

A Strategy of Duality: New choreography for the Marriott/Ritz-Carlton Dance

Summary of Teaching Note

Marriott Corporation, desiring to expand their lodging portfolio within the luxury market, acquired The Ritz-Carlton Hotel Group in 1995. The Ritz-Carlton had already created a footprint of superior service and brand reputation all its own. For the past 18 years, Marriott Corporation has maintained its distance in the management of The Ritz-Carlton. However, in 2009-10, two changes occurred that impacted The Ritz-Carlton: 1) Marriott Corporation divided their company into 4 geographic divisions and brought many independent Ritz-Carlton hotels under Marriott's corporate offices; and 2) The Ritz-Carlton introduced The Ritz-Carlton Rewards—a decision the company had resisted for nearly 10 years. How has Marriott Corporation maintained a successful “hands-off” strategy and preserve their successful partnership with the exquisite and stunning brand of iconic luxury? This case explores the effective dual strategy approach as demonstrated by Marriott Corporation and The Ritz-Carlton.

Suitability of Use

This case is suitable for undergraduate students that are juniors and seniors. The case can be introduced in financial management as well as strategic management classes, and can be used as an opportunity to develop a greater understanding of mergers and acquisitions, and marketing endeavors such as reward programs.

Learner Outcomes

This case study presents an examination of the acquisition of The Ritz-Carlton Hotel group by Marriott Corporation. The point is to learn how Marriott Corporation successfully acquired The Ritz-Carlton and allowed The Ritz-Carlton to sustain its own identity while benefiting from the synergy of the merger.

By the end of the case session(s), the student should be able to:

- 1) Explain the importance of mergers and acquisitions to the hospitality industry
- 2) Define the terms acquisition, merger, organizational culture and complementarity
- 3) Compare and contrast the Reward programs as offered by Marriott Corporation and The Ritz-Carlton
- 4) Analyze the characteristics of the organizational culture of both Marriott Corporation and The Ritz-Carlton
- 5) Describe lessons learned from the manner in which Marriott handled its acquisition of The Ritz-Carlton

Teaching Approach

The case can be used over 3-4 class sessions of 75 minutes each or in two weekly class sessions of approximately 3 hours. Students should be asked to read the case as well as the discussion questions prior to the first class; they should also be ready to define the four definitions below:

- mergers
- acquisitions
- organizational culture
- complementarity

This same scenario will work in either face-to-face settings or online be it in smaller class settings or a larger one. If the instructor desires, the case can be assigned within the context of individual work and subsequent class discussion of answers to the questions.

The case leaves out some details such as specifics of the two companies reward programs. This is deliberate in order to inspire students to explore and compare/contrast the two programs.

Discussion Questions Pertaining to Case

- 1) What are the similar/dissimilar characteristics of the organizational culture of both Marriott and The Ritz-Carlton?
- 2) What lessons can be learned from Marriott's acquisition of The Ritz-Carlton?
- 3) What has been Marriott's purpose of managing The Ritz-Carlton using a “hands-off” approach for the past 18 years?
- 4) How has The Ritz-Carlton maintained its status in the luxury service market and it's awarding of two Malcolm Baldrige Service Awards?
- 5) What is the future of the luxury market for brands such as The Ritz-Carlton?

Introduction and Suggested Time Frame

On the first day of class, begin with an open discussion of the general familiarity with The Ritz-Carlton Hotel Company and Marriott Corporation. Ask students how many hotel brands they can name under the Marriott Corporation (15 minutes). Next, ask the students to provide their definitions of the four terms: mergers, acquisitions, organizational culture, and complementarity (10 minutes).

Divide the class into two groups for the first class period. The instructor should direct one group to explore Marriott International's home webpage and the other group to explore The Ritz-Carlton home webpage (25 minutes for each group).

Marriott group: <http://www.marriott.com/culture-and-values/core-values.mi>

For Marriott Corporation, once students have accessed the above link, direct them to the tab titled “Core Values and Heritage” and suggest they click on the section “Our vision, purpose, strategy and core values.” The first tab is titled “Executive Letter” and opens with a video of both Bill Marriott, Jr. and Arne Sorenson speaking about the latest changes at the company. Ask students to read the section titled, “A New Chapter in Marriott’s History” as well and make notes on where Marriott is positioned at this point in time (20 minutes).

The Ritz-Carlton group: http://www.ritzcarlton.com/en/LetUsStay/Posts/Video_LetUs_Stay_WithYou.htm

- Suggest this group listen to the video “Let Us Stay With You” and explore The Ritz-Carlton website (20 minutes as well).
- Ask students to compare their findings. The instructor can go to the board and list the points made by each group (30 minutes). This allows for an initial exchange of views as students learn about the companies and share information as a group.
- The next assignment can be done outside of class. Ask the students to do individual papers for their particular hotel assignment. Under the Marriott Corporation there are additional sections of interest: corporate responsibility, diversity, hotel development, and investors. For The Ritz-Carlton, students can examine the sections titled: community footprints, leadership center and The Ritz-Carlton story. Students can then come to the next class and participate in a group discussion as to what they learned (45 minutes). The instructor can lead the discussion by asking the students questions so they may begin to compare differences and similarities between companies.

Question 1--What are similar/dissimilar characteristics of the organizational culture of both Marriott and The Ritz-Carlton?

This question can provide an opportunity for students to examine the organizational structure of The Ritz-Carlton and the appointment of Herve Humler in 2010 as President and COO and can be done either outside of class (written assignment) or in class. Identify the role of The Ritz-Carlton after its acquisition by Marriott—primarily a stand alone global division—and then examine the changes the new organization’s structure would bring. Direct students to two websites:

- <http://www.travelweekly.com/print.aspx?id=206404>
- <http://www.hotelnewsnow.com/Articles.aspx/3841/Ritz-Carlton-shuffles-leadership>

The instructor can begin by drawing an organizational chart for both companies and begin with the 2009 re-organization of Marriott into four geographic divisions and then follow with a picture of where The Ritz-Carlton belongs under this new corporate makeover. But this

question also suggests a deeper knowledge base of Marriott’s management—what has been the purpose of operating with more of a “hands-off” style with The Ritz-Carlton?

Question 2--What lessons can be learned from Marriott’s acquisition of The Ritz-Carlton?

- This question can be answered by asking the students to examine an historical time line of The Ritz-Carlton company. When Marriott first acquired a 49% stake in this company in 1995, The Ritz-Carlton was a troubled chain with a number of properties either losing money or barely breaking even. This also provided Marriott with a foray into the luxury market, a segment they did not have under their umbrella at that time, and it provided The Ritz-Carlton with financial resources for subsequent expansion, a central reservation system, and economies of scale for purchasing and in-house expertise for the troubled company.

Question 3--What has been Marriott’s purpose in managing The Ritz-Carlton using a hands-off approach?

- Begin by asking the students to break into groups once again and define what the term “organizational culture” means. Suggest half the group write a definition from their own experiences while the other half looks-up the definition using their computer. Then, using the computer in the classroom, pull-up both companies and position with a split screen so they are viewed side-by-side. The instructor can show various aspects of both companies, such as their mission statements, and ask the students for feedback from their previous discussion.

Question 4— How has The Ritz-Carlton maintained its status in the luxury service market and its awarding of two Malcolm Baldrige Service Awards?

- Have students watch the video titled “What Steve Jobs Learned From The Ritz-Carlton” http://www.youtube.com/watch?v=i91dDT_MOLM
- Also ask students to find the requirements for attaining a Malcolm Baldrige Award and report why The Ritz-Carlton has continued to provide exemplary service to its guests.

Question 5--What is the future of the luxury market for brands such as The Ritz-Carlton?

This question can best be answered by directing students to the following three websites:

- <http://www.travelweekly.com/print.aspx?id=225544>
- <http://www.hoteliermiddleeast.com/13987-president-inter-view-ritz-carltons-herve-humler>
- <http://www.hotelnewsnow.com/Articles.aspx/10169/Brands->

target-a-new-luxury-traveler

This is a good homework exercise for students to write their answers to this question in preparation for the final class discussion on this case to discuss the needs and wants for luxury travelers in the 21st century. The instructor can use the chalkboard/whiteboard to note the major points made in the discussion.

Additional Reading

- Failoa, A. (1995, April 26). Marriott Adds a Piece of a Divided Ritz; Luxury Hotel Chain's Real Estate Holdings Going to a New Company. *The Washington Post*. Retrieved March 16, 2013 from www.thewashingtonpost.com
- Foucar-Szocki, R.R., Cereola, R., & Weipott, S. D. (2009). J.W. Marriott, Jr.: The Spirit to Serve. In Linda J. Shea and Chris Roberts (Eds.), *Pioneers of the Hospitality Industry: Lessons, Innovators and Visionaries* (pp. 37-49). Richmond, VA: ICHRIE.
- HotelNewsNow. (2010, August 12). Ritz-Carlton shuffles leadership [e-newsletter]. Retrieved from <http://www.hotelnewsnow.com/Articleprint.aspx?print=True&ArticleId=3841>.
- Marriott, J.W., & Brown, K.A. (2013). *Without Reservations: How a Family Root Beer Stand Grew Into a Global Hotel Company*. New York, NY: Diversion Books.
- Michelli, J.A. (2008). *The New Gold Standard: 5 Leadership Principles for Creating A Legendary Customer Experience Courtesy of The Ritz-Carlton Hotel Company*. New York, NY: McGraw-Hill.
- Sucher, S.J., & McManus, S.E. (2001). *The Ritz-Carlton Hotel Company*. Cambridge, MA: Harvard Business School.
- Walsh, J. (2009, May 26). The state of luxury: A special report [e-newsletter]. Retrieved from <http://www.hotelnewsnow.com/Articleprint.aspx?print=true&ArticleId=1250>.