

The Future of Work podcast is a weekly show where Jacob has in-depth conversations with senior level executives, business leaders, and bestselling authors around the world on the future of work and the future in general. Topics cover everything from AI and automation to the gig economy to big data to the future of learning and everything in between. Each episode explores a new topic and features a special guest.

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Jacob: Hello, everyone, and welcome to another episode of the Future of Work podcast. My guest today is Horst Schulze, co-founder of the Ritz-Carlton hotel company and author of a brand new book called Excellence Wins. Horst, thank you for joining me.

Horst: Delighted to be with you.

Jacob: You actually have a really cool story. Before I jump into a lot of the themes that you talked about in the book, I thought maybe you can give us a little bit of background information about you, and how you even got involved with Ritz-Carlton.

Horst: Well, I actually started in the hotel business when I was 14 years old, a busboy. Eventually waiter, worked in the kitchen and so on. Then in '64, I came to the United States, worked in a Hilton. I got my first little promotion. I worked in a club as a manager, a restaurant manager and so on and then worked with Hilton again as catering manager. Became food and beverage director with Hilton, after which I joined Hyatt in 1973 and became food and beverage director in their new hotel in Chicago. Was promoted after a year or so to rooms manager. Became, all with Hyatt, became a general manager in Pittsburgh and then general manager in a large hotel, Hyatt Regency in Dearborn, Michigan.

Horst: Following, two years later, I became regional vice president for 10 hotels for Hyatt. After that, I became manager of food and beverage operations for the United States for Hyatt, for all hotels. After a couple of years, I got a call. There was a hotel, two hotels being built in Atlanta and they wanted to create a new brand. Somebody knew me and recommend that I would run that brand operation. The people that were building it were builders, investors and developers. So, they negotiated with me for a while. I really had no interest. I loved Hyatt. I had my golden handcuff. I lived in a city that I loved, Chicago, but they kept on talking to me.

Horst: A vision formed in my mind. What would I do if I started a new hotel company? And dreams started, and that dream started to control me, and after many discussions I said yes, and left Chicago with tears in my eyes, leaving wonderful people at a wonderful company. Moved to Atlanta, and a little over a year later, opened our first Hotel in Atlanta, and the rest is history, you know?

Jacob: Wow.

Horst: I left 19 years after that, I left and we had hotels around the world. We were voted number one hotel company in the world. Not only that, we were voted number one brand in the world. So, that's kind of my story.

Jacob: Wow. Yeah, so it sounds like you had the opportunity to live in different countries, different cities, and see a lot of the world, and experience quite a few things.

Horst: That's for sure. In Europe, I did a typical European hotel thing. Started, as I said, as a busboy in Germany, worked in Switzerland, worked in Holland, American Line, worked in Switzerland again, worked Paris three years in the plaza, then worked in the Savoy in London, and that's when I came over. Somebody offered me to come over to the United States, which I did for a year, and I'm still here. By the way, very legal. Very legal.

Jacob: Yeah, you've got to make sure to point that out in the podcast.

Horst: Yeah.

Jacob: So, you've been in this space for many decades now.

Horst: Yeah.

Jacob: I'm curious, since you first started off, hotels have changed quite a bit. The way that we work has changed quite a bit. What are some of the big trends or changes that you've seen during the course of your career, as far as work and business goes?

Horst: Well, first of all, there's the hotel and restaurant business. There's no comparison. A great restaurant, when I came here in the mid '60s, was a rib house, if you will. There was very little of sophisticated restaurants. Today, they are everywhere. Not only that, there's variation. There's so much variation, from a Bulgarian restaurant, to a Chinese one, to a Japanese restaurant, etc., which hardly existed at the time. Also the approach and service was very unsophisticated. And today, it's very professional, very sophisticated. It's a different world. On the other hand, the hotel industry is changing in the process, dramatically.

Horst: That means the segmentation from Red Roof to a posh hotel, that is happening, which is still happening. I've seen, for example, most hotels, most brands that you know becoming more and more a commodity for sleeping. There's nothing wrong with that, by the way. I am not complaining about it. On the other hand, the individual hotels are becoming very sophisticated, in true service delivery and experience. That's happening in the hotel industry, and luxury has changed dramatically. Luxury, at the time when I came here, was seen as marble, chandeliers, artwork, etc., etc.

Horst: Today, luxury in the beholder is, do it my way. If you do it my way, I consider it luxury. Of course, the surrounding has to be right. Everything has to be right, but if you respond to me, individualization and personalization is luxury in any business today. So, that is kind of the huge change is that it's not anyone buying what is there, but creating what the individual needs and wants.

Jacob: Yeah, that makes sense.

Horst: That is the big change.

Jacob: I think that makes a lot of sense. What about any changes that you've seen as far as work goes? So, over the last 30, 40+ years, if you were to look inside of companies, how we work, business practices, have you seen any really big changes there?

Horst: Yes, and I think there's still a lot to be done. When I came here, it was very strictly, "This is what you do. I tell you so, do it." And don't have control over it. Today, it's more a measurement. Today's worker wants to have elbow room, and be part of an organization. That's what's still missing, a lot. Even though we know forever and for thousands of years, people want to be part, and want to have purpose, we're still lacking, offering people that come to work for us purpose, and being part. That's what we are still lacking, even though we are much better than it was 30, 40, 50 years ago.

Jacob: That's the big area that organizations still need to work on.

Horst: Yes, it's a big area we have to work on. What we do, and I address that a lot in my book there. What we do, actually, we still hire people to fulfill certain functions. But you know, the chair in which we're sitting is fulfilling a function. We have to become more aware that we actually hire human beings that want to be part of something. Not just fulfill a function like the chair, which we're sitting on. Once that understanding becomes deeper, we have, we will adopt and create our systems around it.

Horst: We talk a lot about alignment, but with little meaning. When I talk to leaders, and ask what is the vision of the organization, mostly that's unfortunate all have an answer, what their objective is. But if you go into business, and the employee, what's the objective of the organization? Nobody knows it. So, how possibly could they belong? And I think we have to move away from that. That, by the way, is Taylorism. Taylorism, which was created, Taylor, who taught Ford how to do it, give people a very little thing to do and out comes an automobile. They don't even have to know that it is an automobile they are building, as long as they tighten those four screws, add this piece to it, and so on, and let them do that.

Horst: We think, management, they do. As you know, Ford in fact said, don't hire people with two hands. Hire somebody with four hands. I don't need anyone with two. A horrible thing, but that, thank goodness is over. Now, we still have to move forward and understand they're human beings. They're not just fulfilling functions. Alignment have to mean something.

Jacob: I think that's a great message, and I couldn't agree more. I'm curious, what does a typical day look like for you now?

Horst: Well, being practically retired, I sold my company a year ago, Capella, but I still have some obligation to oversee the hotel. Not manage the hotel, not run the hotel, oversee. The CEO emeritus, you know what that means. I'm still involved.

Jacob: Of course.

Horst: But on the other hand, I'm on five boards of directors, which keeps you quite busy. If you want to truly serve a board, that means you have to inform yourself really of what's going on, besides some unsung committee, and make speeches. I'm one of the speakers in the room, and I do some consulting. So, what happened? I retired, and I'm more busy than ever, but it's great. It's great to contribute to different companies, all in the a hotel business, which I did, and finding it's all the same. Take care of the customer, take care of the employee.

Jacob: Yeah.

Horst: And be a good leader.

Jacob: It should be that simple. You would think that we would be able to figure it out by now. Sadly, still people are figuring it out.

Horst: Yeah, I think so too.

Jacob: One of the things I'm also really curious about, are there any business or workplace practices that you can think of, that used to be mainstream when you were working during the course of your career, that are now obsolete? That we just don't do anymore, that have just disappeared.

Horst: I couldn't think of anything offhand here, but there is a lot new. Again, there is what we did, we so much in the hotel business, I cannot [inaudible] hotel business. We did things by knack, meaning by our feeling, and by our neck, and by our creativity. As the business grew, we had other hotels. Once I had Ritz-Carlton, I opened up by my feeling. I walked by the buffet, and it sure it was set up right. I walked over and showed them how to create [inaudible 00:13:31], once I had the second, third and fourth. So, there was concentration and process, has become extremely important.

Horst: Generally in business, we don't just hire anymore by feeling, by our feeling. We have processes to identify the talents of certain people. We know what talent is needed in a certain job category, so we create profiles around the job category, and hire again to those profiles. That didn't exist. That didn't exist. That's very, very important to understand that. And also, we actually didn't, at all, we asked for feedback. Often, not always, for feedback from the people who fulfilled the process, because after all, they know what's going on in the process. So, we get feedback, rather than just moving without the feedback in the process, without the feedback of the people connected to the process.

Horst: Those things have changed, thank goodness, which makes everything better. So, there are many of the human elements that have changed, as I expressed earlier. We are not done, by no means. There was a survey done about 20 years ago, mind you it's out of, maybe it's too old, but three million people were asked what improved, workers in the US and Europe. Many universities were involved. The number one thing they wanted

was elbow room. They said, "Let me do my job. I know my job better than you, let me do it." But we are still in Taylorism, and send the memo of how they should do it. Ridiculous, isn't it?

Jacob: Not as effective. So, you talked about how there used to be a time when you used to be able to hire employees based on a handshake, based on a relationship. Today, you really don't see much of that anymore. Today, there's a lot of technology, and AI, and data, and analytics. I'm curious, when you look at how hiring has changed over the last 30, 40 years, is it actually better now, or was it better before, when you could just interview somebody, give them a handshake and just know if they are a good fit or not, with that feeling, instead of having all the data and technology involved?

Horst: We are heavily exaggerating it today. The many tests, you're missing often the best people because of the exaggeration of tests. Yes, we developed a profile for each job category, and we have many in the hotel. He hire against that profile, and that profile, we determined what is the talent needed for a specific job category. Then we developed the questions, how to see if that person has that profile. For example, let me give a funny, silly example. A doorman, we found in our interviewing, our best doorman, for some reason they all had one thing in common. They all enjoyed gardening.

Horst: Now, that's funny. It is kind of normal, though, because a doorman likes to be outside. So, we use this kind of simplicity in the many other questions, obviously, to find the person for a specific job category. We didn't go further than that, which is only confusing to a human being, and I have seen job interviews that are absolutely ridiculous, confuses the person, nothing but confuses the person. Never establishes, is that person truly talented for this particular job? It is too much.

Jacob: Yeah, I hear all sorts of stories. I think it was Google that was famous for asking people weird questions like, how many golf balls can you fit into a Boeing 747 jet? They would ask all these.

Horst: Yeah, I heard that. Or even something that's still often used, what kind of animal do you want to be. For crying out loud, come on. What's the difference if they want to be a chicken or a lion? That is all, the lion is good. Who knows, maybe it's the chicken that's better?

Jacob: Today, there are also different technologies that companies are using. I know for example, I think it's Unilever, where one of the things that they do is they have employees play games, either on their phone or on their computer. As they play the games, the games measure different skills that the employee might have. Like, do you prefer risk, or do you not like risk? Do you have emotional intelligence or not? And so now, a lot of technology is being used in this process, and employees have to go pass all these technology tests before they even get to see you and talk to a human. So, I'm guessing you think that we probably are using technology a little bit too much here.

Horst: Yeah, that's what I'm thinking. I wonder if that test, forgive me to be silly, if that test also tells them if the person that's being interviewed is a pedophile. Come on. I mean, it's so exaggerated, everything.

Jacob: Yeah.

Horst: It's over exaggerated. Is that person taking strange drugs or not? And doesn't tell them that. It's so exaggerated.

Jacob: Yeah, it doesn't really focus on, I suppose, understanding the employee as an individual.

Horst: Exactly.

Jacob: Yeah. One of the things that you talked about in the book is this idea of human-ness, and treating your employees like humans instead of individuals. I was wondering, do you have any interesting stories, or examples, or ways that you were able to implement this at Ritz-Carlton? How did you go about making sure that all of your employees are really making sure that they are treated as humans, as individuals?

Horst: Let me underline that. Understand, Ritz-Carlton was in many cultures, in many locations, and in every location we were the leading hotel. We were the leading hotel in the world. We were the leading hotel, and by the way, number one brand in the world. So, each hotel is truly a separate business. Each hotel is owned by a different owner. We only manage hotels, so we were very successful everywhere, and what was the secret? The secret is the answer to your question. We, number one, selected, as we discussed. Number two, extremely important, we oriented our employees to who we are.

Horst: In fact, when we opened a new hotel, [inaudible] Ritz-Carlton hotels, no matter where that hotel was, if it was Shanghai, or Hamburg, or Philadelphia, I went there the first day the employees started to work, and I told them who we are. I invited them to join us, not work for us. Join us. Join our dream, and here is our dream. I told them the motive of our dream. In our case, we want to be the global leader in the services industry. I gave them the motive of our dream, to be recognized, to be honored, to grow and show them how their motive of working fits our motive.

Horst: If we accomplish what we do, you will have opportunity. You will have honor. You will have recognition. So, that's orientation. We didn't teach them their functions. In fact, the second day, we then sat down with them and let each department, they themselves write their mission statement. So, they were belonging, and on the third day we told them 20 things which we have to do superior to the competition, to make us the number one in the world, and get the recognition accordingly.

Horst: Then, of course, we created all processes behind those 20 things, and then every day from then on, we repeat one of those points. In every hotel, before every shift. Today, it may be point number 12. If somebody asks for direction, don't point. Take them there. That is being taught today, in every shift, everywhere, because we know that will make guests happy, and we have countless compliments on that. There are other points, so

now all of a sudden employees don't just work, they belong. In every day, before every shift, they repeat one of the points, but we also share what is going on, what is new in the company.

Horst: We just signed the contract in Nanjing. The hotel will open there in about two years. Everybody knew, everybody belonged and was part of the company. I explained that in detail, and I also explained the 20 points in detail in my book. It was discussed every day. Today is point number 12, and in 20 days, it's point number 12 again. It's that important. So from the beginning, from the selection, we connected them truly to the company, in the belief and the importance. We aligned them. We aligned them with what the company thinks, what the company is, and what the customer, what the guest wants from us. There's no employee who doesn't know the vision and the mission of the organization, the key the objectives of the organization, and the expectation of the customer.

Horst: That is how they will know. That's why we have a culture second to none. People didn't leave us. Mind you, our industry, and it's kind of fascinating, had at the time an employee turnover annually in the United States of 120%. Think about that.

Jacob: 120%, you said?

Horst: Ours was less than, yes.

Jacob: And yours?

Horst: Ours was 20%. We didn't pay more. We never became union. In fact, in San Francisco, the union was picketing us for three years. The employees didn't want the union, and we didn't pay more. People belonged. They aligned. We didn't just use the word alignment, which everybody uses today, we did it.

Jacob: I have your book here, and I have these 20 points, and I just wanted to read maybe one or two of them so that the listener can see what those points are. So, point number six on here, for example, was you are responsible to identify and immediately correct defects before they affect a guest. Defect prevention is key to service excellence, and then maybe one more I'll read is, escort guests until they are comfortable with the directions or make a visual contact with their destination, do not point. And so, you mentioned you have these 20 standards, and you would just go over one of these before each one of your meetings that the employees, it sinks in with them.

Horst: That's right.

Jacob: But how did you? You know, a lot of companies, for example, they have mission statements, and values. Sometimes these things are just words and phrases, and it really doesn't sink into employees. They don't really connect with it, they don't really live it. So, how do you go beyond just making, just talking about these 20 things to really creating that alignment? How do you make that connection with the employees, so that they act these things out?

Horst: Yeah, as I explained, we first teach those points the third day of the employment. They have not learned function yet. Let's stop for a moment here. How does orientation usually happen in the company? The new employee comes in, the boss makes a team speech. We are a team here, without giving your objective, because without the objective, you are not a team. But we are a team here, and then the new waiter Bill is turned over to the waiter that is here already nine months, Susie. And Susie takes Bill to the kitchen, and on the way to the kitchen, she most likely says this company is not good, and that is Bill's orientation.

Horst: It's how it works, in every business. We don't do that. We tell them the first day who we are, then the second day, we tell them the expectation of everything from the customer, and those 20 points of being taught the third day. Then we explain the importance. And then, as I said, we repeat one point every day, but we don't just read it. We explain it again. We read letters from guests that make reference to that particular situation, complementing that we talked, and that we didn't point. We constantly connect them, and we tell them every day, a little bit of what is going on in the company. They all feel part of the company.

Horst: You know, Adam Smith, 300 years ago. Now, let's understand this. 300 years ago, Adam Smith, in his second book, where he studies the human being, said human beings cannot relate to orders and direction. And what do we do? We give orders and direction. He said human beings can only relate to motive and objective. Objective, meaning the vision of the company, which we tell them the first day, we want to be the leader in the world of service. That's our vision. And motive? Here is motive. Adam Smith said it 300 years ago. By the way, Aristotle [inaudible 00:30:51]. So, it's really quite simple.

Jacob: Sorry, what did you say about Aristotle? You cut out there for a second.

Horst: Aristotle said, 3,000 years ago.

Jacob: Oh, so even before that.

Horst: Even before that, that human beings need purpose and belonging. So, why don't we give it to them? The purpose of our company was to be the global leader in the service business. That's what we invited them to be part of, a purpose and belonging. Here is what we do, and here is how we are part of that. It's very clear that this is known for thousands of years, but we have to apply it for our companies. That's why we did that, and that reputation, keep on repeating, and keep on telling stories around it. Don't just read it. No, here is the story. Here is an incident the guest has referring to that particular basic of today.

Jacob: I really like the story piece. I think organizations need to do a much better job of using those stories to connect the work that an employee does to the impact that they have.

Horst: Yes, Jacob, you said it. As you can see in the book, I tried to not write an academic book. I write to tell a story around how to be successful in business. It's a story.

Jacob: It is. It very much is. It's interesting, you mentioned Adam Smith, you mentioned Aristotle. And so, we've talked about purpose and meaning, as you've mentioned, for thousands of years. But how come, or why do you think organizations have not embraced this? Because if we've talked about it for 3,000 years, you would think that 3,000 years ago, these are the types of things that we would start to build, and that today we would live in a world where everybody loves their jobs, there's purpose and meaning at work, and everything is wonderful, but the exact opposite is the case. What you think the big problem is? Why can't companies get this right?

Horst: Well, we all have learned, from people like me, my age, I learned from people that believed in the teaching of Taylorism, where you hire people, you make them do the job. They don't have to think, as long as they do it, and you control, and you watch over them. We still have one foot in that, because I learned it from my bosses. I was lucky, I had one boss who was the opposite, but we learned it from the people who learned it in business school. Do, control, measure, do that correct and so on, which is necessary. But the controlling part has to stop, and making people part has to replace it.

Horst: Making people part of what you are doing, rather than controlling them, what they're doing. But we're still in it, but let's face it. It's partially also an ego thing. Now I am a manager, I am controlling, but the a question has to be asked, and frankly easy to answer is, what employee will do a better job? The one that must do the job, and is controlled to do it, or the one that wants to do the job? The answer should be quite easy. So in other words, I have to create an environment in which employees want to do the job, and that is leadership. Now we have arrived on the problem. We have a leadership crisis.

Horst: People are managers. People are forced being managers. They are forced to take all the control, to be controlling, and managing the money, instead of managing all that makes the money. The money is made by good people, creating a great product, but we don't concentrate on that. We concentrate on the cost and the bottom line, because we are forced to report to Wall Street every three months, and guess who gets the applause? The one that created a great product, or the one that created a great profit? The guy with the profit gets the applause, even though he messed up the product, and pretty soon, you are not in business anymore.

Horst: That's the problem. The circumstances is the problem. We have to step away, and concentrate on the things that make money. That's human beings, and the product which we produce makes money. If I have better employees, I will be able to create a better product. Consequently, sooner or later, I will make more money. I don't have to look at the money. The money comes, if everything else is right. Of course, I have to be efficient, and if anybody interprets to hear that I am saying we shouldn't be efficient, we should waste money, of course not. But we should concentrate on people who join me in being efficient, and create a great product.

Jacob: How do you get that different way of thinking? To avoid the short term-ism, to focus more on the long-term. Is there any advice or suggestions you have for how we can embrace that new way to think about stuff?

Horst: Right. Leadership is the standard setter of the product. It's leadership. That's the big reason we pointed to the bad employees.. Someone that I was connected with just recently, employees. They have some bad employees. Wait a second, that has nothing to do with the employees. Maybe they were raised wrong by their parents, but you, leader, you were the dummy that hired them. It's your problem. What makes you a leader? Select the right employee. Maybe you didn't teach him right. Maybe you didn't orient them right, but it's your problem. We are responsible, not the employee. The leader is responsible. We have a crisis. Make sure, are you teaching them right? Are you encouraging them right? Are you also show what the product has to be? The leaders set standards. Now, if the leader has the right vision for the company, and here is the key.

Horst: Asks himself, is that vision good for all concerned? Meaning the customer, the investor, the employee, and society. If the answer is yes, as then that moment, the leader is in charge of the standards for that vision, and cannot compromise it. Has no right to compromise it. Leaders compromise, and on the other hand they insist on the bottom line. It doesn't work like that. You do not compromise on your product, you do not compromise on your excellence. You keep on teaching, you keep on selecting, you keep on working and make sure that the guest, the customer gets the best product they can get, based on what you are creating.

Horst: You should be certain they cannot get a better product from any competitor. Then you are making money, and this can only be produced with the right people, that they are led. That they are not controlled. That they have elbow room, that enjoy working, and want to be excellent.

Jacob: Yeah. I agree with you 120%, everything that you are saying, but you mentioned an interesting point, which is the accountability, not just for employees and customers, but also for society, as well.

Horst: Sure.

Jacob: I feel like that's also a little bit new, right? Because the company now isn't just responsible for shareholders, but is also responsible for making the world a better place, impacting the community.

Horst: Absolutely.

Jacob: Is that a new thing, or has that been around since you started your career, as well?

Horst: I must say, it is new that we give it a lot of words, and a lot of PR, but it really existed always. We made sure in the first hotel that we didn't make any noise on the loading dock for our neighbors, that we didn't waste things. We made sure that good leftovers went to the hospital, or to the poor, etc. It's not that new, but we enjoyed saying that we are doing the right thing for society. It's just a lot of words. Now, have we improved it? We have improved it. We didn't throw all the garbage together. We have improved things, but it's not new. That is, we are talking ourself into it, within our PR, to the world.

Jacob: Yeah, I have a feeling that it's something that's been around for a while, and is just getting a different spin on it.

Horst: Sure, it is.

Jacob: How has leadership changed? I mean, you talked a little bit about this earlier, where it used to be very much command-and-control, and telling everybody what to do. Now, it seems like leadership is more about, I think you mentioned being a servant, and helping others.

Horst: Absolutely.

Jacob: Sometimes, this is like an actual change that you have seen, where leaders and managers in the past very much used to be command-and-control. Now that model no longer works.

Horst: Well, it doesn't work well anymore, but it still exists. Very strongly so, this command and control. As I touched on earlier, much has to do with the ego. The young people come out, and now all of a sudden the manager, I am in charge. And in fact, I wasn't a few years ago, I wasn't opening a hotel, and I explained to the team, in this case, the room service team, the waiters, the busboy, the order takers, and the manager that everyone should see mistakes. Everybody should speak out. Everybody should tell the manager if he can do things better, and the manager, as a result, quit. He said, "I don't have employees telling me what to do. I am the manager." That feeling still exists. Terribly wrong, but it still exists.

Jacob: So, you actually had a manager quit?

Horst: Quit, because I said ... Well, that went against his ego, that an employee could say how to do the job better. But the employee knows best, because they are fulfilling the process, not the manager. But in this case, the manager, and that feeling still exists quite strongly out there. I know better, they say, but it is slightly changing, and much of the new labor force demands it. The Millennials, they don't come to work to do a bad job. But they want to be part of something, and they say, what is in it for me? Now anyway, we said that, too, but we were scared to speak up and ask it. They are willing to speak up and say, what's in it for me? What is in it for me within, if we say our vision is to be the leader in the world in a service business, they will say, "What is in it for me?" They want to know, and I think we are obligated to tell them that anyway. How is our motive connected to their motive? So, what happens is the leader is forced to communicate belonging to Millennials. That is good. But the truth is, there is still a leadership crisis.

Horst: There are a lot of managers, and again, the reason is, as I explained before, but that by society, by ownership, by asset managers, by Wall Street, they are forced to concentrate on the money, rather than on the product.

Jacob: In your book, you talk about, actually I found this to be quite funny. You're talking about a couple of examples of just common jargon that we use in the business world. I just

wanted to read some of these, because I was actually laughing when I read this. Some of them were, "We're a team. We're committed to empowerment. We have an open door policy. We're a family." And so, these are all things. To add to that, we always hear about transparency, and authenticity as well. These are all phrases that companies use. Do you think companies actually mean this when they say that, or it's just words?

Horst: No, it's just the words. It's like a bunch of ducks quacking. I'm sorry, because everybody uses it. If you want them to belong, you have to explain who you are. You cannot say we are a team. What is a team? A team is the group of people who support each other toward a common goal, a common objective. So, if I am not giving the objective of the organization, immediately we are not really a team. We are just fulfilling functions, and then management controls and watches if the function is fulfilled properly. And they should see that, but every employee should know why he or she is fulfilling the function.

Horst: Where does it take us? In order to accomplish a common objective, that is the problem. Leadership, management doesn't do that. Management just forces things to happen. In my humble opinion, I made a study of 65 general managers to see who are the leaders, who are the managers. Now admittedly, very unscientific study. My study, over three years, looking at 65 managers, I came to the conclusion, in my opinion, I emphasized that. There were five leaders, and they had the objective of moving everybody forward to a common goal. The managers want to force things, so we make a profit.

Jacob: And you had?

Horst: That's a sad statistic.

Jacob: Yeah. So, you said you have five managers and 60 leaders?

Horst: No, the opposite.

Jacob: No, sorry. 5 leaders and 60 managers.

Horst: That's the problem.

Jacob: Yeah. Too many managers, not enough leaders. I think that's something that a lot of people would agree with, as well. I know we are almost out of time, I just had a couple questions for you. How has inspiring employees changed? If you were to look at the course of your career, how do you think it's changed the way that we've inspired employees in the past, versus the way that we have to inspire employees now? Are the same things that motivated and inspired employees 20 years ago, the same things that still work today?

Horst: No, and I come back to comments that I made before. Today, the employee wants to know, what is in it for me? Do I have elbow room? Can I make decisions? Can I comment about? That is very strongly, so 20 years ago, I would say 30 years ago, the number one expectation of a job was how much money do I make. In surveys, that was true. Today, the number one question is, can I belong? Can I have an effect? And they want to know

that flexibility, they want to know of work. They want to know how they can give input at work. Open-door policy, and all those nice phrases don't work anymore. Open-door policies were mentioned, and a door may have been opened, but everybody was scared to walk through the door.

Horst: Nobody walked in, because everybody was scared. The demand of the employee today is that they can speak up today. And again, this huge thing, I cannot over emphasize, is a sense of belonging. That wasn't the question 30 years ago. How much do I make? That was because it didn't come into the [inaudible] by the employee. They were [inaudible 00:51:43], that they actually could become part of the thinking of the organization. Today, they can become part, and they want to become part of the thinking, or at least relative to what they are doing.

Jacob: For people listening to this, who are thinking, "Okay, maybe this works for the hotel industry, but I work at a software company. I work at a manufacturing company." Do you have any advice for how people can apply some of your concepts and ideas inside of their own organizations? Where can they start? What should they be doing or thinking about?

Horst: Well, well, well, I am connected to many other companies. I am on the board of a major financial company. I am consulting with a nice bank that has about 100 small banks around the state. I am with a very nice medical company, we have about 80 businesses around the country, with doctors and general practitioners, etc. It works in each of those organizations. It had nothing to do with, it all means the same. What does [inaudible 00:53:20], have said that in many other words, said already. Orient your employees. Orient them right. Orient them to who you are. Invite them to be part of your organization. Be sure they know your objective.

Horst: Be sure you have a beautiful objective. I have seen many companies that don't even have an objective. There should be a beautiful objective, of which you are proud, and anything, anybody that joins you should be able to be proud of that objective. Be aligned. That means alignment. Focus on the customer. Don't focus on what you believe, focus on what the customer believes about your product. A study of one has no meaning, understand the market segment, and focus on your market, and not what you think your product should be. That is a study of one. Then align every employee behind that, and show every employee that this is what we do [inaudible 00:54:42], and tell them why.

Horst: Tell them how they are connected. Then, keep it so it's sustainable. Why do they spend billions in advertising? Because if you don't remind everybody, it goes away from your mind. So, you have to remind your employees, ongoing, what is the objective? What are the things we have to do in order to be the leader in our industry? That is good for anybody. It has nothing to do with the hotel business, and it works dramatically well in a number of companies, and some of them that I am consulting with.

Jacob: Who has been ... And these are just a couple of rapid fire questions, just so people can get to know you a little bit better. So first, very quick question for you is, who has been the greatest mentor you've ever had?

Horst: Oh, I had a maître d'. My maître d', who, when I was 14 years old, the first day at work, he told me, "Don't come to work, to work. Come to work to create excellence in what you're doing." Now, at that time, it went over my head. I washed dishes, I cleaned floors. But slowly I understood, he made it clear. You create excellence because you are defining yourself by what you do, no matter what the job category. If it is a dishwasher, or the general manager, you define yourself as somebody excellent, or as somebody that is not so good. Very important thing for me to learn, and it stuck with me. Create excellence, because you define yourself at work, and not at home while you are watching TV.

Jacob: I think that's a great one. Next quick question for you is, what is your favorite business or non-business book that you recommend other people read? Besides from your book, and course.

Horst: Unquestionably, two books. It's Stephen Covey, 7 Habits of Leadership, unquestionably. Really learning it, really understanding. The other one, of course, is Peter Drucker, about culture. It's Culture Eats Strategy for Breakfast. He said it, he is right, and I applaud it, and I live it.

Jacob: What has been your greatest business failure?

Horst: Oh, it flooded in my face many times. Ignoring a certain clear situation, in a location where I was, not adjusting well enough to the sense of place where I was, trying to force the issue even though it was not fitting in a certain location.

Jacob: And it didn't work out well?

Horst: It didn't work out well.

Jacob: Yeah. Maybe one or two questions for you, what has been the hardest business decision you have ever had to make?

Horst: Well for me, the hardest was actually leaving Hyatt Hotels, which was a great company. I had golden handcuff, I had everything, but this dream of starting a new hotel company overcame me. I left. Now, that was, by any means, a pretty stupid decision, to leave a hotel company where I was in charge of 65 hotels, had golden handcuffs and everything, and moving to another city that didn't even have, started to work with a company that didn't even have a hotel. But I followed the dream, and the rest is history. It worked out, but it was a stupid decision.

Jacob: And very last question for you. If you think you would have ended up doing a different career, what career do you think you would have ended up doing instead?

Horst: The hotel business. Again, and again, and again. I don't want to do anything else. That's what I love. Maybe, when I see it today, a hospital, because that is very fulfilling. It's basically the same, but at the same time, you're truly serving people.

Jacob: Yeah. Well, where can people go to learn more about you, and your book, and some of the stuff that you are doing? Anything that you want to mention, please feel free to do so.

Horst: No. I mean, if you would read the book, it's a very easy read. I purposely wrote it as a story, so it's not an academic, difficult book with charts. I did it purposefully so that young people would enjoy it, too, and from there on, you will see where else you can go.

Jacob: Sounds good. Well, thank you so much for taking time out of your day to join me and to share some of the interesting stories and insights you've had over the course of your career. I definitely would recommend everybody check out your book. It's called Excellence Wins. So Horst, thank you again for joining me.

Horst: Jacob, I enjoyed being here with you.

Jacob: And thanks everyone, for tuning in. My guest, again, has been Horst Schulze, co-founder of the Ritz-Carlton hotel company. Make sure to check out his book called Excellence Wins, and I will see all of you next week.