

3 Takeaways Podcast Transcript

Lynn Thoman

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Ep 19: CEO of Marriott Arne Sorenson: On the Future of Travel and, as a CEO of the Year, How To Be A Great Leader

00:00 **INTRO male voice:** Welcome to the 3 Takeaways podcast, which features short memorable conversations with the world's best thinkers, business leaders, writers, politicians, scientists, and other news makers. Each episode ends with the three key takeaways that person has learned over their lives and their careers, and now your host and board member of schools at Harvard, Princeton, and Columbia Lynn Thoman.

00:26 **Lynn Thoman:** Hi, everyone, it's Lynn Thoman, and welcome to another episode. I'm delighted to be here today with Arne Sorenson, CEO of Marriott. Marriott is the largest hotel chain in the world with 30 brands, over 7000 properties in over 130 countries. Their brands include Marriott, Ritz-Carlton, Sheraton, Westin and many others. Arne has also been widely recognized as one of the world's best CEOs. Chief Executive Magazine named him CEO of the Year, Forbes named him one of America's most innovative leaders and Barron's included him on its list of the world's best CEOs. In addition, this year, Fortune Magazine named Marriott one of the world's most admired companies. I am excited to find out how Arne sees the future of travel, work and cities, and also learn what he thinks it takes to be a great leader. Welcome, Arne, and thanks so much for being here today.

01:25 **Arne Sorenson:** Glad to be with you, Lynn. It's great to see you.

01:27 **LT:** Great to see you too. I miss actually seeing you in person.

01:31 **AS:** Yeah, me too.

01:33 **LT:** Hopefully soon. I should start by saying, Arne, that I love Marriott hotels. I actually lived at the JW Marriott Hotel in Tomorrow Square in Shanghai for six months, so I have a very special feeling for Marriott.

01:46 **AS:** Well, I'm glad you do, and that's a great hotel in a great city.

01:50 **LT:** And now that we have vaccines and can see an end to COVID, do you see a lot of pent-up demand for travel post-COVID?

02:00 **AS:** Oh, absolutely. We hear from our customers all the time, and of course we can talk about customers in different parts of the travel equation. We think first often about the vacations we take and what we do personally, which we describe as leisure travel. We of course, also have many, many business travelers who are on the road for their jobs. What we hear is people are eager, when it's safe, to get back out of their homes, to get on the road, to see the world, to see their loved ones. We don't think that that means we'll get back to 2019 levels immediately, we think as the vaccine gets distributed and people think it can be done safely, we'll see a big jump in travel.

02:40 **LT:** The hospitality industry is all about the customer's experience. Can you tell us about the

trend of customers wanting an experience as opposed to buying things?

02:51 AS: It has been one of the very beneficial tailwinds for us the last number of years, and I think there are a number of things that are driving this. Instagram might be part of it. What are the things I can share with my friends or my family about what's going on in my life, and what we see there is dining experiences and travel experiences are very high on the list. It's harder to buy a new car and post that on social media, because it seems to just gauche, but somehow, I can post these experiences that I'm collecting, it is fun for me and it's fun for my friends and family to see what I'm doing. I think part of this too, is that we've got a growing global middle class with hundreds of millions of new entrants around the world, China obviously would be the biggest driver of that in the last decade or two. Those folks want to see the world. That means often the sights in Europe and the sights in the United States, which they have seen the most about in movies and in other media.

03:50 AS: And I think there's a piece of this too, which is in the developed world, we've got a lot of stuff. And I think we realize that more stuff doesn't necessarily give us more happiness, but what does give us happiness is something we can anticipate, something we can do with somebody we love, some place we can see that will help expand our horizons, and all of that has fed towards this desire for more experiences, which is a trend I very much expect to continue again, post-pandemic.

04:21 LT: One of the biggest innovations in hospitality has been Airbnb. How has Airbnb changed your strategy for Marriott?

04:31 AS: Airbnb is only one of the players in this home-sharing space. Honestly, they've got an awful lot of attention because they are a new company, but you've got the online travel providers Booking and in Expedia. Part of this is taking an old business, which is vacation home rental, basically, and putting it online. That is a new approach to a business that we've had for a long time. Part of Airbnb is a new business, which is taking urban residential units, maybe it's an extra bedroom, maybe it's a studio apartment, maybe it's a whole home, and putting those online, so people can use those. Now, both have tended to be leisure travel, not business travel so much.

05:14 AS: I think there are two different businesses that are associated with this. One is simply about the cheapest place to stay, another is about, well, wait a second, I want a whole home because I want to travel with my children, or I want to travel with my children and their spouses, or I want to travel with my parents and my children, or I want to travel with a group of folks I went to college with, or I want to do something in advance of my wedding with my bridesmaids or whatever it is, and they want to have a space where they can all be together that an individual hotel room has a hard time doing.

05:47 AS: Maybe the Presidential Suite does, but that could be quite expensive for many, and so that part of the business, I think, has been a very interesting one to watch. We entered in about a year-and-a-half ago under the name Homes and Villas by Marriott International, HVMI. It's really only in that vacation home space, the whole home space, which is different from a traditional hotel room. We started with 2000 units, I think we'll end in the year at 20,000 units, something like that, so it's a 10 times growth, but it still makes us tiny by comparison to these other players. We do think it will be a part of our business going forward because our customers will want this too.

06:27 LT: Let's talk about the future of work. What have you learned about working remotely and

how durable a phenomenon do you think it will be post-COVID?

06:37 AS: I think this is a really hard question to answer as if we really know what's going to happen. Of course, I've been listening to this from the beginning. Like you, I've got four kids, all adults, they have been with us mostly during the pandemic, they're all still working, they are 25 to early 30s, basically, in age. Early on, I thought they would be the ones who would lead us back to work the fastest, they and their generation, basically, saying, I can't stand to be at home anywhere, I can't stand to be in my parents' home and I've got to get some place else. And what's been interesting to watch is I don't think they're forcing us to go back to work, I think they are quite content as long as they've got work to dial it in, they know that they can work hard remotely, there are certain advantages to it, they might want to say, oh, I want a month or two in the mountains now before I want the office to re-open again, because it gives me a little flexibility to do some pleasure, some travel around this at the same time.

07:36 AS: And so, we've got that factor, I think listening to the other extreme, which would be folks like me who are closer to the end of their careers than the beginning of their careers, we early on said it's not that important we go back, because I don't need the network in the office necessarily, I'm not wondering about what my next job is. But increasingly, I think we hear from folks like me in age and in experience, this is getting tiresome, it is harder and harder to lead people digitally. Yes, we might have the opportunity to see each other, but we're not really spending the hours together we might, particularly when we want to talk about strategy, or we want to talk about next year, or when we want to talk about human resources and how people are doing, get an exposure to somebody that we actually don't know all that well, which we may not see at all on a digital platform.

08:33 AS: And all of those things, I think, roll into this in a way that's going to be very interesting to watch. My guess is that we will see relatively few percentage point increase in the people who truly work remotely when the dust is all settled. I suspect we will see that many others work remotely a day or two a week, and that the notion of working a day or two a week will no longer be viewed with skepticism. Say, I've regularly now got the set of expectations or permissions that allow me to work two or three days remotely, well, I can go spend a week in Florida in the wintertime, work two or three days when I'm down there and only take a couple of days of vacation, but get a whole week of incremental time in the sun, away from cold weather in the North East.

09:21 LT: Arne, you talked about leadership and how it's more difficult to lead people as this goes on. What have you learned from prior crises that's helping you lead Marriott now, at this extraordinary time?

09:34 AS: I think the most basic lesson from prior crises is that you can survive, it's just a matter of making the decisions and doing the work that is necessary to get from one side of a crisis to another. Obviously, one of the things that comes from experience is the more you've got a little bit of that challenge under your belt, the more confidence you can enter a new challenge with the notion that, yes, we know we'll get through to the other side of this. Having that kind of confidence can bring some stability and some calmness to the particularly the most critical times, which I think is a really important feature.

10:11 AS: Now, having said that, the prior crisis I went through at Marriott was our business declining by 25%. This time we declined about 90% or something like that, so in order of

magnitude, it's different. But it was clear, I think to me in the beginning that I knew we'd survive this. I could have that point of view in part because of what I've experienced before, and I think it was important to the team to be able to see that and say, you know, I can see our CEOs out there, and I've got some confidence we're going to get through this. And there are also all sorts of other things that you've got to do in order to help get through it, but having that kind of experience and optimism about survival, I think, are really important features.

10:56 LT: You made an extraordinary video at the beginning of COVID, which went viral. I think over a million people have now seen that video, and it was extraordinary. What do you think are the most important leadership characteristics in today's extremely challenging business environment?

11:16 AS: It is first about communications. Obviously, it varies dramatically on the leadership position you're talking about. At Marriott were about 750,000 people that wear our name badge every day, obviously distributed all around the world, passionate about their work, uncertain about what the pandemic meant for them. Knew that it wasn't going to be good. And so, getting out and communicating personally was to me a hugely important thing before doing that video in March. And other people have heard me say, this isn't the first time I made the comment, but I was hairless because of the chemotherapy I was going through.

11:50 AS: Some of our team at Marriott said we're not sure you should do this video because it will remind people that you've been battling cancer. I said, well, it might, but there is no substitute for personally communicating with folks, particularly in a difficult time, because it's at that point in time they need to assess whether or not they are being considered, whether they're being heard, whether we care enough about them to tell them what we're doing and what we're thinking about. And so, to me, getting out there and communicating and using a video like that, there was no choice associated with it, it simply had to be done.

12:31 AS: Obviously, that is to be effective in communication means you have to be honest and you have to be transparent. And the tougher the decision you have to explain, I think the more important it is to explain it, not just to say, here's what we decided, but say, here's why we decided what we decided. Maybe here's why it's so difficult to have made this decision, maybe here are the other things considered, and here's why we don't think they work. Because if you bring people into understanding the decision that has been made, even if the consequences are negative, they're much more likely to say, I understand that decision that has been made, I can respect that decision that has been made, I can respect the honesty that's been used to communicate with me about it. And all of those things obviously cannot make a bad situation good, but prevent a bad situation from getting worse, and ironically, sort of bring people together to battle a crisis together.

13:29 LT: What really came across from that video was your honesty, your transparency about yourself, as well as about Marriott and your decisions and what the future looks like. And it was extraordinary, because that honesty and transparency really caused people to trust you. It was actually sent to me by somebody who didn't know that you and I knew each other and somebody who actually didn't know you at all, and they simply sent it to me and said, "What extraordinary leadership by this man, the CEO, at what's such a difficult time for him and for his company." Let's talk a little bit more about Marriott. How do you see Marriott?

14:09 AS: Well, I see Marriott as at the moment competing in a very difficult environment. Much more importantly than that, I see it as a company that can bring out the best in society today and

bring out the best in each of us. Don't be shocked by my biases here, it's a business I absolutely love and a company I love and I won't pretend otherwise. We are really a collection... I mentioned we have 750,000 people that wear our name badge every day, we are literally a collection of people from everywhere, of every identity, working together as a team to welcome people every day from everywhere. By doing that, we are providing an embrace, we're providing a welcome, we're bringing people together, doing that often at times of their lives where they're traveling for personal reasons at the most exciting parts of their life, most important parts of their life, sometimes the saddest parts of their life, but really important because of that. They're traveling for work in a way that maybe is the most intensive time that they have, maybe it's the presentation they've got to make, or maybe it is the deal they've got to negotiate, or they're coming together to see friends and others.

15:24 AS: And we have the ability to bring people together to help create these memories and memorable experiences that can have them come back and say, not just, of course I hope they say, I love Marriott, I loved the stay I had at that hotel, but more importantly than that, come back and say, I had an extraordinary experience where I just went, I just went to Shanghai, and my goodness, what I learned about this place, which is so different from where I come from, I take all these memories back and I leave it with a sense of warmth and welcome that will stay with me forever.

16:00 LT: What are your most exciting initiatives for Marriott as you look ahead?

16:05 AS: I guess two things I would talk about. One sort of picks up with what I just said, which is this idea of global growth, idea of helping people see the world, and by the way, see the world could be seeing something a hundred miles from where I live if I haven't been traveling before, how do you open horizons and how do you create these opportunities to get the best from experiences. I think the other thing that maybe is a bit of a contrast is we are a technology company, we sell... We're probably in the top 10 of volume of sales that we drive through our websites, we have a loyalty program of 140-some million members, we communicate with them through technology, and so we're really about creating this ecosystem of hotels and places to stay, that's the core bit of our business, but an ecosystem of our customers who are communicating with us, loyal to us, but who we are loyal to as well or other aspects of their lives. And I think building that technology platform in that ecosystem is an extraordinarily fulfilling thing.

17:06 LT: Looking ahead, how will travel, hospitality and hotels be different longer-term post-COVID?

17:13 AS: I think the long-term trends are the ones that are going to stick with us. I think we will as consumers be increasingly demanding of good design, we'll be increasingly demanding of great food and beverage, particularly locally flavored food and beverage. I think our expectations will get higher and higher every year, and I think it is incumbent on us to meet those expectations.

17:36 LT: You have hotels in large cities around the world, as well as smaller cities and rural areas. How do you see the future of cities?

17:44 AS: The question about cities is a really important one. At the moment, too many of our cities around the world are suffering significantly. If you walk the streets in New York or Washington or Boston or Minneapolis, which is where I grew up, what you see are places that are under enormous pressure. That pressure might look first simply like nothing's happening, but when

nothing is happening, that by itself is a sign of a lack of economic health, it means that people aren't coming in to work, I mean they're not going to the restaurants that are there, it means they're not using the other businesses that have built up to support us where we go to work.

18:18 AS: We have seen already in the pandemic that residential real estate values, for example, in the suburbs have performed much better than residential values in the urban markets. Notwithstanding that, I think that the cities continue to have something extraordinary to offer, they are exciting places, they are often easier to provide sustainable lifestyles in because of a number of the tools that are used to help us get around in those cities. As a consequence, my guess is that the cities will come back and come back with some vibrancy, but it's not going to be easy, there will be financial challenges that many of our cities have to face, they're going to have to win our confidence again to get us to come back and say, not only I want to come back to the office, but I want to think about living back downtown.

19:06 LT: What geographic markets do you expect to grow faster in a post-COVID world?

19:11 AS: For travel markets, I think the vacation destinations probably are going to perform best earliest. Think about beaches, think about deserts, think about mountains, think about the places that we can all go for a vacation. Those are already performing stronger than the other ones now, particularly if you can drive to them, they're performing stronger than other places. And I think we will continue to see an increase in leisure travel, that that is important. I think in terms of economic activity, it's going to be very interesting to watch. I would guess that we will see the United States come out of this sometime next year, come out of this being in the teeth of the health crisis; only then will we be able to assess the economic impact to the country.

19:55 AS: My own guess is it will be significant, that it's probably more significant than we think at the moment because of jobs that have been lost. President-Elect Biden and his team will get the first crack at trying to figure out how do we make sure that we are using government stimulus and other tools to bring back growth in as many places as we can possibly bring it back. That is important, I think, in the rural parts of the States, as much as it is the urban ones.

20:22 LT: Arne, as a strategic thinker, a global traveler and someone who serves on a range of boards of leading companies, what are three big ideas you have that people would be surprised by?

20:33 AS: Can I only have three?

20:36 LT: You can have actually as many as you want.

20:38 AS: I will limit it, and I'm not sure any of this is all that surprising. The first thing I would say, and it's an old idea, but we've got to listen to each other. We are all frequently saying that we live in a divided world, and we tend to say that whether we feel like we're part of the left or we feel like we're part of the right. We're both saying the same thing, we feel like we're in a divided world. But somehow, we stop at that, we assume that whoever is in the other part of that world has got deficient thinking, or worse, maybe that they're evil in some way. I'm not... Being Pollyanna-ish a second here, there are some bad people involved in these conversations, I could name some on both sides of the political aisle and obviously won't, but overwhelmingly, people have good intentions, and we can get to those intentions by listening to each other.

21:28 AS: And I think it's incumbent on all of us to do it. It is harder for us to do because we think we know better and better. Part of that is human nature, part of that is we are in our own echo chambers, and so we're hearing from our trusted sources, whatever it is they have to say, and so I think this is relevant to running a company or running any other institution. I also think it's relevant to the way we lead our lives, we've got to listen to each other, and to listen really means to have your ears open and to have your mouth closed, and to be willing to ask, and to even be willing to ask in areas that are a little bit risky. People will say, don't ever talk about religion or politics anymore because there's no safe place. Well, there is a way to talk about those things if you really are listening. Tell me what you think and tell me why you think that. Listening to me is number one, 'cause I think it's the most important thing we can do to bring people back together.

22:23 AS: I think the second thing I would say is, embrace technology but control it, and I don't think this is unusual either, but we have these technological tools which are extraordinarily powerful. They liberate us in many respects and allow us to do things that we couldn't have done before, or allow us to do it faster, allow us to do it better, but we've got to make sure that we are also in the moment with the people that we're with, and that those technological tools don't displace the other things that we can do in life. Of course, in my mind, that includes travel and it includes seeing sights and seeing places and not walking streets with your head down looking at your telephone, and not spending time when you're with others distracted too much by the devices you've got, but instead making sure that you're present and with them. So, control your technology, I think, would be a second thing.

23:21 AS: The third big idea is, to me, that there is dignity, there is value, there is joy in taking care of each other. I run a company which is in the service business, and too often what we tell each other in the news is service jobs, I don't know, they're not good enough. And we tell stories of billionaires or millionaires and the things that they've invented, and we've got to find a way to remember that the folks who are taking care of us, not just at a hotel, but at a restaurant or at a hardware store or wherever in the community that we go, they are playing important roles, they deserve as much respect and dignity as anybody else. We should treat them that way, we shouldn't be surprised that they take pleasure in the work that they do and feel like they can innovate in the spaces that they work in, even though they're not Innovate with a capital I in our technology society, about respect and dignity that's in all work.

24:24 LT: Arne, is there anything else you'd like to discuss that you haven't already touched upon?

24:28 AS: We have proven again something I think we've all known, which is that tough times prove our resilience, and I think that's pretty much the case across the globe. And I think we shouldn't be too unwilling to rely on that resilience a little bit. And I don't want to get into the politics of the virus at the moment, but I do think there is behavior that can be undertaken today with safety. I think if we use the data, we can learn that there are some things we probably shouldn't be doing today, but there are also some things we can be doing today. We talked a little bit in this conversation about our cities and offices, and I actually think that there is a way for us to start to go back to work safely and reduce density, to be sure, with social distancing and mask-wearing, but the data would tell us that that is not risky behavior. We can start to take those steps out together, I think, which will be very much to the benefit of the economy and the people who depend on the economy for their livelihoods.

25:27 LT: And last question, what are the three key insights or takeaways that you'd like to leave

the audience with today?

25:34 AS: Well, first, thank you for the time, Lynn, it's been great to be with you. And for those of you that are listening to this, I appreciate your interest and your attention to the conversation. For me, this is in some respects repetitive of other things that I've said in the conversation, but I think we can get out and find joy in our lives, even in these complicated times. We've got to be deliberate about doing it. We've got to make sure that we are almost always doing it with others. It doesn't have to be with a traditional family, it can be with friends, it can be with pets, it can be with others who give us sort of companionship, and take the time even in the midst of this uncertainty, maybe especially because of this uncertainty, and find joy and find joy in others. You'll help bring joy to them in the process as you're doing it. I'd of course love to see everybody travel; it would be great to be able to welcome you back at some point when you get back out on the road again. I'll try and get out and man the front desk myself if it's helpful.

26:38 AS: And then just the third thing would be as a reminder to me and everybody else, stay curious and keep learning, keep your ears open.

26:46 LT: Thank you, Arne. This has been terrific.

26:49 AS: You bet. Enjoyed it.

26:51 OUTO male voice: If you enjoyed today's episode, you can listen or subscribe for free on Apple Podcasts or wherever you listen. If you would like to receive information on upcoming episodes, be sure to sign up for our newsletter at 3takeaways.com, or follow us on Twitter, Instagram, Facebook and LinkedIn. Note the 3takeaways.com is with the number 3, 3 is not spelled out. For all social media and podcast links, go to [3takeaways](https://3takeaways.com).