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# WE'RE TEACHING IT ALL WRONG: A NEED FOR PREMORTEM ANALYSIS IN HOTEL STRATEGY EDUCATION (AND PRACTICE)

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The American boxer Mike Tyson once said, “Everyone has a plan till they get punched in the mouth.” It is a fascinating wise statement in light of the current coronavirus disease 2019 (COVID-19) crisis. Looking back at our business plans made for 2019, we may conclude that many of our plans are no longer valid, thanks to COVID-19. So, were they all bad? Of course not! Were they perhaps too optimistic? Probably, at least with today’s knowledge. COVID-19 has made it painfully clear that the malleability of life and business success is always relative. Interestingly, this is at odds with our typical Western view of individual success and failure: Success is primarily the result of one’s own actions and talents, and failure is mainly the result of circumstances beyond our control. COVID-19 is the proverbial unexpected punch on the jaw as remarked by Mike Tyson.

Well, should hoteliers have anticipated the COVID-19 pandemic? We do not think so. However, it does raise the question of what is the value of a strategic plan that is based on a carefully executed SWOT (strengths, weaknesses, opportunities, and threats) analysis (Adriaanse & Van der Rest, 2020). After all, if we accept that “something unexpected” can always happen, then we should also ask ourselves why we are making these plans. Indeed, in the complex world of business there is no such thing as certainty. Then, how should hoteliers prepare for the unexpected?

## ACKNOWLEDGE COGNITIVE BIAS

As humans, we suffer from optimism bias and overconfidence. We tend to think more in terms of opportunities than threats. For example, consider the

ever-present SWOT analysis. It is not uncommon that our students (or industry professionals) find it more difficult to enumerate threats and weaknesses than strengths and opportunities. We hope to build on strengths to overcome the weaknesses so that we are prepared for the “unexpected.” If that is true, the hotel industry would not have suffered as much as they did during the COVID-19 pandemic. Then what is the answer? The answer lies not in ubiquitous SWOT analysis but in premortem analysis.

In the business world, the dominant logic is, “Stagnation is decline.” But this success focus also has a dark downside, euphemistically referred to as the “curse of success.” If a hotel has shown revenue growth and profit upswing consistently, it is plausible for an hotelier to believe that success is an assured reality. And they cannot fathom that success is in fact always temporary and failure is only around the corner.

Can hoteliers take the possibility of disasters into account? We think so. However, it does require a paradigm shift, a different approach to the strategic decision-making process. A shift is required from optimism to paranoid optimism or cautious optimism with the premise that (a) success is always seen as temporary (to avoid optimistic exuberance) and (b) that the finiteness of a hotel business must always be considered (to avoid hubris). That is, the unthinkable and worst scenario must become a part of the strategic plan. In the business plan, hoteliers must invariably simulate a near-death experience for the company. This is referred to as premortem analysis (Klein, 2007). Yes, hotel organizations are not immortal, and we have to consider the possibility of mortality. How should they go about it?

### **WHAT IS A PREMORTEM ANALYSIS?**

Suppose you want to sail the transatlantic ocean. How would you prepare for this? You check the boat, make a travel plan, and arrange for sailing clothes and provisions. Oops, you are so deadly naive; it is nowhere near enough! The starting point for every sea sailor who wants to cross the Atlantic is to consider the worst scenario and make plans for it. Making the long crossing is fantastic but can also be extremely fatal. You can become severely exhausted or go overboard. The keel or rudder could break off. The boat could sink in a collision with a container or whale. The energy supply can fail you. The weather can unexpectedly present impregnable sea challenges for even the most hardened pirates. Sailors thus always prepare for the worst scenario of equipment or human failure. They take triple back-up measures, exchange practical tips, and discuss beforehand with others who have gone before them on how to act should they run into problems. There is no transatlantic sailor who will not carry out an extensive premortem analysis! Yes, indeed it is true for all entrepreneurs as most of them aim for the sky while planning for a rough landing.

The idea behind premortem is not to ask hoteliers to think about threats that may arise. Instead, they are asked to imagine the worst that could happen. Then,

the scenarios that have led to this unthinkable outcome will be considered—for example, an occupancy rate of 20% or the bankruptcy of the hotel. It is the hypothetical opposite of a postmortem analysis, which we know from the health sector, when the cause of a patient's death is examined.

### ALWAYS IMAGINE THE WORST

Envision a planning session in July 2019. In a premortem analysis, you would have said,

Suppose we are 3 years from today, and after more than 2 years of struggles, our hotel cannot be saved. We have to be at the bankruptcy court this afternoon at 4:00 p.m. to [X] file for bankruptcy. . . . Take a few minutes to imagine the factors, trends, or events that have led to this outcome, writing down everything that comes to mind.

This approach will lead to more action-orientation, with many more different scenarios being worked out and discussed in-depth. The follow-up question of course will be, “But, why do we have to file for bankruptcy in next 3 years?” or “How can we avoid the bankruptcy?” And this is exactly what a premortem analysis does. By drawing forward the ultimate question of finiteness (i.e., bankruptcy), extreme and very unpleasant scenarios are also brought forward, and this encourages us to be extremely creative and realistic, in order to subsequently devise possible solutions for problems that are barely predictable, or be imaginable, in July 2019.

The idea behind premortem analysis is based on the prospective hindsight technique (Mitchell et al., 1989). By imagining that something has already happened, hoteliers are better able to come up—with a 30% higher chance of identifying future outcomes—with more concrete and more precise reasons why something could happen. Taking failure into account thus paradoxically increases the chances of success! Environmental analysis will increasingly become important. Try not to look only forward, make sure you also imagine yourself to look backward from the future as well!

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### SUPPLEMENTAL MATERIAL

Supplemental material for this article is available online.

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