

WOW THE HOSPITALITY CUSTOMERS: TRANSFORMING INNOVATION INTO PERFORMANCE THROUGH DESIGN THINKING AND HUMAN PERFORMANCE TECHNOLOGY

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The Hospitality Group (THG) was established in 1957. They had a new vision to spur growth and innovation through transforming the value proposition of the Mira Hong Kong from a traditional five-star hotel to a design hotel. They did this by offering hip interiors, innovative cuisine, crisp amenities, and a uniquely passionate service culture for the modern traveler who is young at heart. At the same time, THG is transforming its customer experience journey to support the new vision for a distinctive standard where style is the key focus. As a result of the transformation, the Mira Hong Kong received awards for Michelin Guide Recommended Hotel, Best Designed Boutique Hotels of China, and became a member of the Design Hotels™ network (a selection of 280 independent hotels around the world) in Hong Kong.

WHETHER IT'S BY leisure travelers, business travelers, a group, or even backpackers, expectations of hotel services are growing, and organizations need to transform the value of their innovative product from better product performance to a WOW (wonderful) customer experience. As an example, Airbnb connects people to unique travel experiences, whether an apartment for a night, a castle for a week, or a villa for a month, at any price point, in more than 65,000 cities and 191 countries.

In this article, we share a real transformation journey that includes strategic goals, strategies, and execution, as well as the results on different levels.

WHY CUSTOMER EXPERIENCE MATTERS

Customer experience (CX) is a strong driver to improve financial performance through higher sales, lower customer churn, and more positive word of mouth. According to the HKGCC & PWC (2014) report on the state of customer experience, 98% of respondents say they would buy again

from a company that provided a good customer experience, and over 70% of customers state they would even be willing to pay more for a better customer experience. On the other hand, 78% of respondents prefer not to buy again from a company following a bad customer experience. The customers will tell two or three people about a good experience but eight to ten people about a bad one. But now, with social media, a bad customer experience can reach and influence thousands of people.

WHAT IS CUSTOMER EXPERIENCE?

Customer experience consists of the customer's perceptions and related feelings caused by the one-off and cumulative effect of interactions with a provider's employees, channels, systems, or products. The interaction is made up of three parts: the customer journey, the brand touchpoints the customer interacts with, and the environments (both physical and digital). The customer experience hierarchy of needs (see Figure 1) illustrates the needs of the

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customers when they interact with a product or service. It includes three categories: (1) did not meet expectations, (2) met expectations, and (3) exceeded expectations.

Expectations Unmet Category

Level 1 meets customer expectations with current customer service passively. It is reactive to customer inquiries and meets them satisfactorily. Most organizations operate at or below this level of customer service. In our context, this means customers feel negative functional satisfaction and may leave the hotel or never come back to repurchase if they are in this category. It negatively impacts corporate branding and business performance, and threatens the organization's survival.

Expectations Met Category

This category represents proactive steps taken from a variety of feedbacks to anticipate and resolve customers' issues. It is about "standing in the customer's shoes"; only a few organizations operate here consistently. Level 2 represents basic products or services delivered, while level 3 represents services that exemplify ease of use. When the brand differentiation reflects this category, the customer will continue to stay at the hotel, but that hotel is only one of a number of potential choices for future stays.

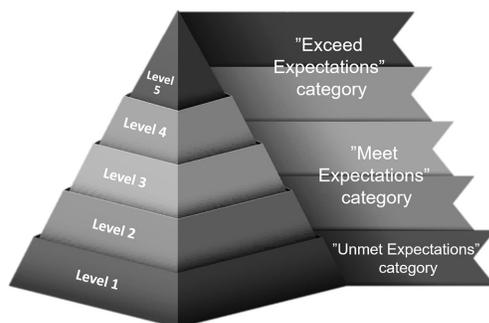


FIGURE 1. CUSTOMER EXPERIENCE HIERARCHY OF NEEDS CATEGORY

Expectations Exceeded Category

The third category represents having regular exchange of information through conversations and interactions; but being "in the head" of the customers is critical in recognizing their needs before the customers do. Level 4 is about anticipating customers' unrecognized needs with a sense of meaning, while level 5 is about internalization. Internalization is characterized by full internal acceptance and adoption of the hotel's beliefs by the individual. In this case, the customers become evangelists for the hotel, the way Apple customers are for Apple products. It reflects a higher-order emotional connection and moves customer experience from great to *wow*.

A NEW VISION FOR THE HOSPITALITY GROUP'S HERITAGE

The Hospitality Group (THG) was established in 1957 and was listed on the Hong Kong stock exchange in 1970. The current chairman-elect desired THG to spur growth and innovation. A new vision (see Figure 2) was formed to align with THG's long-term business focus: to become a dynamic and innovative hospitality group, setting the highest standards and maintaining a distinctive brand image and style that serves as a competitive differentiator.

To set it apart from the competition, a new value proposition was proposed for one of THG's hotels, the Mira Hong Kong. The goal was to transform it from a traditional five-star hotel to a member of Design Hotels™. A design hotel is, as the name implies, a hotel that is notable for its design. It is focused on the visual concept, on its architecture, on interior decoration, and on aesthetics style and décor. Its appearance is the main appeal of a design hotel, and the aim is to evoke a *wow* feeling in the (potential) guest. A famous architect often designs a design hotel. As an expression of the architect's unique style it sends the message *one-of-a-kind*. Usually a design hotel is modern, contemporary, and cutting-edge, often minimalistic and angular; both exterior and interior design must reflect high style.

A design hotel offers far more than simply a designer chair in the lobby. Every THG hotel provides a specific experience. Every single staff member provides an individual, aesthetic, and a service-driven hotel experience that seems to be provided by an independent hotelier, an *original* with a passion for cultural authenticity and genuine hospitality that is rooted in and enhanced by thought-provoking design and architecture. Each of the hotels are *made by originals!*

After the Mira Hotel renovation, Martin Lee, Chairman of Miramar Group, said, "We want to introduce a new kind of modern cultural lifestyle into Chinese society. This is

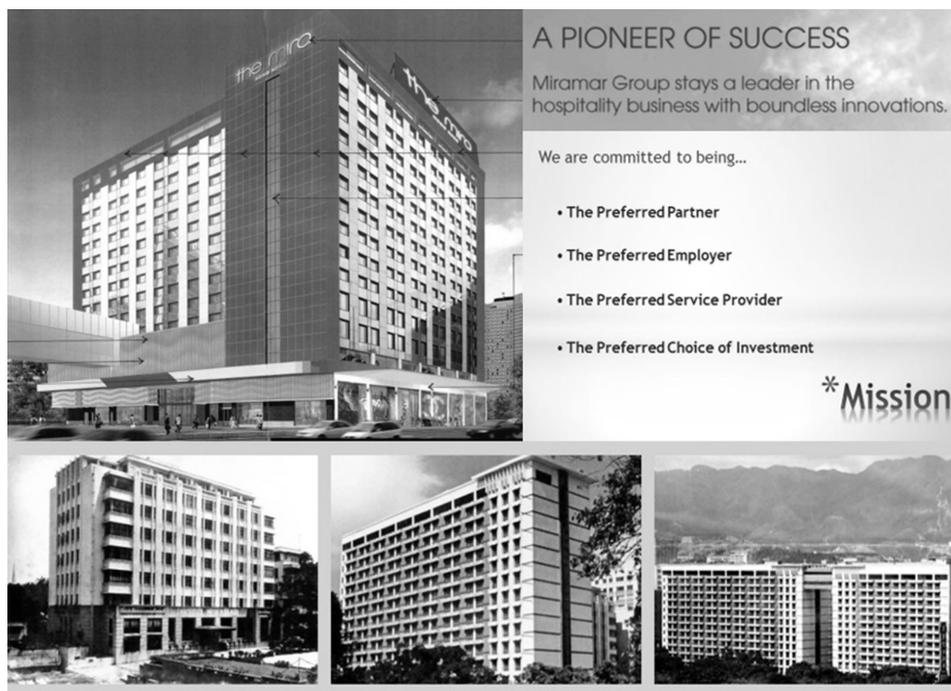


FIGURE 2. NEW VISION AND MISSION OF THE GROUP

much more than just ‘new is better.’ This is about creating a cultural context for the so-called new wave of China that is influencing the world.”

At the same time, this strategy is about developing THG staff to support the new vision for a distinctive standard where style is the key focus. One of the key initiatives is hotel revolution, represented by a company-wide change effort called *The Transformation Change for Corporate New Vision*. This program is about developing employees’ competencies to solve problems by enabling them to identify and become emotionally committed to achieving the corporate vision. There is a direct link with performance and business as well as with people. The transformation applied a systemic approach of human performance technology (HPT) (ISPI, 2013) using the following six systematic steps:

1. Determine need or opportunity.
2. Determine cause.
3. Design solutions including implementation and evaluation.
4. Ensure solutions’ conformity and feasibility.
5. Implement solutions.
6. Evaluate results and impact.

Determine Need or Opportunity

Beauty is in the eye of the beholder, and so is value. Providing value to all stakeholders is the winning strategy. Value

is always defined through the eyes of the receiver, so value depends on the constituency. Investors are not limited to wanting high return on equity; they also look to sustain return. Customers want products and services delivered conveniently and priced reasonably. Employees value interesting and challenging work, opportunities for growth and development, taking pride in their accomplishments, and camaraderie with co-workers along with equitable financial compensation for their contributions. In return, they come to work fully engaged every day, passionate about achieving the hotel’s goals and committed to its values and mission.

After collaboration with various key stakeholders, the performance analysis determined the nature of the opportunities at hand:

- What financial goals will impact the organization? THG’s financial goal is to increase underlying profit attributable to shareholders of the company.
- What is important to the customers, who will in turn impact the company’s financial standing? THG’s customer goal is to increase the customer-experience score.
- What must be done well internally to meet customer goals and enhance the company’s financial standing? THG’s process goal is to achieve a world-class level for customer-service process.



FIGURE 3. BALANCED SCORECARD

- What skills, culture, and capabilities are needed to execute on the process that would make customers happy and ultimately enhance the company's financial standing? THG's people (or learning and growth) goal is for staff members to support corporate transformation and deliver the new experience to customers.

The balanced-scorecard framework (see Figure 3) is based on the holistic balance between leading and lagging indicators. Those items can be thought of respectively as the drivers and outcomes of the company's goals for the new value proposition of the hotel.

Determine Cause

Since the value proposition of the hotel was shifted from a traditional five-star hotel to a design hotel, the change involved all seven internal aspects of the group: strategy, structure, systems, shared values, style, staff, and skills. All factors can affect a hotel's becoming a design hotel. What is ideal is an appropriate combination of prioritized solutions that effectively make the transformation between the current five-star hotel and the desired design hotel.

The top priority is to discover unrecognized needs for new potential customers to create the *moment of truth*. This is the instance of contact or interaction between a customer and a hotel (through a product, sales force, or visit) that gives the customer an opportunity to form (or change) an impression about the hotel. The bigger challenge is finding the source of unrecognized customer needs in the blind spot and unknown areas for new potential customers or providers. The following describes the

best ways to effectively discover a customer's unrecognized needs.

Collaborative practices

The encouragement of collaboration, openness, and cooperation across different internal and external stakeholders is essential for innovation. An innovation-friendly organization encourages collaboration built on mutual respect. By working collaboratively, clients and stakeholders can each understand the feelings, preferences, roles, perceptions, and world of the other.

Human-centered approach

This puts customer experience and the ability to meet customer needs at the core of design by searching the third category (levels 4 & 5) of emotional connection and the experiences that fall under the out-of-expected or pleasant un-experienced scope of customers. A human-centered innovative solution will be within the customer's frame of reference and communicates that without judgment. It makes personal connection with customers—Customer Connections.

Iterative continuum

Adapting the organization to an iteration process (see Figure 4) is very important, and the aspect that makes it special is customer feedback. It is the iteration approach to development that seeks customer feedback at various phases. One of the key tools is prototyping, a tried-and-true approach to failing in a safe environment that helps reduce fear of failure in the participants and encourages input and participation from a wide variety of sources. It embraces failure and lets the learning lead people forward.

Design thinking (Brown, 2008) utilizes elements from the designer's toolkit such as empathy and experimentation to arrive at innovative solutions. In design thinking, decisions are made based on what future customers really want instead of relying only on historical data or making risky bets based on instinct instead of evidence.

Design Solutions, Including Implementation and Evaluation

The customer drives the current and future state of any business. Products and services, whether delivered to internal or external customers, must create intrinsic value and address specific business needs. This cannot be done unless the customer is an integral part of the entire product life cycle, rather than an afterthought.

Design thinking (see Figure 5) focuses the spotlight even more on the customer, making the customer the main focal point of design for any solution. It consistently applies the values embraced by this approach such as empathy, diversity, and ambiguity, and recognizes the importance of multidisciplinary teams. What design thinking

TABLE 1 SOME KEY PERFORMANCE INDICATORS (KPI)

Level of Impact	Key Performance Indicator
Level 7 (L7) (BSC-Financial Perspective)	Consolidated revenue, underlying profit attributable to shareholders of the company and consolidated net assets value attributable to shareholders of the company per share improved.
Level 6 (L6) (BSC-Customer Perspective)	Best business Hotel in Hong Kong; Best Luxury Hotel Spa; World Luxury Spa Awards; Recommended Restaurant (<i>Michelin Guide</i>), as well as Recommended Hotel (<i>Michelin Guide</i>) as well as Customer Experience Index.
Level 5 (L5) (BSC-Internal Process Perspective)	Best Event Production, The Marketing Events Awards; Certificate of Excellence, Trip Advisor; a member of Design Hotels as well as Top Tech-friendly Hotel, HotelClub Hong Kong Hotel Awards as well as Customer Service Process Index.
Level 4 (L4) (BSC-Learning and Growth Perspective)	Excellence in Training & Development Special Award – Staff Engagement, The Hong Kong Management Association, Group Safety Performance Award. Met the target of competent people to deliver Customer Experience and Culture Index, etc.
Level 3 (L3) (Kirkpatrick-Behavior)	Met the target of mystery shopper for New Customer Experience.
Level 2 (L2) (Kirkpatrick-Learning)	Met the target of Employees Adapt to Change.
Level 1 (L1) (Kirkpatrick-Reaction)	Met the target of satisfaction on Change Solutions.



FIGURE 17. 5I MODEL FOR CUSTOMER EXPERIENCE LEVEL

EVALUATE MEASURABLE RESULTS

A sharp focus on results and outcomes enables the questioning, confirmation, and reaffirmation that people at all levels share the same vision and goals and that they have the skills and knowledge required to perform their duties. It's important to measure the outcome of an intervention and assess whether performance has improved.

The Seven Levels of Impact for Corporate Transformation are shown in Figure 16. To ensure the effectiveness of the project, it was evaluated by utilizing Kirkpatrick's four-level evaluation model (Kirkpatrick & Kirkpatrick, 2006). One year after the project began, its results were monitored by using the balanced-scorecard method (Kaplan & Norton, 1996). This was an evaluation journey that combined the balanced-scorecard model with Kirkpatrick's four-levels-of-evaluation model. The results to date are presented in Table 1.

CONCLUSION

In today's era of experiences (whether services or products), there are high expectations and they are becoming more complex as information and technology continue to improve. With each improvement comes a new set of unmet needs. Integrating the 5i model (see Figure 17), design thinking, HPT, and innovation culture is simply an approach to accurately discover unrecognized needs, to create human-centered innovative solutions, and to convert the needs to demands. As the result of the Customer Connections, this is not limited just to WOW the customers but is applicable to business results as well. 🌟

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