Hospitality crisis management practices: The case of Indian luxury hotels

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ABSTRACT

This study examines hospitality crisis management practices within the context of the Indian hospitality industry. The study is a replication of a study previously conducted in Israel. The study employs a questionnaire that evaluates the importance and usage of four themes of practices: marketing, hotel maintenance, human resources and governmental assistance. The findings illustrate which practices managers consider important and which practices managers actually use during a crisis. The paper concludes with recommendations for future research and management of crises.

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1. Introduction

The literature on crisis management in the hospitality industry has gone through significant developments in recent years. This was done due to the unfortunate circumstances in which many countries experienced different crisis situations. For example, September 11, 2001 marked a significant change in the impact of terror on the travel, tourism and hospitality industries. Subsequent terror events in Europe, the Middle East and the Far East also demonstrated the massive threat of terror. This paper investigates cases in which terror events lead to a downturn in consumption and travel which, in turn, result in a crisis in the hospitality industry. These crises follow the mechanism presented by Kovoor-Misra et al. (2001). It should be mentioned that these crises are often prolonged and overlap because, in some cases, a new terror event may start another cycle of crisis even before the previous crisis has come to an end.

The research of crisis management in the hospitality industry has generally included studies that described different occurrences of terror (Aziz, 1995; Pizam and Mansfeld, 1996; Leslie, 1996), classification of violent activities relevant to the industry (Pizam, 1999; Faulkner and Russell, 2000), the political and economic benefit associated with cessation of terror activities (Anson, 1999; Butler and Baum, 1999), prescriptions for preparing for future crisis situations or reacting to past crisis events (Sönmez et al., 1999; Cohn, 2001; Lynch, 2004) and recommendations for improving organizational actions and processes during or after crisis situations (Blackman and Ritchie, 2008). The focus of this study is on crisis situation that follows the crisis definition offered by Sönmez et al. (1994) which defines a tourism crisis as a situation that can threaten the normal operation of a tourism-related business or damage a tourism destination's reputation.

Only a small number of studies have focused on the hotel manager as a unit of analysis and investigated his day to day combat with crisis situations in his business. One of the studies that evaluated what managers do during or immediately after a terror-triggered crisis was conducted by Israeli and Reichel (2003). The authors constructed a list of crisis management practice, evaluated the importance managers assign to each practice and also the level to which managers use each practice. This study is a replication of Israeli and Reichel's (2003) study of Israeli hotel managers to the India luxury hotel industry, using the same conceptual framework and the same methodology. The aim of this paper is to focus is on managers' micro- and macro-level actions during or shortly after a crisis in order to evaluate if managers know what practices they have to use in times of crisis and if they act accordingly. The objective is to evaluate managers' beliefs (importance) and actions and to test the consistency of practices' importance and performance, and to evaluate how managers group the different practices (from different themes) to form their crisis management beliefs and actions.

This study also marks one of the first attempts to research crisis management of hotel managers in India. The analysis is of prime importance, because a number of indicators suggest that India is potentially the next large emerging tourism-generating country after China (According to a 2008 report from the Tourism Satellite Accounting [TSA] of the World Travel & Tourism Council [WTTC]). Travel and tourism is a high-growth industry, forecast to increase

Table 1
Practices in crisis management.

Theme	Practice	Title
Human resources	Laying off employees to reduce labor force	Practice 1
	Using unpaid vacation to reduce labor force	Practice 2
	Reducing the number of workdays per week	Practice 3
	Freezing pay rates	Practice 4
	Replacing highly paid employees with new low paid employees	Practice 5
	Increased reliance on outsourcing	Practice 6
Marketing	Marketing to domestic tourists in joint campaigns with local merchants (such as Visa and MasterCard)	Practice 7
	Marketing to domestic tourists with focus on specific attributes of the location	Practice 8
	Price drop on special offers	Practice 9
	Reducing list price	Practice 10
	Marketing to foreign tourists with specific focus on the location's distinctive features and relative safety	Practice 11
	Marketing and promoting new products or services (family events, catering)	Practice 12
	Marketing to new segments	Practice 13
Maintenance	Cost cuts by limiting hotel services	Practice 14
	Cost cuts by postponing maintenance of the building (cosmetics)	Practice 15
	Cost cuts by postponing maintenance to the engineering systems	Practice 16
	Extending credit or postponing scheduled payments	Practice 17
Government	Organized protest against the lack of government support	Practice 18
	Industry-wide demand for governmental assistance with current expenses	Practice 19
	Industry-wide demand for a grace period on tax payments	Practice 20
	Industry-wide demand for a grace period on local tax (municipality) payments	Practice 21

its total economic activity by 4% worldwide in real terms over the next 10 years (WTTC, 2008). In India, the travel and tourism economy is expected to grow by 7.6% per annum in real terms between 2009 and 2018. According to ACNielson ORG-MARG (2008) report, the hotel industry in India is experiencing rapid growth, particularly in the luxury hotels category.

Several international hotel chains such as Six Continents, Carlson Hospitality and Marriott are looking to increase their number of rooms in India. Other chains including Sheraton, Le Meridien and Westin and Accor have a presence in the country, not to mention local chains such as Oberoi, Taj and Jaypee Hotels. The report further suggests that in 2010, 62% of the demand would be in classified according to quality themes and 53% of the total classified demand would be in the Luxury category. The Luxury category according to the Indian Ministry of Tourism includes 5-star deluxe, 5- and 4-star hotels and Heritage Hotels (ACNielson ORG-MARG, 2008).

Such promising growth and earnings from national and international tourism faces threats from terrorism, which has been seriously impacting the tourism industry worldwide. The examples of the 9/11 attack in the USA, Bali bombing in Indonesia, attacks on tourists in Egypt and the Mumbai terrorist attacks of 26/11 on luxury hotels generated international attention and served as a poignant reminder of the impact terror can have on the tourism and hotel industry.

2. Evaluating managerial practices in times of crisis

The evaluation of crisis management is based on importance-performance analysis (IPA) (Martilla and James, 1977). IPA is a model of reasoned action (Sheppard et al., 1988), because it offers a way to evaluate managerial actions according to the relationship between importance and performance. Martilla and James present the four possible categories of outcomes: they use the title "keep up the good work" for actions in the category of high importance and high performance. Fair or low performance achieved in high importance actions is titled "concentrate here". Excellent performance in low importance actions is "possible overkill", and low performance on low importance actions is titled "low priority".

The logic of the IPA is similar to other methods of measuring attributes' weight and value such as the Simple Additive Weighting Model (SAW) (Keeney and Raiffa, 1976), and the decision to use the IPA structure and terminology was due to its relative sim-

plicity and the fact that it was widely used in general managerial problems and also in the context of tourism and hospitality management (examples for IPA use in tourism and hospitality can be found in Hollenhorst et al., 1992; Evans and Chon, 1989; Mengak et al., 1986). In the context of crisis management, IPA was used to analyze crisis management practices in the Israeli hospitality industry (Israeli and Reichel, 2003), the restaurant industry (Israeli, 2007a,b) and travel agencies (Perl and Israeli, 2010).

The practices for crisis management in the hospitality industry, which will be evaluated by the Importance-Performance Model, are a crucial element of the study. The list of practices is based on a review of the literature, as well as by interviewing practitioners. The literature on crisis management practices in the hospitality industry appears to be relatively sparse. Nevertheless, a comprehensive review of the literature and interviews with managers assisted in assembling an inclusive list of practices. Israeli and Reichel (2003) presented the process of creating a consistent list of practices for evaluating crisis management. Okumus and Karamustafa (2005) used a similar list of commonly-known, macro-level, hospitality industry practices. The list of practices comprises four themes: *marketing*, infrastructure (or hotel) *maintenance*, *human resources* and *governmental* assistance. In each of the themes, practices relevant to the crisis in the hospitality industry were listed. For example, in the *marketing* theme, managers suggested that marketing efforts towards foreign tourists may be extremely relevant. Additionally, in the *government* theme, requests for government support and tax relief were traditional practices. However, some managers added that noticeable protests, such as demonstrations and strikes, may also gain special attention from the government. Therefore, protest against the government was added in this context to our study of crisis management practices. With respect to *maintenance*, managers distinguished between the postponement of scheduled "cosmetic" building maintenance and the maintenance of less-visible engineering systems. They also suggested that scheduled payments for maintenance might need to be postponed (the complete list of practices by them is provided in Table 1).

2.1. The hospitality crisis management questionnaire

The practices were used to build a questionnaire that was made up of three parts. The first part collected demographic information from the respondents. The second part examined the level of