employees at every level on one priority: giving customers added value through service. When I was a young builder, I worked side by side with my crew, digging ditches, pouring concrete in the rain. And when I had to leave they would go on working as if I was there. An attitude based on mutual respect and trust.

This was the attitude I wanted to develop in Four Seasons. First, by hiring more for attitude than experience. Then by establishing career paths and promotion from within. By paying as much attention to employee complaints as to guest complaints. By upgrading employee facilities whenever we upgraded a hotel. By disallowing class distinction in cafeterias and parking lots. By pushing responsibility down and encouraging self-discipline. By setting performance standards high and holding people accountable. And most of all by adhering to our credo of generating trust.

By the late 80s, service was being depicted in the media as "the ultimate strategic imperative for the 90s." And providing it had become our core competence. Year after year, in the annual surveys of the best hotels in North America, customers were putting us in first place, slowly equating our name with outstanding service.

By the end of this year, we'll have 70 hotels in 32 countries, each hotel a showpiece of outstanding quality. Irreplaceable buildings in irreplaceable locations. All built to retain their appeal, not for five, ten or twenty years, but at the very least for the next half-century.

And this was not growth based, as some used to say, on "location, location, location." This was growth due primarily to employee commitment and, fundamentally, to belief. Belief that a fully-committed workforce is a company's greatest asset.

I know this is not the prevailing view today. With so many companies exporting jobs abroad by the thousands and simultaneously laying off employees, a committed workforce is more often seen as an oxymoron.

But every day, in every hotel, our employees confirm our belief in their value by consistently delivering error-free service. And it's this consistency that has proven to be what every company dreams of: a sustainable competitive advantage.

The conclusive test of this assertion came with Sept. 11. We had just completed the best year in our history, when our industry was plunged into the deepest slump since the great depression. Many people stopped flying. The airlines were devastated. For hoteliers the outlook was bleak.

It was a time for critical decisions. Other hotel companies were focussed on squeezing costs, cutting staff, cutting product standards, cutting everything.

Well, we set a different course of action. We believed the downturn would be relatively short term. So we're not going to change the product. And we're not going to get into a discount war. And we're not going to let people go. We're going to continue to give our customers what they expect. And we're going to do it in the most cost-effective way by being creative." Control without compromise. That was our direction to all our hotels, a strategy most other companies greeted with skepticism.

And our people rose to the challenge. Employees voted almost unanimously to work, temporarily, four days a week instead of five, and to do whatever job was required.

And as a result, we came through our industry's worst crisis ever with heightened credibility. And not only did we maintain our highest-ever rate structure while other hotels were discounting rates, our market share actually increased and, most important, our profit margins are still one of the best in the industry, making us, indisputably, the world's leading luxury chain.

For 15 years Jim Collins, a distinguished management consultant and best-selling author, has been studying how merely good companies become great, and recently, in a National Post column, he summed up his conclusions. "Great companies," he wrote, "first build a culture of discipline... and create a business model that fits squarely in the intersection of three circles: what they can be best in the world at, a deep understanding of their economic engine, and the core values they hold with deep passion."

I would suggest that Collins is describing, in exact detail, our business model. We have built an economic engine of exceptional service by understanding our customers' needs, and we've made it the best in the world. And we maintain and perfect it through a culture based on the deeply-felt core values embodied in the Golden Rule.

The Golden Rule is not, as some may think, applicable only to Boy Scouts and Girl Guides. This is surely the most profound behavioural statement ever made, a universal principle compressed to one simple sentence. An internalized control system, telling everyone how they should act, integrating and guiding the company anywhere in the world. The greatest integrator of trust ever devised.

Trust is the unseen and often overlooked determinant of corporate success. It's the tie that binds. It builds community spirit, certifying communication and fostering teamwork. It permits constructive dissent. It's the essence of the brand-name, a synonym for customer loyalty. And it's the sum of our reputation, which precedes us in every transaction.

I believe that corporations, like nations, are held together by values in common, and like nations, grow or decay on the level of trust. And I would suggest that trust is more urgently needed today than in any past period I can recall, and most especially for an entrepreneur venturing off the beaten track. As Aristotle put it succinctly 2300-odd years ago, "In essentials, unity; in action, freedom; and in all things, trust."

Thank you.