

A shift in culture sparks innovation at the Miramar Hospitality Group's flagship Mira Hong Kong Hotel

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Seeking to transform the Mira Hong Kong Hotel, one of its premier properties, into a world-class establishment, the leaders of the Miramar Hospitality Group applied a seven-tier model to integrate innovation and performance improvement efforts at the hotel, as well as throughout its other business units. Supported by an effective feedback loop that facilitates communication and the transmittal and measurement of vital customer-related data, their comprehensive approach has reshaped the corporate environment to encourage teamwork and inspire innovation at all levels. As a result, the hotel has earned international recognition as a leader in customer service, and the profitability of the Group's diversified service-oriented business portfolio in Hong Kong and mainland China has increased 77% since 2011.

1 | INTRODUCTION

Customers change, and so does the competition. Combining continuous improvement with innovation can ensure that customers keep coming back in a virtuous cycle that keeps organizations relevant and successful.

After investing \$65 million in a two-year makeover of one of its properties, the Mira Hong Kong Hotel, in 2010 the leaders of the Miramar Hospitality Group realized the need to simplify the hotel's operations so it could quickly adapt to change and keep innovating. Ensuring speed of transformation was a critical challenge.

2 | MAKING OVER THE MIRA

Established in 1957 and listed on the Hong Kong stock exchange in 1970, the Miramar Hospitality Group announced a new vision in 2008 designed to spur growth and innovation. According to the organization's current chairman, Martin Lee, the goal at the time was "to become the most stylish and service-oriented group in Asia Pacific, setting the highest standards and maintaining a distinctive brand image and style that distinguishes us from the competition." Now, he says, "We want to introduce a new kind of modern cultural lifestyle

into Chinese society. This is 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."

Designing a great customer experience means injecting purpose into everything a company does. It is the practice of designing products and services with a focus on quality and customer connections. After the Mira's renovation, the Group set out to separate itself from the competition with a new value proposition for the hotel. The goal was to transform the Group's flagship 490-room flagship property from a traditional five-star hotel to a member of DESIGN HOTELS™, a curated selection of more than 290 independent hotels in 55 countries. Becoming part of this elite group would mean that the Mira Hotel was best in class.

Since each Design Hotels property reflects the ideas of a visionary hotelier known as an "Original"—someone with a passion for hospitality, cultural authenticity, and thought-provoking design—the Mira Hotel in Hong Kong's Tsim Sha Tsui shopping and nightlife district required an extensive renovation to replace its dated look with bold color schemes and stylish features such as Arne Jacobsen chairs and Bose sound systems. Upgraded personnel uniforms complemented the changes made to the building and its furnishings (see **Exhibit 1** on page 38). The Mira Hotel's new image, however, transcended mere accommodations.

EXHIBIT 1 Before and after at the Mira Hong Kong

(Color figure can be viewed at wileyonlinelibrary.com.)

Its purpose had evolved to offer customers a lifestyle that would take the everyday out of every day.

2.1 | Wowing customers through personal touchpoints

The hotel's managers leveraged the Group's core shopping mall, food and beverage, and travel business units to help create a more synergistic, stylish, and service-oriented experience that would set the Mira apart from its competitors. They sought to reach out to each customer through their five senses to inspire emotional connections and positive experiences. As a result, every customer interaction with a product or service was designed to deliver an experience that would reflect the new brand's promise. In addition, all staff members have been trained to deliver a unified customer experience that caters to all five senses. The idea is to wow customers during every point of their stay.

Before its renovation, the Mira—the first hotel to open in Hong Kong after World War II—was a typical inner-city establishment characterized by tired interiors and unimaginative use of space. Today guests encounter cool, open spaces and lightly fragranced air and are welcomed with a tray of small cakes and fresh fruit, a personal handwritten note, and a digital greeting on their TV screen. The ambiance is cool, urban, and sophisticated—an ideal setting for contemporary art exhibitions, which the hotel often hosts.

As for taste, the Mira offers seven dining options, apart from room service, each with a distinctive flair. The lively Whisk restaurant focuses on European cuisines and is popular with wine connoisseurs; Cuisine Cuisine features upscale Cantonese cooking; Yamm serves international buffet favorites throughout the day; COCO specializes in fine chocolate and coffee; Spa Lounge Bar makes a variety of smoothies; Room One serves stylish cocktails and snacks accompanied by live entertainment; and Vibes, the fifth-floor al fresco

lounge bar, comes alive at dusk with an intriguing mix of hotel guests and locals meeting in spacious cabanas amid rows of frangipani trees and bamboo.

The hotel's MiraSpa differs from others spas by focusing on each customer's unique preferences. For example, besides the usual questions concerning allergies, the brief pre-treatment questionnaire asks clients to select their preferred music to be played during their treatments. These include the hotel's signature Mira Massage, which is based on the elements of wood, fire, earth, metal, and water, and incorporates aromatherapy with hot stones.

Eclectic and vibrant, Hong Kong can also be an exhausting city. Returning to the Mira Hotel after a day of business or sightseeing is like stepping into an oasis of calm.

3 | A BLUEPRINT FOR STRATEGIC SPONSORSHIP

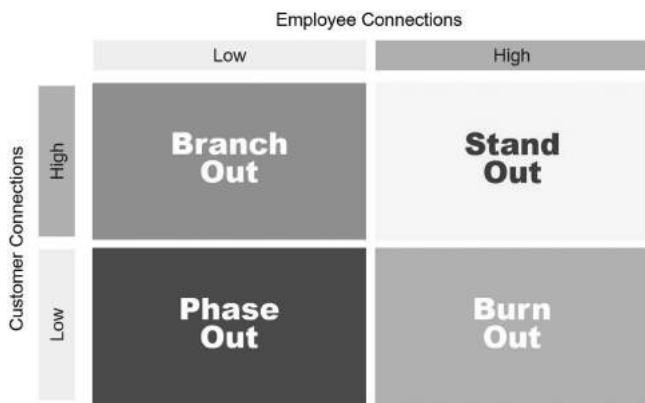
To thrive in the constantly changing hospitality industry, it is imperative to enlist all team members and leaders at all levels to spearhead innovation. To ensure the financial success of an initiative based on customer touchpoint renewal through innovation, the leaders of the Mira Hong Kong attracted transformation sponsors to back organizational initiatives at the executive team, top management, and individual staff levels (**Exhibit 2**).

3.1 | Innovation at the top

The first step was to ensure strategic alignment at the executive level so that the needs of both external and internal customers would be met. As shown in the matrix in **Exhibit 3**, this type of initiative is a “stand out” type of alignment. To achieve this requires tying transformation actions and objectives to a business rationale and rooting them in employee connections.

EXHIBIT 2 Three levels of alignment

(Color figure can be viewed at wileyonlinelibrary.com.)

EXHIBIT 3 Innovation alignment matrix

(Color figure can be viewed at wileyonlinelibrary.com.)

All four distinct groups of the matrix are based on:

- Customer connections: How the company emotionally connects with its customer beyond the product it offers them.
- Employee connection: How the company personally connects with its employees beyond the scope of the work that they do.

If customer or employee connections in a particular initiative are lacking, the effort is unlikely to succeed. The four groups of the matrix are described below.

3.1.1 | Phase out

In this undesirable state, both customer and employee connections are low. Companies fall into this category when they are merely maintaining the status quo. The world, however, does not stay the same. Competitors change tactics, customers

change buyers, governments change policies, strikes stop production, and occasionally natural disasters wreak havoc.

No matter how big or small, companies in “phase out” mode are at risk of being eliminated. Think of one-time industry leaders like Blockbuster, Kodak, Nokia, and Toys“R”Us. These companies were hurt by lack of clear direction, focus on planning at the expense of execution, avoidance of risk, excuse of mediocre performance, and reluctance to hold people accountable. To break free from a reactive culture centered on the status quo and work toward a proactive culture that promotes growth, companies need a system of innovation and people change management that can help teams to take smart risks while encouraging creativity and collaboration. The Group’s leaders shook up the status quo at the Mira not only by redesigning hotel and its service, but also by emphasizing creativity and innovation among staff.

3.1.2 | Burn out

Here, customer connections are low but employee connections are high. Those who work for companies in this category appear to be on autopilot and functioning on their own direction. In the absence of shared goals that are defined by customer connections, business results are unpredictable. These companies often lose their best employees because there’s no overall vision and the employees believe that the company is going nowhere. They feel as though they’re spinning their wheels when they work hard because there’s no sense of shared purpose. To move from burn out to stand out status, companies need to innovate and focus on creating products and services that address unmet customer needs. This will increase customer connections and give employees a better chance to do a good job, thus lowering the likelihood of burn out. The leaders of the Mira Hong Kong fostered customer connections through several internal programs to improve service and enhance the customer experience.

3.1.3 | Branch out

Customer connections are high in this state but employee connections are low. Companies in this category often stall because employees are confused, anxious, resistant, and frustrated, which lead to false starts and inefficiencies. Although many innovative people do not have the patience, political skills, and know-how to move an idea through complex systems in the workplace, they typically know which idea to push. When employee connections are lacking, innovations slows down and fear of failure increases. These challenges, however, can be overcome with people change management initiatives. At the Mira, these included a change readiness survey, a workshop on embracing change, and improved internal communications in various formats, such videos, briefings, and town hall meetings.

3.1.4 | Stand out

In this state, both customer connections and employee connections are high, which results in innovation and better performance than that of similar companies. To survive, a company must balance its focus between customer connections and employee connections. When a company maintains a high level of both, they will consistently outperform all others.

To support the Group's new vision and the Mira's new value proposition, the change efforts had to go beyond readily detected improvements in furnishings, procedures, policies, and training. It was essential to understand the behaviors, thoughts, and feelings of both internal and external customers. To this end, the company-wide Transformation Change initiative was designed to enabling employees to identify and become emotionally committed to achieving the new value proposition. The goal was to directly link performance with business as well as people.

3.2 | Horizontal alignment among management

Even the best strategies fail if they are not properly communicated and executed. A hotel's cross-functional teams can do much to facilitate communication across its various business areas. When employees communicate effectively, interpersonal relationships flourish and lead to the development of new customer experiences.

The goal of transforming the Mira Hong Kong presented the organization's leaders with an opportunity to attract seasoned professionals to join the hotel staff and leverage their experience. In the second half of 2009, the hotel's top management was reorganized with 80% new members from renowned hotel groups around the globe, including the United States, the United Kingdom, Germany, and France. The new management team was composed of about 20 members, each representing a specific function, such as rooms, front desk, housekeeping, maintenance, and sales. As the new hires began to assume their responsibilities, they smoothed the transition by anticipating conflict and nurturing interpersonal relationships.

Newly assembled management teams are vulnerable because the members may hold conflicting opinions or be unclear about tasks, processes, and goals—for example, the integration of traditional housekeeping duties with digital tool maintenance. It is also important for new top managers to know how to properly express any dissatisfaction regarding procedures or staff performance and how to elicit feedback. They may be cautious in their disclosures and unwilling to take interpersonal risks. If these considerations are not addressed, tension may result and prevent some from fully embracing their position and taking on active responsibilities.

Until all interpersonal relationship issues are resolved, it will be impossible for a group to function effectively and solve problems as an authentic team.

To improve alignment and interpersonal relationships, the Group organized two-day management retreat sessions with an external facilitator for the Mira's new top team (see photos in **Exhibit 4**). All levels of management were encouraged to interact with each other and form interpersonal connections. A high level of trust was built while brainstorming solutions for the hotel's new value proposition challenges. The sessions helped the managers clarify expected business results and gave them the opportunity to discuss the underlying factors that would be essential to the transformation, including strategy and objectives, processes and systems, and personnel issues and culture. As a result of the sessions, interpersonal relationships were strengthened and the strategic initiatives for the hotel team were aligned.

For the Group to truly become a “stand out” company, its leaders knew that the new vision, mission, and values embraced at the Mira Hong Kong would have to be adopted by its shopping mall, food and beverage, and travel units as well. At the management retreat, top management and department heads implemented a new process for planning and review. It called for the introduction of a balanced scorecard and an expanded individual performance management system. Under the new system, each employee's work plan, commitment, and rating forms are linked to those of the respective division, unit, or office to ensure a clear connection between organizational performance and personal performance. Management also took steps to cascade the group-wide scorecard into focused missions and goals for the various business units, support units, departments, teams, and individuals. The result is a consistent focus on accountability and individual roles in the achievement of clearly defined strategic goals and performance rating across all business units.

After the management retreat, the Group launched New Leader Integration, a custom onboarding program, to clarify the roles and responsibilities of the new heads of corporate functions, new members of hotel top management team, and hotel department heads.

3.3 | Vertical alignment at the individual staff level

Even the best customer connection strategies will fail if they are not effectively communicated and executed. Vertical alignment keeps the individual staff at the hotel focused on customer connections. Every hotel employee should be able to clearly explain, in a couple of sentences, the new value proposition. They need to know that the hotel aims to wow its customers, and how they can help the hotel exceed customer expectations.

the Hazard Analysis and Critical Control Point certification from Bureau Veritas in 2013.

5.1.6 | Customer (level 6)

What are the key differentiators between the hotel and its competition that the hotel can showcase to its customers? The goal at the Mira was not only to provide customers with excellent service, but also to offer them a lifestyle experience.

To ensure proper focus, hotel management identified its customer and market segments. As a result of the Mira Hong Kong Hotel's renewed focus on its customers, it received numerous awards based on customer ratings, including Best Business Hotel in Hong Kong (2016, 2015, 2014, 2012, 2010), Top Tech-Friendly Hotel (2012), and Best Luxury Hotel Spa (2015), as well as a 2-Star Restaurant Michelin Guide rating (2011).

5.1.7 | Financial (level 7)

Financial measures provide a common language for analyzing and comparing company performance. Investors and board members of a listed company rely heavily on financial performance measures in deciding whether to lend or invest funds. Properly designed financial measures can provide an overview of a property's success. Yet, it is important to note that financial measures tell a story about the past, not the future. Though important, they will not guide performance in creating value. As a result of the new value proposition, the hotel marked its fifth anniversary with growth in revenue per

available room ("RevPav"). Thanks to the Group's improvement efforts, earnings before interest, tax, depreciation and amortization grew 77% in total since 2011. The strategic goal of becoming a preferred investment also was accomplished.

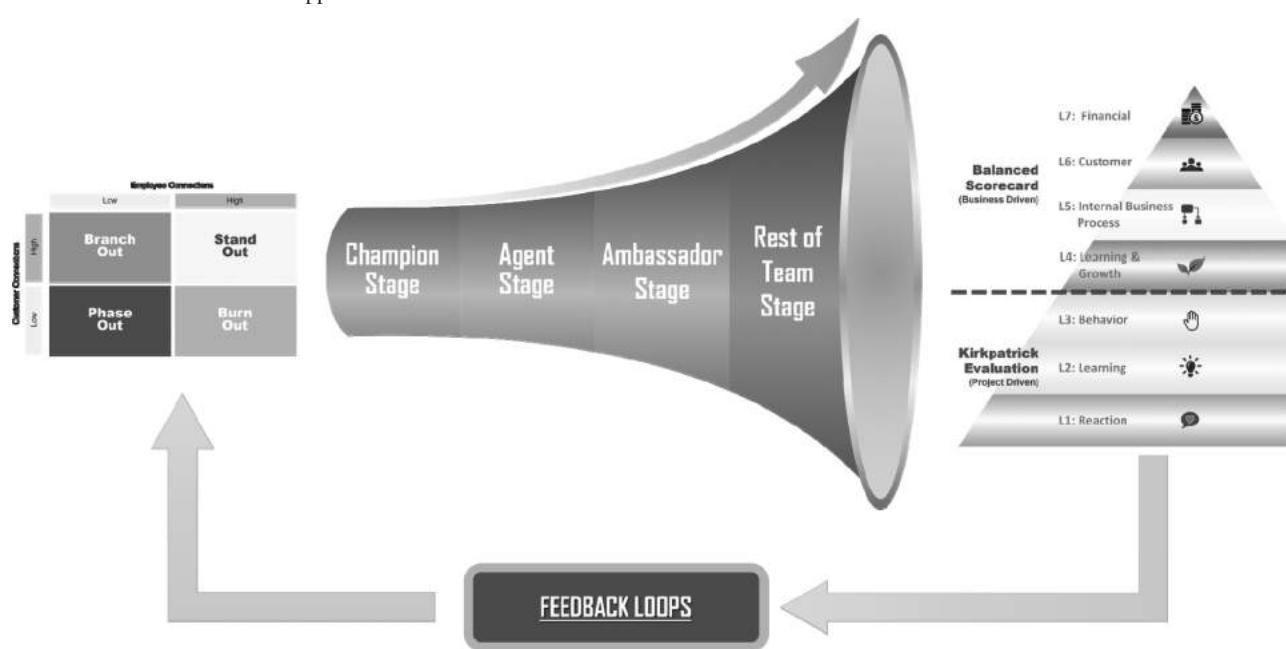
6 | FEEDBACK LOOPS FEED SUCCESS

A comprehensive approach to transformation enables innovation, delivers measurable results, and includes a process for keeping change on track (see **Exhibit 8**). Feedback is another essential element in this framework.

A feedback loop is a system in which the output of a project becomes the input for changes to the project. To be effective, it requires a process for eliciting and monitoring helpful information. The leaders of an organization can learn only so much from results and statistical data. To get the full story regarding the efficacy of their operations, they need to gather details on the causes behind the numbers. Only then can they make the changes needed to improve those numbers.

The review meetings that were held at the beginning of the innovation culture program at the Mira focused on data obtained from customer experience and process improvement metrics. These face-to-face encounters were designed to encourage actionable outcomes and improve performance. Approximately half the time of each meeting, however, was spent on reviewing and explaining the numbers. If it was discovered that a target was not being reached, that information created a negative feedback loop without any indication of what should be changed to improve the situation.

EXHIBIT 8 Transformation approach



(Color figure can be viewed at wileyonlinelibrary.com.)

Some executives eventually began using an app that enabled the reports to be digitally reviewed at each individual's convenience. This change facilitated dialogue about the measures and their implications, and gave executives and managers more time to focus on underlying issues and interpretation of findings during the face-to-face meetings.

Next, guided by the seven levels of impact framework, the executives began looking for cause-and-effect relationships. For example, if a target for employees selling new products and services was missed, the managers would ask what the employees needed to achieve that goal. In one case, the cause was lack of updated customer information. This revealed the need to provide employees with a customer relations management system that would identify promising candidates for the new products and services, as well as provide information about the existing customer relationship that would facilitate selling.

When the Group's leaders adjusted the feedback loop mechanism to focus on the speed and magnitude of the cause-and-effect-relationship, they were able to better modify processes and prevent risks. The company's ability to make this adjustment shows that it had shifted from a reactive to a proactive culture.

Reactive companies are likely to fail in an era of disruptive innovation. Proactive companies can anticipate and cope with change to minimize the gap between innovation and operational implementation. Companies do not transform, people do—or they don't. The transformation approach implemented by the Miramar Hospitality Group at the Mira Hong Kong Hotel offers a template for any organization seeking to addresses the critical management challenge of quickly adapting to change.

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