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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) midsize 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 Crawl, 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 Crawl, 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 became 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 rediscovering 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

regulations. "The French are very particular about, for example, fire regulations, but the fire department would not come in and inspect until everything else was complete," a manager said.

Becoming a French Employer

Entering the French hospitality market meant becoming a French employer, which implied understanding French labor laws, business culture, and national idiosyncrasies.

Rules

France's leaders maintained social equity with laws, tax policies, and social spending that reduced income disparity and the impact of free markets on public health and welfare.² France's tax burden, 45% of GDP in 1998, was 3% higher than the European average—and 8% higher than the OECD average. An additional burden on employers was the 1999 reduction of the workweek to 35 hours. Unemployment and retirement benefits were generous.

The country was also known for its strong unions.³ A French manager pointed out, "In France, one still finds a certain dose of antagonism between employees and management." The political party of the union that was strongest at the F. S. George V garnered nearly 10% of votes in the first round of the 2002 French presidential election with the rallying cry, "Employees fight the bosses!"

Four Seasons management was not unfamiliar with labor-oriented government policy. Young explained that "Canada has many attributes of a welfare state, so our Canadian roots made it easier to deal with such a context." Corinthios added, "If you look at the challenges of operating in France, they have labor laws that are restrictive, but not prohibitive. The laws are not the same as, for example, in Chicago. You just need to be more informed about them." The laws did give employers some flexibility, allowing them to work someone a little more during peak business periods and less during a lull. A housekeeper, for example, might work 40-hour weeks in the summer in exchange for a few 30-hour weeks in the late fall. Furthermore, French employers could hire 10% to 15% of staff on a "temporary," seasonal basis.

A particularly tricky area of labor management in France involved terminations. "Wherever we operate in the world," a Four Seasons manager explained, "we do not fire at will. There is due process. There is no surprise. There is counseling. So, Paris isn't that different, except to have the termination stick is more challenging because you really need a very, *very* good cause and to document *everything* carefully. If you have one gap in the documentation, you will have to rehire the terminated employee."

National and Organizational Culture

Geert Hofstede's seminal work, *Culture's Consequences*,⁴ indicated a great disparity between North American (U.S. and Canadian) national culture and that of France.⁵ Four Seasons managers agreed; Corinthios identified attitudes on performance evaluation as one difference:

European and Middle Eastern managers have a hard time sitting across from people they supervise and talking about their weaknesses. The culture is not confrontational. It is more congenial and positive. It is very important to save face and preserve the dignity of the person being reviewed. Some Four Seasons managers using standard forms might even delete certain sections or questions or reprogram them in different languages.

For Didier Le Calvez, general manager of the F. S. George V and recently appointed regional vice president, another significant difference was the degree to which middle and front-line managers felt accountable. "The greatest challenge in France is to get managers to take accountability for decisions and policies," he said. "In the French hierarchical system, there is a strong tendency to refer things to the boss."

Le Calvez was also surprised by managers' poor understanding of human resource issues. In France, when a manager had a problem with an employee, the issue generally was referred to the human resources department. "We, at Four Seasons, require that operating managers be present, deal with the issue, and lead the discussion."

Saint Thomas the Skeptic

When reflecting on their experiences with employees in France, several Four Seasons managers mentioned Saint Thomas ("doubting Thomas"). "They must see it to believe it," Le Calvez explained. "They do not take things at face value. They also tend to wait on the sidelines—once they see that something works, they come out of their shells and follow the movement." A Four Seasons manager continued:

Most of the workforce in France did not know what Four Seasons was all about. For example, they did not think we were serious about the Golden Rule. They thought it was way too American. Initially, there were some eyebrows raised. Because of this skepticism, when we entered France, we came on our tiptoes, without wanting to give anyone a lecture. I think *how* we came in was almost as important as *what* we did.

More Differences

For several Four Seasons managers, working in France required a "bigger cultural adjustment" than had been necessary in other countries. "In France, I always knew that I would be a foreigner," a manager explained. "It took me a while to adjust to the French way." "There is simply an incredible pride in being French," added another. "The French have a very emotional way of doing things," an F. S. George V manager explained. "This can be good and bad. The good side is that they can be very joyous and engaging. On the bad side, sometimes the French temper lashes out."

According to Four Seasons managers, what was referred to in the cultural research literature as the French "logic of honor"⁶ was strong. While it would be degrading to be "in the service of" (*au service de*) anybody, especially the boss, it was honorable to "give service" (*rendre service*), with magnanimity, if asked to do so with due ceremony. In this context, management required a great deal of tact and judgment.

Managing differing perceptions of time could also be a challenge for North Americans in France. North Americans have been characterized by cultural researchers as having a "monochronic" culture based on a high degree of scheduling and an elaborate code of behavior built around promptness in meeting obligations and appointments.⁷ In contrast, the French were said to be "polychronic," valuing human relationships and interactions over arbitrary schedules and appointments. These differences created predictable patterns, summarized in **Exhibit 8**.

Cultural Renovation at the F.S. George V

Young noted:

When we explored options for refashioning the George V into a Four Seasons hotel we realized that without being able to start from scratch, the task would be Herculean. The existing culture was inconsistent with ours. In a North American environment you can decide whom to keep after an acquisition at a cost you can determine in advance on the basis of case law. In France, the only certainty is that you cannot replace the employees. You are acquiring the entity as a going concern. Unless you do certain things, you simply inherit the employees, including their legal rights based on prior service.

To be able to reduce headcount, by law an enterprise had to plan to be closed for over 18 months. Because the F.S. George V owner wanted the renovation to be complete in 12 months, staff were guaranteed a position with Four Seasons unless they chose to leave.⁸ "Many of the best employees easily found other jobs, while the most disruptive were still there when the hotel reopened," Young said. "The number of people we really didn't want was somewhere in the region of 40 out of 300 coming back on reopening."

Young provided an example of the cultural problems Four Seasons found: "During the due diligence process the former general manager went to lunch with one of our senior staff. Even though guests were waiting, the maitre d' immediately tried to escort the general manager and his party to the general manager's customary table. At Four Seasons this is seen as an abuse of privilege. For us, 'the guest always comes first.'"

Fortunately, in taking over The Pierre in New York in 1981, Four Seasons had been through a similar process. As a senior Four Seasons manager recalled, "Shortly after we bought The Pierre, a bell captain lamented that the times of the big steamer trunks were over. The staff had not adjusted to jet travel, despite its prevalence for two decades. This is the same kind of recalibration we had to do at the George V."

Apples and Oranges

The Four Seasons had developed a specific approach to cultural transformation in acquired properties with existing staffing. Young elaborated:

If we can achieve a critical mass of individuals among the workforce committed to doing things differently, to meeting our standards, that critical mass overcomes the resistance of what becomes a diminishing old guard. Progressively, that old guard loses some of its power. If one rotten apple can ruin the barrel, then you have to seed the organization with oranges that cannot be spoiled by the apples. As a result, a departing old-guard employee is *very* carefully replaced. Concurrently, individuals with the right culture and attitude are promoted. That creates a new culture, bit by bit by bit. At the F. S. George V, we also appealed to the national pride of our staff to help us restore a French landmark—restore the pride of France.

"Un Boss Franco-Français"

To effect this cultural change, Four Seasons chose Le Calvez to be general manager. Described as both demanding and "Franco-Français,"⁹ an expression describing someone or something "unequivocally French," Le Calvez brought extensive Four Seasons and North American experience.

Prior to opening the Regent Hotel in Singapore, he had spent 25 years outside France, including 11 years at The Pierre in New York.

Young commented on the choice of Le Calvez: "The choice of senior leadership is absolutely critical. Adherence to our values and operational goals has to be extremely strong. Hotel openings require a lot of patience and tolerance because results are likely to be less positive as you manage through periods of major change."

"The hotel's culture is embodied in the general manager," an F.S. George V manager noted. In a country where people typically referred to each other as Monsieur and Madame with their last name, Le Calvez encouraged the use of the first name. "It is more direct, relaxed, and straightforward. It represents the kind of relationship I want to have with my staff," he stated.

The Task Force

To help Le Calvez and his team "Four Seasonize" the F. S. George V staff and ensure a smooth opening, Four Seasons assigned a 35-person task force, as it did for every new property. The task force, composed of experienced Four Seasons managers and staff, reflected the operating needs of each property. For example, if an experienced room service manager had already transferred to the opening property, those skills would not be brought in via the task force. A manager noted:

The task force helps establish norms and helps people understand how Four Seasons does things. Members listen for problems and innuendoes, communicate the right information to all, and squash rumors, especially when there are cultural sensitivities. The task force also helps physically getting the property up and running. Finally, being part of the task force exposes managers—who may one day become general managers—to the process of opening a hotel.

"The task force is truly a human resource, as well as strong symbol," a manager explained. "The approach supports allegiance to the firm and not just one property." Most task force members, who typically stayed three weeks for an opening, stayed seven to eight weeks at the F. S. George V.

Strong Tides

After working 25 years abroad, Le Calvez admitted that he was hesitant to return to work in France in light of the tension he sensed between labor and management. However, he was encouraged by what he had seen at The Pierre, where Four Seasons managers noted that they had fostered a dialogue with the New York hospitality industry union. Le Calvez felt he could do the same in Paris: "When I arrived I told the unions that I did not think that we would need them, but since the law said we had to have them, I said 'let's work together.' I do not want social tensions. Of course, this is not unique to me, it is Four Seasons' approach. We have to be pragmatic. So we signaled our commitment to a good environment."

Le Calvez communicated this commitment by openly discussing the 35-hour workweek, the Four Seasons retirement plan, and the time and attendance system, designed to make sure that staff would not work more than required. At the outset of negotiations, in preparation for the reopening, Le Calvez took the representatives of the various unions to lunch. As work progressed, he organized tours of the site so that representatives could see what was being done and "become excited" about the hotel. Managers stated that the unions were not accustomed to such an inclusive approach in France.

Young felt that dealing with unions in France was easier than in New York: "In France, you are dealing with an institution backed by stringent, but predictable, laws. In the United States, you are dealing with individuals in leadership who can be much more volatile and egocentric."

Young referred, again, to the Four Seasons experience with The Pierre:

In New York, we redesigned working spaces, and trained, and trained, and trained staff. But we also burned out a couple of managers. The old culture either wears you down or you wear it down. In an environment with strong labor laws, management sometimes gives up the right to manage. At some point managers stop swimming against the tide. If that continues long enough, the ability to manage effectively is lost. The precedents in a hotel are those that the prior managers have permitted. If the right to manage has been given up, standards are depressed, productivity and margins decrease, and eventually you have a bad business. Regulars are treated well, but many guests are not. Reversing this process requires enormous management energy. It is very wearing to swim against a strong tide. You are making decisions that you believe reasonable and facing reactions that you believe unreasonable.

The 35-hour Workweek

Four Seasons managers implemented the 35-hour workweek at the F. S. George V in order to meet the letter and spirit of French law. "When we hire staff from other hotels they are always surprised that we obey the law," an F. S. George V manager noted. "They worked more elsewhere."

A 35-hour workweek yielded 1,820 workable hours per full-time staff equivalent. But since the French had more holidays and vacation, an employee provided 1,500 to 1,600 workable hours, compared with approximately 1,912 hours in the United States for a full-time equivalent. A manager commented, "We did not really understand the impact of the 35-hour workweek. Each of our 80 managers has to have two consecutive days off a week, and each of the staff can work 214 days a year. Not 215. Not 213. But 214."

In 2002, 620 staff covered 250 rooms, or 2.5 staff per room. On average, Four Seasons hotels had 1.6 employees per room. Depending on food and banquet operations, that average could rise or fall significantly. (**Exhibit 9** shows employees-to-room ratios at selected Four Seasons properties.) Young felt that, compared with U.S. norms, labor laws explained about 15% of the need for increased staff ratios in Paris; vacations and holidays, 10%; with the balance explained by other factors including logistics of the operation, e.g., a historic building. Corinthios elaborated:

In Paris, six palaces compete for the same clients. It is a more formal operation. Guest expectations are very high, as is the level of leisure business (which requires higher staffing). People stay four to six days and use the concierge extensively. The concierge staffing at the F. S. George V is as big as anything we have in the chain. Then there is more emphasis on food and beverage. We have a fabulous chef and more staff in the kitchen for both the restaurant and room service—expectations of service in the gastronomic restaurant are very high.

Running the F. S. George V

Recruitment and Selection

Four Seasons wanted to be recognized as the best employer in each of its locations. Salaries (which were among the top three for hotels) were advertised in help wanted ads, a first in the industry in Paris, according to F. S. George V managers.

At the F. S. George V, as across the firm, every potential employee was interviewed four times, the last interview being with the general manager. According to one executive, "In the selection process, we try to look deep inside the applicant. I learned about the importance of service from my parents—did this potential employee learn it from hers?" "What matters is attitude, attitude, attitude," Corinthios explained. "All around the world it is the same. Without the right attitude, they cannot adapt." Another manager added, "What we need is people who can adapt, either to guests from all over the world or to operating in a variety of countries." One of his colleagues elaborated on the importance of hiring for attitude, and its challenges:

You would think that you would have a lot of people with great experience because there are so many palace hotels in Paris. But because we hire for attitude, we rarely hire from the other palaces. We hire individuals who are still "open" and tend to be much younger than usual for palace hotels. Then we bet on training. Of course, it takes much longer to train for skills when people do not have them. We look for people persons, who are welcoming and put others at ease, who want to please, are professional and sincerely friendly, flexible, smiley, and positive. At the F. S. George V people apply for jobs because they have friends who work here.

To spread the culture and "de-demonize" the United States, the new F. S. George V management recruited staff with prior Four Seasons and/or U.S. experience to serve as ambassadors. A manager noted, "Staff with U.S. experience share with other staff what the United States is about and that it is not the terrible place some French people make it out to be." About 40 individuals had prior North American and international experience.

"Anglo-Saxon" Recognition, Measurement, and Benefits

Le Calvez and his team launched an employee-of-the-month and employee-of-the-year program. "This had been controversial at Disney. People said it could not be done in France, but we managed to do it quite successfully. It all depends how it is presented," Le Calvez noted. "We explained that it would recognize those who perform. Colleagues can tell who is good at their job."

Le Calvez used the same spirit to introduce annual evaluations, uncommon in France:

People said it would be unpopular, but the system seems to work. We told the staff that it would be an opportunity for open and constructive dialogue so that employees can know at all times where they stand. This allows them to adapt when need be. We made clear that there would be no favoritism, but rather that this would be a meritocracy. Here your work speaks for itself. The idea that your work is what matters could be construed as very Anglo Saxon!

Implementing the "Golden Rule"

F. S. George V's human resource director commented: "Cooks, before joining Four Seasons, used to have very long days, starting in the morning to prepare for lunch, having a break during the afternoon, and coming back to prepare dinner. Today, they work either a morning or afternoon shift, enabling a better organization of their personal lives."

"All these gestures take time to work," Le Calvez summarized. "At first, employees do not think we mean it. Some new hires think it's artificial or fake, but after a few months they let their guard down when they realize we mean what we say."

Managers believed that the effect of Four Seasons' human resource practices was reflected in customer satisfaction. Le Calvez noted, "We offer friendly, very personal service. We have a very young and dynamic brigade with an average age of 26, spanning 46 different nationalities."

Communication

To promote communication and problem solving, the F. S. George V management implemented a "direct line": once a month the general manager met with employees, supervisors, and managers in groups of 30 (employees met separately from supervisors—because subordinates in France did not feel comfortable speaking up in front of superiors). The groups met for three consecutive months so that issues raised could be addressed, with results reported to the group. Managers believed that the F. S. George V was the only palace hotel in France with such a communication process.

Every morning the top management team gathered to go over glitches—things that may have gone wrong the day before and the steps that had been, or were being taken, to address the problem. "Admitting what went wrong is not in the French culture," a French Four Seasons manager explained. "But the meetings are usually very constructive."

Finally, about three times a year, Le Calvez and his team hosted an open door event inviting employees and their families to spend time at the hotel. "This is to break down barriers," he explained. "We take people around the hotel, into the back corridors. Try to remind people of a notion that is unfortunately being lost—that of the *plaisir du travail*—or enjoying one's work. Furthermore, we celebrate achievement. Good property rankings, for example, are recognized with special team celebrations."

The property also cultivated external communication with the press in a way that was culturally sensitive. Le Calvez and his team felt that they had been very open and responsive to the press (which they stated was unusual in France) and that as a result "not a single negative article had been written about Four Seasons Hotel George V since its opening." A colleague added, "The press appreciated they were dealing with locals: it was not like Disney where everyone was American."

Culinary Coup d'Etat

In a diversion from Four Seasons practice, a non-Four Seasons executive chef was hired, Philippe Legendre, from the world-famous Parisian restaurant Taillevent. "In France, having a serious chef and serious food is important," noted the F.S. George V assistant food and beverage director. "You cannot be a palace hotel without that."

"Didier [Le Calvez] came to get me through a common friend," Legendre explained. Legendre said he accepted Four Seasons' offer because "there was something exciting about being part of opening a hotel." He also liked Four Seasons' language, which he described as "optimistic" and "about creating possibilities." Legendre felt that Four Seasons' real strength was around guest and employee relationship management, which "is not something that we are that good at in France, or place particular emphasis on. We have a lot to learn in the social domain. Everything at Four Seasons is geared towards the needs of the guest. At first it was hard, especially the training. Perhaps because in France, we think we know everything." He continued: "After three years, I might not talk the Four Seasons talk, I might not use the same words, but I have the same view and adhere to the same system."

Despite Legendre's success (earning two Michelin stars), a colleague added, "Bringing in such an executive chef was problematic. The challenge is that with this chef you have someone with extraordinary talent, but who must still adjust to the way service is delivered at Four Seasons." Legendre described a situation illustrating miscommunication and cultural differences, which required tremendous patience on the part of the restaurant, guests, and management:

Recently a man ordered an omelet and his wife ordered scrambled eggs. The man returned the omelet because he decided he wanted scrambled eggs. We made them. Then he sent them back because they did not meet his expectations. Of course, we realize that our *oeufs brouillés* are different from scrambled eggs, which don't contain cream. Because we are Four Seasons we cooked the eggs as he wanted them, like American scrambled eggs, and didn't charge for them. But cooking is about emotion—if you want to please someone, you have to do it with your heart. *We live differently in France.*

Results: A Cultural Cocktail

The F. S. George V was, in effect, a cultural cocktail. Le Calvez explained, "The F. S. George V is not *only* a French hotel—it is French, but it is also very international. We want to be different from the other palaces that are oh so very French. We want to project the image of a modern France, one that does not have to be dusty. We want to be a symbol of a France that is in movement, a European France, a France that stands for integration and equality."

The cultural cocktail also contained some elements that were unusual in France. At the time of the opening, journalists asked about the "American" smiling culture, which was referred to in France as "la culture Mickey Mouse." Le Calvez replied, "If you tell me that being American is being friendly and pleasant, that is fine by me. People tell me everyone smiles at the Four Seasons George V."

The spectacular flowers in the lobby of the F. S. George V (a single urn once contained 1,000 roses) were both very French and extremely international. "Paris is a city of fashion and culture, artistic and innovative," Le Calvez explained. "That is why, for example, we have the flowers we do. We can do that here." However, the flowers were designed by a young American. Another departure from French standard was the decision to hire women as concierges, and men in housekeeping. Managers viewed these decisions as revolutionary steps in Paris.

Service Quality

Richey summarized the results of the first F. S. George V service quality audit in October 2000:

This audit occurred less than one year after opening, and it takes at least a year to get things worked out. There were three things we talked to Four Seasons' executives about, mostly related to employee attitude. First, the staff had an inability to apologize or empathize. I think that could be construed as typically European, and especially French. Second, the team had a very tough time doing anything that could be described as selling. This is also typically European. For example: say your glass is empty at the bar. In Paris, they may not ask you if you want another drink. Third, the staff were rules and policy oriented. If something went wrong, they would refer to the manual instead of focusing on satisfying the guest.

Things had changed considerably by Richey's second audit in August 2001, when "they beat the competitive market set." The scores showed a significant improvement, raising the property to Four Seasons' system average.

More good news came in July 2002 with the results of an Employee Opinion Survey, in which 95% of employees participated. The survey yielded an overall rating of 4.02 out of 5. The statements that ranked the highest were: "I am proud to work for Four Seasons Hotels and Resorts" (4.65) and "I would want to work here again" (4.61).

The property also received several industry awards including Andrew Harper's Hideaway Report 2001 and 2002, World's Best Hotels and Resorts, Travel & Leisure Readers' Choice Awards 2001 #2 Best Hotel in Europe, and #5 World's Best Hotel Spa.

Exhibit 1 Overview of Property Locations

**The Americas**

Atlanta	Maui
Austin	Nevis
Aviara, North San Diego	New York
Boston	New York (The Pierre)
Buenos Aires	Newport Beach
Caracas	Palm Beach
Carmelo, Uruguay	Philadelphia
Chicago	Punta Mita, México
Chicago (The Ritz-Carlton)	San Francisco
Dallas	Santa Barbara
Hawaii	Scottsdale
Houston	Seattle
Las Vegas	Toronto
Los Angeles	Vancouver
Los Angeles (the Regent Beverly Wilshire)	Washington, D.C.

Europe, Middle East

Amman
Berlin
Cairo
Dublin
Istanbul
Lisbon
London
London, Canary Wharf
Milan
Paris
Prague
Sharm El Sheikh

Asia/Pacific

Bali at Jimbaran Bay
Bali at Sayan
Bangkok (The Regent)
Chiang Mail (The Regent)
Jakarta (The Regent)
Kuala Lumpur (The Regent)
Maldives
Shanghai
Singapore
Singapore (The Regent)
Sydney
Taipei (Grand Formosa Regent)
Tokyo at Chinzan-so
Tokyo at Marunouchi

Source: Four Seasons Web site, <http://www.fourseasons.com/find_a_hotel.html>.

Exhibit 2 Summary Financial Data*Consolidated Balance Sheets*

(in thousands of dollars)	Years Ended December 31	
	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$210,421	\$218,100
Receivables	78,450	94,265
Inventory	3,074	2,806
Prepaid expenses	2,492	1,499
	294,437	316,670
Long-term receivables	201,453	167,214
Investments in hotel partnerships and corporations	141,005	172,579
Fixed assets	50,715	46,342
Investment in management contracts	201,460	189,171
Investment in trademarks and trade names	33,784	34,829
Future income tax assets	17,745	21,771
Other assets	39,782	35,821
	<u>\$980,381</u>	<u>\$984,397</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 50,813	\$ 71,345
Long-term obligations due within one year	1,188	1,152
	52,001	72,497
Long-term obligations	118,244	203,736
Shareholders' equity:		
Capital stock	319,460	316,640
Convertible notes	178,543	178,543
Contributed surplus	4,784	4,784
Retained earnings	285,619	202,760
Equity adjustment from foreign currency translation	21,730	5,437
	<u>\$810,136</u>	<u>\$708,164</u>
Commitments and contingencies	<u>\$980,381</u>	<u>\$984,397</u>

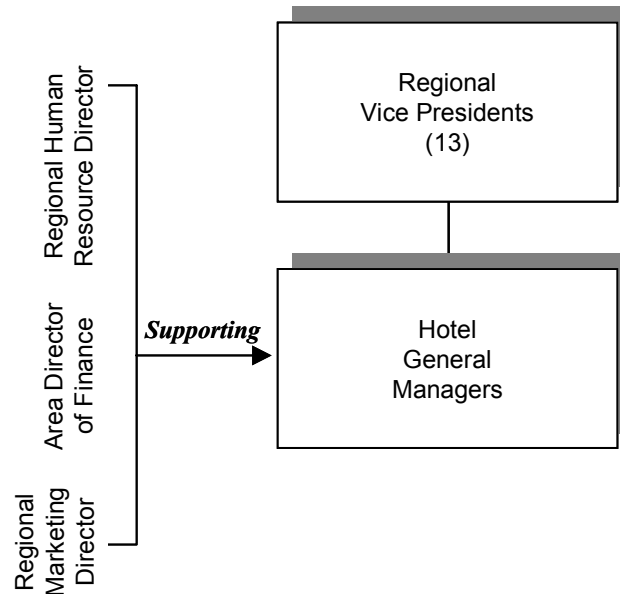
Source: Four Seasons Web site, <http://www.fourseasons.com/investor/annual_reports/2001/cfs_cso.htm>.

Exhibit 2 (continued)

Consolidated Statement of Operations

(in thousands of dollars except per-share amounts)	Years Ended December 31	
	2001	2000
CONSOLIDATED REVENUES	\$303,106	\$347,507
Management Operations		
Revenues	\$160,672	\$185,294
General and administrative expenses	(65,416)	(59,532)
	<u>95,256</u>	<u>125,762</u>
Ownership Operations		
Revenues	147,500	161,061
Distributions from hotel investments	1,510	9,047
Expenses:		
Cost of sales and expenses	(152,663)	(148,590)
Fees to Management Operations	(6,576)	(7,895)
	<u>(10,229)</u>	<u>13,623</u>
Earnings before other operating items	85,027	139,385
Depreciation and amortization	(16,242)	(14,028)
Other income, net	30,698	8,669
Earnings from operations	99,483	134,026
Interest income, net	6,740	4,190
Earnings before income taxes	106,223	138,216
Income tax recovery (expense):		
Current	(15,711)	(33,412)
Future	(3,087)	1,796
Reduction of future income tax assets	(939)	(3,526)
	<u>(19,737)</u>	<u>(35,142)</u>
Net earnings	\$ 86,486	\$103,074
Earnings per share	\$ 2.48	\$ 2.98
Diluted earnings per share	\$ 2.27	\$ 2.63

Source: Four Seasons Web site, <http://www.fourseasons.com/investor/annual_reports/2001/cfs_cbs.htm>.

Exhibit 3 Four Seasons Reporting Structure

Source: Company data.

Notes: A general manager typically reported to a Regional Vice President (RVP) selected from the ranks of senior General Managers. The criteria for promotion to RVP included breadth of experience (various geographic locations; city/resort/opening hotels), business skills, and capability to represent the standards and culture of Four Seasons. Each RVP continued to operate as General Manager of his or her base hotel, while acting as the first recourse for advice, guidance, policy interpretation, people, product, and owner-relations issues. A region normally comprised the base hotel/resort plus two or three hotels within reasonable traveling distance of the RVP's base hotel.

Exhibit 4 The Seven Four Seasons "Service Culture Standards"

- | | |
|------------------------|---|
| 1. <u>S</u> MILE | Employees will actively greet guests, SMILE, and speak clearly in a friendly manner. |
| 2. <u>E</u> YE | Employees will make EYE contact, even in passing, with an acknowledgment. |
| 3. <u>R</u> ECOGNITION | All staff will create a sense of RECOGNITION by using the guest's name, when known, in a natural and discreet manner. |
| 4. <u>V</u> OICE | Staff will speak to guests in an attentive, natural, and courteous manner, avoiding pretension, and in a clear VOICE. |
| 5. <u>I</u> NFORMED | All guest contact staff will be well INFORMED about their hotel and their product, will take ownership of simple requests, and will not refer guests elsewhere. |
| 6. <u>C</u> LEAN | Staff will always appear CLEAN, crisp, well groomed, and well fitted. |
| 7. <u>E</u> VERYONE | EVERYONE, everywhere, all the time, show their care for our guests. |

Source: Company data.

Exhibit 5 Sample Core Standards

RESERVATIONS

Mission: To provide crisp, knowledgeable, and friendly service, sensitive to the guest's time and dedication to finding the most suitable accommodation.

- Phone service will be highly efficient, including: answered before the fourth ring; no hold longer than 15 seconds; or, in case of longer holds, call-backs offered, then provided in less than 3 minutes.
- After establishing the reason for the guest visit, reservationist automatically describes the guest room colorfully, attempting to have the guest picture himself or herself in the room.

HOTEL ARRIVAL

Mission: To make all guests feel welcome as they approach, and assured that details are well tended; to provide a speedy, discreet, and hassle-free arrival for business travelers; to provide a comforting and luxurious arrival for leisure travelers.

- The doorman (or first-contact employee) will actively greet guests, smile, make eye contact, and speak clearly in a friendly manner.
- The staff will be aware of arriving vehicles and will move toward them, opening doors within 30 seconds.
- Guests will be welcomed at the curbside with the words "welcome" and "Four Seasons" (or hotel name), and given directions to the reception desk.
- No guest will wait longer than 60 seconds in line at the reception desk.

MESSAGES AND PAGING

Mission: To make guests feel that their calls are important, urgent, and require complete accuracy.

- Phone service will be highly efficient, including: answered before the fourth ring; no longer than 15 seconds.
- Callers requesting guest room extensions between 1 a.m.–6 a.m. will be advised of the local time and offered the option of leaving a message or putting the call through.
- Unanswered guest room phones will be picked up within 5 rings, or 20 seconds.
- Guests will be offered the option of voice mail; they will not automatically be routed to voice mail OR they will have a clear option to return to the operator.

Exhibit 5 (continued)

GUEST ROOM EVENING SERVICE

Mission: To create a sense of maximum comfort and relaxation. When meeting guests, to provide a sense of respect and discretion.

- Guest clothing that is on the bed or floor will be neatly folded and placed on the bed or chair; guest clothing left on other furniture will be neatly folded and left in place; shoes will be paired.
- Newspapers and periodicals will be neatly stacked and left on a table or table shelf in plain view; guest personal papers will not be disturbed in any way.
- Guest toiletries will be neatly arranged on a clean, flat cloth.

Source: Company data.

Exhibit 6 Four Seasons Goals, Beliefs, and Principles

Who We Are: We have chosen to specialize within the hospitality industry by offering only experiences of exceptional quality. Our objective is to be recognized as the company that manages the finest hotels, resorts, residence clubs, and other residential projects wherever we locate. We create properties of enduring value using superior design and finishes, and support them with a deeply instilled ethic of personal service. Doing so allows Four Seasons to satisfy the needs and tastes of our discriminating customers, to maintain our position as the world's premier luxury hospitality company.

What We Believe: Our greatest asset, and the key to our success, is our people. We believe that each of us needs a sense of dignity, pride, and satisfaction in what we do. Because satisfying our guests depends on the united efforts of many, we are most effective when we work together cooperatively, respecting each other's contribution and importance.

How We Behave: We demonstrate our beliefs most meaningfully in the way we treat each other and by the example we set for one another. In all our interactions with our guests, business associates, and colleagues, we seek to deal with others as we would have them deal with us.

How We Succeed: We succeed when every decision is based on a clear understanding of and belief in what we do and when we couple this conviction with sound financial planning. We expect to achieve a fair and reasonable profit to ensure the prosperity of the company, and to offer long-term benefits to our hotel owners, our shareholders, our customers, and our employees.

Source: Company data.

Exhibit 7 Comparative Data on Parisian Palaces

PROPERTY	CONSTRUCTION/STYLE	CAPACITY (ROOMS & SUITES)	AMENITIES	PRICE (U.S.\$, PER SINGLE ROOM)	OWNER	LESSEE/OPERATOR
Bristol	Built in 1829 Louis XV–XVI style	180	1 restaurant: Le Bristol 1 interior garden 1 swimming pool 1 fitness center 1 beauty salon	480–600	Société Oetker ^a (1978)	Independent
Crillon	Built in the 18 th century Louis XV–XVI style	152	2 restaurants: L'Ambassadeur and L'Obelix 1 fitness center Guerlain Beauty Institute	460–550	Groupe Hôtels Concorde ^b (1907)	Groupe Hôtels Concorde ^b (1907)
Four Seasons Hotel George V Paris	Built in 1928 Art Déco style	245	1 restaurant: Le Cinq 1 swimming pool 1 fitness center 1 beauty salon	670	Prince Al Waleed Bin Talal ^c (1996)	Four Seasons Hotels and Resorts (2000)
Meurice	Built in the 18 th century Louis XV–XVI style	161	1 restaurant: Le Meurice 1 fitness center Caudalie Beauty Institute	470–550	The Sultan of Brunei (1997)	The Dorchester Group ^d (2001)
Plaza Athénée	Built in 1889 Belle Epoque style	144	2 restaurants: Le Relais Plaza	490–508	The Sultan of Brunei (1997)	The Dorchester Group ^d (2001)
Ritz	Built in 1898 Louis XV–XVI style	139	1 restaurant: L'espadon Escoffier-Ritz cooking school 1 fitness center 1 beauty salon 1 swimming pool	From 580	Mohammed Al Fayed (1979)	Independent

Sources: Brian D. Egger et al., "Four Seasons Hotels and Resorts," Crédit Suisse First Boston, April 5, 2002, p. 21. Also the following Web sites: <<http://meuricehotel.com>>, <<http://www.hotel-bristol.com>>, <<http://www.ritz.com>>, <<http://www.fourseasons.com/paris/vacations/index.html>>, <<http://www.plaza-athenee-paris.com>>, <<http://www.crillon.com>>, accessed June 2002.

^aThe Oetker Group was a German agribusiness group that owned luxury hotels (including the Cap Eden Roc in Antibes, France; the Park Hotel in Vitznau, Switzerland; the Brenner's Park Hotel in Baden Baden, Germany; and the Château du Domaine Saint-Martin in Vence, France).

^bGroupe Hôtels Concorde was created in 1973 to regroup the luxury hotels such as the Crillon, the Lutetia, and the Hotel Concorde Saint-Lazare (all in Paris) owned by La Société du Louvre.

^cAl Waleed Bin Talal owned 21.9% of Four Seasons' stock. Investments by Prince Al Waleed in Four Seasons' properties included F. S. George V and Riyadh (100%); London (majority); Cairo, Amman, Alexandria, Sharm El Sheikh and Beirut (unspecified); and Aviara (minority).

^dThe Dorchester Group, a subsidiary of the Brunei Investment Agency, was established in 1996 as an independent U.K. registered company to manage luxury hotels, including The Dorchester in London, The Beverly Hills Hotel California, and the Hotel Meurice in Paris.

Exhibit 8 Predictable Patterns of Monochronic and Polychronic Cultures

Monochronic People (Americans)	Polychronic People (French)
Do one thing at a time.	Do many things at once.
Concentrate on the job.	Can be easily distracted and manage interruptions well.
Take time commitments (deadlines, schedules) seriously.	Consider an objective to be achieved, if possible.
Are low-context and need information.	Are high-context and already have information.
Are committed to the job.	Are committed to people and human relationships.
Adhere religiously to plans.	Change plans often and easily.
Are concerned about not disturbing others; follow rules of privacy and consideration.	Are more concerned with those who are closely related (family, friends, close business associates) than with privacy.
Show great respect for private property; seldom borrow or lend.	Borrow and lend things often and easily.
Emphasize promptness.	Base promptness on the relationship.
Are accustomed to short-term relationships.	Have strong tendency to build lifetime relationships.

Source: Adapted from Edward T. Hall, "Understanding Cultural Differences: Germans, French, and Americans" (Yarmouth, ME: Intercultural Press, 1990).

Exhibit 9 Employees-to-Room Ratios at Selected Four Seasons Properties

Property	Employees-to-Rooms Ratio
Four Seasons worldwide average	1.6
The Pierre New York	2.3
Four Seasons Hotel New York	1.6
Four Seasons Hotel George V Paris	2.5
Four Seasons Hotel Berlin	0.9
Four Seasons Hotel London	1.2
Four Seasons Hotel Canary Wharf, London	1.4
Four Seasons Hotel Milano	2.2

Source: Company data.

Endnotes

¹ *Interior Design*, March 2000, p. S24.

² For example, maternity leave for a salaried employee's first child was 6 weeks of prenatal leave and 10 weeks of paid leave after birth; for a third child it was 8 weeks off before and 18 weeks after birth.

³ As of 2002, the Communist-controlled labor union (Confédération Générale du Travail or CGT) had nearly 2.4 million members (claimed); the independent labor union (Force Ouvrière) had 1 million members (est.); the independent white-collar union (Confédération Générale des Cadres) had 340,000 members (claimed); the Socialist-leaning labor union (Confédération Française Démocratique du Travail or CFDT) had about 800,000 members (est.). Source: CIA Web site, <<http://www.cia.gov/cia/publications/factbook/geos/fr.html>>, accessed June 10, 2002.

⁴ Hofstede's work was based on a survey, conducted by questionnaire, of IBM employees in 50 different countries. See Geert Hofstede, *Culture's Consequences: International Differences in Work-related Values* (Thousand Oaks, CA: Sage, 1982).

⁵ Hofstede's work has been criticized for the construction of the dimensions along which cultures differ. For example, D. Hickson comments (in "The ASQ Years Then and Now through the Eyes of a Euro-Brit," *Administrative Science Quarterly*, 41(2): 217–228) that Hofstede had "frail data, but robust concepts." However, there is general agreement with the principle that cultures do differ. Further, Hofstede's work and that of other scholars indicate that the differences between North American and French organizational culture are large.

⁶ Philippe d'Iribarre, "The usefulness of an ethnographic approach to the international comparison of organization," *International Studies of Management and Organization*, 18(4): 32.

⁷ Brian Van der Horst, "Edward T. Hall—A Great-Grandfather of NLP," <http://www.cs.ucr.edu/gnick/bvdh/print_edward_t_hall_great.htm>, accessed April 20, 2002. The article reviews E. Hall, *The Silent Language* (New York: Doubleday, 1959).

⁸ One alternative was to give the staff a significant enough severance package to encourage them to go. However, as Young explained, "the government deplores that approach."

⁹ Usually used to describe a meal—say a first course of *fromage de tête* (pig's head set in jelly) or *bouillabaisse* (fish soup), followed by a main course of *blanquette de veau* (veal stew with white sauce) and rounded off with a *plateau de fromage* (cheese platter) or *tarte aux pommes* (apple tart).