



## Implementing Strategic Management in Crisis Situations at Luxury Hotel Chain

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### Abstract

**Purpose:** This paper aims to describe the fact that how a crisis is managed by implementing the right strategic management in the luxury hotel chain.

**Research methods:** The author in this qualitative method conducted interviews with executive members, owner representatives, and heads of departments who are in the organizational structure of crisis management at the hotel.

**Findings:** The hotel chain head office is very concerned about the credibility aspect of its product; scattered hotels are required to follow all standard operating procedures in overcoming crisis situations. The head office requires hotel owners to have insurance in accordance with international standard criteria which are bound in the agreement of both parties. All employees who are in the crisis management organizational structure are to attend training organized by the head office. The head office requires the hotel to work with local agencies to assist with issues and manage communication crises if they occur.

**Implication:** A structured collaboration synergizing between the head office, hotels, local agencies, and hotel owners in managing the crisis that occurs will result in minimizing material and non-material losses.

**Keywords:** events and disasters, crisis management team, crisis management framework.

### INTRODUCTION

The hospitality industry is an industry that is very sensitive to emergencies and negative issues. Luxury hotels take the safety of their guests, employees, assets and environment very seriously. An emergency and disaster situation can become a crisis situation if the hotel management is not able to manage the emergency and disaster situation. Hotel management is required to be able to manage the crisis well, applying standard operating procedures if an emergency situation will be different from a crisis situation. A different organizational structure applied by hotel management is referred to as the Crisis Management Team Organizational Structure. The leadership applied can change according to these conditions. Leadership means different things to different individuals around the world, and distinctive things in different circumstances (Kaleem & Syed, 2016).

Organizational culture significantly influences crisis management across all stages of a crisis. Many studies have discussed and concluded that there are many organizational and cultural barriers that affect crisis management. All cultural barriers are intertwined during the crisis stage. The importance of these factors can be assessed by each company, also providing an appropriate level of risk assessment and subsequent consideration in the company's crisis management practices. However, while some events can be measured and controlled, sometimes there are influencing factors that are out of control and can affect the entire organization (Pollard & Hotho, 2006).

Hermann (1963) states that an organizational crisis is something that: "(1) threatens the high priority values of the organization, (2) presents a limited amount of time in which a given response can be made, and (3) is unexpected or not anticipated by the organization". An emergency is characterized by an event that occurs with little or no warning, has the potential to threaten human life, health, property, security, business or the environment, and requires immediate intervention to control, resolve the situation quickly. Crisis is an emergency that escalates suddenly with one or more of these characteristics creating a high level of uncertainty, threat or perceived threat to an organization, seriously threatens human life, health, property, security, business, company or the environment, has high probability of being unstable. An unmanageable situation if it has reached a larger audience with or without media that is misleading, threatens to fundamentally influence and/or change the way we do business, can have a significant impact on the behavior of our customers. To anticipate the crisis, business actors and leaders must take immediate action and strategic planning (Ali, 2014). For example, an emergency situation i.e. a fire alarm goes off in one of the rooms as a fire signal, the first response team must arrive within three minutes to put out the fire, if they are unable to control the fire and in the worst case the fire potential is great causing a crisis that will be faced by the hotel.

More comprehensively (MG, 2018) defines crisis management as the process of planning before, managing during, and evaluating after a crisis. This process involves identifying and predicting the area of a crisis, the development of actions or actions designed to prevent a crisis from occurring, or from an incident developing into a crisis, and minimizing the effect of the disruption of an unpreventable crisis. In crisis management practice, the executives in the company must proactively prepare for the worst-case scenario; how to manage resources, finance, and formulate strategic plans to prevent and minimize impacts on operations, both short and long term. A dedicated crisis team is needed consisting of high-level knowledge, skilled, creative and experienced leaders to generate solutions and ideas for crisis situations (Mikušová & Horváthová, 2019). The variety of behavior or social responses to unexpected events from guests will challenge management to maintain communication. The position and role of leaders in crisis management is an important key to countering the impact of crisis situations.

Faulkner (2001) discusses tourism disaster management and the disaster process through a series of stages. Disasters and crises may be related to each other regardless of differences in perception and understanding, most cases related to disasters also apply to crises. The following are the stages of each stage to determine the crisis management framework: (1) pre-event, (2) prodromal, (3) emergency, (4) medium, (5) long-term (recovery), and (6) resolution.

## RESEARCH METHODS

This research was conducted in July 2021 where the place of this research is one of the hotel chains which is a luxury hotel located in the Sawangan area, Nusa Dua, Bali, Indonesia. The method used by the researcher is a qualitative method by conducting interviews. Interviewees are an important key for this qualitative paper, they are people who can provide information about the phenomena or problems raised in this paper. To determine the right source. Researcher chose key informants who had experienced this phenomenon. This technique is useful for obtaining key concepts that are explored in qualitative project evaluations (Creswell & Plano Clark, 2018). Specific Criteria for identifying and selecting the right informants in the evaluation of this project are: having special knowledge and in-depth experience with the phenomenon; willingness to be interviewed; occupied a managerial position; and have the ability to share experiences, opinions, and suggestions in their own way.

Researcher conducted interviews with the Crisis Management Team at the hotel which consisted of the Executive Committee, department heads, and also representatives of the hotel owners. Interviews conducted were recorded using a tape recorder.

The researcher also uses other secondary data which are written statements in the form of presentations, e-mails, training modules from the head office and other documents in the form of cooperation agreements between related parties. The researcher also took references from journals related to the writing of this paper as the rationale for its application in the luxury hotel.

## FINDINGS

Crisis management is rooted in strategic planning to deal with unexpected events. The challenge for most organizations is how to recognize early "warning signals" and take appropriate action. Therefore, the goal of crisis management is to prevent a crisis, or if a crisis does occur, then it is important to know how to manage the crisis effectively (Racherla & Hu, 2009).

The implementation of strategic management in a crisis in a hotel is described based on the stages starting from an emergency incident which is then categorized into a crisis. The author adopts the model of the Crisis Management Framework (Faulkner, 2001), the explanation of each stage in its application is below.

### First Stage: Pre-Event

At the pre-event stage, every effort needs to be made to prevent a crisis from occurring. Risk management and planning is required at this step to mitigate the impact of a potential crisis. Currently, several protocols, coordination and appointments of disaster teams have to be established, and communication is essential to keep everyone well informed.

The head office at this stage has carried out the technical preparation strategy needed if a crisis occurs before the hotel starts operating, namely the purchase of insurance policies according to international standards contained in the cooperation agreement between the hotel head office and the hotel owner. The insurance required includes:

Table 1. The insurance required includes

Type Asuransi	Minimum Cover Asuransi
General third party liability	EUR 1.000.000
Umbrella and excess general third party liability	EUR 100.000.000
Automobile Liability Insurance	EUR 1.000.000
Fidelity/Crime Insurance	In accordance to the position
Employment Practice Liability Insurance (EPLI)	EUR 1.000.000
Property All Risk Insurance	In accordance with Asset valuation
Business Interruption	Can anticipate a minimum charge of 3 months while the hotel is closed
Cyber Risk Insurance	EUR 20.000.000
Statutory Workers' Compensation Insurance	As required by local law
Terrorism Insurance	EUR 25.000.000

Managers play an important role in dealing with crises. They are a key role in formulating several decisions, and each mistake will have a huge impact on the company. Means that leaders make decisions in various areas that affect the organization and its members (Alas et al., 2010) found that the majority of companies in both China and Estonia began to react after the crisis had become a reality, this means that managers responded too late to the crisis. Another study by (Sawalha et al., 2013) explains that managers in Jordanian hotels do not have an effective framework for managing crises and disasters, it can be concluded that organizational culture also influences the adoption of crisis and best practices of disaster management within the hotel. The head office requires employees to attend trainings both online and offline. This training is carried out in collaboration with Ketchum.Ltd as a local agency that will provide assistance to the hotel in case of a crisis.

### The Second Stage: Prodromal

At this stage, it became clear that a crisis was imminent. Prevention is no longer possible, and instead, mobilization and contingency plans are required. The contingency model (Fiedler, 1964) focuses on contingency leadership in

organizations. This model includes the relationship between leadership style and favorable circumstances leadership. Strong leadership, good leader-member relations, and well-structured tasks can facilitate different leadership approaches to managing crises. The organizational structure adopted by the head office in managing the crisis can be described as follows (Figure 1).

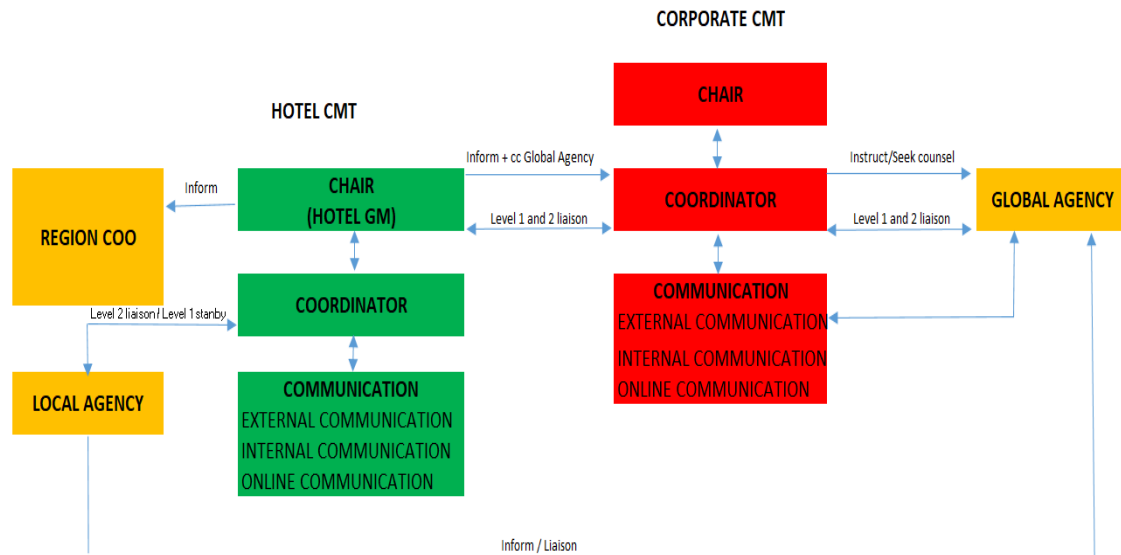


Figure 1. Luxury Hotel Organizational Structure

Pearson & Clair (1998) defines a crisis more comprehensively as “a low probability, high impact event that threatens the survival of the organization and is characterized by ambiguity of cause, effect, and means of resolution, and by the belief that decisions must be made quickly” can quickly become a crisis, the hotel headquarters share several risks so that actions and responses are considered, as well as follow-up actions are needed.

Table 2. Risk Level Action and Response

Risk Level	Action and Response	Continued action
Elementary	<ul style="list-style-type: none"> <li>Management at the hotel level can make decisions to assess whether to respond directly to individuals or just monitor the situation whether it will become a crisis or not.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor online trends and conversations</li> <li>Allows hotel management to forward to hotel headquarters</li> </ul>
Intermediate	<ul style="list-style-type: none"> <li>Decide whether to respond directly (eg send direct messages) or consider targeted, proactive communication (eg reply on Facebook wall or official posts)</li> <li>Implement the best “vote” for responses – local social media pages? Company response?</li> </ul>	<ul style="list-style-type: none"> <li>Monitor ongoing chats and momentum</li> <li>Prepare for sustainable long-term engagement on additional social media channels</li> </ul>

	<ul style="list-style-type: none"> <li>• Manage issues outside of social media to correct misinformation/rumors</li> </ul>	
High risk	<p>A Level 1 crisis that must be handled by CMT Companies I work with global agency team to immediately and comprehensive response:</p> <ul style="list-style-type: none"> <li>• Respond openly to address situations and correct misinformation/rumors</li> <li>• Doing with multi-channel proactive communication (Twitter, Facebook, YouTube, website, direct email to key stakeholders, media outreach, etc.)</li> <li>• Ensure consistent tone and message across all channels; consider the use of attractive visuals</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor the situation extensively, online and offline</li> <li>• Consider the long-term communications needed to rebuild trust after the crisis is over</li> </ul>

### Stage Three: Emergency

In the emergency phase, several impacts occurred as a result of the crisis. Quick action is important at this stage to protect the public and the company. This third stage the organization divides into two levels of crisis which can be explained as follows: (1). Level One: A crisis situation at this level has the potential to impact an organization's brand and reputation across multiple geographies or the organization's ability to do business. Even isolated crises that initially affect only one hotel, can have regional or global repercussions in hours or days (e.g. the injury of a celebrity guest covered by global top-level media). (2). Level Two: A crisis situation at this level occurs not only in one hotel, but this crisis situation occurs in several hotels in a region and has limitations that have an impact on business.

Additional guidance on whether the crisis is Level 1 or Level 2, Hotel management can answer questions that have a negative impact on People, Assets, Reputation of Trademarks and the Hospitality Industry. If the answer to these questions is YES, the situation should be treated as: Level 1, otherwise, the situation should be treated as Level 2.

The hospitality industry is vulnerable to crises, so there is a need to address these issues through effective crisis planning (Wang & Ritchie, 2010) developed a conceptual framework called Onion Model of Strategic Crisis Planning (OMSCP) to examine the key factors influencing hotel crisis planning, including individual psychological factors, organizational factors and contextual environmental factors.

In this third stage, the implementation of strategic management must synergize and coordinate all elements related to activating the Crisis Management Team to manage the crisis, the scheme is illustrated in the chart below (Figure 2).

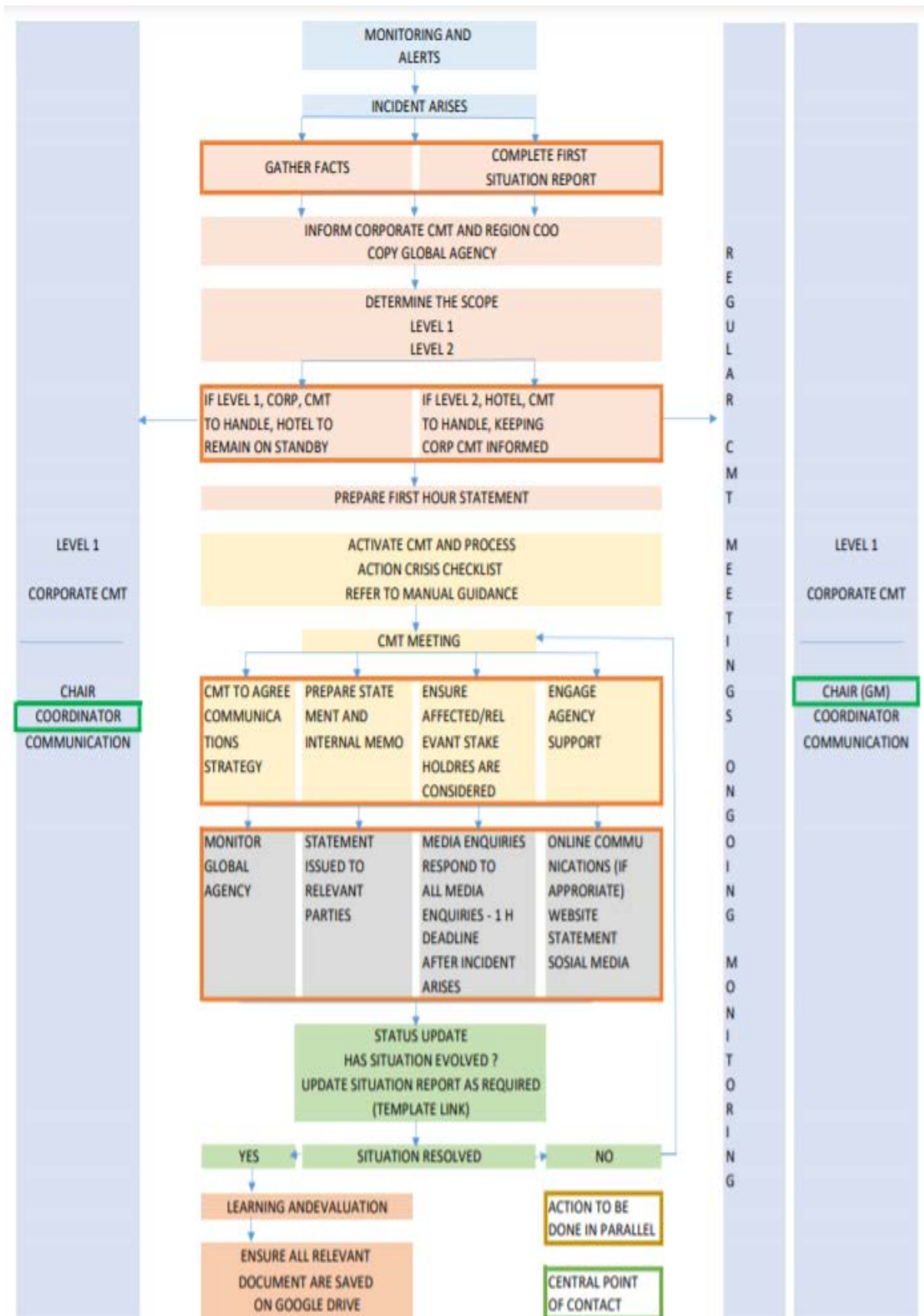


Figure 2. Guidance flow to managing a crisis.

#### **Fourth Stage: Intermediate**

Immediate action is required at this stage to progress to normalcy. The main focus is planning recovery steps. From a contingency perspective, there is no best model for recovering after a crisis or disaster. The crisis model, which is suitable in some circumstances may not work in others (Ping et al., 2011). However, the optimal model depends on the situational fit. In fact, the crisis found in the tourism sector is unique and requires the right approach.

In this fourth stage, the crisis situation has begun to be controlled. The recovery process has begun, coordination with related organizations is in the process of accelerating recovery. The involvement of all parties to calculate material losses so that the insurance claim process can be paid immediately. In addition, the process of repairing non-material losses such as trauma that may occur as a result of the crisis also needs to be carried out.

#### **Fifth Stage: Long Term (Recovery)**

This stage is a continuation of the previous stage; however, this phase requires rapid action to implement the plans formulated in the intermediate stages. Leaders begin self-assessment, analysis, and recovery. Crisis management involves many aspects and they must work together to prepare for, deal with and recover from a crisis (Shangguan et al., 2020).

The main points are to carry out reconstruction and reassessment, fix environmental problems, re-investigate the strategy, and explain the strategy. The hotel is working with relevant parties to rebuild its business for the long term after the crisis has passed. The head office will provide assistance with suggestions to speed up the recovery process by providing facilities for the hotel to immediately resume normal operations.

#### **Sixth Stage: Resolution**

At this stage, all efforts are directed to returning to the original routine and reviewing the decisions that have been made and enforced by the team. The company's operational activities have returned to business. (Prewitt et al., 2011) suggest that each phase in a crisis is unique and complex, therefore, it is not possible to build a model that can be universally applied to all types of crises. Therefore, it will be interesting to bring new insights from the contingency theory to develop a better crisis management model in hotel tourism.

A corrective procedure is also required at this stage. Post-crisis evaluation allows organizations to learn from their mistakes and successes. The aim is to improve crisis preparedness and crisis communication by addressing any issues that occur during the end of the crisis management process. If improvements are needed, the organization's Standard Operating Procedures will need to be modified to reflect new learnings. The hotel's headquarters will work with Ketchum Ltd in the process for this stage of the resolution.



## CONCLUSION

The hotel industry is an industry that is sensitive to events and disasters that can be detrimental to the hotel. This incident can be caused by employee negligence factors and other things so that the hotel can be sued by guests, while disasters can be categorized as natural factors, terrorists, and asset damage. Hotel management must implement an appropriate and structured strategy to deal with the incident or disaster if it has become a crisis. The author in this paper describes the implementation of strategic management in hotels that are part of the international hotel chain. The implementation of structured, precise, and synergized management strategies can minimize material and non-material losses for hotels, hotel headquarters, hotel owners and other stakeholders.

Emergencies or events can quickly become a crisis if they cannot be addressed as soon as possible and have a far-reaching impact on the organization. A large organization already has a structured strategy and synergies between every level of the organization. Based on the crisis stage model, the hotel head office has provided Standard Operating Procedures that will be applied if a crisis situation occurs.

Good and proper management of crisis situations enable all parties involved to get through crisis situations more quickly, material and non-material losses can be controlled so that the organization can return to normal in operational routines.

Hotel management needs to take preventive and corrective steps continuously and consistently which must be done immediately so that a crisis situation does not recur, and if a crisis situation with the same case occurs again, the hotel is ready to manage it without having to panic because it already has experience from this case. previously.

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