
Case Study

Post-Hurricane Asset Restoration and Business Recovery

By Elaine M. McLaughlin and John M. McCarthy



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John M. McCarthy is President of Liberty Hospitality Group, which he joined in 1989. During his tenure with Liberty, he has managed Liberty's hotel investments, including a world-class hotel in Florida and a large portfolio of Residence Inn by Marriott (RIBM) hotels. He also has participated in numerous real estate transactions, including the acquisition of a substantial portfolio of Resolution Trust Corporation assets. Currently, he oversees all aspects of Liberty's investment in Sanibel Harbour Resort & Spa, a four-diamond destination resort in southwest Florida. Mr. McCarthy completed Marriott's Management Training Program in 1984 and has held various management positions at hotels throughout the United States. He is a former Chairman of RIBM's National System Marketing Fund Committee and a former member of the Residence Inn Association's Board of Directors. From 1998 to 2001, he served on the board of directors of the Hospitality Asset Managers Association (HAMA) and continues to be an active member. He has co-authored several chapters in conjunction with the Educational Institute of the American Hotel & Lodging Association, HAMA, Florida Gulf Coast University (FGCU), and the University of Denver and his work has been published on numerous occasions. He is a frequent guest lecturer at colleges and universities, including University of Denver and FGCU, and has been invited to speak at numerous industry conferences, including the Americas Lodging Investment Summit, Hospitality Design Expo, and Hotel Investment Conference. Mr. McCarthy is a graduate of Ithaca College and currently serves on the FGCU Resort and Hospitality Management Advisory Board.



IN *RESTORING TOURISM DESTINATIONS IN CRISIS*, David Beirman defines a crisis as “a situation requiring radical management action in response to events beyond the internal control of the organization necessitating urgent adaptation of marketing and operational practices to restore the confidence of employees, associated enterprises and consumers in the viability of the destination.”¹ On August 13, 2004, the Sanibel Harbour Resort & Spa (SHRS) experienced an event that fit this definition and required a new level of urgent and radical action. The wrath of Hurricane Charley moved ashore and within several hours, lives and livelihoods were dramatically altered.*

Several managers remained on-property and served as the critical incident storm team. They now refer to the period leading up to, during, and immediately following the storm as “hours of anguish and intense prayer.”

As Hurricane Charley intensified, the building began to breach as the roof peeled, windows shattered, and rain entered from every direction. The sound of large objects hitting the hotel tower contributed to the terror felt by those hiding within. They realized that it would be impossible to adequately describe the basic fear for life shared by everyone who experiences a category 4 or 5 hurricane directly.

Many resorts have recovered successfully from natural disasters, but we know of no other example in which front-line employees have been engaged emotionally in the day-to-day challenges of the recovery process—in this case, a process that led to reopening a higher quality resort experience in record time.

In this case study, we will examine a unique approach to inspiring a workforce during a crisis and focus on team member engagement as a seldom recognized dimension in the “art” of asset management. We will share lessons learned that may help others identify and develop a best-practice plan for managing externally driven crises.

Background

On August 12, 2004, the day before Hurricane Charley came ashore, SHRS was operating as a 400-room destination resort positioned as an independent luxury property competing in the upscale southwest Florida market segment. After operating without a major brand or national operating company for more than a decade, SHRS was in its first year as a member of Preferred Hotels & Resorts.

SHRS opened as a contemporary destination resort in 1989 and expanded with the addition of a marina during the early 1990s and subsequent acquisition of several large watercraft vessels, including a 92-foot, 149-passenger yacht. In 1999, it expanded again with the addition of a 30,000-square-foot conference center located adjacent to the primary resort complex and an additional 107-room hotel building on adjacent waterfront land.

* *The analysis, conclusions, and opinions expressed in this case study are the authors' own and do not necessarily reflect the position of Sanibel Harbour Resort & Spa, Liberty Mutual Group, or its policyholders.*

SHRS was operated by Liberty Hospitality Group, a subsidiary of Liberty Mutual Group, and had a healthy presence in the group meetings market, frequently receiving awards of distinction. The property also benefited from a consistent flow of vacation travelers, contributing to an annual capture of between 35,000 and 40,000 leisure room nights. Additional business activity was attributed to being located in the eco-rich Gulf Coast area of Lee County along the shore of the San Carlos Bay where the Caloosahatchee River opens to the Gulf of Mexico.

The resort, situated on more than 85 acres of environmentally protected land, consisted of seven buildings that played host to a wide array of resort facilities and services. Liberty Mutual owned five of the seven buildings and the remaining two buildings were independently operated by two associations of condominium owners. Despite the condominiums' separate and distinct ownership structures, many individual owners maintained their units in the resort's rental program. The condo rental program allowed the resort to supplement the 347 rooms and suites with approximately 50 vacation condo units, bringing the total lodging inventory to nearly 400 units.

From a real estate perspective, the seven buildings were strategic assets within the resort complex. Each building component was somewhat analogous to an instrument in an orchestra and was an integral part of the resort's operational theatre. The asset was balanced with a dedicated spa building, a freestanding restaurant and tennis building adjacent to a series of clay tennis courts, and a freestanding 107-room lodging facility near the resort entrance. The other two buildings, connected by a sky bridge, housed a modern conference center and a multifaceted 240-room central building. All real estate components were designed to operate in concert with one another to enhance the destination resort's value proposition.

Before Hurricane Charley, SHRS offered guests:

- A 40,000-square-foot destination spa, salon, fitness, and tennis center.
- A marina featuring the Sanibel Harbour Princess, a 149-passenger yacht, extending guests the opportunity to enjoy various food and beverage functions on the water. The marina also featured a pontoon boat for fishing and shelling excursions.
- 40,000 square feet of meeting space, featuring a 10,000-square-foot ballroom, a 7,000-square-foot ballroom, and many waterfront breakout rooms with terraces.
- Multiple food and beverage outlets, including three restaurants, a poolside snack bar and lounge operation, a waterfront lounge, a deli, room service for each building, and a fully integrated banquet and catering services operation.
- A walking trail to encourage guests to enjoy the rich ecosystem and wildlife, including mangrove forests, giant ficus trees, osprey nests, fishing and observation piers, several thousand linear feet of natural coastline, and an estuary with a wide variety of bird species.
- An award-winning children's program called Kids' Klub.

- Three retail shops including a spa boutique, ship's store, and general gift shop.
- Two primary pool decks, supplemented by three smaller pool decks at the condo towers and the 107-room inn.

The traditional mix of business at SHRS was about 60 percent group meetings and 40 percent leisure clientele. The resort employed more than 500 team members, the majority of whom were employed on a full-time basis. Managers adhered to a well-established mission statement and team members were core to the unique business culture that existed at SHRS before August 13, 2004.

In the days, months, and years before the hurricane-forced closing, the SHRS staff maintained healthy guest satisfaction scores and the overall team member satisfaction index was also above industry average.

Mission Statement

As stated by Christopher K. Bart, "There is a relationship between the words and concepts of a mission statement and that firm's success as a business."² Part of SHRS's mission statement is as follows:

Sanibel Harbour Resort & Spa is a Resort whose most compelling features are timeless. The team members of the Resort are committed to exceeding the expectations of the guests, owners, and each other. We will provide guests with a sense of well being through the consistent delivery of personal service in a clean, safe, and environmentally friendly setting. We will offer a rewarding work experience and encourage the professional growth of our team members through training and individual development. We will be active in our community and remain a positive part of its growth. We will respect the owner's investment through constant improvement of facilities and property, focusing on best practices. By embracing these principles, the team members of Sanibel Harbour Resort & Spa will remain true to our core values while ensuring the legacy of the Resort.

In accordance with its mission statement, SHRS's ownership representatives and senior management historically have embraced the promotion of best practices. Hurricane preparation was one of many disciplines in which ownership and management were dedicated to promoting what is best for guests, team members, and owners.

Preparation

In order to evaluate the efficacy of the SHRS hurricane plan, we first will examine the issues and challenges associated with hurricane preparation. Later, we will examine what was learned and what improvements could be made during a post-hurricane recovery.

Unlike other natural disasters that strike without advance warning, hurricane activity is seasonal and most storms are tracked many days in advance. As a major storm approaches, senior management is responsible for ensuring that the business is prepared for the event. As with most southwest Florida residents, the 2004

hurricane season was not the first time that SHRS team members had to prepare for a potential hurricane. Many were involved in the preparation activities for Hurricane Andrew in 1992 and Hurricane Georges in 1998. In fact, many tenured team members were involved in the creation and implementation of the official SHRS hurricane preparation plan.

Most hotels and resorts have certified emergency plans that have been reviewed thoroughly by due diligence officers, lenders, insurance adjusters, local officials, corporate officers, and asset managers, just to name a few. Hurricane preparation planning, including an evacuation policy, is standard operating procedure for businesses operating within the state. When it comes to hurricane preparation, there are many valuable resources available to owners and operators, including:

- VISIT FLORIDA's media kit and information on recovery issues by state region at www.visitflorida.org.
- Lee County Visitor & Convention Bureau's (www.leevcb.com) model plan for hotel hurricane preparation and initial recovery.
- The Lee County Economic Development Office site for hurricane preparation registration located at www.leecountybusiness.com.
- The Lee County Emergency Management Web site, with weather updates, storm preparation tips, listings of upcoming seminars, links to the National Hurricane Center, and updated shelter information at www.leeec.com.
- The National Oceanic & Atmospheric Administration at www.noaa.com.

At SHRS, preparation for Hurricane Charley began on August 11, 2004. Instructions were delivered to each guestroom, alerting guests that the region had been placed under a hurricane watch and that if the county's Emergency Management Agency issued a hurricane warning, they would be encouraged to leave the resort. All team members were given specific instructions by department, some of which are listed in Exhibit 1.

A hurricane warning was issued on August 12, 2004. Jim Cantore of The Weather Channel made an appearance at the resort, requesting permission to do live coverage from the coastline of the SHRS property. Senior management declined the opportunity, intuitively sensing that this type of coverage was not necessarily beneficial to the resort's business interests. Mr. Cantore was, however, influential in prompting senior management's decision to begin evacuating on the afternoon of August 12—24 hours before Hurricane Charley would potentially arrive. A well-known storm tracker, Mr. Cantore was generous in sharing his experience and wisdom and advised that with the ever-increasing probability of severe weather, an immediate evacuation made the most sense.

Team members helped with guest evacuation and all guests were asked to leave the premises by 6 P.M. All team members with the exception of a six-person storm team (two executives, two engineers, and two security personnel) were then excused to allow them time to adequately prepare their own homes for the threatening weather event.

Exhibit 1 Hurricane Preparation Instructions for SHRS Team Members

Executive Office

- Assemble department heads and discuss preparedness and emergency inventories.
- Prepare advisory letters for hotel guests.
- Contact nearby resorts for occupancy levels and placement of possible evacuated guests.
- Identify emergency shelter locations and capacities in the event that evacuation becomes necessary.
- Place hurricane maps with shelter location detail in rooms and other common areas.
- Decide who will stay on-resort in the event suspension of operations becomes apparent.
- Place all salaried managers on standby status.

Reservations/Sales/Conference Planning

- Prepare lists and contact phone numbers of all incoming groups for the next seven days each day during the hurricane watch and warning.

Engineering

- Check resort grounds for loose objects such as dead branches, loose coconuts, etc.
- Recheck emergency supplies.
- Check grounds for possible drainage problems.
- Top off fuel/diesel tanks.
- Check generators.
- Prepare sandbags for low lying access points.

Purchasing

- Check fresh water supplies and food stores.
- Supply fresh water for the six-person storm team for a week if an evacuation is required.

Audiovisual

- Make available a video camera for insurance inventory.

Security

- Check such emergency supplies as batteries, flashlights, and other items recommended for a hurricane kit.

Sunsports/Princess Captain

- Make a decision about stowage of the boats at a safe harbor marina. Contact identified marinas each day for hours of operation and available capacity.

Many hurricanes form strong outer bands and most develop a diameter spanning more than 100 miles. Most, if not all, team members lived within 40 miles of the resort. Hence, any severe storm system or major hurricane that potentially

could threaten SHRS real estate would pose a threat to the homes of SHRS team members. This threat was realized by senior management and helped validate the decision to evacuate in sufficient advance of the storm.

Throughout this case study, we will share many of the lessons learned by the managers, team members, and owners of SHRS. One of the many lessons learned by senior management was to act decisively and not wait until the very last minute to execute an evacuation plan. When faced with the challenges associated with an approaching hurricane, leadership must rely on a comprehensive hurricane plan. It is critical for senior management to take ownership and ensure that the plan is dynamic and constantly evolving to the next level of best practices. Hotel operators have many binders filled with emergency plans and they must make sure that such valuable information does not merely sit on shelves and collect dust.

Preparation should include a thorough review of insurance coverage well in advance of the storm threat. While it is important to understand the adequacy of coverage and various sub-limits within the policy, it is equally vital to procure coverage that protects team members. It is inconceivable that a resort could resume operations, restore the real estate, and ensure successful business recovery without team member engagement.

At approximately 3:45 P.M. on August 13, 2004, Hurricane Charley came ashore within a mile of SHRS. The storm team sheltered itself on the mezzanine level of the main hotel, an area that was constructed of concrete block with few windows. The primary risk on the mezzanine level was the laundry hatch, which flew open during the storm. When the hurricane cleared, the storm team emerged to do an initial evaluation of damage.

Recovery

In some instances, a storm can pass through an area and cause little or no damage to the real estate and/or business operations. Unfortunately, it is difficult to forecast the impact or potential physical damage that a storm can cause to a coastal property with seven buildings spread out over 85 acres of mangrove forest. During preparation, each building was treated like an independent asset and the step-by-step hurricane emergency plan was administered to all areas. As the storm team surveyed the damage, it was evident that preparing for the worst had been wise. The main entry road was blocked by downed ficus trees that once had provided an elegant and stately canopy over the entry boulevard. Power lines were down and debris from building destruction was everywhere.

Management immediately engaged a landscape company and assigned it to remove debris. A crew arrived with chain saws to clear the drive into the resort. An early lesson learned was the importance of ready access to chain saws and generators, especially when sited on a beautiful and densely treed property that is susceptible to downed branches, trunks, and power lines. Many properties use electric golf carts to move goods, service staff, and even guests around resorts. Another lesson learned was the need to have gas-powered golf carts and/or other utility vehicles when electricity is not available or in short supply.

Although SHRS had developed a detailed hurricane plan that assisted in evacuating guests and securing property, it became apparent that post-storm recovery had been addressed in a way that did not envision such serious destruction. The lesson learned is that the recovery process requires in-depth planning and should draw on the knowledge of people who have firsthand experience with severe hurricane damage.

In the aftermath of Hurricane Charley, the resort's mission statement continued to be a galvanizing force. More than ever before, the words of the mission statement would require strong action and a renewed commitment to core values. Resort management was motivated to achieve a higher form of leadership in response to the crisis. The management team faced a series of challenges that was unlike anything it had experienced before the loss.

The goal for the management team was to find a meaningful solution to each problem. The extensive hurricane damage created a new set of challenges that required a different way of thinking. One of the initial decisions was to carefully evaluate the value proposition of the resort, ensuring that the SHRS brand of service and quality would be restored to pre-storm standards. Since all of the facilities had been compromised, the August 12 version of SHRS no longer existed and there were many discussions about how best to reopen with all amenities restored and operational. To protect the brand, it was important that all elements of the value proposition be well orchestrated. It became obvious that the effort required resources and skills beyond the scope of a normal resort operation.

Although some of the marina assets, like the Sanibel Princess, were not damaged directly, the dock structures that provided yacht access had to be totally restored. While the spa building sustained less damage, it was located at the far end of the property and access was difficult, resulting in a substandard sense of arrival. Therefore, the business strategy was to accelerate the restoration work while SHRS remained closed and to reopen the resort as a total offering rather than as a piecemeal set of services and products.

SHRS had many real estate components that were critical to the value proposition of the resort, most of which were damaged significantly by Hurricane Charley. The once-beautiful grounds were nearly decimated and most of the buildings were badly damaged. Throughout the property, the roofing systems and many of the glass sliders and windows were destroyed, which compromised the building envelope during the storm. Essentially, the buildings had been breached and had become vulnerable to extensive water damage.

The contents, also referred to as personal property, of the buildings were destroyed, badly damaged, or compromised. Anything worth salvaging still required much attention, especially to restore it to pre-loss condition. Many of the interior design elements throughout the property represented a collection of many years worth of improvements and few would be easily duplicated.

During the most recent refurbishment of 240 guestrooms in 2003, a very popular tropical/botanical scheme had been implemented, but only in the primary tower units. The design process for the 2003 refurbishment had taken more than five months, beginning with initial design in February 2002 through the completion of the model room in July 2002. Given a best-case scenario of 20 weeks to get

comparable furniture, it was quickly determined that using a ready-made design scheme for the rest of the resort was the most economical approach. The economic rewards for acting decisively in order to reopen by high season outweighed the risk of spending months figuring out how to replicate years' worth of design that was in place before the hurricane.

The forced changes to the real estate components precipitated changes to the SHRS value proposition. The physical changes required SHRS sales and marketing executives to recreate alignment between the real estate, the business recovery, and the value proposition to the customer. After senior management determined that it was possible to restore the real estate and related business operation by February 1, 2005, a new marketing vision was needed. This new vision had to encompass a resilient recovery campaign and promote the promise that SHRS would come back better than ever.

Working with Vendors

Approximately 50 of the resort's condominium units, though damaged, remained usable for emergency personnel. This allowed the resort to house vendors and key leadership on-site and contributed to rebuilding in record time. The food and beverage team set up a commissary in a conference room that had been stripped down to concrete floors and walls. The team fed as many as 1,000 people each day, including the resort's own team members and outside contractors. There were approximately 200 painters from Texas, 75 contractors from Tampa, and hundreds of others, including designers, architects, landscapers, insurance administrators and adjusters, safety and security officers, and project managers.

Accelerating the restoration in order to resume revenue generation became the primary objective for resort leadership. Therefore, qualified vendors with a proven track record were contracted immediately rather than after a lengthy traditional bid process. In radical times, it may be necessary for finance, accounting and purchasing managers to move away from traditional thinking. In any business crisis situation, the costs of remaining closed for a longer period need to be weighed against the reward of opening as soon as possible.

It is important to remember that Charley was the first of four hurricanes to strike Florida within six weeks. Had the leadership of SHRS not acted quickly to secure contract resources, they would have been competing with many other businesses throughout the state requiring the same construction workers and materials. Because SHRS contracted services and supplies within two to three weeks, they were able to move the restoration ahead much more quickly than competing properties. Acting swiftly and decisively helped mitigate the risks associated with scarcity of resources.

The Role of Mutual Aid

Early in the recovery process, the resort drew on resources provided by the parent company, Liberty Mutual. Liberty Mutual provided a qualified corporate emergency response team (CERT). A CERT is responsible for business continuity and guidance during emergency situations.

People who are not drained from their personal devastation as well as the destruction on-property are better able to step into the fray knowing their families are safe and comfortable in a distant setting. A lesson learned was the importance of injecting positive energy into a crisis situation. Few would argue about the difficulty of staying positive when returning home to an unstable environment without potable water, electricity, air-conditioning, or refrigeration in a sweltering environment. While the arrival of support resources can provide reassurance to residents that help is on the way, seeing the National Guard patrolling the streets is not an indication that all is well.

Mutual aid is defined by the Florida Division of Emergency Management as “a written agreement between agencies and/or jurisdictions that they assist one another on request, by furnishing personnel, equipment, and/or expertise in a specific matter.” While mutual-aid agreements typically are used by the public sector, resort hotels would be wise to develop the same kind of assistance agreements. There are several areas within resort operations where mutual-aid agreements could prove beneficial, particularly human resources, media relations, and marketing. In the aftermath of a serious disaster, these departments could use expert assistance, especially while their team members see to their own personal situations. Even if employee homes are not damaged, it is wise to provide an opportunity for team members to leave the area of destruction temporarily and return with renewed energy.

The mutual aid provided by Liberty Mutual included critical supplies like radios, additional cellular phones, and hard hats for all team members needing access to restricted areas. Knowledge and experience with disaster recovery, particularly construction management resources, contributed greatly to the local effort. SHRS’s mission to take care of people was in clear evidence. As the entire community was adversely affected by the storm, some team members had an added incentive to come back to work. Because the resort had been equipped with emergency power, water, and limited air-conditioning, it would offer more basic physical comforts than their own homes for many weeks to come.

Through Liberty Mutual, leaders were able to locate and supply the resort with additional generators and diesel fuel, both essential as the recovery moved forward in the first few weeks. Liberty Mutual also procured the services of a professional security firm and several highly trained security officers were immediately deployed to assist in disaster recovery and safety issues. Members of Liberty Mutual’s CERT team had extensive experience in matters relating to disasters and insurance coverage and were able to provide clarity on recovery related issues.

Changing Team Member Roles

Fortunately, the SHRS insurance policy included ordinary payroll coverage for the period of business interruption. Procuring insurance coverage to protect the employees helped to avert what otherwise would have been an enormous problem. Instead of losing valuable team members due to the suspension of operations, the resort was able to keep employees working during the time required for the physical recovery.

With so many problems to address, engaging all team members in the restoration process became the most critical component of the business recovery effort. With the team members on board, management identified three major initiatives:

1. Thoroughly assess the damage and set forth a realistic target date for the resort to be restored. The phrase “stake in the ground” became the common mantra and the target date for resuming operations became February 1, 2005.
2. Identify what additional value-added projects could be completed by February 1, 2005, especially while the resort was closed, to ensure that the resort could be promoted as “better than ever” upon resumption of operations.
3. Create and execute a comprehensive business recovery plan with initiatives that would ensure that the resort team could enjoy an accelerated return to stabilized occupancy once the real estate restoration campaign was completed.

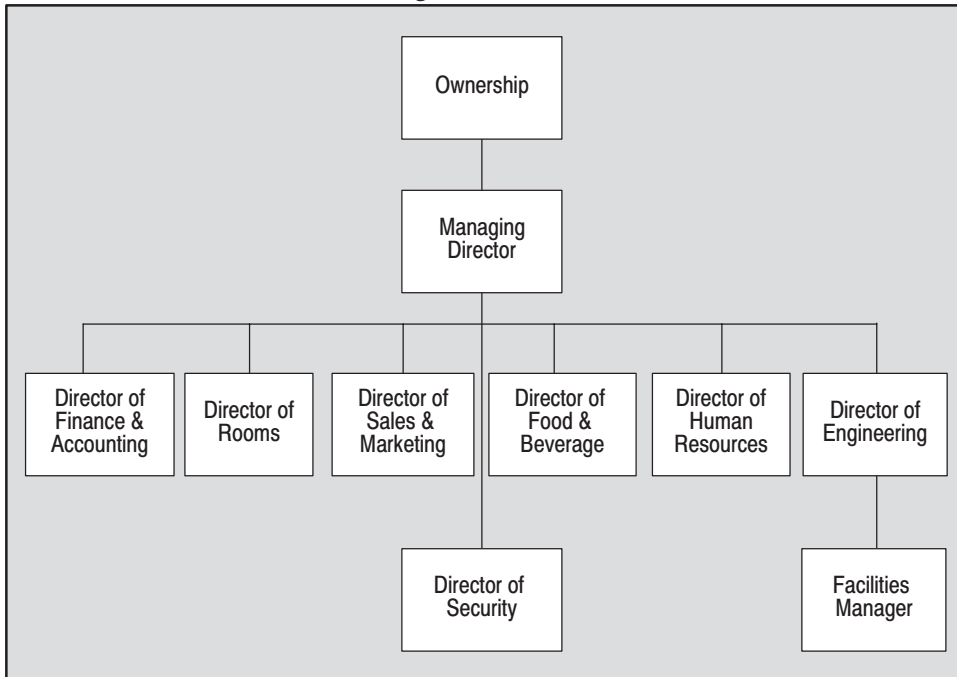
The recovery component of the resort’s hurricane plan required the executive team to assess damage and risk with an emphasis on safety issues for the team members. The executives and a select group of team members conducted room-by-room assessments and completed a thorough damage analysis. Team members were selected to assess damage according to their familiarity with the resort area and their specific expertise. They were equipped with clipboards and cameras and their assigned task was to communicate the level of damage by providing a detailed list and photographs for executive management.

Within three days, resort management began to bring back many hourly team members as the employees’ personal situations allowed. These people were asked to assist in both the damage assessment and initial cleanup. In the immediate aftermath of the storm, many team members returned to work despite some enormous personal challenges associated with damage to their own property.

With operations suspended for at least five months, it was a challenge to strategically engage and involve front-line team members in tasks that would add value to the recovery. With no guests to serve, many positions became temporarily obsolete. What does a bellperson, concierge, boat captain, or massage therapist do during suspension of regular operations at a world-class resort that is now a disaster area?

Fortunately, some team members’ core responsibilities continued. Exhibits 2 and 3 show SHRS’s organization charts before and after Hurricane Charley. Such internal support services such as human resources, payroll, accounting, security and engineering resumed almost immediately. While the restaurants were now closed, many food and beverage team members were still needed to support the recovery. The difference was that guests now wore hard hats and steel-toed boots rather than spa robes, bathing suits, or golf shoes.

Front-desk personnel found themselves cleaning landscape debris or tearing down water-soaked walls in the early days of the recovery. The marketing staff inventoried and moved all of the salvageable artwork. The executive team moved furniture, linen, and several thousand pillows from temporary storage in a meeting room to an off-site warehouse. For more than five months, team members found themselves without guests to serve or routines to follow.

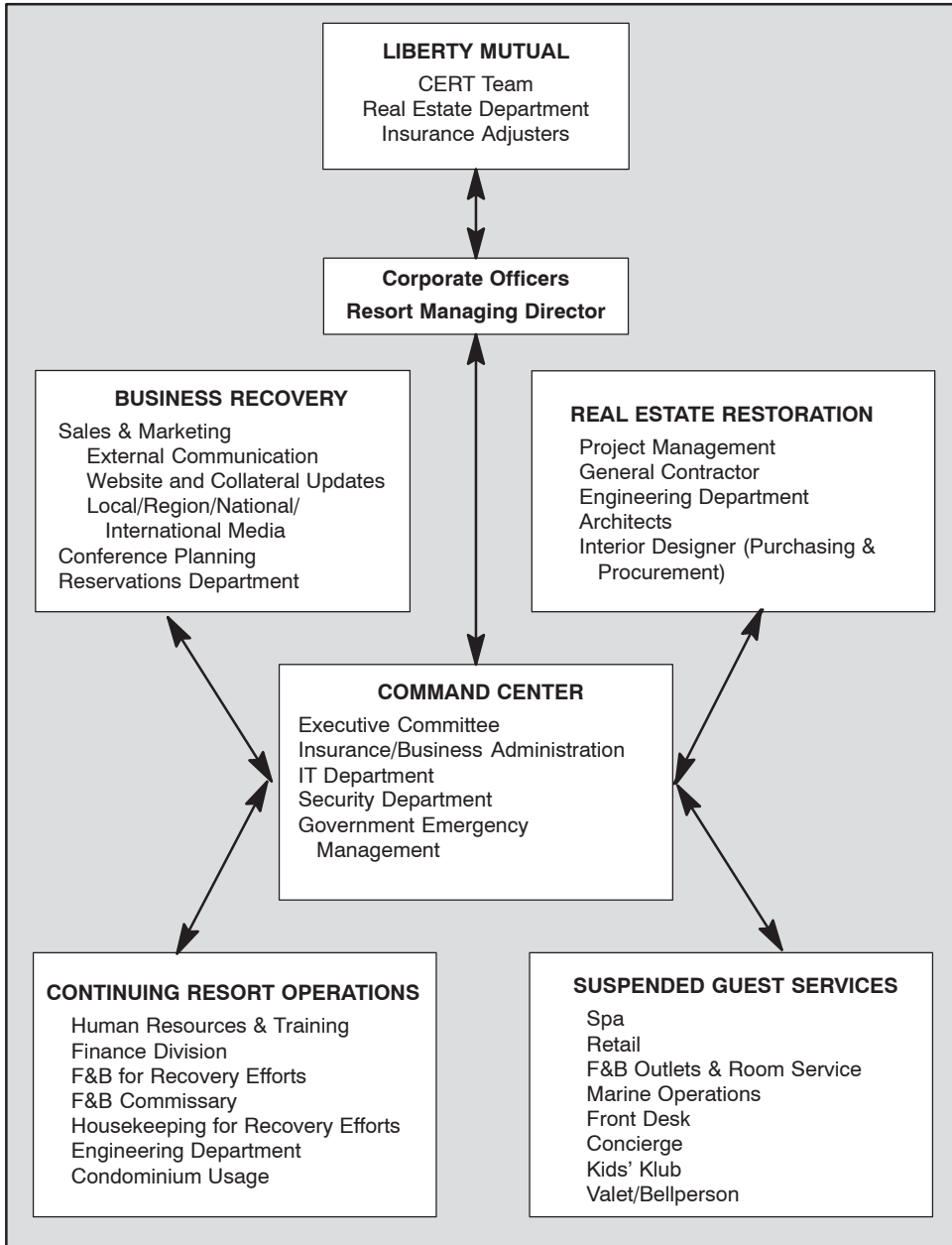
Exhibit 2 SHRS Pre-Hurricane Organization Chart

Every day created a new challenge and a change in responsibility. Keeping team members involved in the physical, emotional, and intellectual recovery process became a daily challenge. The role of leadership was to identify meaningful tasks that would enhance the recovery effort and engage staff in the importance of their ever-changing roles. One lesson learned was that the most versatile people were also the most valuable to the recovery process.

Establishing Storm Compensation and Related Benefits. An innovative action initiated by the SHRS human resource team was the development of an equitable compensation plan for those workers who reported gratuities. Management took the average of reported gratuities from the previous 12 months and incorporated that amount in the computation of employee's "storm rate" of pay. Normal vacation and other benefits also continued to accrue for employees during the time the resort was under repair. These actions continued to reinforce the organization's mission of taking care of its team.

Respect for the team member role in the future of the resort was clearly demonstrated when the next storm struck Haiti. Several team members had family who perished in the hurricane. The resort management worked with Liberty Mutual's corporate travel office to provide plane tickets so these employees could return to assist their loved ones, now suffering an even more serious catastrophe. A humbling lesson learned was that no matter how difficult and stressful the resort's recovery appeared, it paled in contrast to the suffering being experienced

Exhibit 3 SHRS Post-Hurricane Organization Chart



in Haiti as a result of Hurricane Jeanne and then the devastating tsunami that killed more than 200,000 people in Southeast Asia. Resort employees collectively contributed to the recovery effort in both instances.

Celebrating the Recovery. As the holidays approached in 2004, senior management wrestled with how to continue the tradition of hosting a holiday party for the team members. After evaluating the costs and logistics of holding the event elsewhere, it was determined that SHRS could still host this event for more than 500 people. Absent plush carpet, wall covering, artwork, landscaping, and anything else that typifies an upscale resort, the team relied on human spirit to inspire the holiday event. Team members volunteered to decorate the ballroom that had become the commissary for the recovery workers, looking beyond the concrete floors and construction elements to capture the spirit of the season. Much like the characters in “A Charlie Brown Christmas,” team members managed less-than-optimal resources and turned a disaster/construction site into a venue for a most joyous and memorable event.

On January 31, 2005, still without a ballroom due to last-minute construction issues, senior management hosted a pep rally for team members of SHRS. The event was held in the basement parking area. Together, everyone celebrated the historic reopening of the resort. With guests scheduled to arrive on the following day, most team members had worked feverishly in the days and weeks prior to ensure a successful reopening. Most of the team members were tired but excited about the prospect of opening and resuming their former jobs.

The pep rally was filled with cheers and ovations for every contributor, including outside vendors and resort departments. There was a ragtime band to set the tone throughout the event. Great food, ice cream, and entertainment captured the spirit of the recovery. The event culminated with a special tribute to the men and women serving in the armed forces and team members and vendors joined to sing the national anthem.

Communications

Communication is perhaps the most critical dimension of organizational behavior during a crisis. One core element for preparation, survival, and recovery success is effective communication. The seed for preparing a comprehensive communications response must be planted in the planning process. The plan must include how the organization communicates with *all* stakeholders since communication is vital to recovery.

Internal Communications

Communication with employees must begin long before a crisis affects a hotel. The organization must have a culture of communication in place that promotes trust and security among team members. This trust begins with the organization’s mission statement. In the case of SHRS, the mission statement includes language about the hotel’s commitment to employees. The statement speaks to the responsibility of all employees to exceed one another’s expectations. Identifying employees as stakeholders provides a foundation for building trust, which is fundamental in ensuring employee loyalty following a natural disaster.

SHRS had in place a comprehensive communications plan to prepare for a storm event. This plan included a system for communicating with executive,

management, and hourly employees in the post-storm period. The resort had established an emergency toll-free number call-in system that was provided through Liberty Mutual headquarters in Boston. One of the lessons learned was that it is important to have multiple modes of communication in place. In the immediate aftermath of the storm, only one cellular service remained operational. That single connection now provided the resort's only line to civilization. Had the resort not had multiple cellular phone contracts, there would have been no reliable mode of communication to the toll-free service, the home office, or the employees who soon would be needed. Handheld mobile radio devices and laptop computers were additional communication technology that soon became essential.

SHRS human resources attempted to contact all 550 employees to determine possible injury and assess their personal situations. Many employees had to face significant damage to their homes, but none were injured. They were now concerned for their jobs and their livelihoods. They were asked to remain on standby and told they would be called in as needed.

During early communication, resort leaders assessed damage and worked with internal and external resources to understand the insurance coverage in place. Shortly thereafter, they were able to confirm that ordinary payroll coverage would pay employee wages during the suspension of operations. One of the difficult lessons learned was the need to communicate job security as quickly as possible. The success of the recovery depends on team members' physical and emotional engagement. Therefore, the sooner a corporation can reassure its workforce regarding continued employment and related income, the better.

Developing and Communicating the New Vision. Successful crisis leadership requires that management move the team beyond the daily mission of the organization. When catastrophic damage faces returning employees, leaders must engage team members in a new vision for the resort hotel. SHRS moved quickly to establish this vision. Because resort ownership had invested in business interruption insurance and coverage for ordinary payroll, it was well positioned to retain its loyal and hard-working team members. By emotionally engaging employees and assigning roles for improving and reopening the resort, leadership was able to use the human resource asset so readily available and so seldom used. The leadership team developed a new tag line for both internal and external marketing purposes. Team members now wore shirts emblazoned with the action-oriented phrase "Restoring Legends, Creating Memories." All team members were now engaged in the recovery process. This rapid shift kept a psychology of hopelessness from taking root among the employee group. By focusing on the human aspect of disaster recovery, SHRS was able to capitalize on this asset and assign employees to temporary and new responsibilities in an altered work environment.

Communications Training. One of the most innovative and visionary decisions made by the resort was to make an investment to increase productivity, ensuring a successful recovery once the restoration was complete. English language classes were provided for many of the Spanish and Creole speaking employees, while management learned basic skills in both languages to enable better communication with line employees. All team members spent time focusing on customer

relationship development and service education, a true recognition of the value of the human resource asset of a resort property. Research in strategic management has demonstrated that investment in an employee's integrated knowledge of the organization's services and products can produce sustained competitive advantage.³ The leadership team at SHRS supported this concept and recognized that, in order to return the resort to a competitive market position, both the physical and human infrastructures must be restored.

External Communications

The marketing team at SHRS also learned the importance of consistently communicating with key stakeholders outside the organization.

Meeting Planners. Marketing team members had worked diligently over the months before the storm to book business for the resort. They now had the heart-breaking task of calling other resorts to find a suitable alternate location for their clients. Although emotionally difficult, this care for the client's needs translated into solid long-term relationships with a core group of meeting planners. Where possible, the sales team tried to defer the meeting to a post-recovery date. Through coordination with The Beaches of Fort Myers & Sanibel Visitor and Convention Bureau, an effort was made to try to keep groups in the resort, the county, or at least in the southwest Florida region.

Dealing with the Media. In order to showcase the recovery successfully, sales and marketing executives needed new photography and new print and electronic collateral. Marketing personnel also had to update the various Web sites that served as SHRS distribution channels. Media and travel intermediaries typically require dated photography to demonstrate that the "story" that marketing personnel tells about the real estate represents reality. In the aftermath of a catastrophic event, public perception naturally is negative until there is conclusive evidence to the contrary. One of the best ways to reverse the negative perception caused by Hurricane Charley was to showcase a bold vision for restoration and recovery, supported with verifiable results in the form of pictures, collateral, and timely updates to the various Web sites serving SHRS distribution channels. All of these marketing initiatives were critical to the business recovery campaign, particularly to support the communication with media and travel intermediaries.

The director of sales and marketing was assigned to be the sole contact for local, state, and national media. This decision was consistent with the prestorm planning policy and served the resort well. Although the media was reasonably sympathetic with the plight of the resort and its valued employees, some journalists pushed to obtain contradictory responses to questions like "When do you think you will reopen?" A lesson learned was the value of allowing only one spokesperson to respond to media queries during the entire recovery. Management also invested time in keeping travel journalists apprised of the recovery process. It was important to recognize that these professionals would be helpful in influencing the leisure and convention market decision-makers once the resort was open for business.

Unplanned Opportunities

After determining the extent of damage and setting the course for restoring the damaged property to pre-loss condition, senior management tried to identify value-added business and/or real estate initiatives that could be undertaken during the suspension of operations. On the real estate front, an assessment of the five-year capital plan was examined to identify future projects that could be advanced while the resort was closed. With vast resources already mobilized and deployed on-site, there would be no better time to tackle the following:

- Repositioning the food and beverage operation by modifying the fit and finish of the floor and wall treatments and adding custom millwork to create more dynamic and more contemporary outlets.
- Upgrading the lobby areas by enhancing thousands of square feet of floor tile, installing a lobby fountain, and changing highly visible millwork surfaces, as well as artwork and lighting.
- Improving the sense of arrival by upgrading the porte cochere with custom millwork, new tile with impressive mosaic features, and improved lighting and furniture to offset what was lost because of landscape damage and ensure that the guest experience would remain first rate.

These initiatives, while not directly a part of the insurance claim, helped reduce the loss by improving marketing efforts dramatically.

On the business front, senior management discussed strategic initiatives that could build business value for SHRS, particularly by creating ways to improve team member productivity during the restoration period. Keeping the team members engaged in the real estate restoration and business recovery efforts would ensure success. The following are a few of the many initiatives that were implemented during the restoration period.

Retail Kiosks at Local Malls

Team members decided that the resort should offer spa products and other merchandise in these two high-visibility local malls. This also gave SHRS team members the opportunity to be out in the community in a highly visible location to let people know that SHRS would soon be back in business. Selling merchandise that otherwise would be in a warehouse also created cash flow.

Massage Therapy

Since the spa team members were not serving guests, they were engaged in providing five- to ten-minute shoulder massages to restoration workers in the commissary during lunch breaks. Leadership determined that this deployment supported the mission statement's commitment to helping others and served to maintain the engagement of the spa team members during the resort restoration period.

Training

Training has always been a central component of the SHRS mission statement. Resort leaders recognized an opportunity to supplement their existing programs to ensure a crisp return to operations on February 1, 2005. Establishing training as a top priority is always a challenge when guests are present. Programs typically include English language, wine knowledge, and progressive management development in upscale resort operations. Since there were no guests, training programs were well attended and well executed. Focusing on training helped solidify and fully engage all team members in preparation for reopening the resort.

Community Recognition

Community leaders were elated with SHRS's foresight and commitment to covering ordinary payroll, investing in training, and including team members in the recovery effort. High-level political and business leaders recognized the value of ensuring jobs for 550 local citizens. SHRS has been nominated for the prestigious Horizon Council Business of the Year Award. Further, *Gulfshore Life Magazine* recognized the resort's Managing Director, Brian Holly, as a nominee for person of the year for 2004. The property also was recognized publicly during the Lee County Visitor & Convention Bureau's 2004 "E" Awards that recognize front-line customer service employees in the hospitality industry. The countywide hospitality industry rose to its feet to pay tribute to the commitment of SHRS to its team members and to the community as a whole. Many large resort properties work hard to maintain community goodwill. Staying true to its mission by taking care of its team members has earned SHRS the respect of the community and its leaders.

Florida Gulf Coast University

A crisis of any kind provides a learning laboratory for higher education. The professors in the Resort & Hospitality Management (RHM) program at Florida Gulf Coast University recognized this opportunity and scheduled visits to SHRS so students were able to see the damage firsthand and follow the restoration's progress. The leaders of the resort were generous with their time and with their knowledge. RHM students were able to learn about the challenges involved in bringing a resort to full operation after a damaging hurricane. They met restoration team members and attended sessions outlining the complexity of the process.

Students gained firsthand experience in the restoration process and enjoyed the benefit of guest lecturers who presented the marketing strategy for reopening the resort and protecting the client base. This will serve the industry and these managers well in future crisis events.

Future Considerations

The Condo-Hotel Model

According to Robert MacLellan, Managing Director of MacLellan & Associates, "New hotel construction in the Eastern Caribbean is now clearly being driven by

condo hotel type development with few conventional properties currently in planning. Regional banks are getting comfortable with this kind of business model.⁷⁴

Throughout Florida, the Caribbean, and many other hurricane-vulnerable regions, we see this pattern evolving. It is apparent, based on a lesson learned with the SHRS experience, that serious research and consideration needs to focus on the structure of the agreements between condo-unit ownership associations and the managing hotel company. When it comes to authority to restore a building following hurricane damage, delineation of responsibility and accountability must be clear. The five hotel-controlled buildings on the SHRS site were restored and operational in less than six months. The repairs to the two association-controlled buildings are not yet complete a year after the hurricane incident. If, in fact, the condo hotel investment model is a popular vehicle for development of new properties, investors and hotel company partners need to have assurance that their operating and contractual documents address clear authority for decision-making regarding restoration. Waiting for low bids or scarce resources after a serious storm event could jeopardize the long-term viability of a condo hotel.

Planning for Employees in Suspended Operational Units

A lesson learned was the need to plan training that could be implemented during the suspension of regular operations to take full advantage of the opportunities at hand. SHRS used innovative thinking to train front-line employees who would play a role in rapid business recovery. In hindsight, it might have been possible for team members to use their time more productively. The spa team potentially could learn a whole new, more competitive area of spa technology, key food and beverage employees could audit cuisine management courses offered in local universities, or IT team members could similarly update their certifications and skills. Resorts that have secured business interruption and ordinary payroll insurance coverage have an opportunity to maximize the utility of these paid employees by implementing training programs and other educational opportunities during the closure period. This helps to improve the quality of the workforce upon reopening, and also helps to mitigate the overall insurance claim by restoring operations more quickly. Consideration should be given to a recovery training plan that addresses how employees who typically work directly with guests will be used during the restoration phase.

Mutual-Aid Agreements

This case demonstrates the value of mutual aid received by SHRS from its parent company, Liberty Mutual. Many resorts and hotels do not have such resources available. It would be wise for resorts and hotels with limited corporate resources to include in their crisis preparation programs potential partners who could be engaged in a mutual-aid agreement.

Most large resort hotels have a public relations unit, a marketing team, IT support personnel and other skilled professionals who have expertise in their specific areas. In a crisis, team members often face months of life in an area of destruction, both at home and at work. Leadership would be wise to consider a planned

arrangement that would exchange staff with a sister property. Such an exchange potentially could offer relief and temporary escape to the team members of the damaged property and also provide a unique learning experience for employees coming from unaffected properties. The lesson learned is that mutual aid deserves further discussion, research, and planning on the part of affiliated resort properties and their leaders.

Conclusion

An investment usually is characterized as an outlay of some form of currency in order for investors to realize income or profit. There is little doubt that the real estate in this case study required enormous investment, both financial and human.

In cases where real estate assets are badly damaged, insurance proceeds serve as the reinvestment and generally provide the fuel for the real estate restoration. In the case of SHRS, the injured business component required more than money. It required the dedication of an inspired workforce—an investment of a different kind. It also required the leadership vision that led to the successful and rapid restoration and excited both guests and team members. The resort's attention to the well-being of its team members has won accolades from the local community.

The demonstrated value of business interruption insurance and the business interruption subset known as ordinary payroll coverage should be recognized. Other major resorts in the area face many months of closure and lost revenue and have lost all of their valued front-line employees as a result of Charley's damage. SHRS is the *only* major resort that has successfully completed restoration following the storm at the time this book goes to press.

The overall lesson learned is the importance of decisive action and doing the right things for the right reasons. Evacuating early rather than later upheld the SHRS mission as energy was focused on protecting both guests and team members. Recognition and understanding of the lifetime value of the customer as an asset helped clarify this decision for the resort's leadership. Valuing team members as important corporate assets made early evacuation essential.

The decision was made to fully restore the resort and to reopen as quickly as possible by securing all available and necessary resources. Since reopening, the resort has enjoyed a record booking pace by securing group market business that would have been greatly compromised without the decisive action of leadership and the dedication of all concerned.



Endnotes

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4. "New Approach for Condo-Style Hotels," *e-hotelier.com*, May 24, 2005, available online at http://ehotelier.com/browse/news_more.php?id=A5182_0_11_0_M.