



Starwood Studies Abroad

What better way to get up to speed on a critical foreign market than to send the entire senior team there for an extended stay?

**Donna M. Airoidi, CFO Magazine
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Space, as Captain James T. Kirk told us on *Star Trek*, is the final frontier. But to global businesses here on Earth in the early 21st century, all frontiers pale in comparison to China. Success there requires a nuanced understanding of the local marketplace, cultural perspectives, and approaches to doing business. So it's perhaps not a great surprise that Starwood Hotels & Resorts Worldwide relocated its entire senior leadership team to Shanghai for five weeks in June and July.

Still, the experiment raised eyebrows. "I don't know of other companies that have done this, so it's pretty cutting-edge," says Blythe McGarvie, a former BIC Group CFO and author of *Shaking the Globe: Courageous Decision-Making in a Changing World*. "But working closely with people from a different culture helps you to see pitfalls and opportunities in a very different way. What more could a CFO ask for?"

China is already big business for Starwood, whose 75 hotels there make the country its second-largest market. With 100 of the company's 300 pipeline properties worldwide located in China, the vast country is also the chain's fastest-growing market.

One valuable piece of intelligence picked up by CFO Vasant Prabhu, one of the eight senior executives on the trip, was that even Chinese cities like Xi'an and Guilin, which are often considered second- or third-tier locations, could easily support several five-star hotels. So far, Starwood's hotels in those markets max out at four stars.

Valuing Intangibles

Despite the discovery of such critical market knowledge, the return on investment for the five-week experiment isn't easily calculable, says Prabhu. "We'll know what all the benefits were — over time," he says. At the same time, the upfront investment itself wasn't all that great. Starwood's senior leaders are frequent travelers anyway, says Prabhu, "so we didn't blow any budgets." For now, he adds, the executives are happy that the trip enabled deep discussions about the Chinese market and provided them with a richer perspective.

Starwood CEO Frits van Paasschen, who came up with the idea for the extended trip — and initially thought of sending company leaders to China for an entire year — says it's not possible to assign a value to such an effort. Much of what finance executives and general managers do relies on trust, judgment, and values, he notes. "Making sure you know and understand the people you're working with in different places is at least as important as any audit work you can do," van Paasschen says. "China's spectacular transformation is hard to grasp unless experienced first-hand."

While in China, the executives met with regional Starwood executives, toured the company's hotels throughout the country, and visited local developers and suppliers, all while attending to their day-to-day duties despite the 12-hour time difference from their White Plains, New York, headquarters. "We set out to run the company from China, and we pretty much did that," says Prabhu, who was responsible for financial operations in more than 100 countries as a former CFO for Pepsi-Cola International.

Some days felt almost routine, but others — particularly those on which executives met with regional leaders — produced valuable insights that the Starwood team might not have gleaned from a phone call. In one case, Starwood had been looking at a transaction in China, and after Starwood's corporate and local teams discussed the deal in Beijing, they changed their minds about its direction. Prabhu

then was able to deliver the news to the partner personally. "For them to hear it directly from me helped them understand how we were thinking about it," Prabhu says. "I could better explain our position, which was appreciated, and the issue was resolved amicably."

People Power

To help manage Starwood's growth in China, the company recently hired Dean Lee to run the finance operations in the country as regional CFO. Lee, formerly with Yum Brands, is building a finance team and will be adapting the U.S. finance organization structure to the Chinese market. The move acknowledges that Starwood one day could be larger in China than in the United States.

The next challenge for Lee and Starwood is finding and retaining top talent in China. In finance, Starwood has chosen to hire as locally as possible, especially in smaller cities. As the company trains all of its staffers around the world on U.S. GAAP, new hires serve what amounts to a 6-to-18-month apprenticeship with more-experienced finance employees before moving on.

Finance staffers with strong ambition, however, typically want to move up fast. There is an inherent risk of high turnover, because there's always someone willing to pay a bit more, especially for employees who have received significant training. The way to handle that, says Prabhu, is to create an engaging, inclusive culture that makes people want to stay with the company. "That means you may have to take risks by putting people in jobs before they're ready. Challenging them is how you keep them," he says.

The trip provided development opportunities for many Starwood executives, not only for the eight key managers who stayed in China for the full five weeks but also for about a dozen other senior managers, including divisional presidents, brand leaders, and vice presidents who were on hand for portions of the time. The company's board also scheduled a meeting in Beijing to coincide with the trip, which gave the board members on-the-ground exposure to the fast-growing market and the company's position there.

As many finance chiefs know, any amount of extended international experience is a big plus in helping to move up the corporate ladder. It can also spur new ways of thinking about a company and its growth prospects. "It opens your eyes to the kinds of opportunities that are available for any business outside the United States," Prabhu says. With many U.S. companies searching the globe for paths to growth, perhaps more executives will soon pack their bags.

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