

**Announcer:** Welcome to the Carey Nieuwhof Leadership Podcast, a podcast all about leadership, change and personal growth. The goal? To help you lead like never before in your church or in your business. And now your host Carey Nieuwhof.

**Carey Nieuwhof:** Well, hey everybody and welcome to episode 263 of the podcast. My name is Carey Nieuwhof and I hope our time together today helps you lead like never before. It is not every day you get to have a conversation with someone who not only founded a legendary company, but also changed an industry and that's what Horst Schulze has done. In the early 1980s he started this little hotel chain called The Ritz-Carlton. I don't know, I always thought that that was like 150 years old. Maybe I'm the only person, but I didn't know until just recently that it's only a 35 year old brand. We talk about the origins of The Ritz-Carlton and of course it became legendary for service. He is the co-founder of The Ritz-Carlton, also the founder, chairman and CEO of the Capella Hotel Group. He's gone on to do other great things with his life, and I think you'll love this. Super entertaining.

**Carey Nieuwhof:** Oh my goodness. He is so fun to be around. We've spoken together at the same event and I've had multiple opportunities to talk to him, and I got to tell you, this guy is incredible. So hey subscribers, you're getting this because that's what you do every time we release an episode. If you're new to the podcast, you can subscribe for free. I only listen to podcasts that I subscribe to because I scroll through my phone and there they are. That's absolutely free and I'm so excited you're joining us today. Hey, tomorrow's a really big day for all of you who are in church leadership. We have a lot of church leaders and business leaders listening, but if you want your church to grow and it's not, or if your church is growing, but you can't figure out how to get to that next level, I've got something brand new for you starting tomorrow.

**Carey Nieuwhof:** It's called the Church Growth Masterclass and you can head on over to [churchgrowthmasterclass.com](http://churchgrowthmasterclass.com) to learn more. There's actually a free download that's still available today. If you want to head on over there, thousands of people in the last few weeks have watched a series of free videos that help churches tackle some of the most frustrating growth barriers and a whole lot more. Tomorrow we unveil the course and I am so excited about that. So head on over to [churchgrowthmasterclass.com](http://churchgrowthmasterclass.com), make sure you don't miss out. I'm so excited to tell you about some of the new fun things that are happening at TrainedUp, which is part of ServeHQ.

**Carey Nieuwhof:** If you're looking to train your volunteers the way a lot of churches still do it, which is really surprising and a lot of organizations still do it as you try to get everybody in a room and have the people show up, et cetera, et cetera. Well, TrainedUp by ServeHQ equips your volunteers and leaders with simple online video courses and now they've got a library of over 150 pre-designed video courses with over 800 videos. So yeah, training that's done for you. Here's what their library covers. Training and kids and youth ministry including abuse prevention, how to teach the scriptures to kids, how to interact with parents on

a Sunday morning, training for Sunday morning teams like worship, greeters, guest services, ushers, production team security. There's also small group leader training, care and counseling training, some Bible study training, plus they built some simple features to customize their training or for you to create your own. So you can totally white label this and make it your own. You can try TrainedUp. How's this for an offer? For free, for 14 days at their website.

Carey Nieuwhof: It's a new website, go to [servehq.church](http://servehq.church). That's serve, letter h, letter q, [servehq.church](http://servehq.church), and you can try TrainedUp for free for 14 days. I want to thank partners like TrainedUp because they're the ones who provide things like transcripts, show notes, and all the support and production we need to bring you this show once or twice a week. So make sure you head on over there and tell them we sent you. Speaking of transcripts, if you want to do a deeper dive, those are available, you can go to [careynieuwhof.com/episode263](http://careynieuwhof.com/episode263) and in the meantime, here is my conversation with Ritz-Carlton Hotel founder Horst Schulze.

Carey Nieuwhof: Well, it is an absolute thrill to have Horst Schulze with me today, co-founder of the Ritz-Carlton. Welcome Horst.

Horst Schulze: Thank you. Nice to be here.

Carey Nieuwhof: Yeah. Not a lot of people can say that they co-founded a major hotel chain, let alone two of the most luxurious brands in the world. I love how in your new book and I've listened to you speak in different contexts as well and watched interviews that you've done. The heart of what you talk about is understanding what the customer wants. How did you figure out what the hotel customer wanted when you founded Ritz-Carlton? Because you'd almost think, well, cheap, but you did the opposite. You founded really the gold standard of luxury brands.

Horst Schulze: Well, understand at that time I had just worked for 10 years for Hyatt and Hyatt, Hilton International and Intercontinental were the leaders at that time in the hotel business. So the decision was, do I want to go with that market segment and compete with them well established, or do I want to move just above in market segment? The decision was we move above them and respond a little bit more carefully to the expectation of the market at the time. How did we know the market? Well, we bought affluent travelers surveys and studies and of course there was a lot of feedback I knew from the existing companies. But we also worked with some behavioral analysts and asked, what do people really expect and how do they expect it? And that was the beginning.

Horst Schulze: Once I knew that I said, all we have to do, be in relative to the expectation of the customer in my market segment, be more sufficient to that customer. Do what they expect a little better than the competition. That's was the thinking, because we were driven and that's the only reason I took that job, to create the finest hotel company in the world, that was the vision. That was the purpose.

Once we established that purpose, I'm just talking. Once we established that purpose, we agonized, honestly of our beginning, that people were done by beginning before we opened the hotel, is our purpose good for all concerned? Is it good for the employees, is it good for the investor, first of all, because without them we wouldn't be alive. Is it good for the employer, is good for the customer, is it good for society?

Horst Schulze: Once we establish, yes, then we establish how we're going to accomplish it. That was the basic foundation of the organization.

Carey Nieuwhof: So you worked with Hyatt and Hilton in the decade prior, I suppose another option, although this isn't your wiring, was you could have gone lower, you could have moved into the lower market.

Horst Schulze: Yeah. Well, there's nothing wrong with that.

Carey Nieuwhof: Yeah, I'm just curious.

Horst Schulze: But you know ... Frankly my background directed me there. I came, what ... I had worked for truly, and this is not just a statement, good statement, for the finest hotels in Europe, in Germany and France and Switzerland and in England. So I could see that we also, in America, our sophistication relative to hotels and restaurants was moving in that direction. When I came first to United States in 64 the better restaurant was a steakhouse or a ribhouse.

Horst Schulze: There were very few sophisticated type restaurants, but we were moving there very fast. In fact, today it's better than Europe. I could clearly see that, so the decision was pretty simple one.

Carey Nieuwhof: Oh, wow. That's true because you were ... Just for people who didn't know your story, or the background you got into the hotel business very, very young. You were in your early teens, were you not?

Horst Schulze: I was 14, yeah. I actually left home and lived 100 kilometers away and I always stress at that time that was far and lived in a dorm room in the hotel and worked as a bus boy, which meant everything at times. I was washing dishes and cleaning floors in the hotel but I enjoyed every day of it.

Carey Nieuwhof: You had no ... You write about that in your book, I've heard you talk about it, what makes a 14 year old want to be in the hotel industry? It's fascinating.

Horst Schulze: Yeah, I like to find myself. In fact, we marveled about ... I started to ask for that my parents when I was 11 years old and we could, and mind you growing up in a village where there was no hotel, there was nothing, there was not even a great restaurant or a decent restaurant. It was a couple of beer houses. I had never been in them and have never been to a hotel, but I must have read something and that was very persistent. I was crying about it. My parents didn't want me

to do that. That was not honorable at the time. Being in Germany, going into a technical job to create this honor for the family would have been to become an engineer. It's so funny, and me I say I'm going to work as a waiter and as a cook and so on. That's what I asked for.

Horst Schulze: Anyway, I got into it. I was very lucky. As I get to the hotel, there was a maître d' who was in charge of all the food and beverage operation of the hotel, who was an exceptional role model. In fact the first day at work he sent us down, a few other kids that started and said, "Now, don't come to work here. Come here to create excellence." Well, obviously that went over my head at the time. I mean, where is the excellence in washing dishes and cleaning floors, but slowly I got the point from him and he exuded excellence. He would have never entered the room unless he was perfectly loved and highly respected. He became my role model.

Carey Nieuwhof: Was the class system still ... My parents in the 1940s, 50s, well not so much 60s for my parents, but the 40s and 50s grew up in Holland and there was very much a class system at play. Was that still the case in Germany?

Horst Schulze: Unequivocally. The thing about ... My mother told me before I got here, my parents, my father too. My mother talked to me and my father was in. She kept on admonishing me, not once, for weeks. "This is your hotel, that's such a fine hotel. We could never go there. This is only for important people. This is only for ladies and gentlemen, now behave yourself accordingly and so on." Truly class system, that was it. That's of course ... That in a way was the objection my parents felt because that was not high class what I wanted it to do.

Carey Nieuwhof: So the hotel was super high class, but the people who worked there were below your station in life?

Horst Schulze: They were the servants. They were the servants taking care of ladies and gentlemen. But as I tell in my book, once a week I went to hotel school, that was a typical European thing. After two years the teacher asked us to write an essay, what we now feel about the hotel business and I refer to that. Because since that evening when I came back to work, more than ever, that the maître d' when he came, went to a table, the guests were proud that he came to them. I contemplated, this is a reversal, we are the servants and they're ... And I knew we employees thought he's the most important person in the room, so did the guest. I contemplated, I say, why? Well, because it's the excellence ... He showed such excellence, such class that people admired him and so I wonder reversal.

Horst Schulze: I realized, wow, I can be. If I'm excellent in what I'm doing, I can be defining myself as a gentleman also. No matter what my position. So I wrote an essay at the time that hung with me all my life. We are ladies and gentlemen, serving ladies and gentlemen if we excel in what we're doing, otherwise we sentence ourselves to be servants. And because I got an A, that's the only A, I had in

school. So because of that, it stuck with me and little bit defined who I was. I got lost in once in a while, but it was very clear that's what I learned. He showed me that we all can define ourselves as excellence. So when I started Ritz-Carlton, I made that the motto of the organization, we are not servants, we are all ladies and gentlemen, but our profession, what we do is serving people that whom we respect as ladies and gentlemen, but we're not servants unless we sentence ourselves to be servants, but by not being excellent.

Carey Nieuwhof: That was a totally counter-cultural move, I would assume when you were 16, 17 years old, however you were when you wrote that. Then even in the hotel industry in the early 1980s when you started Ritz-Carlton, America's never really had the caste system that Europe has had or India has, but it's there. It's like, oh, this person isn't a professional, therefore you ought not to get married or, yeah, well, we don't, people from our family they don't do those kinds of jobs. There is that sense it carries with it.

Horst Schulze: Come on, we all do it. I would ask my daughters, "What does he do?"

Carey Nieuwhof: Yeah, absolutely.

Horst Schulze: Let's be honest.

Carey Nieuwhof: So it's 100% there, but what you did in that moment was you gave yourself dignity, and you gave every dishwasher dignity, and you gave every housekeeper dignity, which is really ... There's a story in the book, a couple times I was moved to the verge of tears or to tears, but when you were opening a hotel in Jamaica, can you tell the story about what happened in Jamaica and it's just, it's so powerful.

Horst Schulze: Let me tell you, I was moved to tears at the time. I was warned by other hoteliers who do business on the island saying, "Those people are not good, they're lazy, they steal," et cetera, et cetera. I was scared. Everywhere I opened a hotel they said, "It's different here." That's typical, but it was not. In the case of Jamaica, I was warned so much so that I really was worried. First day orientation, a new hotel, or take a hotel. I did the orientation anywhere around the world, the first 50 hotels. So I was in Jamaica giving the orientation and the first day I told them, "Here's who we are, join us, come work for us. We are ladies and gentlemen serving ladies and gentleman. That is an expectation. There's an expectation of management that they treat you like it and it's an expectation of you that you are like it," et cetera, et cetera, et cetera.

Horst Schulze: I gave them this long orientation speech to join our vision of becoming the finest in the world. Well, next day in the morning I went around there, by the golf course there and I came back toured the hotel and there are walking some people that are very in fine suits and very fine dresses and hats. I thought, I wonder where they're going that early in the morning and I look and they're

going toward the hotel. I say, is there some ... We don't have anything yet, what is this?

Carey Nieuwhof: You're not open. Yeah.

Horst Schulze: We're not open. Then I see they're going toward the employee entrance and I got there, and I talk to them. I thought, wow, they dressed up because I said, let's be ladies and gentlemen, they come dressed in their very finest and came in, and it was all around me, and it turned out the employees were wonderful on that island, they were absolutely exceptional. They were fine ladies and gentlemen.

Carey Nieuwhof: But you may have been the first person to ever help them see that in themselves, to give them dignity in their work and to call out the best in them?

Horst Schulze: Yeah, and also I believe what played a great role, what we did always, we told them, "Don't work here, join us in a purpose, and that purpose is to create excellence for all concerned. For the people of the island, for you, for everybody." We showed them purpose, we showed them that they can belong and not just fulfill a function and try to tell every leader that, "Look, what do we do? We hire people to fulfill a function just like the chair in which we're sitting is fulfilling a function, but we're dealing with human beings. Hire them, bring them in to be part of you and give them purpose."

Carey Nieuwhof: Well, that's a fascinating philosophy. That's one of the most convicting things I saw, is the way that you motivate and speak to people. Let's go into as you opened not only the first Ritz-Carlton but, you got into, I guess you said up to 50, you did all the orientations yourself. Now, a lot of CEOs-

Horst Schulze: Any new one.

Carey Nieuwhof: Any new one.

Horst Schulze: Any new one I'd take over. Yeah.

Carey Nieuwhof: So every time when it was a new property, you did the orientation yourself. A lot of leaders would have delegated that a long time ago. Tell us why you did that.

Horst Schulze: Well, first of all, understand I have done the job all those employees are doing. I know what they're doing, so I have feeling, compassion. I know the pain of that job. I know also the pleasure of that job. So being there and connecting with them and inviting them to be part. In that moment it's real, it's not somebody saying it and besides that somebody saying it is them, somewhere in an office. There is no more them after I was there. I was there, I said, "Here I am." In fact, I made it a point when I went into the orientation manual that sits 400 or 800 new employees. First day they're in, excited, nervous and then they're being

told this big guy is showing up. The big guy is coming from America and as I walk in I told them always, "Good afternoon everybody. My name is Horst Schulze I'm very important. I'm the CEO and President."

Horst Schulze: They're shocked, looking at me. Also the next thing I said, "But so are you, you're important. No human being can claim importance for the next human being. So want to make clear you are fine, important human beings. And as far as the job is concerned, as far as the job is concerned, well, let's see, if you don't come to work when we open this hotel in 10 days and if we don't make the beds, we have a problem. If you don't cook food, we have a problem. If you don't wash dishes, we have a problem, serious problem, you would be terribly missed. Your job is very important. What about my job? If I don't show up, nobody will even know." So I made this very clear and then invited them to join our dream. Here's our dream, here's my dream. Here's my ... Yeah, let me show you. Here's who we are.

Carey Nieuwhof: Yeah, pitch me, I'm a new employee. Tell me what your dream is.

Horst Schulze: I'm dreaming that we have a purpose here, we have a vision, a dream. We have a dream that in a few years we will be known as the absolute finest hotel company in the world. Here's is our motive for that. The motive is so we can grow, which gives you opportunity. The motive is so that we make more money, that means you will make more money. The motive is so that we will be respected, so you will be more respected. The motive is that we will be honored, so you will be honored. That's the motive. That's why we'll be the finest. So join me in being the finest, join me so that people, when you tell somebody that you work for Ritz-Carlton, that everybody knows you're the finest. Join me for that reason. Isn't that true?

Carey Nieuwhof: Oh, it's absolutely true. I'm going to go join your staff. I'm going to go make beds. I might not last very long, I don't think I'm very good at it, but that is so ... Help me understand that. That was one of my questions for you. In the hotel industry, in the food industry, you're dealing with a lot of lower wage jobs. Some of them being minimum wage, some of them just above minimum wage. I think there is a mistake and a lot of leaders heads horse where they say, "You know what? I can expect what you just said of an \$80,000 a year employee, but I can't do that with a \$12 an hour employee." You built an entire chain of hotels, twice over in an industry where that was the opposite. Talk about motivating lower paid employees.

Horst Schulze: That is such a misunderstanding. In fact, one day, one of my general managers somewhere sometimes said, "What do you mean give purpose to a dishwasher?" And then he fired him, right there. What do you mean? Just make him wash dishes and not have a purpose. I say, "Why do you fulfill that function? To give them opportunities and so on." But let me explain it and of course, I put all the processes ... Behind everything is a process and I explained it on the book as you know. But something I did the third day of orientation, I sat

down department by department. Sat with the marketing department, with the dish washing department, with the bed department, with the culinary department and so on. One by one. I asked them all the same question, in four continents. Same question in four continents, every department gave me the same answer.

Horst Schulze: The question was, now, see the dishwasher now, the lowest job, terribly difficult job. The manager was sitting by and I told the manager, "Don't say a word, just sit by, I'm talking." I said to them, "So now that you're new here, think about it, what do you want your department to be six months from now?" They all answered the same question, in every country, every culture, "We want to be the best." I said, "You want to be the best? Do you all agree, because you're all doing it together?" "Yes." They scream, "Yes." So I wrote it on the flip chart, the best, and said, "Now, let's define that. What do you mean? What are you in six months if you're the best?" They say, "We're respected, we're efficient, we're successful." Everything you wanted to be. With other ones, they wrote the mission statement.

Horst Schulze: After I was through with that, after an hour about, I said to the manager, "Stand up," and said, "There is your manager. Now I will tell you what his role is. His role is to help you to be the best without compromising. He cannot compromise this. He must insist because you all want that, he cannot compromise for one or two of any situation. He will help you. He is responsible to help you so you're the best, so you're respected, so you have opportunity, et cetera." I can tell you one dishwasher who works in the hotel right over here in Atlanta as a general manager. He was one of the dishwashers a few years ago.

Carey Nieuwhof: And now he's the general manager?

Horst Schulze: A general manager.

Carey Nieuwhof: Wow. You talked about this in the book and I've seen you talk about that in other places, but you really place a high value on employee feedback. Again, that threatens a lot of leaders, a lot of managers, they're like, "I don't want to know what my employees think." Tell us about that. Do you pull what your employees think out of them?

Horst Schulze: Yes. First of all, we have scientific surveys once a year and then we have, everybody is to make comments if they're seeing a chance of improving the process where they're connected to. That means if a room service waiter sees a way to do it better, they are expected to make comments as to how to do it better. We then have a rule that we give an answer within 24 hours and if possible implement it within 48 hours, but within 24 hours we tell them, "I got your comments, we've got your comments, we appreciate it, we thank you. Here's what we cannot do and here's what we do." But an answer is given. In fact, then often we give ... If it's a great idea, we give 50 bucks right there, in what we call lightning strikes.

Horst Schulze: Here's a great idea, and we call everybody together from department. We applaud. Everybody wants applause, and says, "Sean came up with a creative idea, he has his \$50. Susie also had a great idea, Mel also had a great idea, but unfortunately we cannot do it because here is the reason why." Always why. Always give ... When you make a decision, you have to tell people why. Adam Smith wrote this down besides, Wealth of Nations, about the behavior of the human being. He said, "People cannot relate to orders and direction." What do we do? We give orders and direction. He said people only can relate to objective, meaning their vision and motive. So give them the motive. Here's what we want to do and here's the reason why. What's the big deal? Communicate. That's how you get value in money.

Horst Schulze: One has to understand, we were in 50 locations and every location was the leader in its market segment. We were the best hotel in Japan, voted China, Germany, and et cetera, by those philosophies. Of course, when you have a philosophy, you have to have processes to implement them, and that's what I try to explain in the book.

Carey Nieuwhof: Yeah. One of the ways you sometimes define your company, and I'm not saying you, just generally speaking, most of us who lead things, it's like what we're not. So when you look out even today, and you entered this in the book and other places, what bothers you about customer service today that you see in other organizations? What are the things that when you see it happen at a restaurant, at another hotel, you're like, oh, I can't believe this is happening. What drives you crazy?

Horst Schulze: This could be three books. My wife doesn't even like to go out with me because I'm constantly ... The worse thing is when I went to my own hotels. I'm so critical now and I don't want them to be that critical, but I'm critical how did take an order, I'm critical how they you touch a plate. I'm critical about everything.

Carey Nieuwhof: Tell me, I want to hear about it.

Horst Schulze: In that respect I just touched on the waiter, because I was thinking about being in a restaurant.

Carey Nieuwhof: Yeah. Go ahead.

Horst Schulze: Whose fault is it? It's leadership, because we don't teach him the art anymore as long as they bring the food over it's okay. Left, right, all right, all doesn't matter. How they take an order, they come to the table and I'm with three other business people talking a serious piece of business and there in the middle of conversation, there he come, "Excuse me, my name is John. I'm your waiter tonight." I really didn't come there to meet John, I came there to discuss business and have a decent evening and not be interfered with. Interference, they don't know when to interfere. They don't know how to take ... They don't know how to build a relationship with me.

Horst Schulze: There are moments that can build a relationship. When they take the order, I now have no choice but pay attention to him or her and handling that moment, the right moment. Don't come too close, stand the right distance. Look me in the eye and say, "That's a fine idea. Thank you very much," and have communication with me telling me that I am, with your eyes, that I'm important to you as a guest. I order and get them, then they reach all the table and touch the glasses wrong, touch the plate wrong.

Horst Schulze: It's amazing that an owner of a restaurant doesn't teach the very simple basics of the art of serving. That's my there's no pride in those people because we don't give them professionalism. If we would show them those things and give maybe turn the background and really all standards ... I was recently for dinner and for some reason the host found it important to stand up and tell the waiters how to serve. That was a larger group in a private room. What he told them was totally wrong, was the total opposite of what should be done.

Carey Nieuwhof: Really.

Horst Schulze: I wanted to stand up and scream. The standards of service came from the French course. That's a symbol.

Carey Nieuwhof: You would know this as a European, being trained by someone in the previous generation ?

Horst Schulze: Being trained by the finest, by the absolutely finest. But if you learn that it doesn't matter what if it is set in the table from the left or from the right, no, but we as professionals should know. That's why we're professionals, but leadership doesn't teach it. They're just are okay if they carry the food from the kitchen table and plumb it down.

Carey Nieuwhof: Right. When you were starting Ritz-Carlton you had meticulous standards that you had to train an entire workforce and across multiple cities, eventually around the world on things that nobody else was really teaching at the time.

Horst Schulze: And more.

Carey Nieuwhof: Tell me a little bit about what are some of the keys, because you've talked about everything that's wrong. So like, well there's ... I used to wait on tables, I swear it was the hardest job I ever had. I was terrible. I was the guy, you would fire me on day one. I'd come to the table and say, "So who had the chicken?"

Horst Schulze: Exactly, yeah.

Carey Nieuwhof: It was a disaster, so I'm staying in my lane. I know what I can do, I can talk to people.

Horst Schulze: But it's only because nobody taught you.

Carey Nieuwhof: No. Absolutely, we were like-

Horst Schulze: That's the point.

Carey Nieuwhof: No, you're 100%. Tell us, what are some of the bare minimums that you would look for in excellent service from your team, in a restaurant setting?

Horst Schulze: Well, if it was in a restaurant, again, the bare minimum is cleanliness, is the beginning. Cleanliness of uniform, cleanliness of all equipment. Cleanliness with the menu. For example, the menu I see a spot on the menu. So it's not only about communicate, but the whole appearance communicates.

Carey Nieuwhof: Yes, it does.

Horst Schulze: Is this communicating? Is this menu communicating that we respect the employees, is it written too small? Is it written large enough? Does it explain without writing the recipe? What is annoying when they try to explain the special of the day, they nearly cook it at the table. I don't want you to cook, just tell me what it is and all those annoying things, how they look at you. When you come to a restaurant, the hostess should look at you within nine feet and look in the eyes and say, "Welcome."

Carey Nieuwhof: That's very specific, nine feet.

Horst Schulze: Very specific.

Carey Nieuwhof: Nine feet, why nine feet?

Horst Schulze: Because the behavioral analysts tell you that's the moment when you make a decision about the other human being, if you like it or not. It's a subconscious decision, positive or negative, and that's a huge thing. That is what I call the first step of service. The first step of service has to be exceptional. "Welcome." And I have to let you know, I'm truly glad you're here. I'm respect ... Not, hi. If I'm going to say hi, I'm saying I'm equal with you by the way. If I say, "Welcome sir," I'm saying I respect you and I'm a professional. I'm giving two messages here and you can trust me as a professional, but I'm respecting you. So I'm instilling the first step, a positive subconscious expectation of the rest and if you have that ... The second step of service is then to comply caringly to the vicious and need of the customer.

Carey Nieuwhof: What does that mean?

Horst Schulze: Comply. I'm complying. If you ask what is good or I'm recommending something that I know is good for you, that I know is good food and that I know, I said,

"Here's what it is." And I know it is good. I know I have had client compliments, maybe I've tasted it. I know this is a fine dish that is worth the dollars that you went for. So I'm complying currently to your wishes and then, whatever it is, maybe you want to check into hotel. I comply and I say, "What would you like? You like a high floor, low floor," and comply and making sure that you have what you want. And as an organization I have made sure that it's immaculate, that we actually clean behind the toilet with disinfectant, that the toilet seat is truly cleaned with a disinfectant.

Horst Schulze: I'm complying to your need and wishes that you have it out even expressing them. That's the next step in service. First is welcome and that is complying. Then finally it's for about, "Thank you for allowing to serve you. I was delighted to serve you. Thank you for coming by." Service, there are three steps in it. We taught no matter what you're doing, if somebody comes within nine feet, you look up and you welcome them and greet them, because that's the decision making moment.

Carey Nieuwhof: When you think about, because Ritz-Carlton and your new group, the Capella Hotel Group, those are high end hotel chains, so there are certain expectations with linens and the room and service and the quality of food. Everything is top notch, but at the heart of that is service. Is that correct? Is that accurate?

Horst Schulze: Sure. The first thing there you're saying is we studied that too. What is the expectation of the customer when the customer buys anything? It doesn't matter what it is. A house, a care, hotel stay, bottle of water. So if you go and you're having subconscious, again, expectation, though just not totally clear, but it's there, strongly there. You have, no matter what they have three expectations. Number one, that the product as perceived by you is defect free. If you buy a bottle of water it's the bottle of water. That's your expectation. You don't expect it to leak or have something swimming in the water.

Horst Schulze: The next thing you expect is that you get it when you want it. Timeliness. The third expectation is that the people who give it to you are nice to you, no matter what you buy that's what is expected. Here is the fascinating thing, that being nice is the largest driver of customer satisfaction and eventually loyalty. The very thing that doesn't cost anything.

Carey Nieuwhof: Yes, you're right.

Horst Schulze: All right, but the problem is we hope for it and start operating processes to assure it will happen, the being nice. Now, I have to create processes to make sure it's defect free. I have to create processes to be sure it's timely and I have to create processes to be sure that my employees around the world are friendly and care.

Carey Nieuwhof: How do you do that? How do you help people be nice?

Horst Schulze: Yeah, well, there are ... We look at it as four processes. The number one process, that's the system to assure us that every guest gets the same thing, no matter where in the world, nicely. Number one, we have created a selection process. We defined each sub category, what is the talent needed, what is the profile of this job? Then we hired rather than selected against that profile, we didn't hire any more, we selected. So I know frankly, if I can improve my selection of employees above the competition by a few percentage, I'm going to win. Let's be honest, there's competition I'm riding against. That was the number one process, selection.

Horst Schulze: Number two process, orientation. In the orientation that started from selection, we made clear, "Don't come to work here, join us for excellence." Then we taught who we are. We welcome them. We showed them our vision, we showed them our purpose as earlier discussed. We went through all that. We also taught them the 20 things that are non-negotiable, that they must do, that they have to accept from day one on. Those 20 things, because if I knew, if we do those 20 things better than the competition. So peers and competition will be number one. So we had determined those.

Carey Nieuwhof: Can you give us a handful of those 20 things?

Horst Schulze: Well, including the right welcome, look them in the eye. Including, if you get a complaint, you own it. That means no matter what the complaint, if you're the waiter and he complain about a toilet, you own it and you say, "Please forgive me sir. In fact, I feel so bad I would buy you breakfast." That's where the empowerment comes in.

Carey Nieuwhof: So that empowerment goes right down. If I'm on a ladder changing a light bulb, I'm part of your maintenance crew and I overhear a customer saying, "Yeah, the toilet's broken in room 1212," that's my problem?

Horst Schulze: That's your problem, in that moment you own that situation. You're supposed to go down, "Sir, I couldn't help but hear, please forgive me." Forgive me.

Carey Nieuwhof: Me.

Horst Schulze: Me, forgive me. Not, "They do it all the time," or all the things-

Carey Nieuwhof: Why, forgive me? That's fascinating.

Horst Schulze: Because we studied, again it's a study. Everything-

Carey Nieuwhof: Yeah. [crosstalk 00:40:52] I love how ... See this is your German engineering background coming through. Germans are very technical. I love it. I love it.

Horst Schulze: Because we know that 96% of complaints given, the guest only, or the customer, whatever it is, any business, they just want to get rid of their frustration. If I then don't accept it, that frustration is still there, instead it goes up, but if I accept it and say, "Please forgive me," the complainant is usually even embarrassed that they complained to me knowing fully well I had nothing to do with it.

Carey Nieuwhof: Really?

Horst Schulze: So they rid of their frustration. If I now take it to another level and say, "In fact, I want to do something for you." If that engineer now, you the maintenance person, you would say now, "What room are you in and so and so. And you come back to your room. A, it's fixed, B, the maintenance person sent you a basket of fruit. You're blown away, in plain English, and say, "Wow," and you will have now moved from being a satisfied customer, in fact dissatisfied, to being a loyal customer.

Carey Nieuwhof: Wow.

Horst Schulze: That's the intent everybody ... We should make everybody a loyal customer.

Carey Nieuwhof: Do you have a limit of what you will allow an employee to spend on that?

Horst Schulze: Yes. The limit for each employee was \$2,000.

Carey Nieuwhof: Oh my goodness. That's pretty high limit.

Horst Schulze: And pass point.

Carey Nieuwhof: Yeah.

Horst Schulze: Yeah, but it was an economic decision. All right. First of all, I was absolutely committed, we will not lose customers. Once they walk in our hotel, we keep it even if they have an incident. So we had to empower the guests, the employees to make a decision. So \$2,000 was simply, I knew that our average age of our customer was 43 years old. That means 30 years more traveling. Based on what they were spending, there was a potential of \$200,000.

Carey Nieuwhof: Wow.

Horst Schulze: So I would be willing to spend \$2,000 to keep the 200,000. So I said, "Okay, I'm going to be willing to give 1% for them to spend \$200,000." That was the decision. But nobody ever spent \$2,000. They bought a breakfast, or a fruit basket, or a glass of wine or cookies or whatever it was they bought for the guest to say, "Please forgive me."

Carey Nieuwhof: Well, if you allow me to tease this out then, because I just want to make sure I understand it. So I'm the guy, I'm the maintenance worker on the ladder replacing light bulbs today. Theoretically I have 10 customers. One had his car dented by the valet another one, this is a nightmare day, had the broken toilet, another guests was complaining about no reservations. I made a reservation. I hear all of these complaints. So if I get this right, potentially if I hear 10 of those in a day, I'm empowered up to \$2,000 per customer, so I potentially could have spent \$20,000 of your money in a single day. Now I know that wouldn't have happened, but theoretically it could. Did I get that right?

Horst Schulze: Yeah, absolutely. Yeah.

Carey Nieuwhof: Wow. That's amazing. Most bosses would be terrified of that.

Horst Schulze: Potentially I saved what? A few million dollars.

Carey Nieuwhof: Yes. That's the way you have to look at it, which is amazing. Okay. Anything else in the empowerment or the core values that we were going through?

Horst Schulze: To go back for a moment, the process was selection, orientation-

Carey Nieuwhof: Correct, that was orientation. You're right.

Horst Schulze: Training, and then comes the function training and then came the sustaining. You see the 20 points, they were actually 24, but there are four extra points. But the 24 points that we talked the second day, which made as superior to competition if they were taught, then now we sustained. One of them is repeated every day. Today it may be point 11 which is repeated, which was taught the second day, which is repeated today. Point 11, if you get a complaint, own it. That point, that's point 11. In 24 days you will hear it again and 24 days later you will hear it again. We're going to make sure that you don't forget it. That was a major issue by the way.

Horst Schulze: Some of the managers being embarrassed after a while to repeat it.

Carey Nieuwhof: Because they felt like a broken record?

Horst Schulze: Sure. They would find it silly. Finally, in a general manager's meeting, I said, "Okay, does anybody in the room not know what Coca Cola is? Raise your hand." I said, "You all know it and I wonder why they still advertise and spend billions. Obviously they figured out if they don't repeat it, that somehow it will be forgotten. So repeat it." Then some still didn't do it, and then finally in this case understand I said that, I cannot compromise because I knew this will make us the best. So I finally had to say, "Okay, general managers, if I find a hotel who's not doing it, I will fire you." Then they did it.

Carey Nieuwhof: There you go.

Horst Schulze: I understood why they didn't do it, obviously, but clearly I had to come to a point where I said, if this doesn't go ... We have to do it because it will differentiate us, it will make us number one and it turned out we were number one.

Carey Nieuwhof: Love to talk about how you handle customer complaints. You've got a statistic, I've got it in my notes somewhere that says 2% of all customers can't be pleased, which is fascinating. I think every leader knows some of those customers.

Horst Schulze: By the way this was wrong, is one defect in the book. It is actually less than 1%.

Carey Nieuwhof: Less than 1%.

Horst Schulze: Yeah. 96% have a noise, to complain upon a noise. There was too much noise outside or something, where you have to say, "Please forgive me," and accept it immediately. There is about 3% that actually have a verifiable issue that should be corrected right away and remedied. The TV should be fixed, change the batteries and the TV change. Less than 1% are what we called, forgive me everybody, we called it the jerk factor.

Carey Nieuwhof: Sure enough.

Horst Schulze: They're just jerks, I'm sorry.

Carey Nieuwhof: I get it, yeah.

Horst Schulze: They complain because they complain and they like to complain, and they want something even if there was nothing. So you had to deal with that. I told everybody that's one thing I don't delegate, the decision when it is a jerk. I'm the only one who can make that decision.

Carey Nieuwhof: So it goes straight to the CEO?

Horst Schulze: Yeah, otherwise everybody puts everything into the jerk's sector. Everything's squeezed into that half percent. So I said I make that decision and once in a while I had to make a decision [crosstalk 00:48:31].

Carey Nieuwhof: Has a jerk.

Horst Schulze: We actually had a situation in one hotel where the guest was ... Where the general manager called me and said, "Horst it's just impossible. I have to evict this guest I know, but help me what I should do. He comes every morning, enter the office and complains for an hour about everything, for a week already." I

said, "There's nothing we can do," but besides that he's in the club level and he had pinched three of the ladies up there. Oh, that's a different story, now, he is going to be evicted. We double locked the door, when he comes back ... As so when he comes back, he said, "Mr. Miller, we are here to make sure everybody's happy. So far we tried everything with you. We're going to try one more thing. We have a limousine waiting for you to take you to the next hotel, because we have no more other answers. That's the only answer we have, but we want you to be happy, that's why we do this."

Horst Schulze: Of course, I know he will find me. He finds me and I get that call now and I hear somebody swearing at me and telling me that he's going to sue me and going to own me and own the company. I knew it was Mr. Miller. And he said Mr. Miller is suing me. It's an interesting thing because I will show up in the courtroom with the three ladies that he pinched.

Carey Nieuwhof: Good for you.

Horst Schulze: He moved out and nothing. Eight months later, about eight months later, I get the call from another hotel and he said, "Horst, I know you can't, but you understand there is a guy here that complains every morning, more than that he pinched ladies in the club level." I said, "Oh, Mr. Miller is your case." He said, "How do you know?" I know, went through the same procedure with him and when the general manager told him, "Well, we want you to be happy," he said, "Oh, not again." That was the last I heard of him.

Carey Nieuwhof: Oh, my goodness.

Horst Schulze: But those are-

Carey Nieuwhof: But those are the half percent criminal jerks in that case?

Horst Schulze: Yeah.

Carey Nieuwhof: I want to go through a more routine scenario. So I was just at South by Southwest. I wasn't at the Ritz-Carlton, but I did stay at a very nice high end hotel chain right downtown. We had overall a good experience, I wouldn't say it was our best, but something happened on the last day, which was really interesting. We had ordered room service for breakfast and so the meal came up. There were a couple of things that happened. One, the meal came up in three different phases. So the door rang and in came my wife's food and I noticed that mine was missing and so I pointed it out and he came back with my food and then we noticed that there was no soy milk, my wife doesn't drink dairy, so he had to come back with soy milk.

Carey Nieuwhof: Then, this'll go in your next three books about things that are wrong. Then I went to drink my tea and I noticed it was in a ceramic cup, but there was lipstick on it from a previous person. So it had been through the dishwasher and there

was still lipstick on it. I had to throw that out, we had a paper cup in the room and I just made another cup in there. Then I bought premium internet because I'm a blogger and a podcaster and I need that. So it was, I don't know, \$10 a day or something, and by Monday morning it was worse than dial up. I ended up hotspotting my phone.

Carey Nieuwhof: I know exactly what happened with that hotel. How would you have handled it? I got a very mediocre response. They apologized. They didn't charge me for the internet and they took half off the breakfast bill, but only after investigating with the server. Now, the server was wonderful. He was nice, I gave him a tip. He was a super nice guy, but at the end of the day I'd say it was a B or C level response rather than ... I'd love to know how you would handle that.

Horst Schulze: If I was the general manager?

Carey Nieuwhof: Yeah.

Horst Schulze: The first thing I would have done, I would have sat down and cried. I would have cried for a while.

Carey Nieuwhof: It's like, "Not on my hotel," right?

Horst Schulze: Of course not. The next thing I would have called the person in and said, "Please forgive me. I'm general manager, please forgive me. I'm embarrassed. Obviously you don't pay for your breakfast and in fact, I tell you what, in order to show you that we're not that bad, next time you come here, complimentary room. I would have given you the money back for the room and I want to bring you back to show you that we're not that bad. Next time you come back, I want you to be in my case next time you come back. So please, please forgive me. Here's my name. Call me personally for the reservation. I'm so sorry. Please forgive me."

Carey Nieuwhof: Oh my goodness. See that's brilliant.

Horst Schulze: But in that moment, I got you. I got you. You're mine-

Carey Nieuwhof: Yeah, you do.

Horst Schulze: From there on.

Carey Nieuwhof: No, you do, and you know what I said, because we've stayed at this chain. It's not a big chain, but we've stayed there in DC, in Toronto and had good experiences, but it was just the desk clerk who said, "Yeah, I'm sorry we're going to do this and that." But I said to my wife on the way out, "You know what? Next time we go to South by Southwest, we won't stay here we'll look for another place." If you had done what you just said, well first of all, I just told the

founder of the Ritz, because this is what happens. I just told the founder of the Ritz-Carlton what happened at this other nameless hotel chain, because that's what happens when you have a bad experience. But if you had done that, I will be telling my friends, "I can't believe it. The general manager called me. I got my breakfast back, I'm sure the internet back and next time we're staying for free," which was huge.

Horst Schulze: You've been nearly embarrassed by the in-compliant and you would say, "Wow, first class." By the way, there are three types of customers, for any business, every business. There are the ones that are dissatisfied, they become terrorists against your organization. They will talk negative about you and in fact, they will enjoy talking negative about you and then there are the satisfied guests. They will stay next door if they get a better deal there and then there are the loyal guests. Why are they loyal? What would I have accomplished there? I would have accomplished the point that you trusted me. The loyal guest ... Loyalty means nothing more than your customer trusts you. The moment when they trust you, they will buy more from you. They will be willing to buy other products from you. They will spend, next time they need the same product, they will buy it from you because they trust you.

Horst Schulze: In fact, I know many people will argue this, but we know and scientifically figured it out in studies, they're willing to pay more for the same product, the loyal customer, because they trust that product. Why should they pay a little less, but they're not sure about it, because they don't trust it, but you have developed trust. They trust you, in our case hotel, that we follow up, that we have the reservation, that it's immaculate and that they can call us when there's an issue. They have developed trust in you that's worth a little more, even though it's exactly the same.

Carey Nieuwhof: That's fascinating. Again, that goes back to the lifetime value of the customer as well.

Horst Schulze: Yeah, of course, yeah.

Carey Nieuwhof: We've touched on this a little bit, but I just want to see if there's anything else there. How do you keep your employee turnover rates so low? You mentioned that it's as much, as high as 120% in the hotel industry?

Horst Schulze: Hotel, restaurant. Yeah.

Carey Nieuwhof: Hotel, restaurant industry, and you lowered it substantially. Do you want us to just talk about that?

Horst Schulze: We have around 20% sometime maybe-

Carey Nieuwhof: So you dropped it from 120 to 20?

Horst Schulze: Yeah, which is remarkable because in that moment, the knowledge that you're teaching stays in the house and doesn't walk out of the door, et cetera, and the cost of turnover is dramatic. Well, the whole issue of the selection, the orientation to aligning and to make people feel part of the organization and that's it. Think about those employees that all said, "We want to be the best. Want to be part of something." Why do some of them a few months later are poor employees, poor producers? They enthusiastically said, "We want to be the best," and now, who's fault is that? It's leadership.

Carey Nieuwhof: Always the leader.

Horst Schulze: We didn't keep it in them, we didn't keep that feeling in them and the feeling of belonging and all that. That is really what we insisted on, that's why we had those lineups, we call them. The daily meeting where we talked the basic, the gold standard of the day. Not only did we do that, we at the same time told them what is new in the company. You're part of the company, we tell you what's going. Mr. Schulze is now in Africa to open another hotel. You remember when he was here, we just signed a deal in China. We have a new general manager just started in Bali. He is where he came from. They know what's going on in a company, they're part of the company. But we also insisted on what we call louder service to respect each other and work environment.

Horst Schulze: I always explained, first day I explained it. "I'm sure you all want a good work environment. Here is how you create it. Susie, when you come to work and you pass John and you say, "Good morning John, how are you?" And John says nothing. If you do it tomorrow again, John will say good morning. If you do it 10 times more, John will say, "Good morning Susie, how are you?" And so you have created your own work environment, but we in leadership are here to help you with that." So everything is explained, everything is talked about and we kept on reminding them, "If you see something, hey, would a lady or gentleman do that?" Will that make us ... We kept this alive, it wasn't just a slogan it was alive. If the manager didn't talk properly to the employee, say, "Wait a minute, manager, this is a gentleman. Do you talk like that to a gentleman? Does a gentleman talk like that to a gentleman?"

Horst Schulze: We kept those things alive. They weren't slogans, they were alive. We live that way and people felt part of it. Look, we had a situation, the question. We had a situation in San Francisco. When you open a new hotel, and the union want to unionize it, they picked it with us for three years. We never become union, we pay the same thing everybody else, we never became union because they know that they're very respected, they're a part of something.

Carey Nieuwhof: When you talk about selection rather than hiring, what were some of the criteria you would look for to say, "Hey, this is the right hire, this person not so much."

Horst Schulze: Now, manual and everything I'm telling, I sometimes say, I.

Carey Nieuwhof: No, you have a team.

Horst Schulze: Many of us did that and many people do that. I want nobody to think that I'm sitting here, that I did everything. In this particular case, in fact, we had an outside company help us. I tried a few self developed some selection process which I created, which were disastrous. So we said, "This process is not working." My whole philosophy is if the employee turns out not to be a right, is that the employee's fault. He may have been raised wrong by his parents or do I have a lousy approach and process in hiring? It's my fault.

Carey Nieuwhof: Of course.

Horst Schulze: It's my fault.

Carey Nieuwhof: I love your responsibility. Do you know some of the criteria that they would look for, that outside company?

Horst Schulze: Yeah. We hired an outside company, they select, they looked at each job category, developed the talent that is needed and the profile that is there, and developed, who's the person that is ... I give an example. As a doorman, I think in the book, because it was such a funniest thing we found. We interviewed our five best doormen since we were already in that and that will look and say, where are we now? Let's tweak. We interviewed five best doormen in the company and turned out, they all like gardening. They all like gardening. I said, "Wait a minute," and after we thought about this one, of course they like to be outside. That's why they're good doormen.

Carey Nieuwhof: Doormen.

Horst Schulze: They enjoy being outside. I would have ... In normal hiring we would have probably put them into the computer room where they get absolutely crazy after four weeks and quit. So everybody was fitting into their talent and their beliefs into the job category. So after we do that, that's why all those reasons why the job turnover went down, down, down.

Carey Nieuwhof: Oh, that's really good. Okay. Couple more questions for you.

Horst Schulze: Sure.

Carey Nieuwhof: You seem to be this really fascinating in both the book, the talks I've heard and even in this interview, because there's a very, very large organization over every continent in the world in both of your companies, but you seem to have this interesting toggle, if I can call it that, between every detail. This is the proper way to serve a plate. This is how you hold the glass. This is how you resolve a complaint and yet you're running this massive organization with tens of thousands of employees. So there's got to be that line where, between, "Hey, I'm getting involved, I'm calling the customer," and then, "No, I'm sitting back

and running a large multinational corporation." How did you learn to draw that line between where to get involved and where to lean back?

Horst Schulze: Well, clearly if you spread out around the goals and you're running a brand. A brand means if somebody walks into a Ritz-Carlton hotel anywhere in the world, no matter the effect that it's physically totally different, they should know and feel they're in a Ritz-Carlton hotel. So we had to transfer the processes and somewhat of the feeling through processes too. The process in this case was that at least for the opening, I'm there and express will be up, but at the same time bring to that opening representatives, teachers from about 20 other hotels and learn again how ... And go back down and remind their hotel. This was going on like that constantly. Constantly. One year I opened 11 hotels, mind you.

Carey Nieuwhof: Wow.

Horst Schulze: So we taught hundreds of existing managers that had been taught, they were reminded, they read down commission to go back and teach again their people what we're doing. So it was a process to perpetuate the thinking of the organization and the processes of the organization.

Carey Nieuwhof: No, that's good to know. So other words, it's strategic involvement than sales?

Horst Schulze: Yeah, but I was there in the beginning for the opening, and of course, the employees are excited that you're there. I walked by the dishwasher and see them putting dishes in dishwasher and I said, "Wait a minute guys. May I show you? Here you could do it this way." And then the rumor was in the company, he washed dishes all day long, and I was there only for a few seconds and I obviously get the feedback, "I understand you were there washing dishes all day long." So there was an excitement, the fact that the leader of the company is there. The founder. That helped also, but only the openings. Yeah.

Carey Nieuwhof: Yeah, in a similar way when you think about one of the top luxury brands I should say on planet earth, obviously you're not cutting corners left, right and center, there are things you spend money on, but you also talk in the book and in your leadership about efficiency. So part of it is reducing costs and you criticize hotel brands. I've heard you say this where let's say, oh, the bars of soap keep getting smaller, that's the wrong place to cut. How do you know or what filter do you use for decisions about, here we should save money and here we should ... This is worth an investment. This is worth spending on.

Horst Schulze: That's a problem not only in hotel business. That's a problem overall. That we don't concentrate. I tried to put a book together, the concentration on customer, concentration on the employee and concentration on leadership and cost cutting that's the same ... It comes on all those same thing. We have to understand what happens in our business, and in all business to date. The headquarters is somewhere and the operation is in another place. Now how does the head of that operation that is a thousand miles away from the

headquarters, how does he get applauded from the headquarters? Well by the bottom line, that's all. That's all. If he gets ... If he knows he gets recognized, promoted, applauded by the bottom line, annual bonus, all bottom line, well then it becomes very natural that he or she will stop compromising in some areas of product and that compromise it takes place usually by taking something away from the customer.

Horst Schulze: In the hotel business, that's in any business, but in the hotel business, well, the guest really doesn't come here because we have flowers on the table, let's take the flowers off and carbon analyst will send a memo, "Create cost control, bravo," and then he said, "Why do we have a piano playing in the afternoon anyway?" and then the analyst write, "Create cost control," and then what comes next? Well maybe the soap can be made a little smaller. Everything is taken away from the guest, instead of saying "Where can I make sure the guests gets exactly what they want, but I have to look constantly how I can save costs and how I produced?" And that means defect elimination mostly. If I eliminate a defect, the defect that you experienced in room service, can you imagine what that cost them?

Horst Schulze: The waiter came up three times and everything but often not only that, the guests, you don't get the food at all. They throw the food away. The waiter, instead of having three other orders had tip only from one guest, so he is frustrated now, he gives lousy service to the next guest because he's ... The cost of that is immense. If I would eliminate this mistake, I would save money and the guest is happier. So by eliminating defects, constantly work on elimination defects, we constantly search the defects that we have coming from guests, from customer input, and from employee input, which we solicit. Once a mistake happens more than once, we create a team of employees connected to that mistake, no, connected to the process and say, "Create a team and find out the root cause."

Horst Schulze: You find out the root cause, not me in the office, I won't find it. You find out the root cause why this mistake happens, eliminate this root cause, and the mistake will never happen again. In that moment I have lowered my costs and improved my product. So I've done two things at the same time. That's called efficiency. So that's where you save money and eliminate one missing ... Can imagine what we saved by bringing ... Our turnover at the time was 80%. From 80% to 20%. It's dramatic, the saving was dramatic.

Carey Nieuwhof: That's so interesting. Yeah, because I think you're right, people look at the bottom line and they think in terms of smaller soap and fire the piano player in the lounge rather than we're inefficient, we're ineffective with their defects to the customer. I like the way, I don't hear a whole lot of leaders use the word defect, but I think if you took that as a filter through which you look at your organization, it would be shocking to see how many defects are out there, whether that's just inefficiencies.

Horst Schulze: It's huge. Of course. Inefficiency is a defect, of course. So we have to understand that because of how we manage money ... All leaders and even the CEO, what's the CEO doing? I was hoping, my book, by the way, I was hoping CEOs would read it and they had a bad conscience. That was my intent. Have a bad conscience because I know what happens to the CEO. He's sitting in his office, he has law suits, acquisition, owners, all kind of problems. He has no time anymore to think about what really makes the money. The product makes the money and not the money. If he reads this book he will have a bad ... He/she will have bad conscience, "Yeah, I better look at my operations again." I bet you that's what I want to ... And in a positive way.

Horst Schulze: I wrote in a way where young people would read it and said, "This is a great story." And once they finish with this story, they know how to become a great leader. That's what I tried to accomplish. Exactly. But the CEO, he's thinking about the next bottom line report. That's the only recognition he gets. That's why he thinks he's there, but he has forgotten what creates that bottom line. I'm saying to them in there, don't worry about the money, worry about the stuff that makes the money.

Carey Nieuwhof: I think, you said that, I've got it written down in my notes, about, worry about the things that produce that. I want to end with that. There's a lot of startup leaders listening, a lot of people in new companies, there's church leaders listening and some of them are having that moment of a bad conscience right now where they're like, "Oh my goodness, I don't know what happens at our campuses. I don't know what's happening down the hall. I don't know what's going on, or it's Whitewater." If you had to say one thing to those leaders, where could they start? What is one piece of low hanging fruit that they could say, "Okay, tomorrow I will look at this." What would you tell them to do?

Horst Schulze: I'm sorry. It's not that simple, but on the other hand, it is very simple. Make the decision for excellence. Make the decision that you are going to say ... Make the decision. It's not on anymore just doing the job and get it done, which happens to all of us, mind you, and it's very easy to say, but make the decision and then enforce your decision every day. I always give a silly example, but it's so simple and it hit me a couple of years ago when a couple that we love, good friends came to us and said they're getting divorced. I'm sitting down with the husband said, "Why?" He said, "Well, we don't feel it anymore." Wait a minute. It's a decision.

Horst Schulze: I'm married now for 40 years, I'm still in love with my wife. That was my decision. I believe in God. I didn't wait for the feeling, I made that decision to follow Jesus. Now, we all made the decisions, for instance, we believe or not. I know we are not in church, but on the same time either it evolves in us or we'd made it always on, but it's a decision. In this case I made the decision for excellence and hope you my friend, I guess, you made a decision against hope, but you made the decision. And the same thing is with your business. I make a decision for excellence of product, excellence and now I figure it out the

processes how to accomplish it, but it has to start with a strong but decision, not the pipe dream, a strong decision and then focus on that decision. That is the only one thing. That's the one thing make, oh I have made that before. Wait a minute, I don't mean for a fleeting little decision, I mean a strong carefully thought out decision for excellence.

Carey Nieuwhof: That in my mind works as a filter as well for everything that you channel through ... One of the values in my company and also at our church is simply battle mediocrity. Am I allowing what is good to stand in the way of what could be great? That's fascinating.

Horst Schulze: Oh, that's compromising, but wait a minute, we as leaders, once we decided what we are doing is good for all concerned, we have no more rights to compromise it. We have forfeited that right. The excuses, we have no right to make excuses.

Carey Nieuwhof: I love it. I love it. Man, Horst, this has been so, so helpful. Tell us about the book, where people can buy it and maybe where people can learn more about you online.

Horst Schulze: Well, the book you can easily see ... If you go to Amazon, it tells much more and then there is a link if you want to do more there is a link also to learn more, but the Amazon website explains-

Carey Nieuwhof: Yeah, Amazon will get you here, and will link to everything in the show notes. The book is called Excellence Wins: A No-Nonsense Guide to Becoming the Best in a World of Compromise. I don't know whether I said this is at the beginning of the interview or whether I said it before we started recording. I think it's the best customer service book I've ever read and one of the most challenging to me as a leader. My copy's all marked up. Thank you so, so much for your time. You've been very, very generous and I look forward to having you join us at Rethink Leadership in May as well in Atlanta. I'm excited for that.

Horst Schulze: Thank you very much for having me. I appreciate it.

Carey Nieuwhof: Thanks.

Carey Nieuwhof: Well, that was unbelievable wasn't it? Some conversations are just plain fun and that was one of them. I love it when I said, okay, so you know when you're out there, does anything ever bother you? Oh man, that was a great moment. Hey, if you want to drill down a little bit deeper, we've transcripts for you, so head on over to [careynieuwhof.com/episode263](http://careynieuwhof.com/episode263) or you can just Google my name and Horst Schulze, or if you want, head on over to [leadlikeneverbefore.com](http://leadlikeneverbefore.com), type in Horst Schulze and you'll find the show notes for that. Also, his book Excellence Wins is a fantastic customer service book and it's short. It's not super long so it's not like, oh man, I got to get through this encyclopedia. I would highly

recommend it. I think it is, and you know we have authors on here all the time. I don't always say you should get this book but it is a fantastic book.

Carey Nieuwhof: It really is. It's called Excellence Wins. It's out now and if you ever get a chance to hear Horst speak, it is both entertaining and absolutely worth it, so hope you enjoyed this man. We got some great shows coming up and this is what I love doing with you, Sean Cannell, the YouTuber is coming up soon. Actually, he is going to be our next episode. Les McKeown is back and we're going to talk about scaling and he's got a brand new thing, his scale conference, his growth conference, which is going to be great. I am going to give you next week a free version of the masterclass on church growth. By the way, if you haven't headed over yet to churchgrowthmasterclass.com you may want to do that.

Carey Nieuwhof: Also coming up, Luis Palau, I don't cry at the end of every podcast interview, but I did after that one. It was just powerful. Margaret Feinberg, Sam Collier, Kevin Jennings, Dave and Anne Wilson with an incredibly candid talk about a long term relationship. It's going to be a lot of fun and if you want to train your volunteers in a whole new way that's way more effective than what you're doing, try TrainedUp for free for 14 days at their website [servehq.church](http://servehq.church) and just follow the prompts and you can get in right away.

Carey Nieuwhof: We are back in a couple of days with a fresh episode. I've got Sean Cannell coming up. He's the YouTuber who talks about video and the explosion of video online. Here's an excerpt.

Sean Cannell: We should be asking what is going to get new people through our doors. That is a different question than what is going to deepen the bond our current members or church congregation ... What content could go out to just deepen the bond with that group of people? That is a different piece of ... It's two different audiences. One person doesn't even know you exist yet. One person already loves you, but you're just going to a deeper level. That's the lead pastor or someone on the team or whoever uploading a video to say, "Hey, we just want to send a video out to literally say, we love you, we appreciate you, we care about you. What's the ... You know what your intent is, you're beginning with the end in mind. I want to deepen the bond. What's another thing? I want people in small groups.

Sean Cannell: What's another thing? As a leader, I want to make money off affiliate marketing so I can actually pay my bills this month. So I had a sniper focus on the intent of the content I was creating during those two months. We all need to know that and then work backwards and then maybe very quickly creative ideas can flow in because then we could say, "Oh well, we could just do this," and now we know like starting with the end in mind, we know what it is we're trying to achieve and then we reverse engineer the video content to do so.

This transcript was exported on May 13, 2019 - view latest version [here](#).

Carey Nieuwhof: That's happening in a couple of days guys. I can't wait for it. Thank you so much for listening and we'll see you in a couple of days and I hope our time together today has helped you lead like never before.

Announcer: You've been listening to the Carey Nieuwhof Leadership Podcast. Join us next time for more insights on leadership change and personal growth to help you lead like never before.