

AMERICAN UNIVERSITY OF BEIRUT

STRATEGIC HRM EFFECTIVENESS IN THE CASE OF
FOUR SEASONS HOTEL

by
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AN ABSTRACT OF THE PROJECT OF

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As strategic human resources management (SHRM) begins to flourish in the Middle East North Africa (MENA) region, Four Seasons Hotel in Beirut serves as an example of a pioneer company that has delved into SHRM implementation and began to reap the successes of being strategic in their HR practices. As we take a look at Lebanon, as part of the MENA region, we find several challenges that pose the hospitality industry in particular. This case includes a large theoretical section discussing SHRM globally and in the MENA as well as background on Lebanon, to give readers insight on the contextual challenges that surround Four Seasons-Beirut. Afterwards, the case dissects five overarching issues in HR that are posed to Four Seasons-Beirut, and describes for each the challenge as well as the initiative taken by Four Seasons to overcome those difficulties.

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To
My Beloved Family

CHAPTER I

INTRODUCTION

It is understood from academic literature and current practices that the role of Human Resources Management is evolving as decreasing costs and improving efficiency will help HR become a partner in executing strategy (Ulrich, 1998). The main advantage of SHRM remains the synchronization between all business functions, and to ensure the vision to be carried out through all business practices. The organization becomes healthier and more productive when the business strategy and its functions are aligned. While the cases in the Middle East of those organizations that have made a transition into SHRM are limited, this case study highlights one that does: Four Seasons. The main purpose of this report is to showcase the process undergone by Four Seasons to move their HR function from business function to business partner and ultimately transition into Strategic Human Resources Management. Once this approach is adopted, the effectiveness of this transformation can be gauged and can determine the importance of the strategic role HR has on a company's overall productivity and business performance.

As support for the Four Seasons case, relevant academic and practitioner literature on Strategic Human Resource Management (SHRM) from the last two decades is reviewed to identify important themes that can provide professionals and practitioners in the Middle East with an understanding of what is generally accepted and known and unknown about the topic. To better accommodate the academic audiences, a theoretical context similar to a literature review has been included. The resources included in this review comprise of relevant global human resource strategy research findings, as well as findings specific to the Middle East. A resource was selected if its primary focus was on strategic human

resource management. Furthermore, the review of SHRM literature establishes an understanding of the policies and practices in order to knowledgably investigate the best SHRM practices in the study below exhibiting Four Seasons and its attribution of SHRM integration to its' success. To accompany the case, a teaching note will be provided for instructors, professors and practitioners will be provided.

The rationale for choosing this topic is intertwined with the importance of HR taking an active role in the organization and furthermore the importance that this role has on the overall organization, from employee satisfaction and engagement to firm financial performance (Panayotopoulou, Bourantas, & Papalexandris, 2003). With the understanding that people or employees are the most important asset that a company can have, the function of managing those assets or managing people has become of utmost interest (Lengnick-Hall *et al.*, 2009).

In the following, I will present the case study of Four Seasons Beirut, as their implementation of strategic human resources serves as an exquisite example of overcoming challenges through HR in hospitality industry in Lebanon. The case includes a large theoretical section discussing SHRM globally and in the MENA as well as background on Lebanon, to give readers insight on the contextual challenges that surround Four Seasons. Then, the case dissects five overarching issues in HR that are posed to Four Seasons-Beirut, and describes for each the challenge as well as the initiative taken by Four Seasons to overcome those difficulties. There is still much to learn from a company as well-established as Four Seasons, as this case merely looks at the human resources function and its' positive results on the business in five different realms.

CHAPTER II

CASE SCENARIO

On July 14, 2013 the first group session of the Beirut HR Hotel Network comprising of 20 hotels in the Greater Beirut Area was held at the Four Seasons Beirut Hotel. Four Seasons Hotels, Inc. is a Canadian international luxury, five-star hotel management company. The HR Director at Four Seasons Beirut, Mrs. Rachel Begbie, woke up that morning full of energy and excitement as she was proud to have thought up the strategic idea of “collaborating with the competition,” for the purpose of learning and growing the market. As the Beirut HR Hotel Network was a production of Four Seasons, the leading and most luxurious hotel in Lebanon, industry professionals scurried to ensure their participation and anticipated the quarterly meetings with high expectations. Begbie found herself standing at the front of a room full of HR professionals, not to mention her direct competition in the industry. Looking out to the crowd of scrutinizing eyes and skeptical smiles, the nerves got to Begbie allowing doubt of her knowledge and experience in the past 15 years of managing people to flood her brain.

Clearing the lump in her throat and waiting for the room to come to focus, Begbie reflected briefly on the purpose of the network: building trust, growing connections and sharing best practices. First, building trust among competition is essential to bridge the way for healthy work environments, especially in the dynamic hospitality sector. Instances of bad behavior and termination can be voiced to prevent from future recruitment into other hotels. Secondly, growing connections allows hotels to remain “in the know” and gain references. Finally, sharing best practices can bridge the gaps between competition through conducting salary and benefits surveys, as well as employee engagement surveys

to identify the industry averages and set achievable goals to collaboratively improve the hospitality industry they all belong to.

Although Four Seasons had made significant achievements, Begbie realized that to create transparency among the competition was a critical move that needed thorough reflection about the strategies necessary for its future development, in order to assure its sustainability. Major changes in the political, social and economic environments had occurred since the establishment of Four Seasons Beirut in 2010. These changes had led to significant technological shifts that fundamentally affected the way people worked, produced and managed work and organizations. These changes had also resulted in fluctuating occupancy and turnover rates for the region. In addition, the biggest curve ball in the Arab region is the 'Wasta' phenomenon. Four Seasons' HR team knew that it had to be strategic in its development of a viable roadmap for the future, working alongside top management in order to overcome the numerous challenges ahead.

Begbie reflected on the strategy of the HR department and thought to herself, does it align with the business strategy? What are the strategic HR policies and programs we have in place to manage our employees? What are some numbers and statistics that I can bring to the table for these business people to believe in the successes of Four Seasons' initiatives? What can I show our competition to prove that we have set the bar high for hospitality in Lebanon?

CHAPTER III

FOUR SEASONS- A HISTORICAL SNAPSHOT¹

The story of Four Seasons Hotels and Resorts, which opened its first hotel in 1961, is a tale of continual innovation, remarkable expansion and a single-minded dedication to the highest of standards. It had taken more than five years for Isadore Sharp, still in his 20s, to convince investors of his vision (see Appendix I, Exhibit 1). Yet, from the start, the 125-room motor hotel showed the hallmark of Four Seasons – a more personal style of service. “We opened our first hotel with a simple principle: treating every customer as a special guest.” The Canadian-based company has, for nearly 50 years, transformed the hospitality industry by combining friendliness and efficiency with the finest traditions of international hotel keeping. In the process, Four Seasons has redefined luxury for the modern traveler.

Over the past few decades, Four Seasons has expanded globally to Europe, Asia and Africa. In 2009, the Four Seasons Beirut was opened.

Travel + Leisure magazine and *Zagat* survey rank the hotel chain's 98 properties among the top luxury hotels worldwide. The company has been named one of the "100 Best Companies to Work For" by *Fortune* every year since the survey's inception in 1998, and is lauded for having one of the lowest turnover rates in the industry.

¹ Four Seasons Company Website; available from http://www.fourseasons.com/about_four_seasons/four-seasons-history/

CHAPTER IV

HOSPITALITY INDUSTRY IN LEBANON²

Hospitality industry in Lebanon is highly recognized with Beirut's title of "Paris of the Middle East." According to the Lebanese Ministry of Tourism in their *Hotels Meeting the Classification Criteria 2014* report, currently in Lebanon, the hotel sector has 83 classified hotels in total. In the Greater Beirut Area there are a total of 40 hotels, 6 of which are 5-Star Hotels and 9 of which are 4-Star Hotels. The Beqaa region has 4 classified hotels and the North has 3 classified hotels. Mount Lebanon is divided into provinces and has the following classified hotels: 5 in Baabda, 4 in Byblos, 14 in Kesrwane, and 13 in Metn.

Four Seasons Hotels and Resorts opened their Beirut hotel in 2009, joining the small pool of luxurious 5-Star Hotels, among which are Le Gray, Intercontinental Phoenicia Beirut, Movenpick Hotel & Resort Beirut, Intercontinental Le Vendome, and Le Patio.

²Lebanese Ministry of Tourism. (September, 2014). *Hotels Meeting The Classification Criteria*. <http://www.databank.com.lb/docs/Classified%20Hotels.pdf> Accessed on February 1, 2015.

CHAPTER V

A THEORETICAL BACKGROUND ON SHRM WITH SPECIFIC CONSIDERATION TO THE MENA

Based on a narrative review of articles from the past two decades, there are several broad observations about strategic human resource management. Existing literature discusses the development of the HR field and its' focus on ensuring that employees have the ability and motivation to achieve established organizational goals and that there are sufficient workers with particular skills available to meet organization needs (Lengnick-Hall *et al.*, 2009). With globalization, business needs adapted and thus have the burning desire for a competitive advantage (Becker & Gerhart, 1996). As more and more companies go abroad and/or operate internationally, the impact on various business functions, particularly human resources, becomes more evident. The expectations of the HR function ideologically shifted considerably from both the HR profession and stakeholders within the organization (Sheehan, 2005), and are being viewed as an input which can provide a sustainable competitive advantage to the organizations (Bahuguna, Kumari & Srivastava, 2009). The notion that organizations can build competitive advantage, and as a result above-average financial performance, based on valuable and inimitable internal resources, offers an appealing rationale for HR's strategic importance (Huselid, Jackson & Schuler, 1997; Becker & Huselid, 2006). According to Bahuguna, Kumari & Srivastava (2009), HR functionaries have got to play significant roles in addressing challenges of fast changing business scenario as well as enhancing the strategic fit between the HR practices and organizational strategic plan. It is this shift that helps dramatically change in the roles and influences of human resource professionals, and

adjusts the lens used to capture the expectations of human resource activities within organizations (Lengnick-Hall *et al.*, 2009). The HR function is not only required to play the role of achieving strategic objectives, but the more active role of designing and formulating those strategies for the organization. HR people have the capability to identify business opportunities, to see the broad picture, and to see how their HR role can help to achieve the company's business objectives. Organizations have also made the effort to develop human resource management systems that will enable them to achieve their strategic goals (Panayotopoulou, Bourantas, & Papalexandris, 2003). The strategic fit will be enhanced when the HR functionaries play the role of business partner, often used as a synonym for strategic partner (Francis & Keegan, 2006), in the strategic planning process.

SHRM is considered a predominant concept for the past 25 years now and it continuously develops. There is no real consensus on an exact definition of SHRM as some scholars have described SHRM as an outcome, others have described it as a process, and others have considered it a combination of process and outcome (Chang & Huang, 2005). Moreover, a broad agreement has been reached on its basic function, which involves designing and implementing a set of internally consistent policies and practices that ensure the human capital of a firm contributes to the achievement of its business objectives (Chang & Huang, 2005; Jackson & Schuler, 1995). SHRM is a strategic approach to manage human resources of an organization and provides the linkage between the HRM and strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility. SHRM focuses on organizational performance rather than individual performance and also emphasizes the role of HR management systems as solutions to business problems rather than individual HR management practices in isolation (Barney & Wright, 1997; Becker & Huselid, 2006).

Furthermore, human resource researchers and managers have long maintained that the human resource function plays an important role in firm performance. The relationship between HRM and organizational performance has been investigated over several studies and findings consistently found relationships between HR management effectiveness and productivity, cash flow and market value (Huselid, Jackson & Schuler, 1997). In fact, most corporate annual reports boldly state that the firm's people are its most important asset (Barney & Wright, 1997). Over the past decade, existing research highlighting the relationship between Strategic HRM practices and firm productivity confirmed that the large majority of published studies demonstrated an association between HRM and performance (Boselie, Dietz & Boon, 2005; Paauwe & Boselie, 2005; Combs *et al.*, 2006). Furthermore, evidence shows an association between the two factors not causation. In more recent literature, an attempt to provide an analysis of how after 20 years of extensive research we are more knowledgeable but not much wiser in that we have not been able to explain the demonstrated association between HRM and performance with any conviction, and to outline possible lines for developing research that might provide some answers (Guest, 2011). In summary, an effective search for an organization that implemented SHRM policies and can attribute those changes to the success in the bottom line should be further investigated.

In the Middle East, strategic human resources management is considered more of a recent phenomenon. In comparison to other parts of the world, the Middle East region has less available literature related to the field of HRM (Budwar & Mellahi, 2007). In the past decade, an influx of research based in the Arab region concerning various human resources and its practices have come to light. Several exhaustive papers highlighting findings have indicated that the Middle East has substance in the HRM field and more

research should be done on this region (Afiouni, Karam & El Hajj, 2013; Afiouni, Ruël, & Schuler, 2014). However, a thorough literature search for specifically an association between strategic human resources and organizational performance in the context of the Middle East has produced few findings. Based on a study done in Oman, high-involvement human resource management practices were positively related to organizational performance. The results of the study suggest that organizations in the Arabian Gulf can enhance their performance by implementing high-involvement HRM practices in spite of the unique national culture and special features of the labor market in the region (Moideenkutty, Al-Lamki, & Murthy, 2011). Future investigations on the relationship between strategic human resource management integration of policies and firm performance should be conducted in the MENA region but outside of GCC countries to paint a better picture for the whole region.

CHAPTER VI

LEBANON, AS AN EXAMPLE OF MENA

The term MENA is an acronym referring to the Middle East and North Africa region. The term MENA covers an extensive region including the following countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen.

For the purpose of this case and as an example from the MENA region, the country highlighted is Lebanon, a relatively small country (10,452 sq km with a population of approximately 4.01 million³). There exists numerous agonizing social and economic challenges in Lebanon that revolve around unemployment, emigration of Lebanese talent, escalating government debt, poverty and gender inequality, among others.

Lebanon is the most religiously diverse country in the Middle East. As of 2014, the CIA World Factbook estimates the following: Muslim 54% (27% Shia Islam, 27% Sunni Islam), Christian 40.5% (includes 21% Maronite Catholic, 8% Greek Orthodox, 5% Greek Catholic, 1% Protestant, 5.5% other Christian), Druze 5.6%, very small numbers of Jews, Baha'is, Buddhists, and Hindus. Arabic is the official national language.

At the economic level, Lebanon is known for its free market economy depicted by its strong laissez-faire commercial convention. The economy is primarily service oriented

³ Index Mundi. 2013. "Lebanon Economy Profile 2013." CIA World Factbook; available from http://www.indexmundi.com/lebanon/economy_profile.html; Internet; accessed 20 March, 2014.

with core growth sectors encompassing the service, banking, and tourism sectors. During the post-civil war period (1990 onwards), Lebanon focused on reconstructing its physical and financial infrastructure by borrowing immensely- mainly from domestic banks - which ultimately drowned the government in an enormous pool of debt. Lebanon's debt has been on the rise since the 1990s. The burden of debt servicing continued to grow until 2006, when the debt reached a peak of 179 percent of GDP, and has been slowly decreasing since then to reach 138 percent of GDP in 2012⁴. Lebanon's debt to GDP ratio is considered to be one of the highest in the world and is a major and persistent problem haunting generation after generation of young Lebanese.

⁴ Ministry of Finance Debt and Debt Markets Reports; available from <http://www.finance.gov.lb/en-US/finance/PublicDebt/Pages/DebtReports.aspx>; Internet; accessed 20 March, 2014.

CHAPTER VII

OVERCOMING BUSINESS CHALLENGES IN LEBANESE HOSPITALITY THROUGH STRATEGIC HUMAN RESOURCES

Economic Instability and Political Risk

Challenge

Four Seasons-Beirut has great challenges that exist in its' macro-environment. To understand the context in which Four Seasons Beirut is operating in, it is necessary to gain some background on the country's social and economic challenges and opportunities, specifically affecting the tourism/hospitality sector.

Lebanon is primarily a services-based economy, with the services sector representing almost 80% of its GDP, according to the most recent estimates from the World Bank. Lebanon relies heavily on tourism for economic growth, attracting tourists mainly to its beaches, mountains, and nightlife. Experts claim that before the civil war, tourism contributed as much as 20% to the economy (Ismail, 2013). Today, although this figure has fallen, tourism still accounts for an average of 10% of GDP, according to reports from the World Travel and Tourism Council (Ismail, 2013).. The hotel sector, which is considered one of the most developed sectors in the country, plays a major a role in the economy. Tourist spending on hotel and apartment accommodation was reported to be US\$203 million in 2009, according to the Ministry of Tourism in Lebanon (Ismail, 2013). However, for 2011, the figures were generally lower, affected by the political instability in the region. In this context, the room yield of Beirut's hotels attained US\$123 in the first nine months of 2011, down by 31.2% from the same period in the previous year (Audi Report, 2011).

Many hotels that are part of large international hotel chains have opened in the country, and several more are in construction. Ernst & Young published its "*Middle East Hotel Benchmark Survey*" report on the performance of four-star and five-star hotels in the Middle East region for the month of November 2013 in which it conveyed a 9 percentage points annual increase in the average occupancy rate at Beirut hotels to 47.0%, up from 38.0% in November 2012 (Ernst & Young, 2013) (See Appendix I, Exhibit 2). More recently and due to the unstable situation, Beirut fell by 15 percentage points, from 58% in the first four months of 2013 to 43% in the same period of 2014 (Ernst & Young, 2013). As a direct result of declining hotel occupancy rate, the average room rate dropped by 2.5% to USD 157 per room in the first four months of 2014, going down from USD 161 per room in the same period of 2013 (Ernst & Young, 2013). In January 2014, Beirut had witnessed a 30% decrease in RevPAR, dropping from US\$87 in January 2013 to US\$60 in January 2014 (Ernst & Young, 2013). Consequently, due to the country's unstable security the average occupancy declined by 14% in the same period, coupled with a drop in average room rate from US\$173 in January 2013 to US\$167 in January this year (Ernst & Young, 2013) (see Appendix I, Exhibit 3).

In the hotel sector, human resources have a critical role in building distinctive customer service. Currently, there is insufficient research to draw conclusions about the state of human resources in the hospitality sector in Lebanon; however, there is a general consensus that Lebanon's human resources represent a major strength of the hospitality sector and are considered one of the most competent in the region (Ismail 2013). A strong educational background combined with multilingual capabilities and a long history of customer service culture offer hotel owners an opportunity to capitalize on these strengths for enhanced guest services (Ismail, 2013). Nevertheless, several challenges remain, such

as weak coordination between educational institutions and the hospitality industry (Awad, 1999) and a failure to implement HR policies strategically in Lebanese organizations according to emerging anecdotal evidence (Ismail, 2013).

Initiative

Based on the needs of the employees and their requests and due to the erratic nature of business, Four Seasons Beirut tackled the difficulty of maintaining low-staff level during low business season. Over the course of the past three years, Four Seasons Beirut has brought down the staffing level to where it is strategic for the business model. They have their fixed labor at fairly slim with about 250 people and when there are larger events, they contract labor which in turns acts as a buffer. Ethically this strategy sits well, whereas other hotels have a larger staff that was forced to take unpaid leave during slower business times.

Mr. Elias Hayek, HR Manager, explained “HR always asks: Have you thought about the people? Have you thought of the impact on them? For example, here in Lebanon working in a business context that has ups and downs, you need to also be sometimes able to manage conflicts and have contingency planning, even if the situation is good for a period in time. In this way we are thinking strategically. What if one day there is a bomb and for few months we are running on 10% occupancy, what do we do with the people? This is the reason behind having minimum level of manning, allowing a required number and if at times we need more, we bring in casual contractors.”

Therefore, when the business considers its' employees in the business decision, it has a better impact on the people. Moreover, in the case of a downsizing need, Four Seasons employment contract includes a clause on flexibility for up to six months which allows the employer to move around staff into different departments where there is shortage until a permanent vacancy opens. Furthermore, this clause allowing temporary moves gives the employee time to look for permanent work elsewhere while keeping an income; instead of dismissing employees and forcing them to find work on their own

without financial or moral support. Four Seasons also facilitates transfers internally and externally to accommodate both employee and business needs. If an employee has been with the company for at least six months, they are allowed an internal transfer, whereas those who have worked for over one year are given external transfers as an option.

With the introduction of training programs, such as the "Sneak Peak," Four Seasons were able to tackle two issues at once: developing people and developing opportunities for them. Under this program, Four Seasons facilitates the opportunity for employees to shadow other departments to develop new skills, as well as the chance to transfer to those departments if desired by the employee in the future. As an example, a waiter can do a sneak-peak in front office for two months for approximately 2-3 hours per day, 2 days a week. While this interested the employee, it also worked in the interest of the business when a certain recruitment need for a specific department comes up, the priority is given to the already trained employee that participated in the sneak peak program; therefore, this program facilitated an internal promotion. Other benefits from this policy are the cross-functional training that occurs, which was a request of the employees and the fulfillment of the company but for only those employees that choose to participate and can do so after their own working hours (over-time training). Furthermore, the benefit of the cross-functional training for the company is observed when an increase in manning of a certain department is needed and those sneak peak employees assist in covering those shifts, days off or even vacation leaves. Another strategic initiative introduced by the HR Director at Four Seasons Beirut in 2012 was the unification of employee uniforms. This change in appearance facilitated an ease in staff manning as the guests were unable to notice which staff member does what, because they all appear to be working together and across all functions. This tactic allows for the staff to feel unified as well.

High Turnover

Challenge

Turnover crisis reducing has been highlighted as a remarkable research theme in the hospitality industry. Regardless of the significant number of studies on employee turnover, it remains a vague issue and requires further research. It is well known that the service industry is highly dependent on the “human factor” which has become a major part of the hospitality product (AlBattat, Som & Helalat, 2014). Many researchers studied the impact of work satisfaction on hospitality employees. Bharwani & Butt (2012) evaluated the challenges in the hospitality organizations and its impact on labors. According to Davies *et al.* (2001) performance appraisal, remuneration and training are very important human resource practices in the Australian hotels, they asserted that the commitment to the organization could be better when adapting a suitable human resource (HR) system, improving good labor relations and quality of service (Davies *et al.*, 2001). The intention to stay within the hospitality organization amongst, unacceptable working conditions, poor training and low salaries could lead to a higher employee turnover (AlBattat *et al.*, 2014).

Initiative

If you look at the analysis of turnover (see Appendix I, Exhibit 4), the end of 2014 proved to have percentages in the realm of probation, and department heads were shaken up by them. A standard set by Four Seasons is to keep employee turnover below 30% annually. For the hospitality industry in general, labor turnover tends to be around the 50% mark; therefore, the Four Seasons benchmark tends to be much lower. Benchmarking became more common and effective with the creation of the Beirut Hotel Network, as they meet quarterly to share experiences and disclose any challenges such as turnover. Typically at Four Seasons Beirut the employee turnover rate remains about 25-30%, and

some years they have cases where the context has an impact on employee turnover and it becomes static. Certain times the employees read up on the news and see what goes on in the region and if they have a stable job they will hold on to their jobs. Whereas if things get better they may look outside, but it has been acknowledged at the Beirut Hotel Network that in terms of salaries and benefits, Four Seasons are the best in the city. Moreover, through conducting exit interviews (see Appendix I, Exhibit 5) with employees that are leaving or transferring, it is understood from the results that majority of employees that do decide to leave are not actually moving to another hotel, but either leaving the industry or traveling overseas. Another thing to look at is transfers within the company as stated by Begbie. This is very important because those employees that transfer are the culture carriers for the new hotels. Recently, Four Seasons opened a property in Dubai, and a number of their managers transferred as per their request, such as directors of security, IT, catering and revenue and reservations, etc. Overall, some turnover is good and brings in new blood to the company, but at Four Seasons they specialize in personalized services that allow guests to feel very important, which is reflected through familiar faces.

Affective commitment mediates the relationship between talent and leadership development practices and intention to stay (Chami-Malaeb & Garavan, 2013). When companies invest in employees' development, they will have more engagement and commitment among their employees, which in turn ensures the employee's intention to stay. Four Seasons ensures a career versus a job for their employees, with growth potential and developmental programs across all levels. Also, the "top talent" in the managerial positions are provided with clear career paths that focus on their development within Four Seasons. Additionally, the employee engagement and enablement surveys conducted annually at Four Seasons overwhelmingly showed the employees' support of such

procedures through their high percentages, above 90, for two consecutive years. In this regard, Four Seasons are the leaders in the region at employee engagement. In September 2011, the first employee engagement survey was conducted as it remains extremely important to gauge the engagement of employees since it consequently affects the quality of the service provided (see Appendix I, Exhibit 6). With each year of implementation the results of the survey have risen. In 2014, the Four Seasons-Beirut Engagement Survey reached its' highest in the 95th percentile, covering both employee engagement and enablement. This engagement strongly impacts their turnover rates, which are also well below the hospitality industry turnover averages in the region. Since 1997, Four Seasons is among the best top companies to work for.

Talent Pool

Challenge

The working population in Lebanon- aged 20 to 59- represents 52.3 percent of the total population (MOF, 2013), yet the unemployment rate is 11 percent with 35 percent unemployment rates among the youth (El Khoury, 2013). In fact, Lebanon will need to create 23,000 jobs per year, six times more than what is on offer, to absorb the new entrants into the labor market (Robalino & Sayed, 2012). Furthermore, Lebanon is witnessing a high rate of skilled youth talent emigration; according to the Global Competitiveness Index, Lebanon occupies the 120th position out of 144 countries in the world with respect to brain drain losses (El Khoury, 2013). The latter is particularly noticeable given that Lebanon has maintained a high literacy rate of 89.6 percent during the years 2007 to 2012 for ages 15 and older (MOF, 2013).

Manpower shortages, both in terms of quantity and quality, remain one of the

biggest HR challenges faced by the hospitality industry. Traditionally, it has been difficult for hospitality organizations to attract talent as a result of the poor image of the industry which finds its roots in “the origin of hospitality work within domestic service and its consequent association with servility” (Baum *et al.*, 1997, p. 222). This is further compounded by the perception that besides being a poor pay master and a hard task master, the sector offers limited opportunities for progression and promotion (Wood, 1995; Riley *et al.*, 2002; Enz, 2004). Downturns in the economy and industry-specific crises such as terrorist attacks and natural disasters which are becoming increasingly frequent, also negatively impact talent attraction.

The manpower shortage is further exacerbated by the high attrition rate in the industry which is estimated to be an alarming 31 per cent – twice the average rate for other sectors (Deloitte, 2010). With the increase in demand for good hospitality labor, staff turnover is usually very rapid. The lack of adequate compensation and unsocial work hours which impact work-life balance add to the retention challenge within the hospitality industry (Bharwani & Butt, 2012). Thus, the issue of talent attraction and retention is indeed one of the most ubiquitous and pressing HR challenges faced by the hospitality industry across the world.

Initiative

The hospitality industry should see it as their duty to make their jobs more desirable, and it all starts with the youth. At Four Seasons Beirut, the HR Director has begun several initiatives to encourage Lebanese youth to experience the importance and pleasant nature of hospitality and customer service. In 2014, the “Before College Experience” program was introduced and facilitated for two students in high school to intern with Four Seasons and rotate across all hotel functions. In the least, the students

come out with an idea of what work is like in general, and in the hospitality industry in specific. Moreover, establishing good connections with secondary schools and universities is essential for the industry to better prepare the future labor force through coordinating presentations and offering internships at the workplace.

At Four Seasons, reports are filled in over the years that include the number of managers employed monthly, the number of management vacancies opened in a year, the number of those vacancies filled with internal candidates (promoting and developing people), and the number of vacancies filled with external candidates. In addition, it included whether the external candidates were meeting the requirements of the company long-term. For example, one company goal was to recruit Arabic, Chinese and Spanish speakers since Four Seasons was growing in those areas. In this case, their recruitment strategy was to hire people not just for local criteria but candidates for the future to be transferrable in the company. This report is done every year, and reviewed by corporate office, accompanied with proper supporting documents from each hotel.

Selection and recruitment proved to be very important as the company culture serves as the deciding factor from the service staff up to top management. For Four Seasons, individuals that exhibit what they call a "SERVICE Culture" (See Appendix I, Exhibit 7) are the best candidates to match the job. While there is an abundance of talented individuals in the Lebanese workforce, the requirements of Four Seasons prove to be unique as many positions remain vacant due to the lack of candidates that satisfy competence, experience and, most importantly, attitude.

Mr. Elias Hayek, HR and Training Manager explained, "Our slogan in recruitment is: Hire attitude and train skills. For example, if we found a manager that does not necessarily have sufficient experience but has the right attitude, then we will hire him/her and develop his/her skills in order to grow with us. We believe that we "Four Season-ize" our people through our rich training and development programs, and this experience

is valued all around the globe.”

While some positions remain vacant for longer than expected, it is better for the business to delay in hiring with the intention of hiring someone worthwhile. Although it takes a tedious process to recruit and select Four Seasons' employees, one of the reasons behind the lower turnover rates, comparing to other local hotels, is the match that was made between employee and employer. The more the employee fits into the organization, the faster he/she feels ownership and a sense of belonging to the organization, thus prolonging his/her stay. The lesson of Four Seasons recruitment remains: choose those that fit the culture and invest, invest, invest, because they will be the ones that show a return on investment.

Dealing with 'Wasta'

Challenge

Given the nature of Middle Eastern societies, which are founded based on power and patriarchy, the dominance of wasta in the Middle East emphasizes the informality of work relations and supports strong family connections (Metcalf, 2006). Ahmed (1998) defined wasta as vertical connections and informal important relations, but wasta can also be understood as the recognition that working relations in the Arab world are facilitated by recognizing how to move within relevant power networks (Ahmed 1998). Wasta is therefore associated with families' social status (Tlaiss, 2009; Tlaiss & Kauser, 2010). High social status is usually matched with influential connections, which are assumed to facilitate the advancement of careers. This would suggest that the success of a man and/or woman's career, to a degree, is the result of his/her family's support and connections.

Whiteoak *et al.* (2006, p. 81) defined the utility of wasta in the Arab world as “an

individual's attitude toward using an advantage for self-promotion to which others do not have access.” It is the process of using help, which might not be available to other candidates competing for the same job or promotion, to move forward and to fulfill one's objectives (Whiteoak *et al.*, 2006). People with *wasta*, i.e. those who are connected or related to influential people, contact their network of people and ask them for help (Tlaiss, 2009). For example, politicians in the Arab world use their influence to facilitate the recruitment or the promotion of men and women in managerial positions (Metcalf, 2006; Whiteoak *et al.*, 2006). Consequently, training and development opportunities, as well as promotions and many other aspects of management, end up being based on individual relations and family networks, not on personal qualifications (Metcalf, 2006).

Initiative

Four Seasons Beirut opened in 2010 and has ensured the application of proper HR practices, as is conducted globally across all branches. The implementation of strict policies in a region where *wasta* has spread its roots deeply into the culture proved to be one of the biggest challenges. However, the Four Seasons Beirut had started from the beginning with fair and consistent practices:

Mrs. Rachel Begbie, HR Director, explained “We run the HR department like you would do anywhere else in the world; we don't get into this *wasta* or ‘habibi business’, we cross all the t's and dot all the i's. I am very much against anything that goes on in that realm. Even with the governmental offices with challenges that come up and I always say we only work the proper way, which in some cases gets you a lot of respect. We are respected because the governmental officials know we do things right, which is an achievement as well that we stood our ground and did not get pulled into that slippery slope.”

In particular, dealing with governmental officials often proves to be most difficult as they tend to have authorities among the population. Coinciding with their code of conduct and commitment to an ethical culture (See Appendix I, Exhibit 8), Four Seasons

remains firm on their ethical dealings with the government and all other parties.

Moreover, from the recruitment process to the promotion process, there are certain processes at Four Seasons Beirut to ensure the fairness of the employee selection, disregarding any and all attempts to use *wasta*. In Lebanon, people often give resumes/CVs to the HR departments for recruitment purposes, particularly through company owners. At Four Seasons, recruitment is open to the public as well as open to internal candidates to keep an equal opportunity for all interested candidates. When referrals come in from any source, the Four Seasons HR department grants the opportunity for an interview. Otherwise, the candidate must successfully achieve the 4-step interview process (see Exhibit 9) to be selected. The four components of the interview are the determining factors, not who the person knows. These strict recruitment and selection policies were scrutinized by many as companies rarely conducted business in this way. To ensure the process is not corrupted, the HR department replies to the sources where the referrals were generated and explains that the interviews were not successful for his/her party.

Empowering Women

Challenge

In the domain of gender, there exists reported noticeable discrimination against women in Lebanon and the MENA region and salient constraints facing working women (Jamali, Sidani & Safieddine, 2005) and women entrepreneurs in Lebanon (Jamali, 2009). Women in fact represent a significant component of the general population (51 percent) (HKTDC, 2011) as well as the educated population; 56 percent of university graduates are women. Yet, women account for 25 percent of the workforce, and women owned SMEs account for 20 percent of total SMEs (Maloy, 2012). Moreover, in 2010, the early-stage

total entrepreneurial activity (TEA) rate for women (10.2 percent) remains about half the rate for men (20.2 percent) (Stevenson, Daoud, Sadeq, & Tartir, 2010) and the female share of entrepreneurial activity in the country is about 36 percent (Stevenson *et al.*, 2010). Hence, women's economic needs have generally not been catered for in the Lebanese context and remain severely under-served (Maloy, 2012).

Initiative

For women to progress in the workplace, the organizational support is essential. Businesses should embark on an education process and open doors for talented women to remain empowered and adding value to the work. Businesses should also stop assuming that women are naturally giving priority to children versus their careers, as women have the ability in nature to multi-task and give equal weight to both. Four Seasons believes that through practices such as flexible working hours, women are able to be efficient even while out of the workplace.

As a company, Four Seasons a few years ago added a strategic goal to hire more females in management, i.e. General Managers and Hotel Managers. For the MENA region, women in management remains more difficult to achieve, but even with that Four Seasons has managed to empower women. In fact, Four Seasons Sharm El Sheikh Resort in Egypt has a female general manager. At Four Seasons Beirut, there are two directors that are females. Globally, Four Seasons tends to have slightly more women in Human Resources than men, so they do not need to target this issue in human resources. An upcoming HR conference in Doha for Four Seasons surrounds empowering women globally and the global statistics on Four Seasons' women can be seen in Appendix I, Exhibit 10.

While it is important to empower women, a balanced workforce is necessary in

hospitality. In Four Seasons Beirut, they reported an equal male to female ratio in their HR staff. In terms of their overall staff, they tend to have more females than males in their front staff, and more males than females in their back-of-house service and security staff. For example, majority of housekeeping staff, sales staff, and reception are female, whereas the males are mainly in food and beverage (kitchen and service). Globally, Four Seasons set their target for women in management between 8-10%, for positions such as general managers, directors and upward.

CHAPTER VIII

FOUR SEASONS: THE INITIATORS IN THE PAST AND FOR THE FUTURE

Four Seasons were the leaders of many standards that have been done worldwide. They were the first to put 24 hour room service, shampoos in bathrooms, showers, telephone in bathrooms, television screens in rooms, treadmills in rooms, and even spa areas. Although there was a period in time where recessions slowed down all business initiative, Four Seasons could not resist the urge to become again the initiators, the creators and leaders in the new ideas; so the company introduced something called the “Blue Water” program, done through HR. The name of the program fit its’ concept: to have “blue water” distance, as in the sea, between Four Seasons and the competitor. For that matter, people were chosen from the department to come up with any idea that comes to their mind, with no limitations or budgets. This also motivates people to become creators and innovators.

While the creative culture is key at Four Seasons, Isadore Sharp, the creator, had instilled the culture of his upbringing in the company through his golden rule: “Treat people the way you want to be treated.” We often hear of the three Ps in business: People, Product and Profit. And people will always come first at Four Seasons. They believe that great people and great products will facilitate great profit.

Mr. Elias Hayek, HR Manager, explained “The advantage of our business is the way we treat our people, which is linked with our culture and HR philosophy. There have been people that have left us, but they do wish to come back later. So definitely the employees feel this culture and the important thing is transcending what corporate wants down the line. This comes also from having the right people in the HR department to make sure that happens. At corporate it is not like being on site; at corporate you share a vision and you hope that the vision is taken all the way down,

that is very much reliant on how your vision is received at hotel level, and if it is not received well then it could be pushed out. I think it is about how the vision is communicated and the belief in its benefits.”

Four Seasons wants to be the number one luxurious hotel in the world, not for the gold handles and marble walls, but for the personalized service and the “WOW stories” that they continue to create for their clients.

CHAPTER IX

DISCUSSION

The case produced on Four Seasons joins a limited pool of applied research on the topic of HR in the MENA region. While there remains a vast research need for the MENA's HR practices, the challenges in this particular case cannot be generalized to the region as a whole. The economic, social, and political challenges in Lebanon are similar and affected by its surroundings, but Lebanon remains unique. While the talent is abundantly supplied from the well-established institutions that are present, both K-12 schools and prestigious universities, the opportunity for employment remains low. Therefore, the talent is "drained out of the country into the Gulf and abroad, as the educated youth seek opportunities to establish themselves and save money. This brain-drain phenomenon is one example of the side-effects of the political uncertainty and economic recessions.

Furthermore, the applied case highlights the best and effective practices that prove their success among the competition simply but displaying the results. When we say results we don't just mean the bottom line and profit/loss sheets, but engagement surveys, lower turnover and strong culture. These numbers alone indicate the successful implementation of Four Seasons Strategic HR policies. The existence of an applied case of this kind is to serve as a benchmarking tool to gauge how well other businesses are doing in their adaptation to Lebanon's challenges. In addition, companies reading up on the implementation phase of Four Seasons will undoubtedly benefit as the company through its shared experiences. This is why knowledge generation is essential for growth and development, and particularly in Lebanon and the MENA.

Through dissecting the Lebanon's main challenges, we were able to showcase best practices that have overcome those difficulties as an example for the MENA region.

APPENDIX I

EXHIBITS

Exhibit 1

Four Seasons Vision

SERVICE CULTURE

Many years ago, Four Seasons set out to create a corporate mission statement that would guide the actions of everyone in the organization. Our goals, beliefs and principles are the foundation of the work we do every day on behalf of our guests.

- Who we are

We have chosen to specialize within the hospitality industry by offering only experiences of exceptional quality. Our objective is to be recognized as the company that manages the finest hotels, resorts and residence clubs wherever we locate. We create properties of enduring value using superior design and finishes, and support them with a deeply instilled ethic of personal service. Doing so allows Four Seasons to satisfy the needs and tastes of our discriminating customers, and to maintain our position as the world's premier luxury hospitality company.

- What we believe

Our greatest asset, and the key to our success, is our people. We believe that each of us needs a sense of dignity, pride and satisfaction in what we do. Because satisfying our guests depends on the united efforts of many, we are most effective when we work together cooperatively, respecting each other's contribution and importance.

- How we succeed

We succeed when every decision is based on a clear understanding of and belief in what we do, and when we couple this conviction with sound financial planning. We expect to achieve a fair and reasonable profit to ensure the prosperity of the company and to offer long-term benefits to our hotel owners, our customers and our employees.

- How we behave

We demonstrate our beliefs most meaningfully in the way we treat each other and by the example we set for one another. In all our interactions with our guests, customers, business associates and colleagues, we seek to deal with others as we would have them deal with us.

Exhibit 2

Performance of Beirut's Hospitality Sector

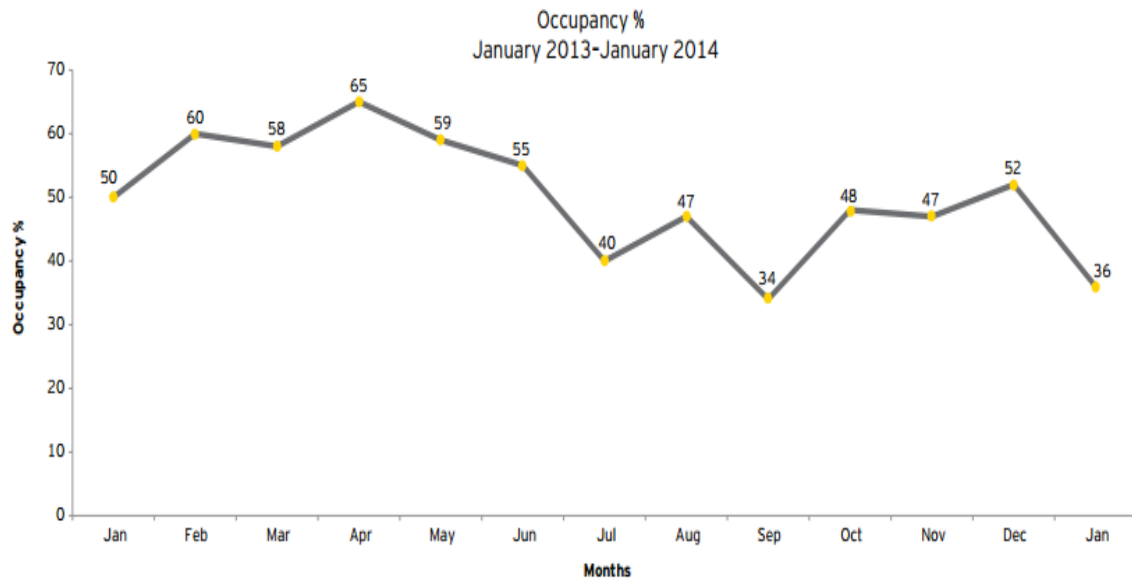
Performance of Beirut's Hospitality Sector During the Month of									
	November-2012			November-2013			Change		
Hotel Occupancy Rate (%)	38.0			47.0			9 pctg point		
Average Room Rate (USD)	172			169			-1.9%		
Rooms Yield (USD)	67			80			20.2%		
Middle East Hotel Benchmark Survey up to November									
Country - Capital	Hotels' Occupancy Rates			Average Room Rates (USD)			Room Yields (USD)		
	%		Change in % Pts	%		Change	%		Change
	2012	2013		2012	2013		2012	2013	
Bahrain - Manama	37.0	42.0	5.0	208	205	-1.4%	78	87	11.5%
Egypt - Cairo City	38.0	22.0	-16.0	86	86	-0.4%	33	19	-42.4%
Jordan - Amman	71.0	62.0	-9.0	150	156	3.5%	107	97	-9.6%
Kuwait - Kuwait City	54.0	56.0	2.0	296	293	-0.9%	160	164	2.8%
Lebanon - Beirut	54.0	51.0	-3.0	202	168	-17.0%	111	86	-22.4%
Oman - Muscat	66.0	67.0	1.0	204	209	2.8%	136	141	4.3%
Qatar - Doha	65.0	65.0	0.0	262	253	-3.4%	171	164	-4.0%
Saudi Arabia - Riyadh	57.0	57.0	0.0	226	219	-3.4%	129	126	-3.0%
United Arab Emirates - Abu Dhabi	75.0	76.0	1.0	195	207	6.5%	147	159	8.1%

Source: Ernst & Young. (2013). "Middle East Hotel Benchmark Survey"; available from <https://creditlibanais.wordpress.com/2013/12/28/ernst-young-estimates-occupancy-rate-in-beirut-hospitality-sector-at-51-up-to-november-2013>; Internet; accessed January 17, 2015.

Exhibit 3

Beirut Hotels Occupancy Levels 2013-2014

% Occupancy for Beirut Hotels



Source: Ernst & Young. (2013). “Middle East Hotel Benchmark Survey”; available from <https://creditlibanais.wordpress.com/2013/12/28/ernst-young-estimates-occupancy-rate-in-beiruts-hospitality-sector-at-51-up-to-november-2013>; Internet; accessed January 17, 2015.

Exhibit 4

Turnover

Year	Four Seasons Hotel- Beirut (%)
2012	35.9
2013	25.3
2014	30.4

(up until November 2014)

Source: Created by the author based on original figures.

Exhibit 5

Four Seasons Employee Exit Interview Sample Questions

-
- Have we met your expectations here at Four Seasons?
 - How would you rate the atmosphere of your department?
 - How would you rate your manager?
 - How would you rate your supervisor?
 - How would you rate the trainings that you were exposed to?
 - Is there anything we could have done to stop you from leaving?
-

**If there is an issue reported, it would be forwarded to the division head and general manager for further investigation.*

Source: Company records.

Exhibit 6

Four Seasons Employee Engagement Survey Sample Questions

-
- Are you satisfied by the information provided to you by the HR department?
 - Is the company providing you with the opportunity to manage your time between work and personal life?
 - Is the company providing you with the opportunity to support your community?
 - Is the general manager taking good decisions regarding the guests and the service of the company?
 - Is the “golden rule” equally applied?
 - Do you understand the process by which promotion takes place?
 - Is the promotion fairly applied in the company?
 - Would you recommend Four Seasons as a place to work?
-

**Questions related to the eight elements at Four Seasons (communication, development, work-life balance, leadership, culture, wellness, recognition, etc) and questions that are linked to experience.*

Source: Company records.

Exhibit 7

Four Seasons Trainings & Programs

SERVICE culture is an acronym that Four Seasons' bases their hiring, promoting, developing, and evaluating on, from the line employees up to the CEO.

Smile genuinely
Eye contact
Recognition (*use the name when you greet people*)
Voice (*speak clearly with confidence*)
Informed (*be informed so you know what to answer guests*)
Care & Clean (*about yourselves and others*)
Exceed expectations

On-Boarding Program:

On-boarding program is called EMBARK. On the first day of work for any employee, they have about half a day with HR from paperwork, introduction of policies, uniform and grooming codes etc., then a small back of the house tour, then they must go around asking people questions about the company and then we send them to the departments where they are welcomed and a departmental orientation. Then after a few weeks, they come and they do the EMBARK foundation which is a two full day training with the learning and training manager and its' all about the history of the company and standards, and we actually make sure that the general manager of the hotel comes and does a small part where he talks about the service culture and the importance of it, which he has been doing that ever since we opened. Also, the director of food and beverage does a small training, the rooms director does a tour of rooms, and a fire/security training. Then during the first three months they have to attend a training called ASPECT, which are the line staff competencies. Adaptability, Service passion, Professionalism, Ethics, Communication and Teamwork. It is circuit training, where there are trainings and related games for each, amounting to 45 minutes. After the ASPECT training and the probation review has been done, then the employee gets graduated into the world of Four Seasons. Of course they have a departmental manual that they receive by their department head where they are being trained in all the standards in their function.

Mentorship Program:

Employees are chosen to be part of this program by the planning committee. The planning committee consists of the directors: GM and directors of HR, Engineering, Rooms, Finance, Sales and Marketing, and Food and Beverage. This committee chooses people from each department that are top-talent and have a potential to grow, who become mentees. These are typically junior level staff. Then the mentee is matched with a mentor. They sit together monthly and go through the employee's performance, set personal and development goals. Here in Beirut, we have not launched a full-fledged mentorship program, because we have three management-in-training (MITs) as well as a new program launched for line employees who have potential to become supervisors, called the

Supervisor-in-training program (SIT) for one full year. Currently all of them are mentees and they sit with the HR manager as their mentor. What we do is they have a program: monthly visitations to the department, a book to read in their chosen language, DVDs to watch, and projects to be done within the department. The role of the HR manager then is to meet periodically with them to see the accomplishments and obstacles they have faced, give any advice, etc.

Exhibit 8

Code of Business Conduct

COMMITMENT TO AN ETHICAL CULTURE

Four Seasons is committed to conducting business in a manner that complies with applicable laws and is – and is perceived to be – consistent with the highest ethical standards, including standards intended to prevent bribery and corruption. Four Seasons is committed to understanding the risks that may compromise these standards and using all reasonable efforts to ensure that those who provide services to and for Four Seasons – including employees, contractors and agents – are aware of and share our commitment to an ethical and anti-bribery culture.

Four Seasons has earned an enviable reputation internationally that is built, in part, on our commitment to doing business in a manner that complies with applicable laws and is, and is perceived to be, consistent with the highest ethical standards. This means, among other things, avoiding bribery and corruption, and implementing appropriate policies and procedures throughout Four Seasons' business operations that will guide those who provide services to and for Four Seasons – including employees, contractors and agents – consistent with Four Seasons' ethical standards.

Four Seasons has adopted a Code of Business Conduct and Ethics, which has been endorsed by its Board of Directors and senior management. The Code reflects, among other things, the most current assessment by Four Seasons of external and internal risks of bribery and fundamental standards that Four Seasons expects those who provide services to and for it – including employees, contractors and agents – to abide by when acting on behalf of Four Seasons.

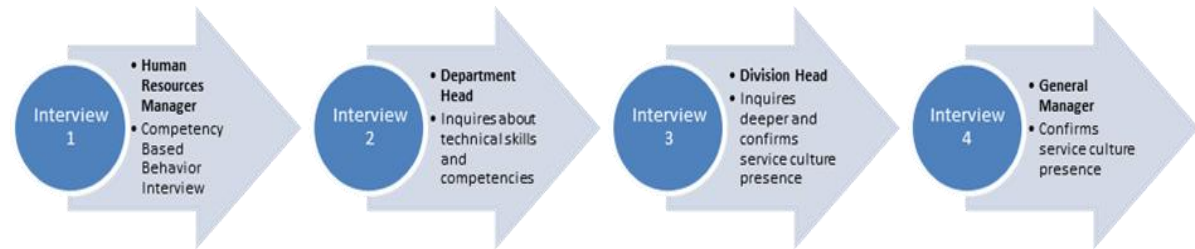
Four Seasons will not use third parties or intermediaries to engage on its behalf in unethical practices that would be prohibited under applicable law – including the Bribery Act – if undertaken by Four Seasons. Four Seasons expects that all parties and intermediaries that it engages will conduct themselves accordingly when acting on behalf or for the benefit of Four Seasons.

Four Seasons is committed to open communication concerning its ethical standards and anti-bribery initiatives and has established procedures that are described in the Code to permit the submission on a confidential and anonymous basis (to the fullest extent possible consistent with applicable law) of good faith complaints relating to violations of the Code using a third-party reporting service.

Source: Company Website (http://www.fourseasons.com/about_four_seasons/commitment-to-an-ethical-culture/)

Exhibit 9

Recruitment Process



Source: Company records

Exhibit 10

Women in Leadership from Four Seasons Globally

Management Levels by Gender				
	Male		Female	
Management Level	Count	Count	Count	Count
RVP	100.0%	21	0.0%	0
General Manager	92.9%	65	7.1%	5
Hotel Manager	89.9%	62	10.1%	7
Division Head	70.7%	326	29.3%	135
Assistant Division Head	65.5%	188	34.5%	99
Department Head	64.0%	1,370	36.0%	771
Assistant Department Head	55.9%	1,886	44.1%	1,485
Supervisor	62.9%	1,757	37.1%	1,035
Individual Contributor	60.5%	19,286	39.4%	12,567
Total	60.8%	24,961	39.2%	16,104

Source: Company records

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