

Embracing the Principles of Mutual Respect

An Interview with Rakesh Sarna,
Managing Director and Chief Executive Officer, Taj Hotels Resorts & Palaces

EDITORS' NOTE Rakesh Sarna assumed his current post in September of 2014. Prior to this, he held various leadership roles with Hyatt Hotels Corporation including Chief Operating Officer - International from June 2007 until his appointment as Group President - Americas in October 2012. In addition, during this time, Sarna was responsible for co-authoring the brand attributes of Andaz (Hyatt's boutique brand) and leading the launch of this new brand.



Rakesh Sarna

COMPANY BRIEF Established in 1901, The Taj Group of Hotels (tajhotels.com) is one of Asia's largest group of hotels, comprising 118 hotels in 63 locations across India with an additional 15 international hotels in the Maldives, Malaysia, U.K., U.S., Bhutan, Sri Lanka, Africa, and the Middle East. From world-renowned landmarks to modern business hotels, idyllic beach resorts to authentic Grand Palaces, each Taj hotel offers an unrivalled fusion of warm Indian hospitality, world-class service, and modern luxury. For over a century, The Taj Mahal Palace, Mumbai, the iconic flagship, has set a benchmark for fine living with exquisite refinement, inventiveness, and warmth. The Taj Group of Hotels is part of the Tata Group, India's premier business house.

What excited you about leading Taj and what made you feel the timing was right?

I spent 35 years with Hyatt, which has an amazing culture. I'm a community college graduate – Hyatt taught me everything I know. They nurtured me, and treated me fairly and with dignity.

The idea of leaving them was an alien concept, so when I was approached, the first reaction was "forget it." Then, I warmed up to the idea, because it was Tata – that was the pull, because of their values. The brand Taj has something to do with it, but if the brand Taj was owned by another company, I would not have done it.

Lastly, there was an underlying aspiration to head a global brand – Taj's nobility was hard to resist. As a young boy growing up, I was awed by the charm and glamour of Taj, hotels that my family and I could not afford to go to – we couldn't even afford to have a coffee at a Taj.

I strongly feel, and I remind my colleagues every day, that we have to work hard to earn the right to be the guardians of Jamsetji's (founder) legacy. He defined a purpose for our existence. He created something in 1868, and established the purpose of the company. They have lived that purpose from day one. I get goosebumps when I think about that man's vision.

It has been 147 years and everyone who has been the guardian of Tata has taken this House of Tata from strength to strength. Mr. Ratan Tata, for instance, not only made Tata a global brand but he made it a respectable global brand – not because of the products but because of who he is.

The Tatas have done well, which is a karma thing. They have done so much good that they keep getting good people. They got Cyrus Mistry. He took over at the age of 44. At that age, I didn't have one-tenth the sense he has, and he's now managing Tata Sons, a massive global conglomerate.

IHCL is the parent company of Taj. It's a public company so it's not all Tata – Tata is the main promoter but the fact that the Tata hand is above our head gives us so much comfort, respect, and prestige on the global stage.

I must also never forget what our early leaders of Taj did for this company – they took this from a homegrown to a globally admired brand.

When you took on this role, how important was it to convey your message and did your people understand it and quickly come onboard?

I would like to think so because we didn't change for the sake of changing. There is a lot more that is good at Taj than is not.

While I would like to take credit, I find that many of the solutions I am finding for today's problems come from

our culture and our past, which is helping us define our future.

We are committed to embrace the principles of mutual respect. We're going to make that the agent of change – we're not going to talk about organizational structures, compensation, and brand standards and brand positioning. We're going to speak about how to use this weapon called mutual respect and rally 31,000 people to do the right thing.

People ask me what to do, and I say, I don't know – do the right thing.

Some people say they don't have enough direction, but they do – just do the right thing. I could tell them what I would do, but I'm not going to – they need to find their own way by doing the right thing.

I wouldn't have done it this way 10 years ago. I don't want to just be known for EBITDA growth, and a balance sheet and the pipeline. My biggest focus is on human capital right now because we have a deficit in that one area, which will take a lot more work than signing up a few hotels and fixing the debt.

In the hotels, that is where the action is. My destiny is in the hands of the people on the ground – those that serve guests, make their beds, and clean their bathrooms. They are the ones that breathe life into our brands.

What I can do is define where we ought to be. I don't know that I'm always right, which is why we need a team working together.



I went from a very egalitarian society where people were willing to say what they felt to a society where people are hesitant to disagree. Now I ask people, why do you agree with me? It's a very interesting thing for me. I want them to argue with me. I tell them I'm not so smart – please help me.

My top team does that about 50 percent of the time. They now argue with me, but they still come to see me one on one. However, that's better than not disagreeing at all. We're having a lot of fun even though we have been dealing with an unfriendly economic climate since 2009. Our financial health needs work so we're focused on that.

We put together a strategic plan that defines success. We told people to take a week to reflect and make sure that this plan was their final answer. I was delighted when one person came and asked to see me on a Sunday, when I would be more relaxed. This person totally disagreed with me and explained why. I had to go to the office on Monday, get the whole team together, and say I was wrong. But I'm glad this person came up with the courage to speak with me.

Now we have defined success. My job is to give them the resources, but my most important job is to get out of their way, which is what we're doing. Not everything is working out but more is working out than I thought would.

Is it important that those you hire have that cultural fit?

Teaching the business is the easy part. I just want decent human beings, even if they don't have the right skillset. We need natural leaders and I've found that, given the right skill exposure, people are very smart.

A good leader must work on building other people's self-esteem, because if one can do that, they will get a lot out of their workers. But we also have to give good feedback.

We learn every day. India is blessed with some great talent and people are very resilient. It's a tough environment to live in, and they want to succeed. Our people are very proud to be part of the Taj family, and even prouder to be part of the Tata family for the values they have. These are things one normally finds on posters, but in the Tata family, everyone works hard on living by those values. Yet, they are focused on the economic health. A Tata veteran stated it perfectly in saying, "we need to create value to be able to continue to live our values." This captures the essence of all that is so holistic and so noble.

On the business side, is it more about enhancing and tweaking existing properties or about bringing on new properties?

I merely assess where we are and then, together, we'll define where we ought to be.

We tried to ask ourselves, who are we? Let's define ourselves. I asked 10 people and got 12 answers. We finally asked, who do we want to be? The biggest hotel company, the smallest hotel company, the boutique hotel company? Here we are blessed with the Taj name, so with that, what should we be?

The team, after many deliberations, came up with a very simple sentence that we want to be "a group of globally reputable hotels that seek their inspiration from the aura of Indian nobility."

We started defining everything around that. We said, it's sexy to be in New York, San Francisco, and Cape Town, but we ought to be in Bangkok, Hong Kong, Abu Dhabi, and Moscow, where our guests are. This helped define our development strategy.

In the human capital area, we said that if we want to live by Jamsetji's values, if we can do one-tenth of what Ratan Tata has done, the least we need to do is talk about gender diversity, mutual respect, work/life balance, paying people properly, medical insurance, and retirement benefits. So we're working on those things, like the quality of food in staff dining rooms, focusing on the comfort of a doorman standing in 44 degrees Celsius heat, etc. We have to remedy that. It's about what our people feel and how they are able to get on with life.

I'm struggling with this because we don't have unlimited money given the shape of our balance sheet. We increased the number of days off per month and we gave everybody holiday plans, but that's just the tip of the iceberg.

In the first six months I was there, our people were interacting – there were 100 anonymous letters per month. It's now down to 10 letters a month and many more come with a name. Everybody has my e-mail address – I want to hear from them.

The development pipeline is another focus. India is going to see the opening of 357 hotels from 2015 to 2017. We have a new and energized development team. We gave them the resources and authority, and got out of their way, and they are doing wonders. We are working on finding a better balance between real estate investments and management contracts.

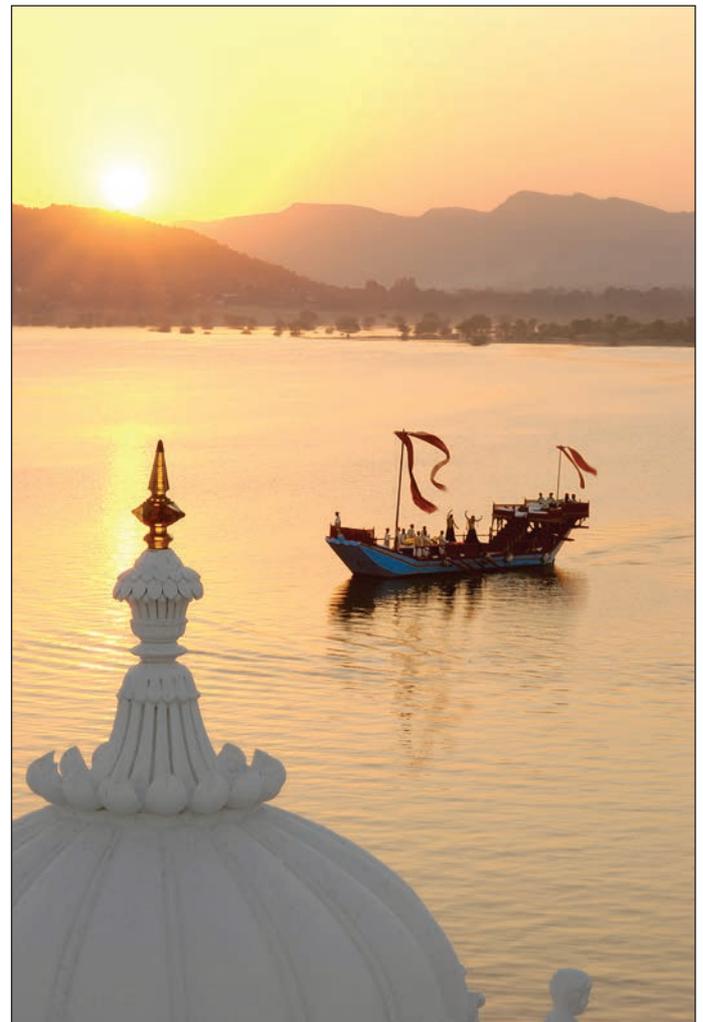
Another goal is to build a healthy balance sheet. We have some debt to deal with. We are restructuring our international subsidiaries, we are looking at recycling our assets to fuel growth, and we are working with our GMs to improve margins and, because of the downturn in the economy and some of the heavy debt in our balance sheet, we have not been able to keep our hotels as up-to-date as we would like.

In the meantime, the likes of Hyatt, Hilton, Marriott, and Starwood are coming in with brand new hotels. We have one secret weapon – which is our people.

Is it hard to be patient sometimes when you see your company with hidden gems out there still waiting to be unleashed?

I have become more patient because when I see people seriously trying, then I realize, they're doing their best and that maybe things take longer.

I have to keep working at it because there is much to be done. I take solace in how much we have been able to do in very little time. We have restructured the organization and redone the brand architecture. We have defined a vision with a very supportive board



The Taj Mahal Palace in Mumbai (opposite page); views from the Taj Lake Palace, Udaipur (above)

that has approved our strategic plans. We have made some interesting left turns in our financial calibration that have worked. On the human capital side, we have made some compensation decisions at a time when we can ill afford to, but we did them because we must do the right thing. We're nowhere near finished, but people are fired up and looking to us to keep the momentum.

I'm so optimistic. I strongly feel India's time has come. The Indian economy is showing signs of great improvement. Seven years ago, India had fewer four- and five-star hotel rooms than Manhattan, and that has changed.

There is 71 percent literacy in India and we have to fix it. We can't just look to the government. We have to ask ourselves what we're doing about it – and no one does that better than the Tata family.

You appear very calm. Do you ever show strong emotion?

The best of us lose our cool. The one thing I learned at Hyatt was the impact that values can have on an organization. We always practiced them but they were never articulated until later on. Coming from India, it touched me in more ways than one. I wish I could live those values every day. It's not easy.

The choice was to go to India and be abrasive or candid and I realized that none of that might work. If I were to appeal to their good sense and values, by the principle of mutual respect, there might be a better chance, so that's what we've done. ●