

Family Business

THE GUIDE FOR
FAMILY COMPANIES

www.familybusinessmagazine.com

WINTER 2012

The rapid rise of a global hotel group

In just seven years, the Ueberroth family's Preferred Hotel Group has grown to encompass 800 hotels and resorts in more than 70 countries.

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The Ueberroths: John (at right in back) and Gail (right, front) with daughter Lindsey and son Casey at the Ojai Valley Inn & Spa.

The rapid rise of a

John Ueberroth and his family acquired Preferred Hotel Group in 2004. In just seven years it's grown to encompass 800 independent hotels and resorts in more than 70 countries. It also recently began a generational transition.

BY MARGARET STEEN

JOHN UEBERROTH did not grow up in a family business, nor did he travel extensively as a child. "I left California once or twice growing up," he says. Yet today, he works with his wife, son and daughter running Preferred Hotel Group, which provides sales, marketing and technology support to 800 independent hotels and resorts in more than 70 countries.

John was born and raised in Los Altos, Calif. His father worked in sales for Reynolds, the maker of aluminum foil. John studied business, graduating from the University of California, Berkeley, and eventually getting an MBA from the University of Southern California.

John got his first taste of worldwide travel in the Navy. He then became deeply involved in the travel industry. He and his older brother, Peter—who organized the 1984 Summer Olympics in Los Angeles and served as Major League Baseball's commissioner from 1984 to 1989—ran a travel agency called Ask Mr. Foster, which they sold to Carlson Companies in 1980. Later, John was chairman and CEO of Hawaiian Airlines. He also served as head of the U.S. Tour Operators Association and the Travel Industry Association of America.

Preferred, which has about 200

employees worldwide, operates brands including Preferred Hotels & Resorts, Summit Hotels & Resorts, Sterling Hotels, Preferred Boutique and Historic Hotels of America. But Preferred does not own or manage any hotels; rather, it provides independent hotels with the marketing power and economies of scale to compete with large hotel chains.

Hotels that meet Preferred's quality standards pay a one-time fee plus annual dues. In exchange, they get assistance with marketing, sales, distribution and technology. Preferred receives a commission on the business it brings through its channels.

Preferred does not release its sales figures, but John, 67, who is chairman and CEO, says it has weathered the most recent recession well, with profits about the same in 2011 as in 2010. The Ueberroth family owns more than 90% of the company; John and his wife, Gail, 62, own the majority.

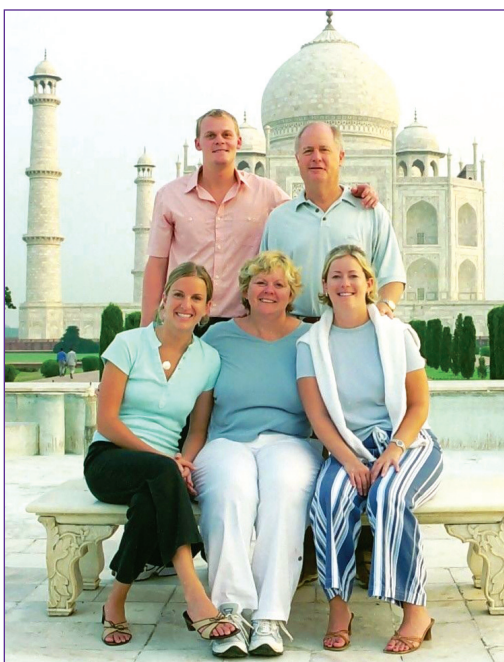
Mike Freed, managing partner of hotel management company Passport Resorts, says of Preferred: "They're your partners in launching [a] hotel." In 2008, when Password Resorts opened Cavallo Point—the Lodge at the Golden Gate, in Sausalito, Calif., Preferred put a story about the new facility in a magazine it places in all its hotel rooms. Preferred also connected Cavallo Point with meeting planners and key travel agents. Freed later signed up another of his hotels, Post Ranch Inn, with Preferred Boutique Hotels.

Family members work together to run the company from separate locations. John and Gail split their time between Paris and Newport Beach, Calif.; daughter Lindsey, 36, is based in Chicago; and son Casey, 33, operates from Newport Beach.

The success of the Ueberroths' business, which has grown rapidly since they bought it in 2004, stems from the family's love of travel and its intercultural understanding.

Gail Ueberroth was a flight attendant for TWA on international flights "at a time when international travel was at its most glorious," she says. She later worked for Carlson running specialized trips for alumni associations and museums.

In 1995, John and Peter Ueberroth bought Ambassadors International, which sent adults and students on educational exchanges called People to People. Today, John is chair-



The family in India. Casey (left) and John are standing. Seated (from left) are Brooke (Casey's wife), Gail and Lindsey.

global hotel group



From left: Lindsey, Casey, Brooke, Gail and John at the Ojai Valley Inn & Spa.

man of Ambassadors Group, a publicly traded spin-off.

In 2004, a new opportunity arose. The owners of Indeco Corp, which ran the Preferred Hotel Group, Summit Hotels and Sterling Hotels, were looking for investors. The Ueberroths decided against having Ambassadors buy it, but Gail suggested that she and John buy it themselves. (Peter is not involved in Preferred.)

Although they thought it would be fun to have their kids involved, that was not a requirement. "We said, we're going to do this for the two of us, and if they get involved we would be thrilled," says Gail, who is Preferred's vice chair and chief marketing officer. "But at the same time we didn't

want to pressure them into something that they didn't find a passion for in their own right."

Catching the travel bug

The children did have a passion for travel, though, partly because of the way they were raised.

"I think it was just part of our DNA," says Lindsey. The family took one or two international trips each year, including a cruise on the Amazon and visits to India and China. "I saw parts of the world that aren't there any more," such as the Soviet Union, Lindsey says.

The trips often had a "wow factor," says Casey, because

the family was checking out tour operators who wanted to impress them.

When Lindsey was in eighth grade and Casey in fifth, their parents pulled them out of school for half a year so they could travel around the world with their mother. They took the Trans-Siberian Railway from Siberia to Moscow. They attended school for a few weeks in Hong Kong. They went through Checkpoint Charlie while moving between West Berlin and East Berlin.

"It was an eye-opening experience," Lindsey says. She remembers her brother trading candy bars and toys for a leather jacket in Moscow.

Gail says the travel taught her children about living in the larger world. "In the U.S. we expect things to run a certain way. [Through experiencing other cultures,] you learn a certain kind of patience: It's going to happen on someone else's time frame. You learn to let go and have an experience." It also brought them closer as a family, Gail says. "It was such an incredible bonding experience."

At the end of the trip, Lindsey attended one year of high

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account executive and was involved in business development activities.

Then, as her parents took over the Preferred Hotel Group, her father asked her to accompany him to some meetings with hotels in the group.

"I just loved it," Lindsey says. "It was a different side of the business." She asked her father if she could join the business, and "the next thing I knew, I was figuring out how to open up a Newport Beach office." Today there are about three dozen employees in that office, though the headquarters remains in Chicago.

Stepping up

Lindsey served in a variety of functions at Preferred, including regional director. Because the board of directors wanted more family presence in Chicago, Lindsey started spending one week there each month, overseeing technology, sales and brand development.

She requested an executive coach to help her develop her management skills. "Being in a family business, one of the challenges is you don't believe you're getting the feedback that you want," Lindsey says. "Did I truly have the skill set, or were my parents just making me feel good?"

One of the coach's suggestions was that she move to Chicago full-time, both to demonstrate the family's commitment and to be closer to some key departments, including finance.

Around the same time, Lindsey's parents asked her to take over as president. She became president in May 2010 and moved to Chicago in July,

after about a year of discussion within the family about a transition plan, she says.

"I don't think my parents will ever fully retire from the business, but you could tell that they were definitely prepared not to have to be as involved," Lindsey says. "I made it clear that I was committed to the business, in for the long haul, and wanted to do more."

John describes his daughter as "a very good people person: She's such a nice person, but she can be firm and make tough decisions. In our business it is all people: It's not like we're building a car or something."

Lindsey has learned to adjust her management style. For example, she says, for a time she was "working around the clock." Then she learned "it was making people feel incredibly bad that I was sending e-mails late at night. The perception was that I expected them to be doing the same." She now tries to work less, but she also sometimes drafts e-



Lindsey traveling by camel in India.

school in California, then moved to Hawaii with her father when he took over Hawaiian Airlines. (Her brother was settled in his school in California, so he and his mother stayed there.)

"Hawaii was an amazing place to go to high school because it was such a melting pot of cultures," Lindsey says.

After finishing a degree in corporate communications at Wake Forest University in North Carolina, Lindsey took a job in change management with Andersen Consulting, helping companies prepare for Y2K. "At that time it wasn't even on my radar to be involved in travel," she recalls.

Her father had asked her to sit in on meetings as he acquired Ambassadors. "That was how, without my knowing, I got into the family business," Lindsey says. She was ready for a change after the Y2K work was over.

Lindsey worked in several different roles at Ambassadors. She helped launch a golf travel division, served as an

mails at night and sends them the next morning. "I'm working very hard to have more balance in my life," she says.

Finding more balance has not been easy in her first year as president. She decided to visit every major office and attend every major client event. She ended up spending 70% of her time on the road.

Looking to the future

The Ueberroth family is unusual in that the two generations built their business together as adults. Casey was working as a manager for Wells Fargo when his parents bought the business, and he didn't join them right away.

Once he did join, in 2005, he took on a big role. He oversaw the Western United States territory as well as a specialty worldwide golf program; later, he was promoted to the position of vice president, strategic marketing. Casey's wife, Brooke, also worked at the company, running its magazines and directories, until she stepped down recently to raise their two sons full-time.



The family in Beijing in 2008.

"The plan is to continue as a family business as long as everybody's having fun—but never at the expense of the family," Lindsey says.

That includes making sure there's no sibling rivalry. In fact, John says, Casey told his parents he thought Lindsey was ready to run the company. "Lindsey's older; she's been at it a little longer," John says. "They don't really compete."

They also must work to bridge the distance between family members, using e-mail, frequent phone calls and quarterly family meetings.

"Balancing the physical distance between the family in the various offices took some structure and discipline," Lindsey says. "In some ways the time zone difference gives each of us time to absorb information and respond in a more thoughtful manner. Time together is also very structured and productive, since it is so limited."

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They discuss the company at their family meetings, but they also make sure to have family time with no work talk. "We have to work really hard to turn it off," Gail says.

Non-family employee Ananya Narayan says the Ueberroths helped him balance his own family's needs with his professional responsibilities. When Narayan needed to move to Dubai to be near his aging parents, he assumed he would have to leave his job running Preferred's Asia Pacific region, where he had helped bring the number of Preferred hotels from 13 to about 50. Instead, the Ueberroths created an India, Middle East and Africa region.

"There's a lot of creativity about trying to find solutions and make things work," says Narayan, who has since been promoted to be Preferred's area managing director for Asia Pacific, the Middle East and Africa.

International success

The Ueberroths' ability to operate a cross-cultural business—the company has offices in 30 countries—has been a key factor in their company's success. The family's extensive travel experiences fostered their understanding of cultural differences. They've learned other lessons while running the company.

Some international lessons were "learned the hard way," Lindsey says. For example, she notes, the company directory has a picture of a champagne cork. Because Islam forbids alcohol consumption, she says, "Now we can't put directories in any of our hotel rooms in the Middle East."

For the past two years, John and Gail have spent about four-and-a-half months in Paris, using that city as a base and visiting the company's seven offices in the region. The experience has given them valuable insight into the challenges of people working in international offices away from headquarters.

"You have this great intention of being global, but there's nothing like being [in Paris] to realize when you aren't thinking in a global capacity," Gail says.

The global perspective has helped them serve clients.

John "is very knowledgeable, he knows the tourism industry," says Dan Nakamura, an adviser for Royal Park Hotels and Resorts, which runs six hotels in Japan and is a longtime Preferred member. John "quickly picked up" on the personal connections that are necessary for smooth business connections in Japan, Nakamura says.

Many skills are transferable from one corner of the world to another, John notes. "People are people," he says. "I think [operating globally requires] just being cognizant that everyone has a little different outlook on life." **FB**

Margaret Steen is a freelance writer based in Los Altos, Calif.