

PERFECCIONAMIENTO EMPRESARIAL: ENTREPRENEURIAL PERFECTIONISM AND THE CUBAN TOURISM INDUSTRY

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The state's entrepreneurial perfectionism that is being implemented in Cuba constitutes one of the fundamental links of the new economic policy being carried out by the governmental authorities and is an integral part of structural economic change that, in this arena, the Castro administration has developed in less than forty years. "It is a new system of administration ... in which the core is the enterprise," the Executive Secretary of the Council of Ministers, Carlos Lage, said at the conclusion of a meeting on modernizing economic techniques this past June 14, 2001.

In 1986, the Council of Ministers created the "Process of Rectification and Negative Trends." They hoped to solve the economic problems with political decisions, ignoring the economic laws that guide these processes. It was, however, a dismal failure. Possibly it failed because this policy came immediately before the disappearance of the Socialist world and the dismembering of the Soviet Union along with its subsidies to Cuba.

As the economic buying power of Cuba declined, affecting its total economy, the so-called "special period" began. President Castro called it the "special period" because, in 1991, the country had to reconfigure its economic strategy. The real "Socialist period" was its status from 1961 to 1991, when Cuba was an appendix of the Soviet Union.

Economic chaos reigned and the Castro administration made some changes to survive after 1991. Until 1994, there was high unemployment due to the clos-

ing of most industries because of the lack of imported raw materials. The Gross Domestic Product fell significantly. Foreign trade shrank to the point that only the most elementary products entered the country. This was one of the darkest periods of suffering for the Cuban people.

By mid-1994, more realistic economic measures were taken. Subsidies to state enterprises were reduced, revenues improved, the state distributed land to private individuals to be exploited under state control, a new system of national taxes was implemented, and the prices and distribution of agricultural products were liberalized.

It was necessary to reinsert the Cuban economy in the international market under new rules and partners. The introduction of new technological packages and foreign capital became a matter of life or death for the Cuban government. But it was necessary to improve the efficiency of state enterprises, both those that the government intended to maintain under its control and those for which it sought foreign investors' participation. It was at this junction that the entrepreneurial perfectionism (*perfeccionamiento empresarial*) was instituted to provide guidance. It was a new attempt to achieve economic efficiency, to develop production and services for export, and exploit the local foreign exchange market (fed by remittances from abroad by Cuban relatives). In the tourism industry, the largest producer of foreign currency in the country, it sought to substitute imported goods for local production at a competitive cost and quality in order to diminish the cost of production of the dol-

lars received by the tourism industry and related activities.

STATUS OF CUBA'S TOURISM INDUSTRY

On the night of February 21, 2001, more than 50,000 tourists slept in hotel rooms and other Cuban tourism accommodations, according to the Minister of Tourism. On March 22, the secretary of the Council of Ministers' Executive Committee reported that although the 10.7% growth in the number of visitors for 2000—1,774,000—was below the projected figure, it was nevertheless achieved through a great deal of hard work.

Between 1990 and 2000 the number of hotel rooms tripled and the number of foreign visitors increased fivefold, while income increased eightfold, and the work force doubled. In this time span there was an 18% average annual increase in the number of visitors, 23% in income, and 11% in the number of rooms. The tourism industry now employs almost 100,000 people.

It was suggested that visitors are coming to the country, not just for sun, sea and sand, but also because of the country's culture and natural environment, and international event and congress tourism. Regardless of the reason, the numbers, as reported, are clear: there has been a substantial increase in the tourism sector in Cuba, and part of that is due to the government's approach of allowing foreign businesses to invest in the Cuban market. Even with restricted travel to the island from the United States, it is estimated that 175,000 U.S. citizens visited Cuba in 1999 (approximately 100,000 were Cuban-Americans and 30,000 were authorized by the U.S. government to travel to the island), making the United States the island's third largest tourism provider after Canada (276,000) and Germany (182,000).

ENTREPRENEURIAL PERFECTIONISM

Entrepreneurial perfectionism is mainly guided by the rules and regulations published in the *Gaceta Oficial* on Monday, September 14, 1998, in the form of an Annex to Decree-Law 187 of August 18, 1998, as published in the *Gaceta Oficial*, No. 45 of August 25, 1998.

This law complements legislation regarding the administration of state enterprises and the Foreign Investment Law. It was intended to set up guidelines for an orderly implementation of the "perfectionism" process in the various business sectors. It also defined the role of the company and the individual in the decision-making process and general procedures to be followed. The objective for the attainment of perfection within the state enterprise is "to increase efficiency predicated upon bestowing certain powers for policy making and the establishment of systems and procedures upon management and workers." The idea is make it a law as to how businesses in the Cuban market can operate, who they are accountable to, and how much power they have in the overall decision making process to maximize efficiency.

There are more than 392 enterprises with foreign capital operating on the island. Foreign investment has been promoted in a selective manner, based on the joint ventures' technological and market contributions. In recent years, foreign investment has totaled approximately 4.3 billion USD.

A good example (and I use this since most of us already know about the joint ventures in the tourism sector) is in the cigarette industry, a joint venture between Brazil and Cuba. Distributing directly to 3600 sales outlets throughout the country, it utilizes a computerized control system that allows stock rotation, ensuring freshness and optimum conditions. Starting with an initial 25 million USD investment, Brascuba, as the joint venture is called, has produced two billion cigarettes over the last 5 years with a value of 40 million USD. It attributes its success to teamwork, top-quality ingredients, professional and technical level of the workers, use of advanced technology and the country's excellent work and commercial conditions. The company is planning to expand its operation to the province of Holguín, where several cigarette-producing plants already exist. It is the agglomeration of a particular industry with its horizontal linkages that, to some degree, is modeled after early industrial location in capitalist countries.

GENERAL OVERVIEW OF LAW

The organization of the Cuban economic system in regards to foreign investment and state enterprises is

dictated by the aforementioned entrepreneurial perfectionism law. It essentially states that the state enterprise is the fundamental link to the stabilization of economic trade within the country. It also states that in a “timely fashion,” decisions made at the level of the central Government should be combined with those made by the individual enterprise. It clearly states that the state does not relinquish control, but does allow a certain amount of flexibility within the business on a day-to-day basis.

It is understood that all enterprises in the country are part of one unified system, and that all organizational methods must conform to the standards that are set forth by the government. To this end, each individual enterprise will be self-sufficient, being held accountable for covering its operational expenses with its own income in addition to generating a profit.

The management groups (government, executive, and ministry council) and labor unions, will govern the implementation of this dictum since they have the ability and academic preparation and training to evaluate results. And, according to the document, they can “empower workers with the collective responsibility required to guarantee the program’s success.”

The government, however, will be responsible for appointing members to the labor unions and high levels of management. All of this collective analysis and discussion will be shared, and the leaders will be accountable for the accuracy and efficiency to “one sole leader.”

This discussion will be based on annual plans, quotas and forecasts, which will then be approved by the labor union. To meet these goals, the management groups will oversee “financial and material resources as well as the human resources of their operation. Results rather than effort will be rewarded according to the Socialist principle: ‘to each according to their ability, to each according to their work.’” Cooperation among all workers is deemed essential and a Socialist climate “must” prevail.

Earnings after taxes obtained by the businesses will be distributed by the corresponding government entity. A common goal is the attainment of greater pro-

ductivity and efficiency, thereby increasing profits and making Cuba an investment opportunity with a favorable and stable economic climate, along with a technologically innovative platform.

In the end, entrepreneurial perfectionism is viewed as continuous improvement process within the over economic enterprise. It allows for high levels of productivity in a systematic form as well as in the production of goods and services.

MY ANALYSIS OF THE LAW

This law raises many questions because of an apparent shift in the attitude towards many aspects of the Cuban economy in general and the tourism sector in particular. Since I am a geographer, the law fails to detail the spatial aspect of the very thing it addresses—free enterprise. The development of any business in any area of the country relies on specific factors, such as cultural background, distance to market, availability of energy and resources (including human), transportation and communication linkages and, most importantly, the infrastructure to support and maintain the health of the local environment.

Entrepreneurial perfectionism seems to place the onus on the worker for increased efficiency, and although a complex system of checks and balances is detailed for the management staff, little is done to suggest improvement for the way in which efficiency will increase. For instance, nothing is outlined about employment procedures, additional training, or employee benefits that come directly from the employer. Nothing is mentioned about how incentive programs will work or how the business or labor union will reward increased efficiency or productivity. Given the procedures specified for the businesses—and even those are clouded in redundant rhetoric—there is very little devoted to the actual resource that is needed to achieve the goal of increased profits: the human resource.

The “efficiency” campaign is being carried out by the Ministry for Audit and Control that was set up earlier this year. Its minister has said that a systematic drive to improve accountability and internal control was under way. The perception is that small, self-employed business people, landlords, restaurateurs and

artists are being targeted, while big business with friends in the right places seems to be unaffected.

Another aspect of the document is the “quality” program. It once again it relies on worker training to insure quality products for “client satisfaction.” It, too, puts the burden on the worker but is directed by the highest-ranking director. A few statements are directed towards worker safety, but once again, it seems to be left up to the company and the labor union to implement any programs deemed necessary. As on other topics, specifics are left out.

Specific effects on the tourism industry, in compliance with this law, appear on the surface to be very complex, but in the day-to-day operations, have little impact. Even though the document excludes certain national groups such as NGOs and unions, it virtually applies to every foreign investor. A foreign investor considering investing in Cuba would simply see a redundant set of policies and, in effect, very little opportunity to operate without a convoluted hierarchy in place. This would not inspire smaller businesses to try to make a go in Cuba, but allow those large corporations, who have the time and resources, to dominate the tourism industry in Cuba.

RESEARCH SURVEYS AND STATISTICS

In June 2001, I conducted a study abroad course to Cuba from Wittenberg University. Students developed a methodology to answer a research question of their own interest. Two research papers dealt with tourism and used survey methodology. One queried the rate of tourist satisfaction and the other dealt with employee satisfaction. The first had 119 responses, while the second only garnered 16, due to our lack of knowledge of the law for foreigners not allowing surveys to be made without the proper visa and approval procedures. Several uniformed associates representing the Ministry of the Interior made this known to us, but they did not confiscate the completed surveys. Even with this small sample size on the latter survey from the Meliá complex in Varadero, the results and some of the analysis are very interesting.

Customer Satisfaction

On the subject of tourist satisfaction, 119 surveys were taken on June 12. At that particular time, 23% of the hotel guests were Portuguese, 21% Argentinian, and 11% Canadian.

- Only 7% had been to a *paladar* and about half had visited some type of historical or cultural site.
- Travel to Cuba seemed to be easy enough and most were on vacation, some visiting family, and a few were on business.
- Two-thirds felt that they were getting good value for their money and 79% would return to Cuba again.
- Seventy percent rated their overall satisfaction with their visit as “excellent” or “very good.”

Worker Satisfaction

To deal with employee satisfaction, a more difficult survey tool was used, albeit more detailed. Due to the aforementioned reasons only 16 responses were obtained. Respondents were equally divided between men and women] and the vast majority of workers were very willing to participate.

- Most were curious about questions regarding race and felt they all had equal access to jobs.
- All were employed in the tourist industry, from housekeepers to musicians to cultural promoters.
- Nine said they had family outside of Cuba.
- Only one person responded that his/her parents had worked in the tourist trade. Six said they had other family members in tourism. Many entered the business through opportunities in school.

In the opinion section of the survey, rated from strongly disagree to strongly agree, the following responses were noted:

- The majority stated that they have moved to the top and have no incentive to try for positions higher in the chain.
- Gender did not help obtain a job nor did color of skin, nor who you know.
- Older workers are not encouraged while those that speak several languages are.

- Half said they would prefer a job in another sector and the same number felt that tourists did not understand the Cuban culture or where they were born.
- A majority said lateral moves would mean better jobs, that they cannot help family or friends break into tourism, that increased tourism has helped the Cuban economy as well as most Cubans, and that tourism helps reinforce the tenets of the revolution and is not causing social problems.
- 12 felt completely comfortable answering the survey.

We were allowed by the Ministry of the Interior to submit a short list of questions to the general manager of the Sol Palmeras. His terse answers showed a different perspective to employee satisfaction.

- His answer suggested that there was “no comparison to other countries, that a specific model had been established in Cuba, only with a European tendency that Meliá had adapted to, while refuting any current reorganization within the industry.”
- The top three home countries of customers are Argentina, Canada, and Spain and between 8 to 12 percent are back for their second visit.
- He did not indicate any problems with the Cuban employees and stated that the hotel provided transportation to and from their homes and there is some ongoing training for employees to improve the quality of service in tourism.

In summary, since the implementation of *perfeccionamiento empresarial* over three years ago, the Cuban product offered to tourists appears to be what is desired in the sun, sand and surf destination market, and things seem to be working. With the emphasis on worker efficiency and productivity, and despite the hardships endured—especially the bussing of employees in Varadero—it seems most are satisfied with their jobs. Management seems to favor employee satisfaction and try to satisfy the basic needs of workers, and many who do not have access to tips, do have access to leftover and used items, in addition

to food and cable television at the properties where they work.

In my opinion, it seems most Cubans in the industry do not have a clear view of the big picture, nor their niche in the system. I think more emphasis is placed on the pros of tourism and its impact on the economy, than the cons. These include the resultant chronic dependence on tourists and lavishing them with services and commodities at the expense of the local people.

Personal observations of the tourism industry

- **Distribution of tourist facilities around the island to rural areas:** More tourist facilities, including hotels, beaches, gas stations, dollar stores, tobacco lounges and restaurants, are visible in the landscape.
- **Availability of Cuban made products and dependence on imports:** The main shelves in the dollar stores contain Cuban products such as soda, beer, water, coffee and rum. Other brand name products are located in “non-desirable” shelf space or altogether missing. Previously, only a few Cuban products were available.
- **Removal of commercial billboards in tourist areas:** This may not be noticeable to some, but to me it was glaring. The empty frames that previously held consumer advertising in tourist areas, especially the approach to Varadero, are very conspicuous. The billboards promoting the revolution or revolutionary heroes are still there.
- **Emphasis on revolutionary heroes:** This has been carried even further, with new monuments, billboards, names of products, hotels and streets being changed to reflect the island’s political history.
- **Environmental emphasis, especially recycling:** Since becoming a limited consumer economy, landfills are nearing capacity. A drive to recycle plastics, metals and glass is evident. It was suggested that a container law in dollar stores would soon be implemented.
- **Public health concerns, stop smoking advertisements:** Replacing some of the commercial billboards, a stop smoking campaign is in full

swing, based on the health problems associated with cigarettes.

- **Development and use of solar energy:** This is seen significantly in rural tourist areas, where solar power is used for energy. This allows new tourist areas to operate without having to have electric lines run to the area, especially in the absence of hotels.
- **Cleaning and refurbishing of approach areas to tourist zones:** On the main tourist transportation corridors, grass is cut, oil wells (many oil wells have been removed in the new gasification program) are painted red and green, new directional signs have been added, bridges are being repaired and even a new arrival terminal is being constructed at José Martí Airport.
- **An increase in prices for all commodities:** This includes hotel rooms and even stock items such as rum, sold around the entire island. Although government prices are generally the same for export items, small convenience stores are allowed to increase prices, especially after official retail stores are closed for the day. For example, a bottle of rum that goes for \$8.10 in a dollar store is \$8.40 in a state-run hotel, \$9.50 in a Meliá property and \$12.40 in a small corner store as well as the airport, where many travelers buy their goods before they depart.

CONCLUSION

Even capitalists admit that socialism is the fairest system in the history of humanity, but they also question its economic viability. The process of business improvement in Cuba is designed to eliminate weaknesses and consolidate the social infrastructure. Over 100 companies have subscribed to the new law. But the companies, the government and the economy it-

self rely on conscious participation of the workers; those who become united in the same goal and a collective that believes in the revolution's social justice. This, in any economic system is the ideal, but not reality.

In reality there are miscounts, misreported figures, typos, theft, corruption and needs that are both basic and non-basic. But this is true in every part of the system at whatever scale, wherever some type of value is placed on goods and services. The law—the document in question—provides the parameters under which companies can begin operations in Cuba. Although it is long, confusing and often redundant, it does establish a certain set of guidelines that can be amended as needed. It also details the various organizations and procedures that are necessary for foreign investors to feel “secure.”

The verbiage falls short of its intended purpose. It is scary, tedious and repetitious. It does lay the necessary groundwork to improve the effectiveness and quality of the Cuban goods and services provided for tourists and others. It is a step, and once the step is taken, another usually awaits.

In the end, I found this project to be very time consuming for a geographer because it does not contain the depth of the third spatial dimension of economics. It did, however, remind me of how convoluted large-scale economic systems are, and how they can say a lot of things and mean very little. What I do see though is a new beginning for capitalistic enterprise to take hold in Cuba, if they indeed want to jump through the hoops and elude the obstacles that are in their path. This will mean a growing global market for Cuban products regardless of economic boycotts and a niche for Cuba in the lucrative tourist sector.

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