

RUSSELL ARTHUR SMITH & JUDY SIGUAW

STRATEGIC
HOSPITALITY
LEADERSHIP

THE ASIAN INITIATIVE

CORNELL  NANYANG
INSTITUTE OF HOSPITALITY MANAGEMENT



Cornell University



NANYANG
TECHNOLOGICAL
UNIVERSITY

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Edited by
Russell Arthur Smith
Judy Siguaw



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Foreword

As chairman of the Joint Advisory Board of the Cornell Nanyang Institute of Hospitality Management (CNI), I am pleased that this invaluable resource of reference and insightful compendium on the hospitality industry in Asia is being published. This book, *Strategic Hospitality Leadership: The Asian Initiative*, has been assembled from the vast years of experiences by entrepreneurs and senior executives in the hospitality industry in Asia. The common thread in the book in terms of the contributors comes from the fact that they are the Cornell University's School of Hotel Administration's alumni, the CNI faculty, and members of its Joint Advisory Board. Their varied backgrounds and profound appreciation of the complexities in building enterprises from the ground up, or expanding an on-going business organization, are the types of firsthand knowledge and perspective that would be beneficial, informative, and inspirational to industry veterans and students alike.

In recent times, a critical factor inherent in the business cycles was the unanticipated global economic tsunami that began in the third quarter of 2008 and could continue through to at least the first half of 2010 before economic normalcy will hopefully return. Thus, the underpinning fundamentals of the trade and the skill sets that are needed in addressing these challenges are called into acute focus and usage, especially during such times of crises. The stage that was being readied for steady growth in the hospitality industry in the Asia-Pacific region began in the aftermath of the easing of geopolitical and military tensions. China, formerly an inward-looking, central kingdom of centuries-long dynastic rule, became a new nation in 1949. After

going through its own Civil War, confrontations and wars in Korea and Vietnam, and its own Cultural Revolution in the late 1960s, it finally opened its doors to the Western world in 1978. It did this through ping-pong diplomacy, barter trade, international commerce, and a momentous leap into the international tourism fraternity with exponential growth in developing infrastructure, hotels, and other hospitality-related establishments.

After World War II, the conclusion of years of Cold War in Europe, the collapse of the Eastern Bloc of European nations, and the easing of tensions in the Asian-Pacific theater, chilly relations made way for a global community of tourism. By this process, doors were opened through diplomacy and friendship, which ultimately also paved the way for mutual trade, commerce, and investments. Organizations such as the International Air Transport Association (IATA), American Society of Travel Agents (ASTA), Pacific Asia Travel Association (PATA), and others furthered the means for promoting inbound and outbound tourism and travel.

Newly reinvigorated sovereign nations began in earnest master planning with determination and pragmatism through capital-intensive investments in infrastructure and tourist promotions. The progress began to show results in the late 1950s and early 1960s, with the lead taken by international airlines and hotel corporations. These included Inter-Continental, Hilton, Western International (now Westin and part of Starwood), Sheraton (also of Starwood), Hyatt, Marriott, Accor, Four Seasons, Kempinski, Choice, Best Western, and others. Regional hotel brands such as the Peninsula, Mandarin Oriental, Shangri-La, Taj, Jin Jiang, Prince, Dusit Thani, Pan Pacific, and others were also making their geographical inroads in diverse locations on the world map. Each international hotel company over time has brought to bear a vigorous multibranding strategy with the

addition of new brands that continue to be implemented globally. These included Ritz-Carlton, St. Regis, Novotel, ibis, Courtyard by Marriott, W, Traders, and others.

As you may be aware, CNI is an educational initiative formed by the Singapore government through the auspices of the Singapore Tourism Board and the Economic Development Board, thus enabling the Nanyang Business School of Nanyang Technological University to be in a joint venture with the School of Hotel Administration of Cornell University. With a full understanding of the heightened need to meet the demand for the recruitment and training of qualified staff and senior managers for the present and the future, Singapore's primary objective is to achieve strategic positioning in hospitality education in Asia-Pacific. The two integrated resorts, which opened in 2010, are the fulfillment of the tourism mission under the Singapore government's pragmatic national planning.

Sovereign nations, multinational hotel and restaurant corporations, commercial enterprises, individual entrepreneurs, and executives all share a vision and passion for taking an active part in assuming financial risks and playing different roles or support staff in any capacity. The growth for the future, though interrupted for the time being by the economic downturn, does portend promise, fun, and excitement. Yet financial return is never assured!

I hope you will enjoy and benefit much from reading this first CNI-produced book on strategic hospitality leadership in Asia.

Michael W.N. Chiu
*Chairman, Joint Advisory Board of the
Cornell-Nanyang Institute of*

Hospitality Management
July 2010

Preface

Doing business in the tourism and hospitality scene in Asia can be very interesting and potentially rewarding. The dynamic environment is fueled by escalating affluence, greater sophistication, improving infrastructure, better education, and a more welcoming climate for both local and foreign companies.

Indeed, Asia is a very attractive region for business because of its sheer market size. It is a huge continent comprising 3.8 billion people, about 56.3 percent of the world's population, according to World Bank figures. However, in this book when we refer to Asia, we are focusing our discussions on East Asia and Southeast Asia, which has 3.2 billion of the world's population. With such a large population base and promising economies, the potential for growth in the tourism and hospitality business is enormous. The rise in tourism and hospitality expenditures comes not only from Western tourists and businessmen but also from the growing number of affluent Asian tourists and entrepreneurs. Including Australia and New Zealand, the Asia-Pacific tourism industry is booming and is expected to grow by 6.5 percent annually over the next 15 years, according to the United Nations World Tourism Organization. Current trends show that the Asia-Pacific region will continue to have the greatest growth potential for the hospitality industry.

However, doing business in the tourism and hospitality arena in Asia also poses many challenges. These include meeting obstacles such as diverse and multifaceted regulatory environments; variations in the business climate; multiple cultural, religious, and social values; varied political

climates; and vast differences in business practices in Asia. These factors can make or break tourism and hospitality ventures in Asia that are trying either to start sowing the seeds or spreading the growth of their enterprises.

Not many books have been written on the hospitality business in Asia. This is where this book, *Strategic Hospitality Leadership: The Asian Initiative*, can make a useful contribution, as its contents provide the first specialized approach to the business of hospitality in Asia.

The book's key aim is to help current and future leaders address major issues that are being and will continue to be confronted in the hospitality industry in Asia through the insights of top executives who have been successful in this region of the world. Other aims are to increase the success of new entrants into Asia and to provide readers with the collective wisdom of our authors on a range of topics. These strategic topics include brand management, strategic direction, service, marketing, human resource, crisis management, business growth, leadership, portfolio management, best practices, and development.

We would like to thank the authors who are all alumni, board members, and faculty of the Cornell University's School of Hotel Administration (the only Ivy League hotel school) and the Cornell-Nanyang Institute of Hospitality Management (CNI). These authors include chief executives and senior management of hotels and resorts, serviced apartments, restaurants, and food and beverage groups. They have kindly agreed to share their stories as highly successful top executives and entrepreneurs, who have effectively overcome the challenges of doing business in Asia.

We are also grateful for the support of the Joint Advisory Board of CNI, which aims to develop and disseminate best practices in hospitality management. CNI is an alliance

between Cornell University's School of Hotel Administration and the Nanyang Technological University's Nanyang Business School. This alliance brings together the world's leading hotel-management school and one of Asia's elite business schools. We would also like to express our appreciation to Tong Suit Chee, a writer and editor who has provided invaluable editorial advice and support in making this book a reality.

Last but not least, we are also grateful to the publisher, John Wiley, and its editorial and publishing teams for their great assistance in publishing this book, and for their kind generosity in allowing the proceeds from sales of this book to go to a CNI scholarship fund.

It is our hope that this book can make a positive impact on the development of the hospitality industry by being a catalyst for better business management and enhanced management practices. We also hope that you will enjoy the invaluable insights and hard-earned leadership lessons from the various contributors in the hospitality industry in Asia.

Dr. Russell Arthur Smith

*Interim Dean, Cornell-Nanyang Institute of
Hospitality Management,
Nanyang Technological University*

Dr. Judy Ann Siguaw

*Dean, College of Human Ecology,
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Editors
July 2010

About the Contributors

Baron R. Ah Moo

Mr. Baron R. Ah Moo is chief executive officer of Indochina Hotels and Resorts, based in Vietnam. A 20-year veteran of the hospitality industry, he has lived and worked in Asia, the United States (US), Mexico, and the Pacific Islands. Before joining the company, he served as senior vice president of operations for the Golden Nugget Hotel and Casino, where he oversaw a US\$250 million renovation of the 2000-room property. The property, under his guidance, was awarded its 30th consecutive four-star rating, making it the longest running four-star property in Las Vegas. He has also held executive-management positions and consulted for Marriott International, the Intercontinental Hotel Group, and the Landry's Restaurant Group. He was responsible for the opening and renovation of hospitality projects in Honolulu, San Francisco, the Marianas Islands, and Vietnam. He has also served on the Hotel Advisory Board for the National Business Travel Association, the largest corporate-travel organization in the US, and guest lectured at Cornell University's School of Hotel Administration in Ithaca, New York, US. A native Hawaiian, he holds a Bachelor's degree in International Management from the University of San Francisco, and a Master's degree in Hospitality Marketing and Finance from Cornell University.

Russell Arthur Smith

Dr. Russell Arthur Smith is Interim Dean, Cornell-Nanyang Institute of Hospitality Management at the Nanyang

Technological University, Singapore. He is a hospitality and tourism development expert, who has extensive academic and professional experience in Asia, as well as Australia, North America, and the Middle East. He has headed large multidisciplinary teams in preparing major hospitality and tourism development plans. In addition, he has served on many private and public boards and committees throughout Asia Pacific, as well as held appointments in universities in Australia, Malaysia, Singapore, and the US. Dr. Smith's research in academic and industry publications is widely read and cited. He is a prominent speaker and moderator at leading industry meetings throughout Asia. He holds a doctorate from Harvard University and a degree in architecture with first-class honors from the University of Queensland, Australia. He is a certified practicing planner.

Raymond Bickson

Mr. Raymond Bickson's experience in hospitality spans 30 years and four continents. In January 2003, he moved to India and joined the board as executive director and chief operating officer of Taj Luxury Hotels, overseeing the operations of all luxury properties and playing a key role in the global expansion and development of future hotels. He assumed the role of managing director and chief executive officer of the Indian Hotels Company Limited in July 2003. He brings extensive international hotel experience to the Taj Group in operations and management. Previously, he served 15 years as vice president and general manager of The Mark in New York for The Rafael Group Hoteliers Monaco and with the Mandarin Oriental Hotel Group. His career included a 10-year span of management assignments with Regent International Hotels in New York, Chicago, Dallas, Puerto Rico, Melbourne, and Shanghai; as well as training assignments at some of the world's most renowned hotels

including the Hotel Plaza Athenée Paris, Le Montreux Palace Switzerland, and the Kahala Hilton Hawaii.

An American national, Mr. Bickson attended the École Hôtelière de Lausanne in Switzerland and the Advanced Management Program at Harvard Business School. He was voted one of the Top 10 Best Hotel Managers by *Leaders* magazine from 1997-2002. A member of the World Travel & Tourism Council and the International Business Leaders Forum, he also is an advisory board member of The Leading Hotels of The World, Cornell Hotel School Center for Hospitality Research, and École Hôtelière de Lausanne in Switzerland. He was the recipient of the Corporate Hotelier of the World Award 2007 by *Hotels* magazine.

William E. Heinecke

Mr. William E. Heinecke is chairman and chief executive officer of the Minor Group, Thailand. He founded the group in 1967 and has since built Minor International Public Company Limited into a multinational enterprise that owns and operates international hotels, resorts, and spas, in addition to diverse restaurant and retail operations. The company today has more than 30 hotels and resorts principally under the brands of Anantara, Four Seasons, and Marriott; and 30 spas under the Mandara and Anantara brands. He created and launched Anantara Hotels, Resorts, & Spas, which operates more than 11 upscale and luxury properties across four major markets in Thailand, Bali, the Maldives, and Abu Dhabi, in addition to holding a 50 percent share of the exclusive Elewana Lodges in Africa.

Currently, he serves on the board of directors of Minor International Public Company Limited, which is Thailand's largest hospitality and leisure operator. The author of *The Entrepreneur: 25 Golden Rules For The Global Business*

Manager, Mr. Heinecke also serves as a director of Sermasuk PCL, the publicly listed Pepsi bottler in Thailand and Indorama Ventures PCL, the second largest polyethylene terephthalate (PET) production company in the world.

Michael Issenberg

Mr. Michael Issenberg leads Accor Asia Pacific as chairman and chief operating officer. Accor is Europe's leader in hotels and services with more than 4,000 properties in nearly 100 countries throughout the world. In February 2008, he assumed his current position in Accor Asia Pacific and joined the global executive committee. Based at the Asia Pacific headquarters in Singapore, he is responsible for overseeing the company's overall hospitality development and management activities.

He was previously managing director at Accor Asia Pacific, a position he had occupied since 2003. He played a pivotal role in the establishment and development of Accor Premiere Vacation Club, a point-based time-share business. Mr. Issenberg joined Accor in 1994 from Mirvac Limited as chief executive officer, one of Australia's largest hotel companies, where he spent five years. Previously, he also worked for Westin Hotels & Resorts, Laventhol and Horwath, Horwath Services Pty. Limited, and Merlin Properties in San Francisco and Sydney. He holds a degree in hotel administration from Cornell University and is a director of the Tourism and Transport Forum in Australia.

Devin Kimble

Mr. Devin Otto Kimble is founder and managing director of the Singapore-based MENU Pte. Ltd. Food & Drinks Group,

which owns and operates Brewerkz Restaurants & Microbreweries, Café Iguana, Wine Garage, and MENU Catering. Formerly, he was regional operations manager for Dan Ryan's Chicago Grill, which is headquartered in Hong Kong and has outlets in Singapore and Taipei; and a multi-unit manager and corporate recruiter with Taco Bell in Connecticut, US. A graduate of Yale University, he also holds a Master's degree from Cornell University's School of Hotel Administration. He is a member of the Restaurant Association of Singapore Management Committee, the Board of Governors for the Singapore American School (the world's largest overseas American curriculum school), and the Hwa Chong International School Board of Trustees, and president of the Yale Club of Singapore.

He has been a speaker and panel participant on various business-related topics at the Singapore-based University of Chicago Booth Graduate School of Business, Cornell-Nanyang Institute of Hospitality Management, UNLV Harrah College of Hotel Administration, Singapore American School, and INSEAD where he has also served as chief judge for the annual business-plan competition. Formerly, he served on the American Chamber of Commerce in Singapore's Board of Governors and was its honorary treasurer and an executive committee member. He is a native of California, US, and a Singapore resident since 1995.

Chiaki Tanuma

Mr. Chiaki Tanuma is president and chief executive officer of Green House Group (GHG). It operates 11 hotels, 450 restaurants and takeout shops throughout Japan, and 61 restaurants in Korea and Taiwan. The group also owns Cini-Little Japan (a food-service-facility-design consulting company), and Horwath Asia-Pacific Japan (a hotel

consulting company). He is the chairman of the Japan Foodservice Association, a leading association in the Japanese food-service industry. He is also an international director for the National Restaurant Association in the US, and an executive councillor for the Tokyo Chamber of Commerce and Industry.

Chittimas Ketvoravit

Ms. Chittimas Ketvoravit is managing director of DK Lam Group of Companies (DKL), a private group of companies solely owned by the Ketvoravit family, based in Bangkok, Thailand. DKL's business is primarily in hotels such as Novotel Bangkok and Novotel Suvarnabhumi Airport Hotel; and serviced apartments such as Riverfront Residence. Prior to assuming a leadership role in her family's hospitality-related business, Ms. Ketvoravit was involved in her family's construction and property development companies.

She attended school in Perth, Western Australia from 1982 to 1989, where she completed her senior high school diploma and later obtained a Bachelor of Economics from the University of Western Australia. She received a Master of Management in Hospitality from Cornell University's School of Hotel Administration in 1994. Upon graduation, she returned to Bangkok and joined her family's company in June 1994. In 2002, Ms. Ketvoravit also studied at Chulalongkorn University's Law School in Bangkok on a part-time basis, and graduated with a Master of Arts in Thai Business Law in 2004.

Choe Peng Sum

Mr. Choe Peng Sum has more than 25 years of experience in the hospitality industry. As chief executive officer of Frasers Hospitality Pte. Ltd., he has overall charge of the business performance and global expansion of Frasers' chain of serviced residences worldwide. He stewarded the company from its inception in 1996 with two properties and 414 apartments in Singapore to 45 properties and 8,500 apartments in 33 cities globally. Global expansion covers Europe, the Middle East, North Asia (including China, India, Japan, and Korea), Southeast Asia, and Australia. Mr. Choe started his career in the hospitality industry with Westin International and subsequently moved to Shangri-La International in 1981. He was awarded the Shangri-La overseas studies scholarship, and held top management positions at the Shangri-La Singapore and the Shangri-La Shanghai, China. On his return to Singapore in 1996, he started the hospitality arm of Fraser & Neave Ltd. He graduated from Cornell University with a Bachelor of Science with distinction (top 10 percent of the university). He was awarded the National Dean's List as well as Phi Kappa Phi for academic excellence.

Jennie Chua

Ms. Jennie Chua is chief corporate officer of CapitaLand Limited, one of Asia's largest real-estate companies. She chairs several organizations such as the Singapore International Chamber of Commerce, Khoo Teck Puat Hospital/Alexandra Health, Community Chest, Singapore Film Commission, and Raffles Hotel among others. She is also a member of the Temasek Advisory Board of Temasek Holdings (Pte.) Ltd., Singapore's Pro-Enterprise Panel, and the Board of Trustees of Nanyang Technological University, Singapore. A graduate of Cornell University's School of Hotel Administration and a Justice of the Peace, she is also

Singapore's Non-Resident Ambassador to The Slovak Republic.

Judy Siguaw

Dr. Judy A. Siguaw is Dean of the College of Human Ecology at East Carolina University, US. She was formerly a professor of marketing at Cornell University's School of Hotel Administration. The founding Dean of Cornell-Nanyang Institute of Hospitality Management, she previously held the J. Thomas Clark Chair in Entrepreneurship and Personal Enterprise. She has published more than 50 academic journal articles, is the co-author of several books, and is the author/co-author of more than 30 national and international conference papers. She has been an invited speaker at numerous domestic and international conferences. Dr. Siguaw is the recipient of a prestigious Marketing Science Institute research award, a Chartered Institute of Marketing award, a Jane Fenyo Award from the Academy of Marketing Science, research fellowships, a CIBER travel award from Duke University, a grant from American Express and the American Hotel Foundation, and 11 university research grants. She has also been twice listed in *Who's Who Among America's Teachers*, and was awarded the Chancellor's Excellence in Teaching Award, and was twice named Outstanding Educator by Merrill Presidential Scholars.

1

PURSUING THE RIGHT STRATEGIC DIRECTION

By Baron R. Ah Moo

Introduction

Strategic direction is defined as the course of action that leads to the achievement of the goals of an organization's strategy.

Carter McNamara, in an article "Strategic Planning (in nonprofit or for-profit organizations)" from the book *Field Guide to Nonprofit Strategic Planning Facilitation* (McNamara 2007), points out that strategic planning determines where an organization is going over the next year or more, how it is going to get there, and how it will know if it got there or not. A strategic plan's focus is usually on the entire organization, while a business plan's focus is usually on a particular product, service, or program.

The author said that there are a variety of perspectives, models, and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, and expertise of the planners. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario, and others.

Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning. Issues-based strategic planning often starts by examining issues facing the organization, strategies to address these issues, and action plans. Organic strategic planning might start by articulating the organization's vision and values, and then, action plans to achieve the vision while adhering to these values. Some plans are scoped to one year, many to three years, and some to five to 10 years into the future.

Quite often, an organization's strategic planners already know much of what will go into a strategic plan. However, development of the strategic plan greatly helps to clarify the organization's plans and ensure that key leaders are all "on the same page." Far more important than the strategic plan document is the strategic planning process itself.

According to Carter McNamara, the purposes and benefits of strategic planning serve a variety of purposes in an organization including to clearly define the organization's purpose and establish realistic goals and objectives consistent with that mission in a defined time frame within the organization's capacity for implementation; communicate those goals and objectives to the organization's constituents; and develop a sense of ownership of the plan. Strategic planning ensures the most effective use is made of the organization's resources by focusing the resources on the key priorities. It also provides a base from which progress can be measured, and establishes a mechanism for informed change when needed.

It also brings together everyone's best and most reasoned efforts, which have value in building a consensus about where an organization is going; providing a clearer focus of

an organization, thus producing more efficiency and effectiveness; and bridging and building strong teams within the board and the staff. Strategic planning provides the glue that keeps the board together; produces great satisfaction among planners around a common vision; and increases productivity from increased efficiency and effectiveness. Last but not least, it helps to solve major problems.

This chapter will discuss the development and market potential of tourism accommodation in Vietnam, and use a case study of Indochina Hotels and Resorts (IHR) focusing on how the company develops its strategic direction, and the issues and challenges faced in doing so. It concludes by offering some tips learned from IHR's experience for those who are interested in developing tourism projects in Vietnam.

Development of Tourism Accommodation in Vietnam

According to the World Travel & Tourism Council, Vietnam is the sixth fastest-growing tourism destination in the world, experiencing double-digit growth in international tourist arrivals year-over-year, and growing at 8.5 percent annually. The travel and tourism industry throughout Southeast Asia, of which Vietnam is a part, is growing at 6.5 percent per annum, positioning the region as one of the strongest performing destination markets in the world.

Indeed, tourism is important to Vietnam's economy. The major driver to this has been the *doi moi*, or open-door policy. According to Wantanee Suntikul, Richard Butler, and David Airey in their article "A Periodization of the Development of Vietnam's Tourism Accommodation since the Open Door Policy" (2008), the Vietnamese Congress

introduced in 1986 the *doi moi* or “renovation” program of political and economic reforms.

The reforms promoted the role of the private sector in the economy and centralized aspects of governance and planning. State and privately owned industries could trade directly with foreign organizations.

Prior to *doi moi*, the then existing supply of tourist accommodation did not meet international standards. The hotels provided basic accommodation and food service without appropriate leisure and entertainment facilities.

The beginning of the open-door policy brought in a new era for the development of international standard lodgings and facilities for tourists. According to Wantanee Suntikul, Richard Butler, and David Airey (2008), there are five periods, which are outlined below:

Period 1: 1986-Early 1990: Period of State Dominance and the First Joint Ventures

Most tourists to Vietnam, who came from other Communist countries, accepted a basic standard of accommodation and services. The Vietnamese government and its agencies owned and operated most of the hotels.

Period 2: 1990-1994: Rise of Joint Venture Hotels

The Vietnamese government gave up its monopoly, and allowed private and foreign investors to develop hotels for tourists. There was a shortage of international standard hotels and guest rooms, which foreign joint-venture investors sought to address, especially in major Vietnamese cities such as Ho Chi Minh City and Hanoi.

Period 3: 1995-1996: Reaction of State Hotels