

# *Crisis Management During Hurricanes in the Caribbean*

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## **Introduction**

Hurricanes are the heavy and sometimes deadly storm that form over warm ocean waters and push a wall of ocean water ashore when and if they strike land. The wall of water creates a storm surge and can cause flooding, especially near the coast with high-powered circular winds (May, 2017). Hurricanes are categorized into 5 categories (from category 5 to category 1 as being deadly to some damage, respectively) using the Saffir-Simpson Hurricane Scale based on the severity and anticipated property damage. In general, hurricanes are defined as “an intense tropical weather system with well-defined circulation and sustained winds of 74 mph or higher” (The National Hurricane Service, 2017).

Given the importance of its geographic location, the Caribbean region is well acquainted with hurricanes. For the Atlantic region affecting the Caribbean islands, the hurricane season lasts from June to November, with the peak being from mid-August to late October. In September 2017, the two recent and major hurricanes in the Caribbean, Irma and Maria, created great destruction throughout this region. Hurricane Irma passed through St. Martin on September 6th as a Category 5 storm bringing along mass destruction to the entire island. Only a couple weeks later, another Category 5 hurricane named Maria passed through Puerto Rico leaving behind major damage as well. Given its geographic importance and popularity, natural resources (i.e., sea, sand, and sun), and economic structure, the Caribbean region and its macro-economy feeds and grows out of the hospitality and tourism activities, which are also the most important earning resource of foreign exchange. However, both of these hurricanes brought major destruction and negative impacts to life, property, and most of the industries including the hospitality and tourism industry in St. Martin and Puerto Rico respectively, causing poor tourism receipts, reduced financial gains, and highly reduced tourist arrivals and other travel activities (Rosenbloom, 2017). Justin Ram, director of economics for the Caribbean Development Bank, alluded that even a 1.0% drop in visitors could translate to a loss of about \$138 million worth of tourism related income for the region (Disis, 2017).

In the wake of these hurricanes, many hospitality companies (i.e., lodging, eating, and drinking establishments) are inoperable

and remain closed to this day. According to the U.S. Travel Association, Puerto Rico tourism might decline by 50.0% resulting in 36,600 fewer jobs (CBS News, 2017). Granvorka and Strobl (2013) found that hurricanes in the Caribbean area can bring about as much as a 20% reduction in tourist arrivals in the years following hurricane damage. This is a giant decline especially since the hospitality and tourism industry brought \$56 billion to the total gross domestic product in the Caribbean based on the data provided by the World Travel and Tourism Council (Disis, 2017). This equates to about 15% of the region's total GDP. As a response to the recent hurricanes, several companies including the Sunwing Travel Group in St. Martin have initiated strategic programs for employee assistance as well as an overall tourism and hospitality turnaround. These are crucial in times of crisis for financial as well as operational success of hospitality companies (mostly lodging companies) in those two islands.

As a result of the aftermath of these hurricanes, the primary objectives of this case study are: (a) to examine the impacts of the hurricanes Irma and Maria on the hospitality and tourism industry in the regions of St. Martin and Puerto Rico, (b) to analyze the marketing and financial recovery strategies that can be implemented for hospitality and tourism activities in the regions of St. Martin and Puerto Rico in the wake of the deadly hurricanes, and (c) to assess and put forth several recovery strategies for various operations of hospitality and tourism establishments in the regions of St. Martin and Puerto Rico.

Specifically, this case study seeks answers to several critical questions below:

- What key strategic actions can be implemented to revive hospitality and tourism activities in the St. Martin and Puerto Rico regions after hurricanes Irma and Maria respectively?
- What should be the main roles of each hospitality and tourism establishment to recover from the negative image of St. Martin and Puerto Rico during the post-hurricane period?
- What are the fundamental solutions for hospitality and tourism establishments' turnaround in terms of financial, operational, and marketing attempts?
- What can hospitality and tourism establishments do for their employees during the post-hurricane period?
- What could be the next steps and practices for the hospitality and tourism establishments in St. Martin and Puerto Rico to recover from hurricanes Irma and Maria respectively?

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## The Impact of Hurricanes on Hospitality and Tourism

Natural disasters such as hurricanes are notorious for potentially creating havoc in regions affected by them. This includes substantial damage to life and property, as well as interruption of chief economic activity, including tourism. The disruptive traits related to hurricanes have negative and unforeseen implications for tourism and hospitality and can radically affect regional, national, and international economies (Kim & Marcouiller, 2015). In such circumstances, regions that are affected by major hurricanes need to develop and manage these disasters by forming and implementing a thorough disaster plan and a series of proactive restructuring measures to reverse the overall economy and re-establish the territorial norms (Chandler, 2004).

Smaller economies primarily dependent on tourism are profoundly impacted by disasters in comparison to greater and more economically robust markets (Kim & Marcouiller, 2015). There have been several instances of hurricanes substantially influencing tourism activities and consumer demand in smaller and specific regions all around the world. In this matter, the implementation of a set of strategic actions and practices required to save these regions from a total failure in macro-economy is very critical and of utmost priority for these regions to revitalize the entire region and/or country. Several recovery strategies have been identified by researchers and practitioners in terms of crisis management and recovery to relieve the strain of negative impacts and to strengthen the foundations of macro and micro infrastructure. These include strategy evaluation and strategic control (i.e., formulation of what alternatively can be done), crisis communication and control (i.e., effectively bringing key stakeholders and parties together), resources management (i.e., re-allocation of existing resources), understanding and collaborating with stakeholders (i.e., collaboration among different stakeholders), followed by resolution, evaluation, and feedback (i.e., learning and feedback) (Faulkner, 2001).

The Caribbean region has experienced category 5 hurricanes causing the countries to deal with severe damages in every aspect of the living norms (i.e., agriculture, tourism, industrial and residential infrastructures, etc.). An acute example of this can be Hurricane Ivan that damaged the island of Grenada costing around \$1.1 billion, and further resulting in a sharp decline in tourism. Granvorka and Strobl (2012) suggest that an average hurricane disaster causes at least a 2% reduction in tourist arrivals. The largest hurricane disaster analyzed by their study was of Hurricane Ivan in Jamaica and resulted in a 20% reduction in tourist arrivals. These results do not take into account the severity of the disaster, and provide average statistics about tourism arrivals in the Caribbean region.

As a most salient example, very severe, negative impacts were seen during and after hurricanes Irma and Maria in 2017. Tourist arrivals in the Caribbean region grew by 5.2% in the first half of 2017 prior to

hurricane season. Due to the devastation brought by hurricanes Irma and Maria, growth of tourism was expected to slow down by 2% according to the Caribbean Tourism Organization chairperson Joy Jibrilu (Nagle Myers, 2017). The aftermath of these hurricanes shed light on the utmost importance of crisis management and recovery strategies in times of natural disasters. Specifically, since Hurricanes Irma and Maria caused a sharp decline in tourist arrivals to the Caribbean region, it is crucial to evaluate the impact of the disasters, establish linkages with strategic turnaround efforts and practices. Furthermore, problems in terms of avenues such as marketing, communication, leadership, human resources, economy, etc. must be resolved to achieve a rapid and steady improvement in the economy as a whole (i.e., core functions of catalyzer industries such as, tourism, liquidity, national debt, etc.), regain stakeholder support, and overcome internal issues. Whatever the key strategies are, adopted efforts must reverse the negative causes of Hurricanes Irma and Maria in the Caribbean regions' tourist arrivals, tourism receipts, and overall financial performance of this industry.

### Case Synopsis: Recovery Strategies from Hurricane Irma and Maria

The immediate analysis in the aftermath of Hurricanes Irma and Maria revealed that there was a sharp decline in tourist arrivals, receipts, and tourism and hospitality activities in the Caribbean area including Puerto Rico and St. Martin as predicted from previous disasters, including natural disasters and other crises (i.e., health crises). It is unfortunate that this decline is caused by many factors such as, physical destruction in the area, loss of infrastructure, danger perceptions (i.e., life and property) among tourists, etc. In the aftermath of these hurricanes, a brutally deteriorated brand reputation has been a clear sign for the authorities to have an effective move to reverse the situation and to come up with perpetual solutions for islands' turnaround (Disis, 2017).

The island of Puerto Rico continued to have problems with electricity for several months after hurricane Maria, despite unyielding recovery efforts, including resources and aid flowing in from across the globe (Muther, 2017). The biggest issue in the case of St. Martin was that of accessibility due to the airport being out of commission for several weeks after the hurricanes made landfall (Freeman, 2017). The main concern in restating tourist arrivals along with recovery efforts was the revival of the major airports in the area, for seamless transport in and out of the islands. The foremost focus in Puerto Rico was the restoration of the airport operations as well to support recovery efforts followed by the influx of tourists.

Due to the aforementioned and current political, economic, and social conditions of both Puerto Rico and St. Martin, effective management of disasters and crises and a robust revival plan is vital for the immediate turnaround and control of tourism industry. Researchers, officials, and practitioners have identified a crisis framework with four

major aspects of strategic planning and management including strategic analysis, strategic direction and choice, strategy implementation and control, and strategic evaluation and feedback (i.e., Richardson & Richardson, 1992; Ritchie, 2004; Faulkner, 2001). Ritchie (2004) developed a holistic framework of crisis and disaster management. The framework identifies six main stages of a disaster: (1) Pre-Event stage – action taken to prevent disasters; (2) Prodromal – apparent a crisis/disaster is about to hit; (3) Emergency – incident hits, damage limitation and action needed; (4) Intermediate – short term needs dealt with, restoring services; (5) Long term (recovery) – longer term clean up, repair, reinvestment, post mortem; and (6) Resolution – normal or improved state created. As part of the strategic implementation process, strategy evaluation and strategic control, crisis communication and control, resource management, and understanding and collaborating with stakeholders have been identified as the major elements of short and long term disaster recovery agenda. Table 1 details Ritchie's (2004) comprehensive framework based on Faulkner (2001) of a crisis and disaster revival plan that can be implemented to Puerto Rico and St. Martin in the aftermath of hurricanes Maria and Irma.

The foremost step in recovering from natural disasters like hurricanes Irma and Maria has been of restoring the infrastructure that sets the foundation of the hospitality and tourism industry. Often times these struggles of infrastructure are out of the reach of hospitality and

tourism companies and involve a wider range of stakeholders including government agencies.

Seraphin (2018) provided several suggestions following Ritchie's (2004) comprehensive disaster revival plan in terms of hurricanes in the Caribbean. One major suggestion is for hospitality and tourism organizations to work with private insurance companies in providing weather related insurance for tourism companies. "This type of insurance would require a strong partnership between tourism operators from the private sector (insurance companies) and the public sector (DMOs) of each island" (Seraphin, 2018). Since hurricanes are more common in the Caribbean region, special terms and contracts would have to be drawn up. Furthermore, a Pan-Caribbean disaster fund could be set up as a reserve for natural disasters to be used for quick revival of tourism destinations as highlighted in the resource management focus area of the crisis and disaster revival plan.

Additionally, the role of media and communications has been deemed very critical in regards to crisis recovery for tourism destinations as highlighted in crisis communication and control focus area of the comprehensive framework. Sonmez, Apostolopoulos, and Tarlow (1999) argue that media plays a crucial role in restoring the image of a destination and rebuilding tourists' confidence in traveling there. Following this notion, the Caribbean Tourism Organization has made multiple efforts to avoid maximum decline in tourism activities in the

**Table 1**

**A Comprehensive Crisis and Disaster Revival Plan**

Focus Areas	Strategic Actions
Strategy Implementation and Control: Formulation of strategic alternatives, evaluation of alternatives, selection of appropriate strategies; making effective decisions quickly; influence or control over crises/disasters.	Spur of the moment decisions Not always in the organizations' control – other agencies (govt. etc.) might have a role
Crisis Communication and Control: Control over crisis communication; development of crisis communication strategy including use of a public relations plan; appointment of a spokesperson; use of crisis communication to recover from incident; short versus long-term crisis communication strategies.	Controlling sensationalizing of the news Providing facts and quickly – nature of media Media crucial in rebuilding brand and restoring confidence in destination
Resource Management: Responsive organizational structures; redeployment or generation of financial resources; leadership styles and employee empowerment.	Resources include financial and HR 'Excellent crisis public relations skills, however, cannot save bad management, poor policies, and weak strategy.' Organizational structure and culture and important
Understanding and Collaborating with Stakeholders: Internal (employees, managers, shareholders) and external (tourists, industry sectors, government agencies, general public, media) stakeholders; need for collaboration between stakeholders at different levels to resolve crises or disasters.	Key internal and external stakeholders Different impact on each group

Source: The components of this comprehensive crisis and disaster revival plan are taken from Ritchie (2004) based on Faulker (2001).

Caribbean region including Puerto Rico and St. Martin. Collaborating with the media and assuring that actual facts are being communicated to the public along with promoting positive marketing for the destination has been the strategy of the Caribbean islands in response to the disastrous hurricanes Irma and Maria. Several popular media outlets such as the New York Times and tourism websites such as Lonely Planet and Travel Weekly are providing regularly updated information about tourism in the hurricane affected areas. These reports include an island by island update on the current status and advice for travelers in line with the Caribbean Tourism Organization's effort to avoid generalization of information for the Caribbean as a whole. The majority of these media outlets also provide direct links to official websites for individual islands for official information. In addition to avoiding generalization of information, accurate and relevant communication also assists in avoiding sensationalizing of the news as highlighted in the crisis revival plan.

The official website of Puerto Rico focuses on positive image building for the island along with an attempted restoration of tourist confidence. The home page has constantly updated counts for the number of open attractions, daily flights, open hotels, open casinos, open restaurants and open travel agencies. "Puerto Rico is as enchanted as ever" claims their catchy tagline enforcing the idea that the island is ready to welcome tourists and restore one of their major industries. Several other islands including Turks and Caicos have similar propaganda on their website to avoid a decline in tourism and restore their tourism growth that leads to several direct and indirect benefits to the Caribbean region.

This revival plan can be a lifesaver to both Puerto Rico and St. Martin to transform the area for a better tourism consumption in the near future. Taken all together, Ritchie's (2004) comprehensive framework of disaster revival plan and key strategies for both Puerto Rico and St. Martin are to re-create substantial hospitality and tourism value by re-building the brand image, re-capturing the market share in global tourism activities, and by recovering the entire tourism infrastructure.

## What Next for the Tourism Industry in the Caribbean Region?

The severity of such disasters and crises in determining the future path of tourist destinations will be a huge question for the years following these disasters due to hurricanes Irma and Maria's destructive outcomes in both Puerto Rico and St. Martin. Transformation and stimulus in infrastructure, tourism investments, overall economy, tourism innovation, global marketing campaigns, etc. are severely needed in these regions. The transformation, revival strategies, and, changes can be positioned as they may open up newer potential markets and industries as they lead innovation. However, these transformations could also be negative with an alteration of economic dependency from one industry or a lack of innovation or resources to be able to reach their

original glory. Hence, destinations with less diverse economic opportunities, that is destinations mainly based on tourism such as Puerto Rico and St. Martin, will face many challenges recovering from disasters and crises than destinations who benefit from a variety of industries. Since both destinations are heavily reliant on the tourism industry, it is even more crucial for them to recover from the recent disasters as quickly as possible (Kim & Marcouiller, 2015). Overall, clear and effective actions are crucial in reestablishing St. Martin and Puerto Rico and in altering these destinations in various ways as popular tourism destinations.

Ritchie's (2004) strategic framework also includes resolution, evaluation, and feedback as a concluding step in crisis recovery. The first portion of the concluding step is to restore the destination to its situation before the crisis along with using the crisis to reinvest in strategies. The crisis operates as an agent of change in this situation. This step is followed by organizational learning and feedback. This portion of the strategic framework includes assessment of the strategic plan and its implementation. Destinations and tourism organizations need to reflect on the destination and their responses to it. They must further provide feedback in regards to the overall strategic plan and to avoid making similar mistakes in the future. This step involves learning from the disaster to be better prepared for when the next disaster strikes. Looking ahead, such implementation and strategic actions would most likely unlock value and potential in Puerto Rico and St. Martin's tourism industry by re-creating a significant economic foundation and industrial sustainability and stable growth.