

Pursue Sustainability, Stay Paranoid in a Post-COVID World

Ho Kwon Ping, Founder and Executive Chairman of Banyan Tree Holdings, speaks to Havovi Joshi about making sure sustainability is more than just a buzzword, his optimism regarding Asia's growth in the future, and the need for youths to think differently about their careers.



Banyan Tree Holdings, with over 60 resorts and hotels in 23 countries, is renowned for its focus on driving sustainability in hospitality. But what does the concept of sustainability really mean to you? How do you push the adoption of sustainable practices across all aspects of the business?

To me, sustainability must be all-embracing; it is not simply physical sustainability, but also social sustainability and social justice. It means that at the end of the day, you run your enterprise in a manner that is sustainable for a very long time within a balanced equilibrium. In other words, the practice of sustainability must be holistic and consider all stakeholders, not only shareholders. So, if a company is making billions of dollars in profits, but retrenches thousands of workers when its share price begins to drop a little, one has to ask, "Is this regular cycle of hiring and firing sustainable for all stakeholders?"

We set up Banyan Tree 35 years ago and started on our sustainability journey way before it became a buzzword. I created what I considered to be our 'guardian values', which are about empowering people and embracing the environment. And we did this quite consciously. It was at a time when the debate in the West was seldom about peoples' livelihoods. The thinking was that if you could save an endangered snail species by not building a dam, that would be the highest priority—even though that infrastructure might be absolutely necessary for the livelihood of the people. It's a laudable cause but it's one-sided. There are many such cases where the classic dilemma pits economic development, social growth, and the physical environment against one another. Therefore, we consciously created the phrase "embracing the environment, empowering people". Today, we want to emphasise that it's not just about being carbon neutral; it's also about being respectful to your associates and creating trust between yourselves and them. It's about an enterprise which can sustain itself, generation after generation, in a balanced way which benefits all stakeholders. That, to me, is at the very heart of sustainability.

For example, for 35 years we have run a completely free kindergarten for all our associates in Phuket, Thailand which is paid for out of our profits. To me, this is as much about sustainability as the other good things that we're doing, such as planting trees and protecting the marine environment. Another example is that we're the only hotel company in China that insists on the service charge collected by hotels to be paid out to associates. In contrast, other owners want the associates to collect the service charge from the consumer, but then they keep it, as it boosts their revenue and profit figures. And that makes the fees for the management companies higher.

So, every facet of the company has to be examined while driving sustainable practices, and as an economist, I can tell you that it's all about trade-offs and the allocation of scarce resources according to your priorities. I also want to emphasise that what we do is not all about sustainability or having a certain set of established practices. It's about holding true to your core values and examining every single practice, asking ourselves what is the right thing to do when one thing conflicts with another.

Moving on to the COVID-19 crisis, the effects of the pandemic on the hospitality industry were unprecedentedly challenging. What insights and learnings have you taken away from it?

Hospitality is a fragile industry, so any kind of event risk is detrimental to it, whether it comes from the industry itself, politics, physical climate, or public health crises. In my 30-plus years in this industry, I've gone through the SARS (Severe Acute Respiratory Syndrome) epidemic in 2003, political riots, financial crises, and many other events. So I have developed an attitude of "only the paranoid survive"—a phrase coined by Andy Grove, former CEO of Intel. As a result, I've always run Banyan Tree with a paranoid mentality, believing that the worst things can happen at any time. And because we've gone through some pretty bad times, when the COVID-19 crisis happened—which is clearly the worst crisis we've ever been through—we were relatively well prepared when everything went to zero and all travelling stopped. We did have to scramble to reschedule our debts, but we've been through that before with the financial crises. We had to retrench and, on top of that, we had to adopt voluntary pay cuts. But we've been through all that too. We've gone through previous pay cuts and established trust between ourselves and our associates—that if they take pay cuts, so would we, and the highest paid in the company get the highest pay cuts. I took zero salary, the CEO took a 75-percent pay cut, and this measure went all the way down the line.

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But when you ask people to sacrifice, you also have to reward them when good times return. So, this year, we've given large appreciation bonuses. Our people are very happy. It's another reaffirmation that a crisis can, if properly handled, bring people closer together. What I've learned is that trust and the social compact—whether it is between a government and its citizens, or a company and its associates—is absolutely the most critical thing. Not popularity, but respect and trust.

Looking at Banyan Tree today, we've got 67 hotels and over 50 in the pipeline. We've also introduced a lot more brands, of which three were launched during the pandemic. We are also much leaner now. We've come out of the pandemic much stronger, but I've always said that hubris is the most dangerous thing, and it will bring down a company faster than anything else. The minute we think that we're riding high is the time to watch out.

How optimistic are you about Asia leading global growth for the foreseeable future, and what opportunities would this bring for Banyan Tree Holdings?

I am very optimistic about Asia and will approach this question from a civilisational point of view, as opposed to a purely economic or geopolitical point of view. From a historical perspective, the Western-dominated world only came about in the last two to three hundred years. This didn't happen purely because of bad things like imperialism or colonialism; it was largely due to factors like the role of science rather than superstition, including the rise of rationalism in the West, the separation of the church and state, and the acceptance of a rules-based order. This is why Western civilisation became dominant and it led to enormous benefits for the whole world.

But if you look at it from the perspective of a civilisation as old as India or China, which has gone through ups and downs and successes and declines over several centuries, you'd realise that these countries and South Asia as a civilisation are not going to be what it was over the last 100 years. And, in fact, I think part of what's happening in the world today is a high degree of unease in the Western world that the age of Western dominance is giving way to how things used to be 400 years ago, when there was no dominant civilisation. The world then had a number of competing and co-existing civilisations, all having their day in the sun, and we are now moving back to where there will be several major powers. Not surprising, it's been very uncomfortable for those who have been at the very

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top to give way to others. That said, at Banyan Tree Holdings, we can't plan based on a 200-year timeline.

It is ironic; for the first time in my life, when the rest of the world is falling apart, I don't see our business falling apart, and I'm trying to reconcile that and ask myself, "Is that really possible?" I just can't believe it because I'm normally a real worrier.

But we have had our best year so far, and that's largely because Thailand, one of our key areas of operation, has become a safe haven. We had thought that coming out of COVID-19, life this year would be really difficult because of China and US tensions, the Russia-Ukraine conflict, and so on. But the property purchases that we're seeing in Phuket have been quite unbelievable. A lot of middle-class Chinese and Russians are buying because the country is neutral towards them.

At the same time, with cryptocurrencies and banks falling apart, Asian banks remain very strong. Our major lender in Thailand has raised its interest rate from 1.25 percent to 1.5 percent, compared to 5 percent or so elsewhere. Because of the 1997 Asian Financial Crisis and the 2008 Global Financial Crisis, you'll find that banks in Singapore, as well as in Thailand, Indonesia, China—pretty much all of Asia—have been spared the turmoil in the West. From an economic point of view, the potentially looming financial crisis is likely to be contained largely in the West. However, I'm not assured that it's going to be all that unproblematic. It is entirely possible that another bank might fall, and the whole domino effect will affect us here in Asia.

We're probably in the most globally fragile period ever in the last 20 years. I've said to all my colleagues, when times are good, we'd better make as much money as we can, don't spend it, and store it away. One thing is for sure—a few years from now, something terrible is going to happen. What's it going to be? I can't see it right now.

Looking at the industry I'm in, I've long been talking about something called 'rainbow tourism'. Even up to about 30 years ago, tourism involved mostly people of one colour, moving in mostly one direction. It was mostly white, and it was moving mostly from the West to the East. But in the last 20 years or so, that has changed. Our clientele used to consist of 80 percent Europeans visiting Southeast Asia; today we're getting Indians, Arabs, Chinese, and everybody else. So that is a huge change, and much of it is buoyed by the fact that there are 600 million people in ASEAN (the Association of Southeast Asian Nations), 1.2 billion people in China, and 1.4 billion in India. They're part of the fast-growing middle class that has attained a certain level of affluence, and they all want to travel. And this also coincides with the rise of low-cost carriers and inexpensive accommodations. Travel is no longer a luxury. Its purpose is to see and learn about how other people live, especially in the post-COVID world. I'm very, very optimistic that travel is becoming a basic human yearning because people have reached the level where that yearning can be satisfied by their earnings.

I've always argued that the magical thing about the hotel industry is that it's a place where everybody comes together from all ethnicities and all ages. If you do it right, you'll create a real atmosphere in the hotel where people build a sense of who they are and who others are, and you learn from one another. Diversity must be our core value, not only for our associates, but also in terms of how we represent ourselves to the customer.

As an experienced leader who has been through several crises, what advice would you have for the youth today?

I'd say this to students—don't ever think about having a single career anymore. Instead, think about your capabilities, the domain, or the area that you're interested in, because your career is likely to change so much during your lifetime. I also tell the youth that they must not be discouraged if it takes time to get a job or if there is a layoff. Now, that's easier said than done

for people my age who've created successful careers, but it's quite debilitating for a young person to be hired, and then be laid off. It's very distressing for a person to send thousands of job applications and not have somebody shortlist you. But what else can you say?

The other piece of advice I have for them is that you have to try a lot of gigs. I started out as a freelance journalist because I didn't want a 9-to-5 job. I had to pitch for jobs that would belong to the gig economy in today's world. I've also taken on all kinds of odd jobs. I've worked on merchant ships and done menial labour, not thinking that I want to stay there or having this romantic idea that it's a great thing to do, but because I thought I should try to understand what working life is like for someone who holds a blue-collar job. What I have found to hold really true in my life is that everything I did in the past has had an impact on my future. I used to hitchhike because I love travelling, and that led me to found Banyan Tree. When the late Steve Jobs delivered his 2005 Stanford University commencement address, he said that he spent only one semester at Reed College in Oregon where he took a class in calligraphy because he liked it. And then when he founded Apple, he started with the whole idea of having different fonts for the computer because he liked calligraphy. Not that computer fonts are revolutionary, but it's another demonstration that everything that you are is a compilation of what you were before.

I would tell the youth today that even if you don't know what you're going to do, do something, because you will learn along the way. Don't sit at home and mope. Get a job for a lark. Do anything you want to do because it will build you up as a person. Never feel sorry for yourself; never feel that the world owes you something. You go and make it. You just have to make it. And that spirit, I believe, is a very strong spirit. 🙏

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