

10 YEAR REVIEW

CEO TURNOVER STUDY 2013: A PROFILE OF HOTEL INDUSTRY LEADERSHIP

By Chris Mumford, Thomas Mielke, Nina Gold

A recent study surveying 2,500 of the world's largest public companies, covering all industry sectors, reported 14.4% CEO turnover (the 5-year average stands at 13.9%) – in comparison, our 2013 study of the hotel sector revealed turnover of 10.0% and a 5-year average of 10.8%.

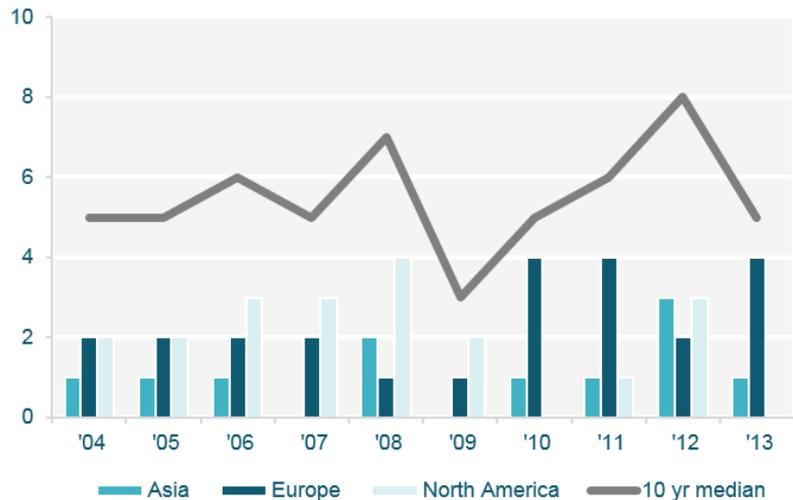
Notably, changes in leadership within the hospitality industry have predominantly been planned as opposed to being forced or as a result of death or illness. Over the last 10 years just shy of 60% of CEO movement was the result of considered forward-thinking planning by the board. Yet, we have seen a slight increase in the numbers of forced CEO exits – it appears, especially in Europe, public companies' shareholders have been quick to demand change in the face of adversity. It will be interesting to see whether this is just a reflection of the relatively uncertain economic environment of the past three to four years or if there is a change of mentality.

The following paragraphs look at the past 10 years and the changes that the hospitality industry has seen at CEO-level – where do they come from, what sets them apart and what are their qualifications....? Step-by-step, the following pages will paint a picture of our industry CEOs and profile the individuals who are leading the hotel sector around the world.

CEO TURNOVER STUDY 2013: A PROFILE OF HOTEL INDUSTRY LEADERSHIP – A 10 YEAR REVIEW

CEO turnover among the world’s 50 largest hotel firms in 2013 was 10% down from a 2012 figure of 16%. Leaders who took office in 2013 were Sébastien Bazin (Accor), Lee Chee Koon (Ascott), Wolfgang Neumann (Carlson Rezidor), Frank Fiskers (Scandic), and Peter Gowers (Travelodge). New CEO arrivals always tend to prompt speculation from employees, shareholders, analysts, media, and industry colleagues as to the likely performance of the hire and of the hiring organization. Such transition events also give us a chance to take stock, look at the CEO role in the hotel world from a holistic standpoint and explore the profile of these industry titans.

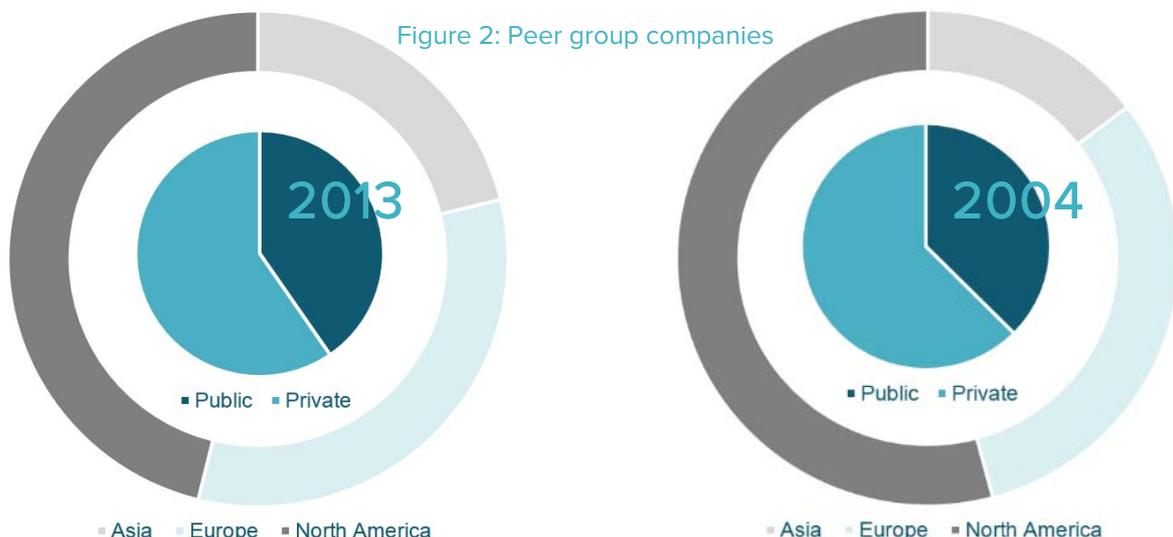
Figure 1: CEO turnover by year and region



In a bid to answer such questions as – how long will the CEO last? Is there a new breed of CEO? Are the required qualifications of CEO candidates changing? Are shareholders having more say in who gets hired and how long they stay? – we looked at CEO turnover in the hotel industry over the last 10 years and examined the profiles of those leaders at the 50 largest companies from each year as published by HOTELS Magazine.

The peer group of the Top50 itself has undergone changes over that 10 year period which in turn has affected the change in profile of CEO. The 2013 study comprised a group of companies of which 46% are headquartered in North America, 32% in Europe, and 22% in Asia. 40% of the peer group is publicly listed. In 2004 more than half the companies surveyed were in North America, a third in Europe and 15% in Asia. Back in 2004 companies such as 7 Days Group, China Lodging Group, G6 Hospitality, Green Tree Inns, were either outside the largest 50 or did not even exist. As new companies have entered the list so have other companies been overtaken in size and no longer feature in the study, for example Four Seasons, Drury Hotels, Prince Hotels, and Grupo Posadas.

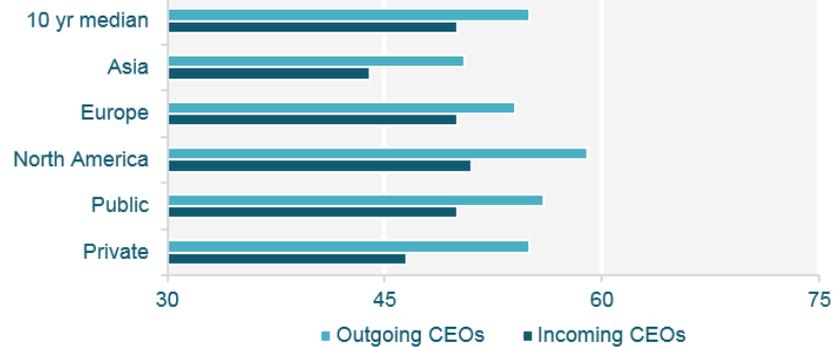
Figure 2: Peer group companies



There appears to be a consensus among hotel companies around the world that a CEO needs to have a certain level of maturity, set of experiences, and pre-retirement runway.



Figure 3: Age of CEOs by region (median)



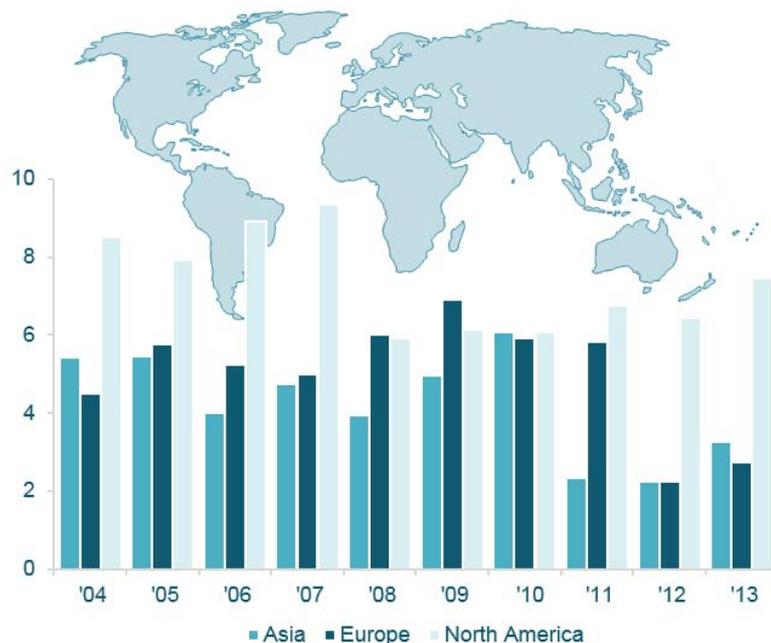
The median age of those taking up a CEO position has been fairly constant over the past 10 years at 50 years old. At rapidly growing embryonic hotel businesses in Asia (especially in

China) – where there is a need for globally conversant leaders with English language skills which the older generation typically does not possess – the CEO is typically younger (44 years old) than his Western counterparts, is in his first CEO role, and has often been hand-groomed by the founder/Chairman.

The consensus also appears to be that a CEO's shelf life is six to seven years. As the industry has cycled through growth, downturn, and recovery, the median CEO tenure has remained the same.

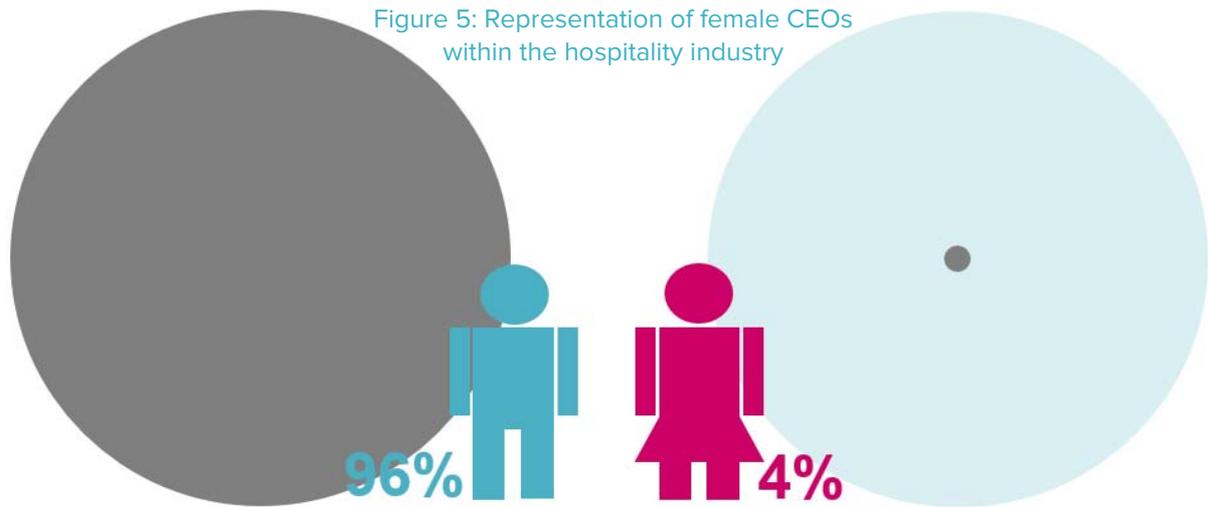
However, behind the median we find some geographic differences. For example, among the 50 largest hotel companies that were surveyed there is a higher proportion of founder led companies in North America than elsewhere in the world – this has given rise to longer than average tenures by leaders such as the late John Q. Hammons (JQH Hotels Resorts), Majid Mangalji (Westmont) and Bruce White (White Lodging). For a long time, median CEO tenure at North American companies stood at eight or even up to 10 years – yet, with the 'change of the guard' which commenced in 2007 (with Stephen Bollenbach leaving Hilton Worldwide and George Le Mener Red Roof Inn) and saw industry veteran JW Marriott Jr. stepping down from his post as CEO in 2012, median tenure has now fallen to approx. 7 ½ years.

Figure 4: CEO Tenure by year and region (median)



Both Asia and Europe consistently report comparably low figures: over the 10 year period, the shortest CEO tenure has been in Asia (with an average of four years). Surely this is in line with the needs of an emerging economy – although it is not too different either from the figures reported in Europe where, on average, CEO tenure stood at five years. Yet, Accor struggles to come close to this number having had three CEOs between 2010 and 2013.

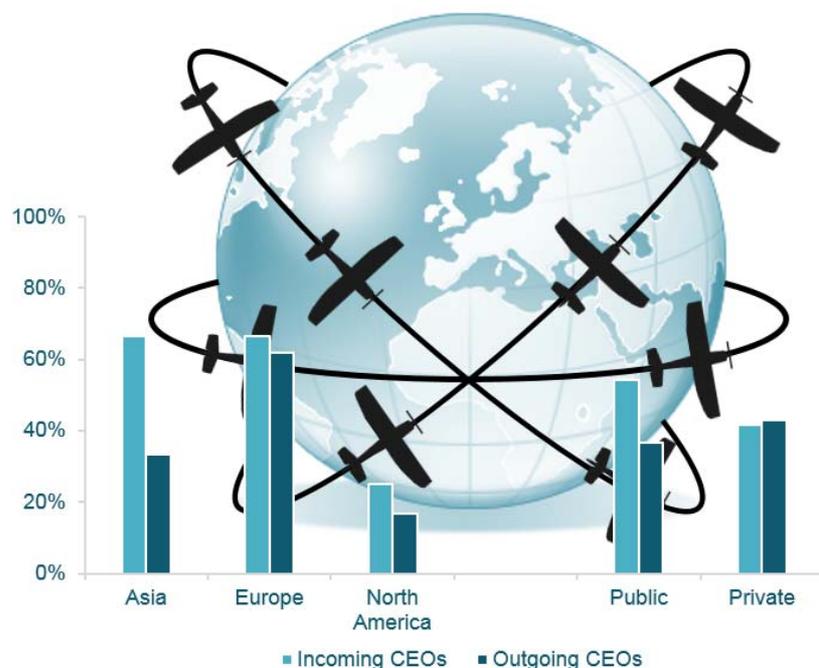
The CEO clubhouse is still largely the preserve of men. Yet, with four women CEOs, the 2013 peer group had the highest number of sitting female CEOs since 2004: Trudy Rautio (Carlson), Carmen Riu Güell (Riu), Gloria Fluxa and Sabina Fluxa Thienemann (Iberostar) – those at the Spanish companies being in joint CEO roles of family businesses. No public hotel company is led by a woman. Given the strident calls to action by campaign groups representing gender diversity and the push for greater female representation in company boardrooms (by entities such as the 30% Club, Women into Leadership and Women 1st), we expect and hope the number of women CEOs starting to increase in the not too distant future.



What *has* changed is the amount of travel hotel CEOs are now undertaking, especially outside of their borders.

Figure 6: International experience of CEOs

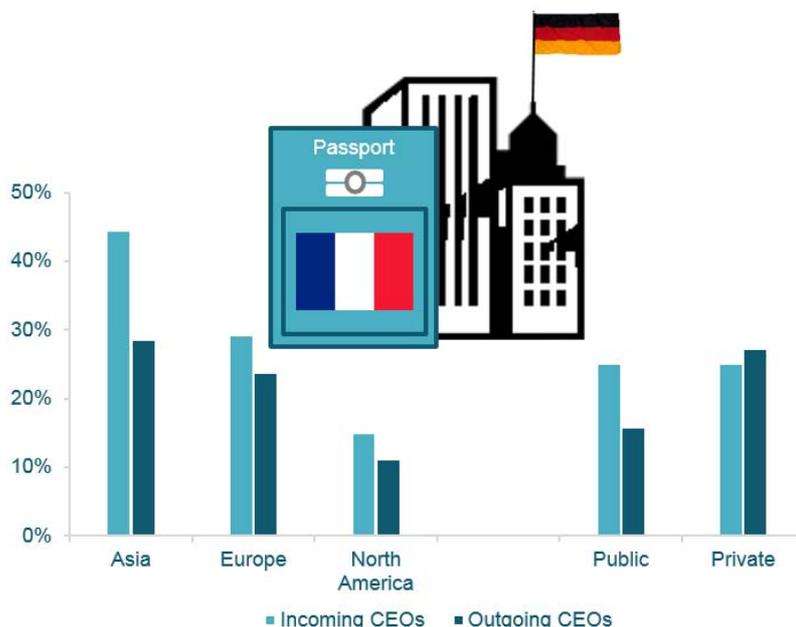
Most companies have seen the world become smaller and more accessible over the past decade and the percentage of incoming CEOs who have had a spell being based outside of their native country is 51% over the last 10 years versus only 40% of the outgoing CEOs that they replaced. The difference is particularly stark in Asia where 67% of new CEOs have some international professional experience compared to just 33% of their predecessors. North American CEOs have collected the least amount of international exposure with only 25% of the incoming leaders being able to refer to work experience outside the US. Yet, the overarching trend of companies looking for leaders with a more global perspective is also confirmed in the US as only 17% of the outgoing CEOs have been based – at some point in their career – outside North America.



As business has become more global, and in line with the notable increase in international exposure of the incoming CEOs that we have observed across all of the regions, we are actually also seeing a marked trend for hotel companies to hire foreigners to ‘run the show’.

Figure 7: Percentage of CEOs with different cultural background to company HQ

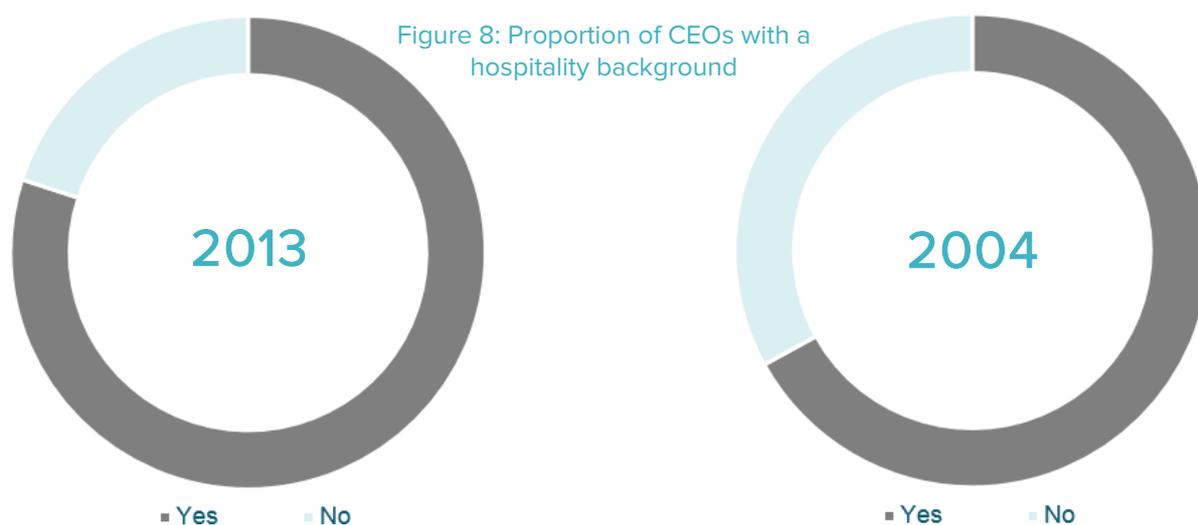
Since 2004, 44% of all incoming CEOs in Asia have come from a country other than where their firm is headquartered. Similarly, in Europe (surely facilitated by the easier movement of talent from country to country) almost a third of all new CEOs who have been hired since 2004 hold a different nationality to that of the company they are leading. The talent pool in North America, though, tells a different story. Here, the executive teams are predominantly spearheaded by indigenous CEOs – only 15% have had to request a work visa, permit or sponsorship. Among those are Frits van Paaschen at Starwood who was born in the Netherlands (although raised in the US) and David Kong at Best Western and originally from Hong Kong.



Most CEOs are educated to bachelor’s degree level no matter where they are in the world. Nearly half of the peer group also possess a further qualification in the form of either an MBA or a Master’s in a specialized subject. An MBA or a Master’s is most prized by publicly listed firms while, globally, Europe’s population of CEOs has spent the most time at school collecting diplomas.

Incoming CEO in 2013	Education
ACCOR Sebastien Bazin	Master of Business Affairs and a BA from the Sorbonne University in Paris
ASCOTT Lee Chee Koon	Master of Science in Mechanical Engineering from Imperial College in London and a degree in Mechanical Engineering from the National University of Singapore
CARLSON REZIDOR HOTEL GROUP Wolfgang Neumann	Degree from the Institute for Hotel & Tourism Management in Klessheim (Austria) and an Exec. Mngmt. Courses from Insead and Cornell University
SCANDIC HOTELS Frank Fiskers	Studies at Cornell University, the London Business School and the IMD Business School in Lausanne
TRAVELODGE Peter Gowers	Degree in Law from Oxford University

Educational certificates are all well and good but without a track-record of hands-on experience they are worthless – lately, it seems, boards of directors appear to have been putting greater value on experience. In 2013, 80% of the incumbent CEOs had already gained work experience in the hotel sector before assuming their role. This compares to a figure of 67% 10 years previously. It is perhaps not surprising that this preference for industry knowledge and previous experience should grow during a time of economic difficulty and focus on recovery when boards are risk averse and are looking for a safe pair of hands at the wheel.



Having a track record is not only important when it comes to understanding the hospitality industry; it appears that a large number of companies also prefer to minimise perceived risk when appointing the next CEO by choosing someone who has already been in that function before. In fact, approximately one-third of all hotel CEOs have already had at least one CEO job before – a statistic which has remained pretty constant over the last 10 years. The exception is in Asia where companies are typically younger and the talent pool of experienced hotel CEOs is shallower.

Whilst prior experience in the hotel sector is still the preferred choice of most companies included in the peer group, some firms have over the course of the last 10 years started to look more broadly for their leadership talent. This trend has – to some extent – been triggered by organisations adopting a strategy that separates hotel management from the bricks and mortar.

We have started to see more hiring of brand-savvy CEOs coming from the FMCG or retail sectors, for example. At the same time, we have seen more real estate professionals occupying the ‘hot seat’ – an indication perhaps of the pressures on contemporary hotel businesses to balance the guardianship of the brand with an understanding of the demands of the hotel property owners.

Company, CEO	Background
STARWOOD HOTELS & RESORTS Steve Heyer ('04) Frits van Paaschen ('07)	Coca Cola Company Coors
EXTENDED STAY Jim Donald ('12)	Haggen Food & Pharmacy
HOME INNS David Sun Jian ('04)	B&Q (Kingfisher Plc)
IHG Andrew Coslett ('05)	Cadbury Schweppes
WHITBREAD Andy Harrison ('10)	EasyJet

The desire for a 'known entity' (i.e. a hotel expert) in the form of a CEO has not extended however to promoting internal candidates into the CEO seat. The frequency of company 'insiders' taking the CEO reins has lessened over the last decade, especially among public companies. The economic travails also had an impact, especially in Europe where the years 2008-2010 saw a marked increase in the number of outsiders being recruited into companies as CEO.

Figure 9: Percentage of 'insider' CEOs (10 yr median)



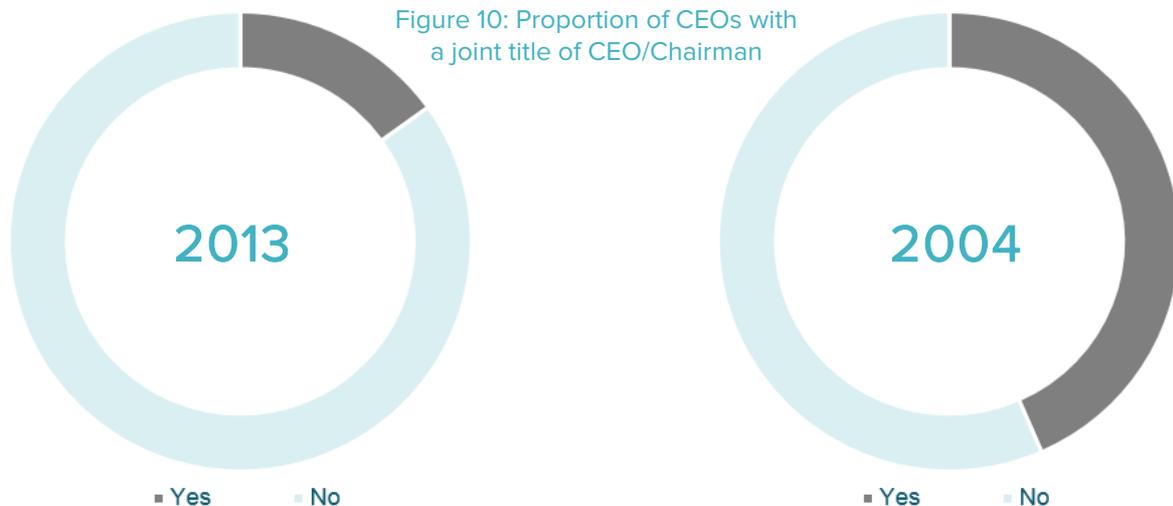
The import of CEO talent has resulted in a more hands-on approach by the board to induct and support a new CEO. Among public companies in particular the number of 'apprentice' CEOs has grown five-fold over the 10 year period. An apprentice CEO is one where the previous CEO moves up into the Chairman seat

thereby lending continuity and easing the transition for the business from one leader to another. Shareholders of publicly quoted companies appear to like this as do Asian companies where family-run businesses are maturing to a point where it is time to hand the day-to-day running of the business over to a new generation better able to navigate the waters of global commerce.

As the number of exiting CEOs moving into the Chair role has increased, the spotlight thrown onto corporate governance compliance over the past 10+ years has resulted in a dramatic decrease in the number of CEOs who also hold the Chairman title. In the period 2004-2013 43% of outgoing CEOs held both the CEO and Chairman title while only 15% of those replacing them did the same. Europe and North America have made the biggest strides in this area while Asian companies are the guiltiest of having one person occupy both seats.

As those companies mature and become more international we would expect them over time to start to align their corporate governance practices more closely with those in the Western economies.

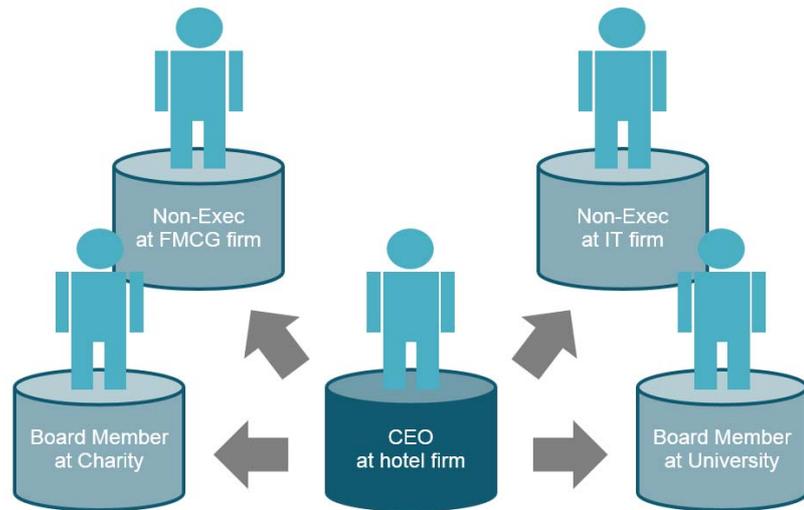
Figure 10: Proportion of CEOs with a joint title of CEO/Chairman



On the subject of corporate governance, there have been a couple of instances where non-executive directors on the board have moved into the CEO seat – most notably at Accor, first with Dennis Hennequin in 2011 and then again with Sebastien Bazin in 2013. Others to have similarly seen non-execs turn executive are NH Hotels with Mariano Perez Claver in 2011 and in 2012 Qi Ji, having previously been CEO, returned to the CEO helm at China Lodging after a three year stint in a non-executive board capacity. In each case, the incoming CEO came on board with the benefit of already possessing an intimate knowledge of the business. Conversely this lack of impartiality and bias is not viewed favourably by proponents of sound corporate governance practice which is perhaps why it is so rarely seen among US companies.

Figure 11: CEOs wearing multiple hats

Hotel companies are however encouraging their CEOs to hold non-executive positions on other companies' boards. The benefits of these arrangements are two-way: the other company receives the benefit of the CEO's experiences and wisdom and similarly the CEO gains exposure to a different business with its own set of challenges



and opportunities and hopefully brings that learning back to his or her organization. In 2013 nearly half (46%) of the 50 CEOs in the peer group were independent directors elsewhere. Of those that were new into a CEO role in 2013 60% were non-execs versus 37% of those that they were replacing. In addition, the CEOs in our study demonstrated strong commitment to community and social responsibility. Nearly all of those surveyed sit on the board of a charity, a hospital or health organization, and/or an educational institute, in some cases one of each. Examples of these hotel company leaders giving back to society also included teaching, mentoring, and volunteering.

We look forward to monitoring the next ten years of CEO profile and turnover. As the hotel industry continues to evolve and companies adapt to servicing and responding to the needs of an ever changing world and consumer base no doubt we will see CEOs come and go. Some of the trends that we expect to see are:

- An increase in the number of women represented on the board of hotel companies and in the CEO seat;
- More global citizens in leadership roles, CEOs who have at least one international tour of duty under their belt;
- CEOs with a developed understanding of how to best make digital tools work for them, from social media communication to heightened guest service delivery and bottom line efficiencies;
- An increased flexibility of CEO and ability to change direction fast in response to market forces and shareholder demands;
- CEOs with a complimentary balance of EQ and IQ with an appreciation of how to get the most out of the millennial generation.

Addendum: Having plowed through the data, focused on profiling the characteristics of today's leaders within the hospitality industry, it is easy to forget about those CEOs that made their mark five or ten years ago. Where did all these former CEOs go? Have they stayed within the industry or gone elsewhere? Have they taken on another CEO role or assumed a non-executive position elsewhere?

To answer these question we looked at some of the class of 2004 to see what they did next and where they are today.

Past CEOs	Current whereabouts
ACCOR Jean-Marc Espalioux	2006 to 2010, he was the CEO of Financière Agache Private Equity; currently Executive Chairman of Montefiore Investment
CARLSON HOTELS WORLDWIDE Jay Witzel	Now Board Director Road Traveler; Silversea Cruises, CEO of J. Witzel & Associates
CHOICE HOTELS INTERNATIONAL Charles Ledsinger	Chairman of Darden Restaurants; Member of Board of Advisors to Thayer Ventures; Chairman of Sunburst Hospitality Corp.; Chairman of realty Investment Co.
EXTENDED STAY HOTELS Gary DeLapp	President of Invitation Homes LP
GLOBAL HYATT CORPORATION Thomas Pritzker	Chairman of Hyatt Hotels; Chairman and Chief Executive Officer of The Pritzker Organization, LLC; Chairman of Marmon Holdings, Inc. and also serves as a Director of Royal Caribbean Cruises Ltd.
HILTON WORLDWIDE Stephen Bollenbach	Chairman of KB Homes; Director of Time Warner, Harrah's Entertainment & Macy's
INTERCONTINENTAL HOTELS GROUP Richard North	Chairman of The Payments Council, UK
MILLENNIUM & COPTHORNE HOTELS Tony Potter	CEO of Corinthia Hotels until 2011; co-founder and President of Braveagle
NH HOTELES SA Gabriele Burgio	President of Alpitour, Italy
SHANGRI-LA HOTELS & RESORTS Giovanni Angelini	Vice Chairman of Dusit
STARWOOD HOTELS & RESORTS Steven Heyer	2010 to 2011 Chairman and Chief Executive Officer of Harry & David Holdings, Inc. Currently Chairman and Chief Executive Officer of The Pod Hotel Co. as well as the Chairman and Chief Executive Officer of Lela, Inc. Director of Lazard Ltd. and Lazard Group
WHITBREAD HOTEL COMPANY Alan Parker	Non-Executive Chairman of Darty Plc. Non-Executive Chairman of Mothercare Plc. Director of Burger King Worldwide, Inc.
WYNDHAM WORLDWIDE Fred J. Kleisner	President of Hard Rock Hotel Holdings and CEO of Morgans Hotel Group until 2011. Director of Caesars Entertainment Corporation; Director of Kindred Healthcare Inc. & Director of Playtime LLC & Aimbridge Hospitality

About the authors: **Chris Mumford** studied in England and began his professional life in Germany and Japan before entering the world of recruitment. Following 3 years in New York, he returned to London in 2002 to set up the EMEA offices of a global executive search firm. In 2013 Chris became a founding partner in AETHOS Consulting Group specialising in senior executive appointments, advising on compensation, and consulting on significant strategic organisational needs on behalf of players in the hospitality industry. A regular speaker on industry related issues, Chris is a frequent author of articles on executive selection, compensation trends, and general HR topics for a number of industry publications.



For further information, please contact Chris on: cmumford@aethoscg.com or +44 (20) 7065-1391

Thomas Mielke is a founding member of AETHOS Consulting Group and has authored a number of articles on leadership, corporate governance, emotional intelligence and managerial core competencies that predict job performance within the hospitality industry. Thomas is Managing Director at AETHOS Consulting Group and an AESC-certified executive search consultant. He has a track record in successfully placing senior executives at leading hospitality companies across the EMEA region and is working together with travel wholesalers, real estate developments firms, investment companies and sovereign wealth funds in identifying key talent. Thomas also works hand-in-hand with clients in establishing compensation schemes as well as organisational structures and workflows.



For further information, please contact Thomas on: tmielke@aethoscg.com or +44 (20) 7065-1392

Nina Gold grew up and studied in Germany before embarking on her chosen career in hospitality. Having gained an excellent understanding of the sector by working with major hotel and cruise line companies, Nina subsequently joined the advisory side. She commenced her work at a boutique executive search firm in London focusing on recruiting for global management positions within the hotel sector. With her dedicated and focused approach, Nina successfully placed senior executives in general management, sales & marketing, public relations and revenue management positions. Joining AETHOS Consulting Group in January 2014, she has since applied her abilities in a broader context, using her skill set and knowledge working on assignments at senior level within the hotel, gaming, real estate and development sectors.



For further information, please contact Nina on: ngold@aethoscg.com or +44 (20) 7065-1394

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