

MAY 2010

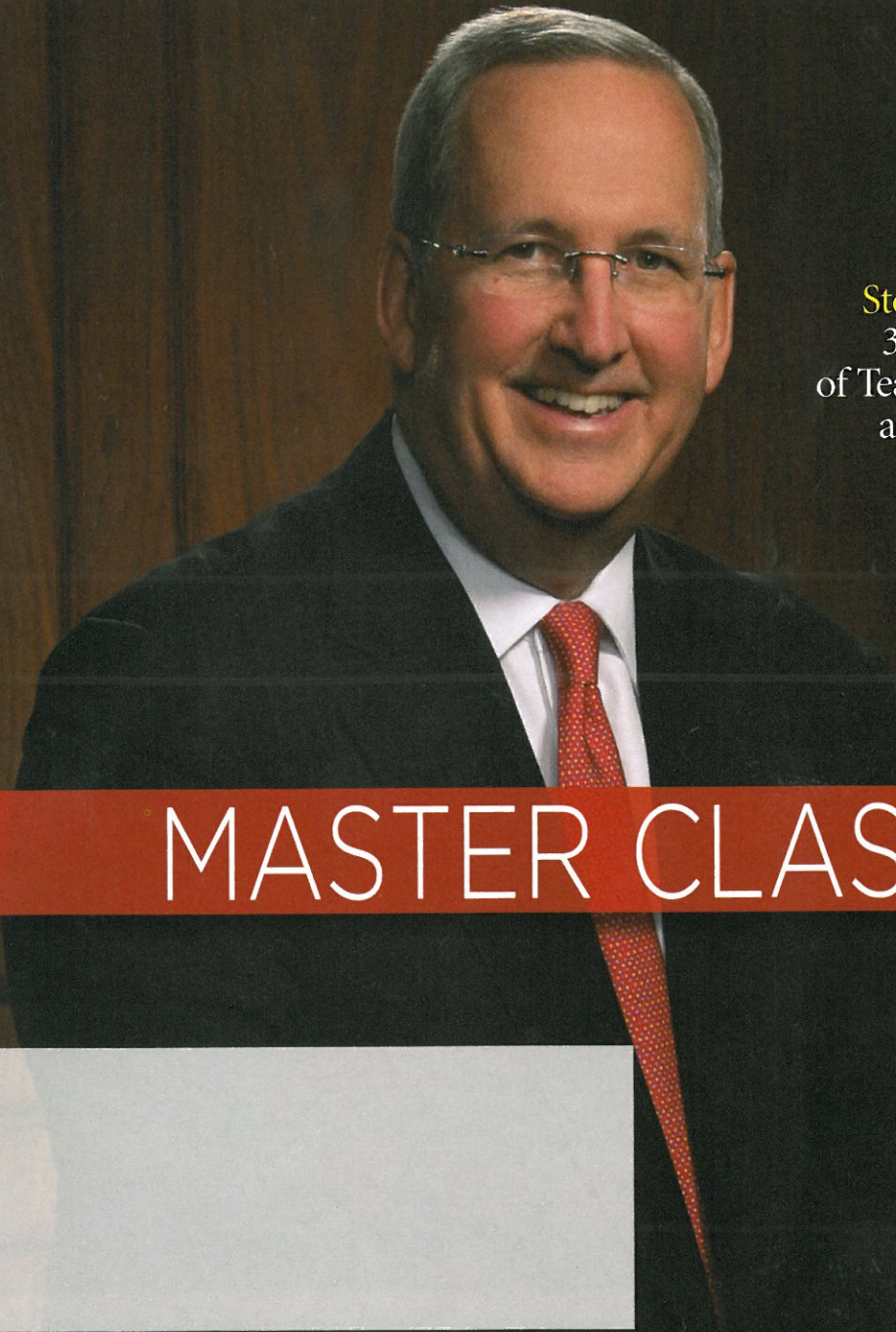
WHO'S GOT MONEY

WHERE TO BUILD

RED ROOF'S WOES

LODGING HOSPITALITY

Ideas for Hotel Developers & Operators

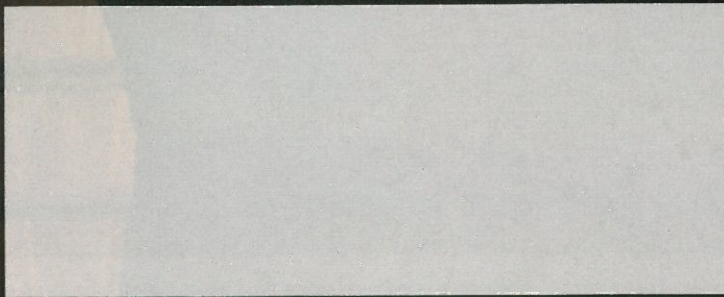


Steve Rushmore's
30-Year Legacy
of Teaching, Mentoring
and Leadership

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MASTER CLASS



STEVE RUSHMORE'S 30-YEAR LEGACY OF TEACHING, MENTORING AND LEADERSHIP

BY ED WATKINS

He's the most influential person in the lodging industry and has been for more than 25 years. He also may be the most successful. But what Steve Rushmore is most proud of are the scores, perhaps hundreds, of hotel industry executives who have apprenticed at his firm, HVS. The list of alumni reads like a who's who of the most highly regarded consultants, development executives and financial experts in the worldwide lodging industry.

This year marks the 30th anniversary of the company, which was originally known as Hospitality Valuation Services when Rushmore launched it after a lengthy apprenticeship under legendary hotel real estate guru Stephen W. Brener. Before forming his company, Rushmore authored the seminal text on the art and science of hotel appraisals. (He's since written four other books and written hundreds of magazine and journal articles, many of them published in *Lodging Hospitality*.)

"Steve has made several significant contributions to the lodging industry, first of which is he created the hotel appraisal model that everyone else follows to this day," says Bjorn Hanson, professor in the New York University Preston Robert Tisch Center for Hospitality, Tourism and Sports Management. "Secondly, he made the hotel industry a recognized specialty within the appraisal field. Before he wrote the book, hotels were viewed by appraisers as an odd thing that if you had to do one, you did it using sales comps, if you could find them."

Hanson also cites Rushmore's index of hotel sales comparables as another invaluable contribution to the field of appraisals and hotel investments. According to Hanson, the index helps investors and brokers get a picture of both broad and specific trends in hotel valuation. "This adds a big-picture context to the work," he says. "Years ago, when I was doing appraisals, you had to call around to see if any Hiltons or Marriotts sold and

Rushmore and wife Julia in China





then go to the municipalities to get the sales records. Now with Steve's index, more comps are available as data points, which increases the ability of appraisers to do higher-quality work."

THE HVS UMBRELLA

While Rushmore cut his teeth on hotel appraisal work, his empire has blossomed over the years to cover a wide range of hospitality-related consultancies. The 15-or-so companies under the HVS umbrella provide services in hotel management, financing, executive search, interior design, vacation ownership, risk management and more. Under a unique arrangement, the companies are autonomous, but Rushmore has a 50-percent voting control in most of the entities and a varying financial interest in each one.

Over the years, HVS has conducted thousands of hotel appraisals and completed more than 15,000 consulting assignments for most every major hotel company and developer in the world. Today, the firm has more than 400 employees in 30-plus offices in five continents.

HVS uses a unique employment model Rushmore patterned after McKinsey & Co., the legendary management consulting firm known as the training ground for many captains of industry. Rather than hire experienced hotel people, HVS prefers to recruit from the top four or five hotel schools in the world (Cornell, Rushmore's alma mater, is a favorite, but others include New York University, University of Houston and Lausanne in Switzerland).

"We identify the best hospitality programs and then support them in a variety of ways, including teaching and endowment of professorships," says Rushmore. Examples of the latter include Lalia Rach, the HVS Professor at the NYU hotel school and Jan deRoos, the HVS International Professor of Finance and Real Estate at Cornell. "Each of these schools have their own strengths, and we try to attract the best graduates from each. Typically, they're 80-percent trained by the time they reach us."

HVS AS GRADUATE SCHOOL

New recruits generally sign on for two-year stints, and Rushmore says 95 percent of them leave then or within a year after.

"This churn is beneficial to both sides," he says. "They get a post-graduate education in hotel appraisals, consulting and other disciplines before they go on to work at other hotel companies. And because of the close-knit nature of the hotel business, we generate 30 to 40 percent of our business from HVS alumni. Also, this natural churn is important for us because otherwise the firm would quickly become too top-heavy."

In this ad hoc post-graduate setting, young HVS associates learn the craft of hotel appraisal and consulting as well as the art of analysis, service and communications.

"My entire adult formative business experience comes from what I learned at HVS," says Karen Rubin, SVP of global development policy and feasibility for Starwood. An 18-year veteran of HVS, Rubin joined the firm in the early 1980s as the third professional Rushmore hired. "I learned how to communicate, how to analyze situations and why it's important to get back to people. Steve taught me to be a responsive business person who really knows how to listen, both to what is said and what is not said."

Again borrowing from McKinsey & Co. and other professional services organizations, HVS has a pay-for-performance compensation plan that rewards the smartest, hardest-working and most-efficient associates with essentially uncapped earnings.

New recruits to HVS are immediately expected to take on increasing levels of work assignments and responsibilities. To advance in the company, they're expected to pass written exams and generate or help write published articles.

"It's a highly performance-oriented environment in which you very quickly learn a lot about yourself," says Steve Haggerty, global head of real estate and development for Hyatt. "Steve has great confidence in young people and continually puts them in situations in which they can excel and learn. Very few organizations put that much confidence in their people."

Haggerty experienced that sink-or-swim feeling several years after he joined the firm full-time in 1990 following an extended internship. In early 1992, while still in his mid-20s, Haggerty left the firm's Mineola headquarters to establish an HVS office in London.

"The opportunity actually arose because the person who was supposed to do it got into an accident," he says. "Steve left a voicemail to the staff, asking who can go to London. I half-jokingly said yes, but by the end of the day I got the assignment."

Much like a university, HVS maintains strong alumni

ties through a dedicated website and formal and informal gatherings around the world. The lessons young associates at HVS learn stay with them throughout their careers.

Deno Yiankes, president & CEO of investments and development for White Lodging Services, says one important maxim he learned was the “Four Rs: Right location, right brand, right management, right cost.

“You can have all the right intentions, but if you get the last R (cost) wrong, more often than not the second owner will be enjoying the investment much more than

the first,” says Yiankes, who worked at HVS in the late 1980s and was one of the first non-Cornell grads.

For Kate Henriksen, SVP of investment analysis and portfolio management for RLJ Development, the advantages of her stint at HVS assist her on a constant basis.

“I still underwrite hotels and markets on a daily basis using the skills I learned at HVS,” says Henriksen, who was there from 1996 to 2000. “More importantly, though, from Steve I developed a great deal of confidence in my abilities. He gave us a lot of responsibility at a very young age.” **LH**

NYU INVESTMENT CONFERENCE FOCUSES ON FUTURE

As usual, Steve Rushmore will be a featured speaker at next month’s NYU International Hospitality Industry Investment Conference.

The 32nd annual conference will be held June 6-8 at the Marriott Marquis in New York City.

Rushmore will present HVS’ statistical outlook for the industry in a general session he’ll share with Mark

Rach, divisional dean and HVS professor of the NYU Preston Robert Tisch Center for Hospitality, Tourism and Sports Management. Dr. Rach, who will lead two general session panels at the conference, is stepping down from the dean’s role to return to full-time teaching, mentoring and research. Her back-to-back sessions at the conference bring together a bevy of hotel company CEOs to discuss the major topics facing the industry.

The first session, titled Strategic Direction: Branded Leadership Lessons, includes Andrew Cosslett from IHG, Mark Hoplamazian from Hyatt, David Kong from Best Western and Arne Sorenson from Marriott. The second panel tackles similar topics but includes leaders from hotel ownership companies: Monty Bennett from Ashford Hospitality Trust, Richard Kelleher of Pyramid Hotel Group and Jay Shah from Herhsa Hospitality Trust.

A highlight of each year’s conference is presentation of the Stephen W. Brener *Lodging Hospitality* Silver Plate Award. This year’s recipient, Andrew Cosslett, is receiving the

award for his steady and bold leadership in creating the world’s largest hotel company by number of rooms, IHG. *Lodging Hospitality* Publisher Gary Dietz will present the award during lunch on Monday, June 7. The Silver Plate Award is named for Stephen Brener, long-time real estate editor of *Lodging Hospitality* and the founder of the conference. Brener died in 1994.



Dr. Lalia Rach of NYU and conference chairman Jonathan Tisch

Lomanno, president of Smith Travel Research. Their discussion will be held Monday, June 7 at 10 a.m. Rushmore’s presentation will examine current and future trends in hotel valuation. He’ll also provide guidance on which markets are best suited for development and acquisitions and which ones to avoid.

This year’s conference marks a turning point for Lalia