When Castro seized the Hilton: Risk and crisis management lessons from the past

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ABSTRACT

Studies on crisis management in tourism have made valuable contributions to the sector in terms of 'lessons learned', offering contextualisation, analysis and synthesis of factors that influenced the development of the crisis and the organisational or destination response. Very few, however, provide information on how tourism organisations attempt to manage risk proactively and how they manage a crisis reactively. Using information from multiple sources and archival material from Hilton Hotels, this study identifies associations between the company's actions in the 1950s before the Havana Hilton's nationalisation by Castro and modern-day principles and concepts of risk and crisis management. The chronicling of the organisation's proactive actions and reactive response to that crisis richly illustrates the contemporary concept of 'organisational resilience' in practice. Based on this analysis, the study proposes a five-stage resilience management framework for tourism organisations which distinguishes risk from crisis management and identifies specific activities within each stage.

1. Introduction

The rich literature of crisis management in tourism includes a significant body of crises-by-case studies that focus mainly on lessons learned with regards to causes, consequences and possibly measures that need to be taken to address similar situations in the future (de Sausmarez, 2004; Drabek, 1995; Henderson, 2003; Lo, Chung, & Law, 2006; Pennington-Gray, London, Cahyanto, & Klages, 2011; Schroeder, Pennington-Gray, & Bricker, 2014). The contribution of these studies is more in the direction of 'understanding' the crises and the crisis management cycle rather than in 'evaluating' the cycle by offering an assessment of preparedness and response. Some scholars, such as Hystad and Keller (2006, 2008) with the Kelowna forest fire in British Columbia, Gurtner (2016) with the two Bali bombings, and Jones (2016) with the two volcanic eruptions of Mt. Usu in Hokkaido, Japan, take a more longitudinal approach to the cases by looking at long-term impacts, lessons in crisis management and effectiveness of recovery strategies. Many of the studies exploring crisis situations and engaging with crisis management actions do not, in the main, go to great lengths to investigation contextualisation, analysis and synthesis of factors that have influenced the development of the crisis and the organisational or destination response to it. They usually offer recommendations related

to a crisis communication plan or a destination image recovery plan (Ketter, 2016; Oshins & Sonnabend, 1998; Ritchie, Dorell, Miller, & Miller, 2004; Rittichainuwat, 2006). The most common conclusion in these studies is that there is a need for a more strategic approach to crisis management in tourism and hospitality, although no recommendations are made for how this can be achieved. Among the notable exceptions to this trend are the study of the 1998 Australia Day flood at Katherine by Faulkner and Vikulov (2001), and that of the 2001 Foot and Mouth Disease in the UK by Miller and Ritchie (2003); Ritchie (2004) later built on earlier work of Faulkner (2001) and offered specific recommendations for the strategic management of the natural disaster they explore. Also, Beirman (2003) offers a series of more in-depth cases of tourism destination crises to illustrate his strategic approach to crisis recovery.

Despite the important contributions in terms of 'lessons learned' from these historical analyses, they usually provide little information on how tourism organisations facing the crisis attempted to manage it *proactively* and what they did *reactively*. Moreover, very few have attempted to identify the specific actions taken at each stage of a crisis situation. The purpose of this paper is to achieve both these objectives by using archival and secondary information analysis from multiple sources on the nationalisation of the Havana Hilton during the Cuban

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Revolution and by identifying associations between the actions of the 1950s leadership of Hilton Hotels International and modern-day principles and concepts of risk and crisis management. The paper aims to make two distinct contributions: first, it aims to provide rich illustrations of organisational resilience in practice by chronicling the organisation's response to that crisis more than half a century ago; and second, it proposes a five-stage resilience management framework for tourism organisations which draws a clear distinction between proactive risk management and reactive crisis management, and identifies the organisation's activities within each stage.

The paper starts with a brief literature review to define the main concepts and presents the research approach taken to collect and discuss the data for the case study. The case study is then presented by looking first at the pre-revolution tourism environment in Cuba followed by Hilton's actions in the period before the opening of the hotel; the period after the opening until its occupation by Castro; and the period after its occupation leading to its nationalisation. The paper concludes by proposing a five-stage resilience management framework for tourism organisations and discussing its implications for practitioners and researchers.

2. Crisis management or risk management?

A review of the early literature on 'crisis management' will reveal that the use of the term varies depending on the context in which it is being used and the researcher's discipline (Preble, 1997). It is normally used to describe situations that are unwanted, unpredicted, extraordinary, and almost uncontrollable, instigating widespread disbelief and discomfort (Rosenthal, Charles, & t Hart, 1989). Accordingly, crisis is often defined as a serious threat to the basic structures or the fundamental values and norms of an organisation which, under time pressure and highly uncertain circumstances, necessitates the making of critical decisions (Pearson & Clair, 1998).

The first crisis management models that appeared in the literature (Darling, 1994; Dutton, 1986; Fink, 1986; Quarantelli, 1988; Richardson, 1994, etc.) were mostly frameworks for the classification of crises into several different typologies based on their characteristics (origin, controllability, agent, intentionality, impact, etc.) rather than models for the actual management of a crisis. The models that dealt with the management of the crisis were largely based (as they are today) on the 'Comprehensive Emergency Management' model also known as the 'PPRR model' which originates from the disaster management field and consists of four stages: Prevention; Preparedness; Response; and Recovery (Drabek, 1995).

These early models, although strong in the elements of preparedness, response and recovery, were however quite vague in terms of prevention. Heath (1995:11), for example, in his study of the Kobe earthquake, posits that "strategic preparedness depends on the degree to which response managers can successfully translate meta-strategic missions and objectives into operational strategies that are realistic and achievable" and presents a three-stage model which starts with the crisis outbreak and continues with response and impact management. The loop is then closed with learning, planning and preparedness for future crises. The response to the crisis appears to be reactive, intuitive and based on prior experience, and aims at managing the impacts as effectively and efficiently as possible.

One of the most cited crisis management models, Mitroff's 'Crisis Management Mechanisms', comprises six stages: signal detection; preparation/prevention; containment (damage limitation); business recovery; no-fault learning and redesign (Mitroff, 2005, p. 210). Although the model incorporates a more proactive approach, signal detection is described quite vaguely as a mechanism, whereas preparation and prevention are considered as one set of activities rather than two separate ones as advocated by the PPRR model. Most crisis management frameworks in the extant tourism literature (e.g., Faulkner, 2001; Pennington-Gray et al., 2011; Ritchie, 2004) are based on or influenced

by this model. In Mitroff's view, organisations can be either "crisis prone" or "crisis prepared". Even if management cannot expect to prevent all crises through planning, a "crisis prepared" organisation will have better chances to completely avert a crisis (Pearson & Mitroff, 1993, p. 53).

The relevant tourism literature takes more of a resource-based approach, focusing primarily on personnel training and development, equipment, and crisis response planning (Anderson, 2006). The concept of 'scanning to planning' is touched upon by Scarpino and Gretzel (2015) and in some greater depth (as signal detection) by Paraskevas and Altinay (2013); however, these approaches are more concerned with emerging/emergent crises than with potential crises. In contrast, in the early disaster management literature, Salter (1997) posited that the crucial modifier of disaster impact is 'vulnerability' and, therefore, vulnerability assessment would highlight critical areas and opportunities for developing effective intervention strategies (p.64). Kliem and Ludin (1997) transferred these ideas to the organisational crisis literature and underlined the fact that it is essential for organisations to conduct a thorough crisis vulnerability assessment which identifies the type of crises that might occur, their priority, and their impact. They argued that vulnerability assessment can help organisations develop crisis prevention portfolios and can significantly assist management in their planning for crises.

The quantified expression of an organisation's vulnerability to a hazard or threat is called 'risk' and, since risk management and crisis management are often used in the business environment interchangeably, it would be useful here to clearly define the term. Usually, risk is associated with the possibility of suffering harm or loss or the probability that death, injury, illness, property damage, and other undesirable consequences will stem from a hazard (Lerbinger, 1997). However, the most broadly accepted definitions of risk are those which associate it with uncertainty of future alternative outcomes, starting with the seminal work of Frank Knight (1921) to the most recent discussions of the term in the fields of economics, psychology, sociology and political science (Althaus, 2013; Breakwell, 2014; Slovic, 2010; Stiglitz & Rosengard, 2015). In the business field and particularly in finance, risk is understood as the uncertainty of outcome, whether positive or negative, of internally or externally driven actions and events (often called 'risk factors') that have an impact on the achievement of an organisation's strategic objectives or even its survival (HMs Treasury, 2004). This uncertainty depends on the organisation's ability to accurately predict the likelihood of a threat or an opportunity as well as the impact it will have on the business when this will happen. Although the common theme between the definitions of 'risk' and 'crisis' is uncertainty and both may originate from an internal or an external threat (or threats), their difference lies in the fact that a risk may or may not occur at some point in the near future whereas a crisis occurs now, is characterised by ambiguity of cause, effect and means of resolution, and necessitates immediate action (Pearson & Clair, 1998).

Heath (1998) was one of the first crisis scholars to adopt a more 'risk management' approach and modified his original crisis management model (Heath, 1995) by adding a stage where the organisation's vulnerabilities are assessed. The concept of risk assessment has been refined into a two-phase activity: hazard/threat identification including its predictability, speed of onset, intensity, warning time and controllability (Godschalk, 1991); and risk evaluation in terms of its impact and likelihood of occurrence (Petak & Atkisson, 1982). A comprehensive risk assessment not only defines a portfolio of potential risks to be considered and dealt with but may also identify potential response and recovery problems (McEntire & Myers, 2004).

Having gone through this process, the organisation might be more effective in *proactively* treating the risk by choosing one or more of four risk treatment strategies: avoidance, mitigation, acceptance and transfer – AMAT (Ritchie & Reid, 2013). Risk avoidance is pursued by organisations when the anticipated rewards are not worth the intended risk to be taken – they simply do not pursue, or withdraw from, the