Honoring the Past, Building the Future

By Dr. Richard R. Kelley

Following is the speech I gave yesterday at our Annual Conference. In it, I look back at Outrigger’s 60-year history . . . and look forward to what it will take to continue on the path of “going from good to great.”

I want to welcome all the members of our far-flung ‘ohana. I really appreciate the time and effort you have invested to be with us, as we celebrate our company’s 60th birthday, review the progress we have made, and plan for our future.

As I prepared for this speech, I thought about what I might say about a 60th birthday. I had to search my memory, because my own 60th took place 13 years ago. I’d like to share with you a couple of things some notable people have said about birthdays.

My favorite is what actress Lucille Ball once said, “The secret to staying young is to live honestly, eat slowly—and lie about your age.” Not bad advice!

But the wisest words I came across were those of Abraham Lincoln, who said, “It’s not the years in your life that count. It’s the life in your years.” And by that token, Outrigger can clearly be counted as a very lively 60-year-old! This is a very gratifying time for all of us who love this company.

It’s always fun to be at a meeting like this. I get a chance to renew old friendships, meet new members of our ‘ohana, and see people I work and communicate with electronically all year long.

The first thing on my agenda is to congratulate you all on your considerable achievements these past couple of years. We’ve added new hotels, we’ve had excellent operating results, and we’ve completed our amazing Waikiki Beach Walk™ project. Let’s give ourselves a round of applause.

Roy and Estelle Kelley founded this company in 1947, six decades ago, with a five-story walk-up, the Islander Hotel on Seaside Avenue. I know how high it was because I was the Desk Clerk and Bellman who carried guest luggage up and down all those stairs. Every once in a while that effort would earn me a fat tip—generally a quarter or two. Sometimes even a crisp dollar bill.

With my sisters Jean and Pat, I folded towels in housekeeping and served a breakfast of Danish and pineapple juice to tourists on the lawn under the kiawe trees. None of us ever dreamed that 60 years later, our little company would not only have survived, but blossomed into one of the largest and fastest-growing privately-held hospitality companies in the Pacific-Asia region.

When you hear the phrase “anything is possible,” just think of our own experience, and you will realize that it IS true.

Over the years, our company has developed a unique expertise in managing highly competitive, culturally-sensitive hotels and retail-entertainment developments in key leisure markets in Hawaii and across this vast ocean.

Think for a couple of minutes about all the other Hawaii-based hotel companies that have come and gone over the past six decades.

- Matson Hotels
- InterIsland Resorts
- Island Holidays Hotels
- AMFAC Hotels
- ASTON Hotels

Just to name a few. They’re all gone. Our company is one of the few left, and no one can match our record of achievement. It’s been a magical time.

Each of you has played a part in that story, and I want to acknowledge your tremendous contributions and thank you for your dedication and support.

That said, I must add that none of us can afford to rest on our laurels. The world is moving too fast, and if we want to be here to celebrate Outrigger’s 70th birthday, let alone contemplate our centennial, we are going to have to continue to improve and change.

We’ve had a great run over the past several years. After the despair of the September 11th attacks in 2001, we were able to recover, even if slowly at first. This was followed by three magnificent years during which we have broken all sorts of records, particularly in Hawaii.

Yet, we still live in perilous times.

Western civilization is locked in battle with radical Islamist fanatics who think nothing of wanton killing in pursuit of their goals.
These delusional goals are virtually incomprehensible to those of us whose mindset is of the 21st century, not the seventh. Deadly strains of viruses lurking in Asia and Africa could devastate billions of lives and paralyze commerce around the globe if any one of them better adapts itself to human biology.

As noted by Harvard professor Niall Ferguson, it’s as if our daily news is coming from two different planets. On one planet, business is great. The Dow Jones Industrial Average is at an all-time high. International travel is booming. Global economic growth is robust, and more and more countries on all continents are enjoying prosperity.

On the other planet, things are pretty scary. A single incident can severely impact Travel & Tourism overnight. The members of our ‘ohana in Fiji know this all too well. After a bloodless coup there last fall, occupancies dropped through the floor and remain in the basement today.

Further, in the hospitality business, the competition is getting tougher all the time. Strong capital markets and other economic forces in recent years have made hotel development extremely attractive, and new hotels are being added to the inventory at an accelerating rate—quite a change from just a couple of years ago.

For example, Marriott is currently in the process of opening 100 hotels in 100 days and will have over 3,000 hotels in 68 countries by the end of the year. To put that in perspective, it was not so many years ago that they opened their 100th hotel, the Maui Marriott.

So, how do we operate a multinational hotel company in this schizophrenic environment?

I think we can look to the words of bestselling author Jim Collins. He has studied why, in both good times and bad, some organizations—ranging from corporations and governments, to schools and hospitals—go from “good to great” and why others decline and fall.

Collins finds that those who leap forward and sustain that performance over the long term have three distinct commonalities:

- First, dedicated, passionate focus on core values.
- Second, discipline and a willingness to evaluate results and change practices where needed.
- Third, first-rate leadership.

Let's examine these ideas and see how Outrigger and OHANA measure up—and then evaluate our chances of continuing on the path “from good to great.”

*First, Focus on Core Values*

Our core values go back 60 years to Roy and Estelle Kelley. The cornerstone of their business philosophy throughout their lives was to value relationships with customers, employees, and business partners, and deliver value to each and every one. They never wavered from that philosophy, and for their achievements in those areas over a lifetime, they were inducted into the American Society of Travel Agents’ Hall of Fame.

Particularly in the area of customer care, we are not alone. Last week I met Jack Mitchell, CEO of Mitchells men’s clothing stores in Connecticut. By focusing on his customers, he has taken his business to new heights in spite of intense competition from New York City stores and local discounters. His book, “Hug Your Customers,” has become an instant top seller.

Hotels are learning to “hug their customers” too. I spent last Friday night at a small hotel in Vail, Colorado. I had not been there for over 18 months, but when I pulled up in front, the bellman greeted me by name, asking, “How’s the hotel business in Hawaii?” He and everyone else on property made me feel special throughout my stay.

The big hotel chains are learning this too. I recently stayed at the Sheraton in the heart of Chicago. Before my arrival, I received two personalized e-mails from the property. After arrival, the person who checked me in called the room to make sure everything was OK. And I received a follow-up e-mail 24 hours after departure.

So, in this ever more complex and competitive world, our challenge is to continue strengthening the way we practice the core values of Roy and Estelle Kelley, particularly in the area of providing value to customers. I think we are achieving that through our Ke ‘Ano Wa’a program in Hawaii, which we plan to further strengthen.

Two weeks ago, in Fiji, I saw the Bula Spirit—the local version of the Aloha Spirit—alive and well at our property there. I sat in on an employee meeting and watched a presentation by the Front Office staff on how they were bringing the Bula Spirit into all areas of their work. Next month, the Finance department will give its perspective on the same topic.

In Guam, Ke ‘Ano Wa’a is translated into Chamorro as Inafa’Maolek, with 11 values of care and giving. And I’m sure there will be something similar to that in Bali when our new property there opens soon.
However, living our values has to be a daily focus. It must continue to be our Hokulea, our guiding star.

Jim Collins' second point is Dealing With Change.

No matter what you do in this world, change is a constant. I have talked about this before, citing the work of naturalist Charles Darwin, who studied the evolution of species in the remote Galapagos Islands. He studied how, in that harsh environment, finches and other plants and animals changed into unique new species, adapted to specific environments. Darwin concluded, “It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change.”

Roy and Estelle Kelley had to deal with a lot of change in their lifetime. Consider some of the challenges they faced:

- The 1929 collapse of the company that Roy worked for in Los Angeles, which led to their sudden relocation to Hawaii.
- The attack on Pearl Harbor in 1941, bringing the United States into World War II and causing the near collapse of their fledgling apartment rental business.
- Roy’s premature cataracts and loss of his eyesight when he was only in his thirties.

These were just some of the sudden changes that Roy and Estelle had to deal with. Through it all, they learned and became stronger than before.

Our company has certainly seen a lot of change over the years and will continue to do so.

- We’ve gone from recording reservations by hand on a notepad, to being one of the leaders in electronic marketing through multiple distribution channels around the world.
- We’ve gone from owning and operating economy and mid-priced hotels exclusively in Waikiki, to developing and managing a diverse range of hospitality products—hotels, timeshares, condominiums, and resort retail-entertainment—in multiple price ranges and in multiple locations across the Pacific.

During that time, most of you have been called upon to learn new skills, tackle new areas, and work in different locations in different ways than you have in the past. Like Roy and Estelle, you have accepted the challenge, learned . . . and grown better and stronger in the process. I congratulate you on all you have achieved.

Yet while Charles Darwin would approve, he would also warn you that there will be more changes and challenges in the years to come. We have to get used to it. Neither nature nor business will allow us to relax and get comfortable.

Instead, get comfortable with change. I kid you not!

Jim Collins' third point is Leadership.

A lot has been written about leadership. I did a Google search on the word “leadership” and got back 166 million citations. There are so many books, seminars, and magazine articles on the subject that it would take many lifetimes to get through them all.

Robert House of the University of Pennsylvania defines leadership as the ability to motivate and enable others to contribute to the success of their organizations.

The great thing about Outrigger and OHANA Hotels & Resorts is that we have so many capable leaders throughout our ranks. There is no question that we have a fine leadership team in our executive offices.

But what really gets me excited are the many exceptionally talented, hard-working leaders we have in all properties and in all departments. We have leaders in Housekeeping, Engineering, the Bell departments, Renovations, Reservations, Marketing . . . The list goes on and on.

Everyone plays a vital role in delivering service to our guests and in helping our company, not merely survive, but thrive in the ever-changing environments we have encountered over the past 60 years.

However, as I have pointed out, we will see more changes in the years ahead, so we must plan now to work on our leadership skills, so we can be ready for the challenges we will inevitably face.

The good news is that a natural talent for leadership is not necessary. In fact, Fortune magazine writer Geoffrey Colvin did an in-depth review of leaders in a wide variety of industries. He examined CEOs, rock stars, test car drivers . . . and even a Marine drill sergeant.

In his opinion, natural talent is not just unnecessary, it’s irrelevant. What DOES matter is a willingness to learn, work hard, and practice . . . practice . . . practice.

Tiger Woods is a case in point. His father started him swinging a golf club when he could barely walk. He worked
hard and practiced tirelessly, and by the time he became the U.S. Amateur Champion, he had 15 years of practice and experience.

Now you might ask, how does this apply to business and in particular to your work in the hospitality industry? With less-than-perfect information, how can you practice dealing with people, making judgment calls, or preparing a budget?

You CAN if you approach each task, not with the idea of just getting it done, but of doing that job better each time than you did the last time. Try to understand how each task fits into the bigger picture. Give it your all. Then, try to get feedback on how you did. And GIVE feedback to the people who report to you on the work that THEY do.

Without feedback, you have no way of knowing if you are really improving. Tiger Woods gets feedback with every swing of his golf club. What kind of a golfer do you think he would be if, after every swing, a bank of fog descended in front of him, so he couldn’t see where the ball went?

In some companies, such as General Electric, feedback is part of the culture. In our company, we also try to provide feedback. However, if you feel you are not getting enough, don’t be shy. Seek it out.

Let’s all take some advice from James McNerney, the CEO who is turning the Boeing Corporation around. He asks every employee to improve by at least 15 percent a year by doing their jobs better and acquiring new skills for the future. Wouldn’t it be great if every one of us could improve by 15 percent this year and every year? We’ll need something like that for the challenges that lie ahead.

Marshall Goldsmith, a coach who dedicates his life to making successful people even more successful, reminds us that polishing our old skills and learning new ones are vital in today’s challenging, rapidly changing environment.

He puts it succinctly—“What got you here won’t get you there.”

Or, as the Peter Principle puts it, “Every employee tends to rise to his level of incompetence.” That sounds pretty harsh, but what it really means is that as people are promoted for doing their jobs well, they are often eventually promoted into a position in which the skills and experience that served them magnificently in the past are no longer enough to succeed with new, increased responsibilities.

To keep succeeding, in other words, it’s necessary to keep learning, improving, and expanding our horizons. So, yes, what got this company through the first 60 years won’t necessarily keep us succeeding in the years ahead. All of us, including me, need to keep on learning, improving—and inspiring our colleagues to do the same.

So in summary:

We’ve come a long way in 60 years.

As we look at the future:

• Let’s keep our core business philosophy always in mind and continue to cherish our relationships with customers, employees, and business partners, and let’s ALWAYS deliver value to each and every one.
• Let’s be prepared for more excitement and challenges ahead and remember what Darwin said: The survivors are “the ones most responsive to change.”
• And finally, let’s strive every day to improve our skills and learn new ones. As Goldsmith puts it, “What got you here won’t get you there.”

As you will hear from David Carey, the executive team has put together a very exciting long-range plan for us. A plan that includes growth, new business ventures, and new opportunities. As we embark upon these plans, we will continue to support our ‘ohana and live by our core values.

Reaching these goals will require from each of us commitment, flexibility, and adaptability.

Our track record over the last 60 years speaks for itself.

We ARE up to the challenge!

As the magic continues, let’s keep working together to make Outrigger Enterprises an even BETTER place to work and grow.