

Original Research Article

CRISIS MANAGEMENT STRATEGY IN BALI HOTEL INDUSTRY DURING THE COVID-19

ABSTRACT

The Corona Virus Disease (Covid-19) pandemic that has occurred has had an impact on life in Bali, which relies on tourism. The crisis cannot be avoided, both economic and psychological, for tourism actors in Bali. Therefore, this study aims to determine Bali's hotel crisis management strategy during the Covid-19 pandemic. This study uses a qualitative approach. The sample was determined purposively, and data were collected through observation, in-depth interviews, and documentation. The sample of this study were employees of 3-star hotels in Kuta, Bali, with as many as 20 respondents from different hotels. This research was conducted from May 2021-April 2022. Data reduction, data presentation, and conclusion were drawn in qualitative data. The results of this study are that crisis management strategies in Bali are carried out based on the crisis level category of each Hotel. Of the total objects studied, there are three categories of hotel crisis levels, namely healthy-owning companies (20%), struggling-owning companies (45%), and unhealthy-owning companies (30%). A healthy-owning company implements a defensive strategy by focusing on budget efficiency, changes in marketing strategy, and product innovation. While struggling, company owners apply an adaptive strategy and focus on crisis management, including asset and HR management. Then, companies that are not healthy apply a dynamic strategy, namely closing operations and laying off employees, to hotels. This study concludes that the crisis management strategy is adjusted to the company's health to find the best and most appropriate solution. The practical implication of this research is that it can be a consideration for hotel entrepreneurs in determining the most appropriate strategy in maintaining their business during the pandemic, especially in Indonesia. Other recommendations can be made in different locations to compare the crisis management strategies and provide more comprehensive input for business actors, destination managers, and the government.

Keywords: *Covid-19, crisis management, strategy, Hotel, Bali*

1. INTRODUCTION

The Corona Virus Disease (Covid-19) pandemic has a significant impact on the community's health, economic conditions, and social life. The Covid-19 pandemic was first detected in Wuhan in December 2019 (Prasasti, 2020). President Joko Widodo announced the first case in Indonesia on March 2, 2020. Since then, the government has limited activities outside the home, including work, school, and travel. Therefore, almost all sectors, including tourism, have been affected by this outbreak and have affected the social community. Meanwhile, tourism has become the leading sector in Indonesia and was designated as the core of the Indonesian economy by President Joko Widodo in 2016 (Paath, 2019). Bali is one of the regions in Indonesia with a variety of tourist attractions, both natural and cultural, which are

undoubtedly significantly affected by this pandemic because most people in Bali work or have a business in the tourism sector, such as hotels and restaurants, transportation, travel, and others.

The various types of tourist destinations provided make tourists from various countries enjoy Bali tourism. Based on data from the Central Statistics Agency for 2020, foreign tourist visits to Bali have increased from 2014 to 2019 (BPS, 2020). However, since the mobility and travel restrictions, there has been a drastic decrease of 83.13% in 2020. The decline in tourist arrivals is caused by travel restrictions that have affected Indonesia since March 2020. Several countries are the origin countries of tourists. Also imposed a lockdown and restrictions on activities across countries such as Japan, Korea, the European Union, Australia, and especially China. Decline The decline in tourist arrivals directly impacts the decline in room occupancy at hotels in the province of Bali, especially the Kuta area.

The significant decrease in room occupancy has resulted in hotel stakeholders such as the General Manager, Human Resources, and other stakeholders implementing crisis management strategies in dealing with this challenging situation. Several things have been done, for example, reducing employee salaries to terminating the employment relationship. The closure of the Hotel has an impact on human resources working in the hotel sector, where workers who experience the financial impact must adapt to the dire conditions experienced.

The exciting thing to study is that not all hotels apply the same way in dealing with the Covid-19 Pandemic crisis that befell their respective hotels. Several 3-star hotels in Kuta are still operating even though employees only receive 20% of their supposed monthly salary. In addition, some hotels can still provide 50% of the salary to all their employees. However, some hotels have fired almost 80% of their employees because the owning company does not have spare funds to survive. Based on this, the researchers are interested in conducting further research on crisis management strategies in the Bali hotel industry during the COVID-19 case study in Kuta, Bali. This research aims to understand the strategies carried out at the Hotel so that they can be used as a reference and advice for hotels throughout Indonesia and in the world.

2. LITERATURE REVIEW

2.1 Crisis Management

According to (Machfud, 1998), a crisis is an event, suspicion, or situation that threatens an individual or organization's integrity, reputation, or sustainability. Kasali (1994) revealed that in dealing with a crisis, there are several types of strategies in dealing with a crisis, namely defensive strategies, adaptive strategies, and dynamic strategies. According to Morissan (2008), the theory of crisis is based on the timing of the crisis. The crisis is divided into three categories: immediate, emerging, and sustained crises. Furthermore, Iriantara (2004) states that crisis management is one of the three forms of management's response to changes in the organization's external environment. Crisis management is based on how to deal with crises (crisis bargaining and negotiation), make decisions in times of crisis (crisis decision making), and monitor crisis developments (crisis dynamics).

The steps that need to be taken in managing the crisis, namely:

1. Crisis identification. In identifying crises, public relations practitioners conduct research, which can be informal and fast, if the crisis occurs so quickly.
2. Crisis analysis, the collected data, and information are then parsed, either part by part, meaning a partial or comprehensive analysis.
3. Isolation crisis, a crisis is a disease. Sometimes it can also mean more than just a joint disease, and it is a contagious disease.
4. Choice of strategy: Before the communication, step is carried out, it is crucial to determine which strategy will be used after analyzing and isolating the crisis.

In addition, the strategy in crisis management also needs to be seen from human resources, namely personnel management. According to Flippo (2019), personnel management is planning, organizing, directing, and controlling the activities of procurement, development, compensation, integration, maintenance, and termination of employees to realize the company's goals, individuals, employees, and society. (Kasali, 1994) revealed that in dealing with a crisis, there are three types of strategies, namely:

1. Defensive strategy is applied if the issue's scope is not yet specific. The approach taken is more to fortify the company strongly and do nothing
2. Adaptive strategy, applied if the scope of the issue has begun to appear both general and specific and the impact of the issue is getting more significant if left unchecked
3. Dynamic strategy, applied when the scope of the issue has started to be specific, and the impact is wide enough and develops in an unpredictable direction

2.2 Crisis Management in the Hotel Industry

Several studies have been conducted around the world related to crisis management in hotels and Indonesia. However, it still requires a lot of input and advice related to handling the crisis during the pandemic, especially in Indonesia, especially in Bali. Several previous studies conducted by Wicaksono (2020) explained the impact of the Covid-19 pandemic on the sharia hotel business in Yogyakarta, which caused a decrease in income of more than 70% but did not terminate employees. Other research conducted in Bali related to the impact of the Covid-19 pandemic on the hotel sector in Bali, which showed a decline of 43.45% in the second quarter of 2020. However, it did not explain how the management strategy. Another study conducted in China by Lai & Wong (2020) compared crisis management practices in the hotel industry at the beginning and during the Covid-19 pandemic stage. The study results show that in the early stages, the priority strategies carried out were more on epidemic prevention, price regulation, assistance by the government, and human resource management.

Meanwhile, during the pandemic stage, the strategy is prioritized by implementing unpaid vacations and postponing office and system maintenance. Pricing and government assistance are not a priority. Therefore, this study will further explore how Bali's hotel crisis management strategy during the Covid-19 pandemic is an effort to maintain the business.

3. METHODOLOGY

This research uses a descriptive qualitative approach. Data collection techniques are in-depth interviews and literature reviews from previous research and the internet. The interviews covered the scope of crisis identification at the Hotel, crisis level, and crisis management in terms of budget and human resources. The object of this research is a 3 (three) star hotel in the Kuta area, Bali. The Kuta area was used as the research location because it is one of Bali's

favorite beach tourist attractions for domestic and foreign tourists. In addition, Kuta is one of the areas most affected by the Covid-19 pandemic, which caused the majority of hotels to be temporarily closed. The sampling technique was non-probability sampling, namely purposive sampling. The sample criteria in this study were managerial level employees at 20 3-star hotels in the Kuta area. The number of samples interviewed was 20 people at the managerial level, namely General Manager, Sales Manager, E-Commerce Manager. The sample is considered sufficient to extract information. The data analysis technique is to interpret the data coupled with a review of the relevant literature, then conclude to provide recommendations and suggestions for stakeholders.

4. RESULTS AND DISCUSSION

4.1 Result

4.1.1 Hotel Business Crisis Conditions in Kuta, Bali

The Covid-19 pandemic has had a very significant impact on the hotel industry. The results of interviews with 20 managers of 3-star hotels in Kuta show that the hotel business has been in crisis since March 2020. The Covid-19 pandemic caused massive scale changes in the tourism industry. The Covid-19 pandemic caused tourist visits decreased because rules reduced tourists' movement, such as lockdowns to travel warnings. Kuta is an area that is significantly affected because it is one of the main tourist attractions. As the main tourist attraction, Kuta is equipped with supporting facilities and infrastructure such as hotels, malls, discotheques, and restaurants. Kuta is a favorite of many domestic and foreign tourists, especially from Australia, China, India, and Russia.

Because of the lockdown implementation in each country, tourists who want to go to Bali cancel their intentions. This condition made the rate of foreign tourist arrivals to Bali decrease drastically to 83.13 from 2019 to 2020 (BPS, 2020). The decline in tourist visits has made the hotel occupancy rate in the Kuta area also drastically decrease. This is exacerbated by the government's policy of Restricting the Movement of Community Activities (PPKM) in 2021, making it difficult for domestic tourists to vacation in Bali. In addition to the PPKM rules, another rule exacerbates the situation is the PCR (Polymerase Chain Reaction) test rule applied explicitly to everyone who wants to fly to Bali, especially domestic tourists. The pr Identify Crisis Levels at 3 Star Hotels in Kuta.

Several 3-star hotels that are the object of this research have different crisis levels. The researcher interviewed 20 (twenty) managerial level employees to identify the crisis level at a 3-star hotel in Kuta. The first question that forms the basis of the business's health is how significant the impact of the Covid-19 pandemic is and the management of human resources carried out. Of the 20 hotels, identified 7 (seven) hotels are in an unhealthy condition, 9 (nine) are in a struggling condition, and only 4 (four) are still in a healthy condition. The illustration can be seen in Figure 1, and a description of the business conditions of star hotels in Kuta are as follows:

1. An unhealthy condition (unhealthy-owning company) is characterized by a considerable pandemic impact on hotels. It changes the internal ecosystem to a very significant one, decreasing the budget resulting in non-optimal operational processes and the inability to pay for human resources.

2. The condition of survival (struggling-owning company) is characterized by changes in the internal ecosystem but can still be managed in its management. In this condition, the Hotel can still pay its employees even though there is a reduction.
3. The availability of resources and optimism indicates a healthy condition (healthy-owning company) to continue operating in the next few years. The price of the PCR test is still high and burdensome for tourists.

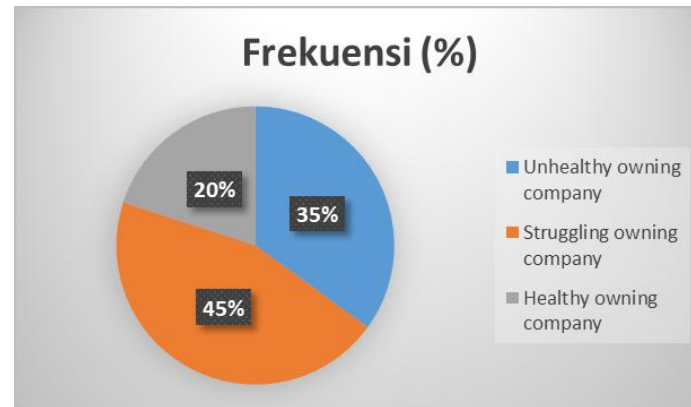


Figure 1. Illustration of the classification of 3 Star Hotels in Kuta based on the level of crisis

As for this identification, it will be explored further how the Hotel's crisis management strategy is carried out to maintain its existence.

4.1.2 Crisis Management Based on Crisis Level Classification

After identifying the crisis, the next thing is to design a crisis management strategy to survive the Covid-19 pandemic. Based on the category of crisis level, hotels have different strategies. Crisis handling is carried out in several aspects, including budget efficiency, changes in marketing strategy, product innovation, HR management, asset management. In Table 1, it can be seen the crisis management strategy at the 3-star Hotel in Kuta.

Table 1. Crisis Management Strategy in 3-Star Hotel at Kuta, Bali

Handling Aspect	Crisis Level Category		
	Healthy Owing Company	Struggling Owing Company	Unhealthy Owing Company
Budget Efficiency	a. Cutting non-essential operating costs b. Hotel maintenance budget removed c. Reduction of budget for marketing activities d. Requests for discounts to vendors or suppliers who are invited to work together	a. Cutting non-essential operating costs b. The hotel maintenance budget is completely eliminated. c. Termination vendors and suppliers, especially for the hotel system, turned into a manual operation. d. Elimination of marketing budgets and bartering for promotional activities with influencers	a. Eliminate operational costs (Closing hotel operations)
Changes in marketing strategy	a. Giving prices with discounts of up to 80% of the regular price to consumers	a. Giving prices with discounts of up to 80% of the regular price to consumers	
Product Innovation	a. Make staycation packages, pool packages, couple dinners, day-use packages (using rooms for 6-8 hours at affordable prices)	a. Make staycation packages, pool packages, couple dinners, day-use packages (using rooms for 6-8 hours at affordable prices).	

Human Resource Management	a. The employee's salary is active, but the worker does not get the service fee.	a. Reduction of employees, both permanent employees with minimum severance pay, layoffs for contract employees and daily workers b. Staff multitasks between departments, such as HRD being rolled into security. c. Employee salaries are deducted by 50-80% of the total salary.	a. Total dismissal of all employees, except for 2-3 security guards to keep the contents in the hotel intact, and there is no loss.
Asset Management	a. Stopping the procurement of goods, especially non-essential goods,	a. Termination of procurement of goods, especially non-essential goods.	a. The owning company sells the hotel in the property sale and purchase list.

Based on Table 1, it can be seen that hotels with different crisis level categories have different strategies in handling the crisis. As for the healthy owning company, the handling aspect is focused on budget efficiency, changes in marketing strategy, and product innovation. Budget efficiency is done by cutting non-essential operational and marketing costs, eliminating hotel maintenance costs, requesting discounts to vendors who are invited to cooperate. The marketing strategy used is to provide discounts of up to 80% to guests. Product innovation is carried out by making packages, such as staycation packages, pool packages, couple dinners, or day-use packages at affordable prices. As for HR management, employee salaries are still paid in full, but workers do not receive a service charge. Asset management that is carried out is more about stopping the procurement of non-essential goods.

Meanwhile, the struggling owning company has a strategy that focuses on handling. Budget efficiency is done by cutting non-essential operational costs, hotel maintenance budgets, and eliminating marketing costs. The struggling owning company also provides discounts of up to 80% to guests and innovates products. In the aspect of HR management, reduction of employees, optimization of staff performance in several departments, and employee salaries by 50% -80%. Asset management is also carried out by stopping the procurement of goods. Meanwhile, all operational costs are written off in the unhealthy owning company because operational activities are no longer carried out. Likewise, in HR management, all employees are dismissed except security to keep the hotel building safe.

4.2 Discussion

4.2.1 Hospitality Industry Crisis Conditions in Kuta, Bali

Kuta is one of Bali's prominent landmarks, a magnet for domestic and foreign tourists. The hospitality industry is proliferating in the Kuta area, but the Covid-19 pandemic has hit Bali's economy, dependent on tourism. Based on the results of observations and interviews in this study, as many as 16 hotels are in critical condition because they are at the level of struggling and unhealthy owning company. Travel restrictions affect the decrease in tourist mobility in Asia by up to 60% (McKercher & Chon, 2004). Therefore, it also has an impact on the hotel industry. Some crises can occur due to economic crises and terrorism, but some can also be caused by natural disasters, including epidemics (Lai & Wong, 2020). However, whatever the cause and impact of the crisis itself, the response to this crisis also affects the destination's image, the reputation of the attraction, and their survival (Santana, 2004).

Bali, especially the Kuta area, has been severely impacted by the Covid-19 pandemic, impacting the community's socio-economic conditions because they lost their jobs. Based on

Wijaya & Mariani (2021) PHRI data in 2020 stating that as many as 281 hotels, or about 55% of the total number of hotels in Bali, were closed. Of course, this number is not negligible because, based on data (BPS, 2020), Bali has the most significant number of hotels in Indonesia, namely 507 hotels. Furthermore, Wijaya & Mariani (2021) reported that the room occupancy rate in hotels was recorded at 2.45%; in the second quarter of 2020, it decreased by 41.11% compared to the previous quarter. This achievement was recorded as the lowest quarterly achievement in the last thirty years.

4.2.2 Crisis Handling Strategy during the Covid-19 Pandemic at 3 Star Hotels in Kuta

Based on the results of observations and interviews from 20 General Managers and manager-level employees at 3 Star Hotels in Bali, the crisis management strategies applied in each Hotel are different depending on the crisis level. Based on the crisis conditions in 3-star hotels in Kuta, most were at the struggling level, which was 45%. In a struggling condition, the Hotel can still operate but has implemented several strategies to stay afloat. The adopted strategy is an adaptive strategy that is applied to control the impacts that arise. According to Kasali (1994), an adaptive strategy is applied when the impact begins moving from general to specific issues. Some of the things that have been done are budget efficiency by minimizing expenditure and procurement of assets. Reduced employees and deductions from employee salaries are carried out to cover operational costs. Product innovation was also carried out to suit the needs of tourists during the Covid-19 pandemic, such as providing staycation and wellness packages. This action is an effort to meet the demands of tourists who still want to travel during the pandemic. Wachyuni & Kusumaningru (2020) explained that the tendency of people to want to travel is more significant than their travel anxiety. Nature tourism will be an option in recovery conditions, and as many as 65% stated that they would immediately travel again if conditions were declared to improve. This result can be used as the basis for optimism in the hotel business, which is still struggling and healthy to keep trying to survive in this condition.

Meanwhile, in the second-highest position, 35% of hotels are unhealthy. In the face of this condition, several hotels did not carry out operational activities until closing. Most have advertised to sell the Hotel. This effort is made to prevent even more significant losses. According to Kasali (1994), this strategy is a rather macro dynamic strategy. This strategy is undoubtedly the right decision by the unhealthy-owning company, based on the PHRI report in 2021. However, the easing of restrictions on domestic travel to Bali has begun. The average hotel occupancy is still below 7% and even approaching 0% (Rosana & Hidayat, 2021).

Meanwhile, only 20% of hotels are still in a healthy condition when viewed from the impact of the covid pandemic and the management of human resources carried out. The Hotel can still carry out operational activities in a healthy condition and does not reduce employees and employee salaries. The Hotel implements a defensive strategy, where the owner and management only implement budget efficiency and refrain from procuring assets. Marketing strategy is done by giving discounts of up to 80% and offering staycation packages, meals, and other affordable packages. Based on the discussion, it can be seen that the crisis management strategy is adjusted to the conditions rather than the Hotel itself.

5. CONCLUSION

Based on this research, it can be concluded that in Kuta Bali, there are three categories of hotel crisis levels, namely healthy-owning company (20%), struggling-owning company (45%), and unhealthy-owning company (30%). Because each Hotel has its challenges and faces different crisis conditions, this research has an exciting finding. The crisis management strategy must be adapted to the company's health to find the best and most effective solution. Furthermore, this pandemic provides valuable lessons and experiences for hotel owners and managers to improve their ability to maintain their business. Hotel owners and managers are required to find the best solution and accept the worst risks from the strategies that will be implemented.

Based on the analysis of this research, Healthy owning company implements a defensive strategy by focusing on budget efficiency, changes in marketing strategy, and product innovation. Meanwhile, the struggling owning company implemented an adaptive strategy and focused on all aspects of crisis management, including asset management and HR management. Then, unhealthy owning companies apply a dynamic strategy, namely closing operations and laying off total employees, to selling hotels. The practical implication of this research is that it can be a consideration for hotel entrepreneurs in determining the most appropriate strategy in maintaining their business during the pandemic, especially in Indonesia. The limitations of this study lie in the object and location of the study because it is specific to a 3-star hotel in the Kuta area, Bali. Therefore, maybe the results of this study cannot be generalized to different locations so that further research recommendations can be carried out at different locations for comparison. The analysis at different locations is expected to provide more comprehensive input for business actors, destination managers, and the government in handling the crisis in the hotel industry.

COMPETING INTERESTS DISCLAIMER:

Authors have declared that no competing interests exist. The products used for this research are commonly and predominantly use products in our area of research and country. There is absolutely no conflict of interest between the authors and producers of the products because we do not intend to use these products as an avenue for any litigation but for the advancement of knowledge. Also, the research was not funded by the producing company rather it was funded by personal efforts of the authors.

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