

## HOW I DID IT

### The team role in reinventing an independent hotel

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How we transformed the company into a service ecosystem.

#### **What is your business?**

This is a question that may seem very simple, even trivial. Well, your business could be an automotive component industry. It could be a small apparel outlet. Or a startup that sells wines online. If this question was asked a few years ago to the managers of the business I run today as CEO, I am sure the answer would come easily. “I run a hotel,” would say my grandfather, founder of the Maksoud Plaza and largely responsible for the construction of a hotel that is an icon of São Paulo and was a symbol of luxury and prestige in the 1980s and 1990s.

Nowadays, an honest answer to this falsely simple question requires a plunge into the essence of every business. If the question was asked to me these days, I would answer, “I run an ecosystem.” To accomplish this great transformation of meaning, I have been conducting since May 2014, the year I took over management, an extensive work involving research, processes and, above all, people.

Between the 1980s hotel concept and today's ecosystem concept, Maksoud Plaza has undergone profound transformations. Stage to memorable concerts and meetings of the powerful, the hotel, which opened in 1979, lost some of its prestige in the late 1990s. Without clear strategic positioning and misguided marketing, it produced high expectations around five-star accommodation that did not match the reality of the moment; it no longer attracted so many guests. At the same time, the city's business hub shifted to the southern region, where large international hotel chains established themselves. This was yet another contributing factor to the drop in the occupation of Maksoud, which is located in central São Paulo, near Avenida Paulista.

This was the scenario I faced when I became CEO. It was not uncommon for people to ask me, “Is the hotel still open?” But soon they would tell happy stories about weddings, honeymoons, deals closed at our meeting rooms, family events held at one of our restaurants, and other experiences. Good memories aside, I had two options left: continue leading Maksoud as a run-down hotel that could eventually cease operations, or unleash transformations through innovation. At that time, financial limitations, family disputes over control of the company, and various legal issues prevented us from renovating the hotel from its physical structure point of view. But as a leader, I knew there were other ways to motivate employees to build a new business with me.

Every hotel has key success indicators: its occupancy rate and its average daily rate. The occupancy of Maksoud Plaza was around 40%, with an average daily rate of R\$ 380, which internally turned a yellow light on. That was where we needed to start the change; after all, without guests we would die. We opted for an “occupation shock”, acting on several fronts, such as the reorganization of the sales department — which, with aggressive actions, soon raised the rate to 55%. One of the most effective measures was to structure the Revenue Management department and to hire an executive for floating rate management. With widespread use of business intelligence, the value of our daily rates fluctuated according to a number of factors, such as occupancy, segmentation, competitive pricing, and group sales conversion study. We have implemented controls and KPIs for revenue analysis and improved our online presence. In five years, sales through OTAs, the online travel agencies, have increased by over 300%. Today, the average daily rate of the hotel is around R\$ 440, representing a growth of 13% approximately.

In 2015, we formed a strategic partnership with the Accor Group that was unprecedented in the world: Maksoud was the first independent hotel to be included in Accor’s e-commerce platform, online distributions, offline sales portfolio, and loyalty programs — Le Club (B2C), and Premium Rewards (B2B). We gained capillarity and new sales momentum.

By the end of 2016, our occupancy rate was 61%. We could breathe a sigh of relief and focus our efforts on the hotel we wanted to have in the near future; by the way, not a hotel — an ecosystem.

### **What does our customer want?**

The next step was to understand what our customers expected from us. Would it make sense to them the palatial luxury of the Maksoud of the past, with pristine linen towels, crystal glasses, and a 200-label wine list? Listening to our guests, we realized that the younger generations no longer cherish these symbols, considered ostentatious. They appreciate everything that is handmade and environmentally responsible. In addition, they seek quality at the right price. They realize the cost of the welcome champagne is built into the rate. They deal with money more

consciously, reject luxury for luxury sake, and are interested, indeed, in the service, which has to meet or even exceed their expectations.

At the pivotal moment of this reflection, we received at Maksoud a team of first-year students from Harvard Business School's MBA. We are one of the global partners in HBS's FIELD Global Immersion program, which seeks to develop young people's ability to efficiently understand and interact with different cultures and business contexts. After months of distance contact with the hotel staff, students experienced our daily lives on the spot and, based on the design thinking and customer-centric approaches, made recommendations to management to improve the front office — that is, from parking to arrival, through the lobby, concierge and reception. Many of the suggestions were heeded, including creating a two-step modular check-in with personal information entered into the system before the guest reports to the front desk. In addition, we implemented an express checkout via WhatsApp, the idea of a collaborator whose focus is innovation.

Our findings and experiments followed international trends around the concept of new luxury in hospitality: "No silverware and chandeliers," wrote Jeff Weinstein in an article on the *Hotelsmag.com* platform. "Indeed, the luxury value equation is rapidly evolving to where basic creature comforts are taking a higher priority." In his text, Weinstein defines the new luxury as "more comfortable in style and more personalized in service." Fundamentally, people want to be treated well, as researchers Michael Norton of Harvard Business School and Katherine DeCelles of Rotman School of the University of Toronto have found.

On flights in general, they mapped the resentment of economy-class passengers who, due to the configuration of their aircraft, end up witnessing the most comfortable accommodations and privileges of business and first-class travelers. "This perception of inferior status makes people stressed and angry," they wrote, detecting a significant increase in onboard misbehavior related to situations of inequality. The article raised a question: "How is it possible, even today, for companies to want to please their customers so much while making them so uncomfortable?" This is difficult to solve, especially considering, in this case, the class division that exists between passengers from check-in to aircraft configuration.

The next question was straightforward: If luxury, once a trademark of the Maksoud Plaza, no longer appealed to the customer, how would you charm them in the 21st century? The answer was in our statement of values and principles: "Our clients live unique moments with us and we hope they will continue to enjoy great experiences with family, friends and business partners." Only a motivated staff would be able to offer the highest standard that would generate new memorable experiences for our clients. That is where lay the biggest challenge of our (at the time still) hotel. Innovation would have to be made by people.

## **New processes and partnerships**

To achieve the enormous transformation we were anticipating, we needed qualified support. So we brought in a specialist strategic planning consultancy, Sonne. Upon arrival in 2016, the consultancy conducted an extensive internal exploratory study (IES). Interviews with more than a hundred collaborators revealed that if Maksoud Plaza were a person, it would be a man over 50 years of age and with “strong personality”, which we interpreted as “without flexibility for change”. It was an even more alarming fact when we considered that the hotel itself had not turned 50, either then or today — that is, we had a dangerously aged image.

Two years later, in a new IES, held in the second half of 2018, there was a 15% increase in the number of employees who describe the hotel as a woman and a drop in the average age attributed to this “Maksoud persona” to 41.2 years — almost ten years younger than in the first version of the study. “Both characteristics indicate evolution, given that a female persona is directly linked to the care and attention to details of women and mothers; and the lowering in age denotes feelings of rejuvenation, reformulation and innovation”, pointed out the consultancy report.

To improve governance, we hired an asset management company, HVS, the global leader in hospitality intelligence and professional services. A meticulous audit of our numbers and comparison of them with those of international chains have allowed us to identify ways to reduce costs and increase revenues. Due to financial constraints, we seek to make investments by closing partnerships in several areas, including one for upgrading our physical internet structure that involved approximately R\$ 1.89 million.

We were getting increasingly prepared for the next steps.

It is, therefore, no coincidence the number of TripAdvisor excellence certificates that Maksoud has been receiving since 2014, with increasingly positive ratings; the 98% increase in events, with record revenue; the 15% growth in occupancy level between 2014 and 2018. In the year I became CEO, the hotel reached R\$ 46 million in revenue. This number has been growing since then, reaching R\$ 67 million in 2018. We expect R\$ 72 million in revenues in 2019.

The view of the hotel as an ecosystem contributed greatly to the results. Maksoud is no longer seen merely as a place of passage — where people check-in, sleep, have breakfast and leave. It is a territory of remarkable experiences.

To highlight this aspect, we opened in 2015 the Frank Bar, which two years later appeared for the first time in the World’s 50 Best Bars list, the best ranked among Brazilian bars, with several other awards since then. We brought new stores to the hotel lobby, including a Havana coffee shop, a Vino! restaurant, a Roseli Paes beauty parlor and a Reactive SPA. We entrusted the Dreams 2117 suite to fine artist Felipe Morozini, who turned it into a “living installation” and is available on Airbnb — the platform that has caused earthquakes in the hotel industry. This has resulted in

the average occupancy rising to 63%, in line with a hotel of this category and 416 apartments.

### **Startup speed**

However, none of this would have happened if we had not invested in people.

Each day, it was our collaborators, from the most veteran to the newcomers, who implemented and consolidated the great transformation of the hotel. Of course, this process caused friction. Resistance to change is an innate trait of the human being. At the height of this journey that we needed to make to keep the hotel going and flourish as an ecosystem, we identified and replaced professionals who clung to the obsolete luxury hotel concept and did not share our vision of the future.

For those who stayed, we offer a wide range of development courses. We invest in training in areas as diverse as booking, finance, and governance. For our executives, we encourage and fund courses and MBAs at reputable institutions such as Harvard Business School, Cornell University, Columbia Business School, Fundação Getulio Vargas, and Insper, among others.

As the first IES survey indicated as an obstacle certain leadership seclusion, I decided to approach the team and make room for criticism. We literally tore down walls in an effort of openness and sharing. Between 2014 and 2019, we reduced the number of hierarchical levels from seven to just four, which gave us the extra advantage of making and implementing startup-speed decisions. We worked to empower collaborators so that everyone would feel free to bring ideas and innovations that would accelerate our goals. Today we have managers who have come together around the idea that we are not (just) a hotel and work in synergy for the purpose of serving well. In addition to constantly investing in training and qualification, we have structured HR and communications departments that treat both internal and external audiences in a personalized manner. We really want our team to participate in every process and to recognize their own efforts in the hotel performance. Maksoud today employs about 320 people directly and approximately 200 indirectly.

As CEO and architect of the great turnaround of recent years, I know that leadership and purpose emanate from leadership, which will then permeate the fabric of the new company we are building. Of course, this is not done overnight.

In 2019 the hotel celebrated its 40th anniversary; I have a clear vision of how I want to see it turn its 50th.

I work to make this vision reach the bottom of the business pyramid, uniting our team around a strong purpose, which is more effective than bonuses. "Companies that try to link the objectives of change programs to the compensation of staff find that it rarely enhances their motivation for change to the extent desired," say consultants

Carolyn Aiken and Scott Keller, for whom the positive impact each individual can have — on society, on the customer, on the organization and its investors, on the team and on themselves — has a much more powerful motivational role.

The hotel I envision a decade from now is competitive, refurbished and flexible in a business segment that is undergoing major transformations. In the future, we hope to have coworking — broadening the idea of an ecosystem — as envisioned in our strategic planning in 2016. We will be ready to provide new unforgettable moments and memories for generations to come.