Stakeholders of the world, unite!: Hospitality in the time of COVID-19

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Stakeholders of the World, Unite!: Hospitality in the time of COVID-19

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Abstract

The COVID-19 pandemic created a global, complex crisis, without a clear end in sight, presenting an existential threat to many hospitality businesses. Drawing on stakeholder theory, we develop a framework for recovery strategy development for COVID-19, which engages salient stakeholders in the process of recognizing challenges, rationalizing changes needed and refashioning ways of working. The framework is used to analyze the process of development of a recovery strategy for a boutique hotel in England, UK, via a case study methodology. The analysis brings to the fore the interdependencies between the hotel owners and its employees, customers, governments, suppliers and communities, at local, national and international levels. Moreover, the analysis shows how collaborating with these stakeholders leads to the identification of revenue streams for the hotel, operational modifications and even the development of new commercial partnerships.

Keywords: Hospitality, COVID-19, Strategy, Crisis and disaster management, Stakeholders, Globalization
1. Introduction

Since December 2019, the novel coronavirus disease (COVID-19) has affected nearly all countries in the world and caused nearly 465,500 deaths globally.\(^1\) The measures imposed to stop the spread of the virus, including quarantines, assembly restrictions and travel prohibitions,\(^2\) have led to enormous fallout for all the major economies and grim outlook (International Monetary Fund, 2020). One of the most heavily hit sectors is hospitality. Not only has the demand from leisure travel dropped significantly as a result of widespread shutdowns, but business travel is also nearly all suspended because of canceled Meetings, Incentives, Conventions and Exhibitions (MICE) activities. The forecasted business travel revenue lost due to COVID-19 in 2020 is over US$800 billion.\(^3\) Firms in this sector also lack clarity regarding the conditions under which they will be able to operate, such as safe distancing parameters and cleaning protocols (Knight & Rodriguez, 2020) or customers’ changing attitudes towards safety and hygiene (CNN, 2020). In summary, hospitality is suffering the combined effects on business travel and leisure travel caused by present shutdowns and future uncertainty, which is gravely hindering the industry’s recovery and creating an “existential threat” (Partington, 2020).

Complex problems, such as the ones created by COVID-19, cannot be solved by individual businesses in isolation (Hermes & Mainela, 2014). Perhaps now more than ever, it is evident that the hospitality sector involves many stakeholders, making it an integral part of the overall economy and of society (Morakabati et al., 2017). On the one hand, this sector contributes to economic growth and social life in a vital way;\(^4\) on the other hand, its survival


\(^2\) International arrivals declined 97% in the month of April, reflecting travel restrictions in 100% of all destinations worldwide, amid measures to contain the spread of the COVID-19 pandemic (U.N. World Tourism Organization, 2020a).


\(^4\) For example, the wider hospitality industry is the third largest employer in the UK, contributing to 3.2 million jobs and generating £72 billion Gross Value Added directly to the UK economy (UK Hospitality, 2018).
and recovery also critically depend on external actors and forces (Dogru & Bulut, 2018). An effective crisis recovery strategy for this sector, therefore, needs to consider the whole system (Faulkner, 2001) and to go beyond reactive solutions of cutting costs and manpower (Alonso-Almeida et al., 2015). This paper outlines an approach to recovery for the hospitality industry from COVID-19, which reflects both the multi-stakeholder nature of this sector (Dalrymple et al., 2020; Pizam & Tasci, 2019) and the complex nature of the crisis.

The next section examines the unique features of the COVID-19 pandemic, showing how it is unlike any other disaster previously faced by the hospitality industry. We show that the lack of clear resolution, the multifold nature of this crisis and its global nature call for an iterative approach to strategy development, which actively involves multiple stakeholders. Then, drawing on stakeholder theory and the literature on managing crises and disasters in the hospitality sector, we present a recovery strategy framework which explicitly engages stakeholders in a process of recognizing, rationalizing and refashioning (Dibb et al., 2004), as called for by Rivera (2020). We apply the framework to the case study of a boutique hotel based in England, UK. Through analysis of interview data and documents from mid-April to late June 2020, we unpack how the hotel identifies and engages with relevant stakeholders and develops solutions for the challenges presented by different waves of the COVID-19 crisis. In the final section, we summarize our contributions for the conceptualization of crisis management in hospitality, as well as for the hospitality managers facing the unique, complex and fluid problems created by this specific pandemic.

2. The COVID-19 pandemic and the hospitality industry

Crises are defined as low-probability, high-impact events that threaten the viability of the organization (Tse et al., 2006). Several unique features of COVID-19 make it an “unprecedented” crisis (World Bank, 2020) and thus distinguish it from the crises and

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5 The literature has distinguished crises and disasters where crises are induced by natural phenomena or external human action and disasters are induced by the actions or inactions of the organization (Faulkner, 2001; Ritchie 2004). Here we fully acknowledge this distinction but choose to use “crisis” to refer to the COVID-19 pandemic, for expositional simplicity.
disasters previously examined in the hospitality and tourism literature. First, COVID-19 is a truly global pandemic. It has quickly surpassed the Severe Acute Respiratory Syndrome (SARS) epidemic of 2003 and the Avian Influenza (H5N1) of 2005 in terms of its global impact and the loss of human lives. Asymptomatic carriers make the virus spread wide and fast. In only 71 days since the first case was reported in Wuhan, China (31 December 2019), the COVID-19 disease was announced to be a pandemic on 11 March 2020 (World Health Organization, 2020a). More importantly, international travel has been identified as one of the key factors for COVID-19’s quick global spread (Wells et al., 2020), as long-distance travel is conducive to droplet-mediated diseases (Hertzberg et al., 2018).

Second, the COVID-19 pandemic is more complex than the crises and disasters that have been examined in the hospitality management literature, which typically focuses on one type of crisis (e.g., financial crisis, natural disaster, epidemic, terrorist attack), in one nation/region, or in one sector (e.g., cruise) (Ritchie & Jiang, 2019). COVID-19 exhibits a level of complexity and severity beyond that which these studies have examined. What started as a local crisis of public health in China soon turned into a global economic fallout, ushering in massive job losses and an economic recession affecting all the major economies (International Monetary Fund, 2020); in turn, job losses and recessions are known to cause more health problems and increased mortality (Eliason & Storrie, 2009). For hospitality businesses, the uncertain economic prospects and the fear of the virus have reduced the spending on travel and tourism for both business-to-consumer (B2C) and business-to-business (B2B) customers. It is not possible for a single firm to collect all the information needed (Jiang & Ritchie, 2017) or to develop contingency plans (Kim et al., 2019) to face these multi-faceted, compound challenges.

The cumulative number of deaths attributed to SARS is 774, with 8,096 cases in 29 countries, according to the World Health Organization (https://www.who.int/csr/sars/country/table2004_04_21/en/, accessed 21 June 2020), whereas as of 21 June 2020 there have been over 460,000 COVID-19 related deaths with over 8.7 million confirmed cases in 216 countries, areas or territories (https://www.who.int/emergencies/diseases/novel-coronavirus-2019, accessed 21 June 2020) and the numbers are still on the rise.
Third, the COVID-19 crisis could last very long, or even lack the clear resolution phase that is conceptualized in the crisis management literature (e.g., Novelli et al., 2018; Ritchie, 2004; Ritchie & Jiang, 2019). At the time of writing, despite tremendous global efforts in medical research (World Health Organization, 2020b), there is neither treatment nor vaccine for COVID-19 in sight. Questions about immunity and antibody testing are still heatedly debated among medical scientists (e.g., Andersson et al., 2020), with SARS-CoV-2 now expected to become another endemic human coronavirus, with regular flare-ups in infection rates and recurring movement restrictions and other measures to contain its spread. Combined with the global nature of the pandemic, for hospitality businesses, this implies that at any point of time, their domestic and international markets are a complex mix of countries that have just come out of the pandemic (e.g., the UK), are still experiencing rapid spread (e.g., Brazil), and/or are having a second wave (e.g., the U.S.), and that the situation is very fluid and unpredictable. Rather than progressing orderly from emergency to recovery and resolution where normality is restored, as predicted in the prevalent crises management models, the COVID-19 crisis is expected to evolve in an irregular manner, with partial recovery in some areas accompanied by worsening recoveries in others and periodic relapses (Rivera, 2020); and normality may never be restored but instead may morph into the “next normal” (McKinsey, 2020).

Given the characteristics discussed above, this research posits that the existing literature on hospitality crisis management is useful but insufficient to provide comprehensive directions for recovery. What could be a recovery framework for the hospitality sector that accounts for the global, compound and cyclical nature of COVID-19? To address this question, this research proposes a Three-R stakeholder collaboration framework that involves collaboration with key stakeholders at every stage for recovery and addresses the above new challenges imposed by the COVID-19 pandemic.

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3. Stakeholder Collaboration through the Three-R Process

The COVID-19 pandemic created an unprecedentedly complex situation, requiring an approach to developing solutions that adopt a long-term perspective and embrace all stakeholders at national, regional and global levels (Rivera, 2020). Stakeholders are defined as any group or individuals who can affect or are affected by the achievement of the organization’s objectives (Freeman, 1984). Stakeholders can influence each other in ways that support or hurt the business’ success (Fassin, 2009). Therefore, involving a broad range of stakeholders in developing a strategy to recover from the COVID-19 crisis will improve the visibility of their interests, and identify situations where the material interests of different stakeholders are under threat (Archer, 1995). Yet a broad definition of stakeholders also implies that the interests of some stakeholders may conflict with those of the focal organization, as well as with each other (Friedman & Miles, 2002), which makes it imperative for managers to prioritize their attention based on stakeholder salience. Mitchell et al. (1997) proposed that stakeholder salience would be positively related to the cumulative number of stakeholder attributes – power, legitimacy and urgency – perceived by managers to be present.

Power refers to a relationship among social actors in which one actor can get another to do something that the latter would not otherwise have done; and can be based on coercive, utilitarian or normative resources (Mitchell et al., 1997). In hospitality, employees have power based on the efforts they put in, business travelers based on their patronage, and governments based on their ability to regulate the operations of the business, even shutdown and reopening. Legitimacy refers to a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs or definitions (Gray, 1985). Employees, hotel guests and local communities are such groups. Urgency refers to the degree to which stakeholder claims call for immediate managerial attention (Mitchell et al., 1997). A claim is urgent if the managerial delay in attending to the claim or relationship is unacceptable to the stakeholder, or if the claim or the relationship is critical to the stakeholder. In turbulent situations, such as the COVID-19 crisis, many stakeholder claims need urgent attention from the hospitality executives, such as the health and safety of employees and hotel guests and the distancing directives imposed by governments.
Collaboration with stakeholders is particularly relevant to solve complex socio-economic issues (Hermes & Mainela, 2014), as is the case of COVID-19. Jiang & Ritchie (2017) have found that stakeholder collaboration is facilitated by the nature of necessity in turbulent times and that shared goals contribute to the success of collaboration. The multiplicity of views will create opportunities for innovative solutions to the health, economic and business challenges presented by COVID-19 (Williams et al., 2020). Stakeholders will need to identify, decode and react to the macroenvironmental threats presented by COVID-19, in a way that is flexible and iterative, to accommodate the global, compound and cyclical nature of this crisis.

Stakeholder theory has been extensively applied in hospitality sector research, especially in studying the effects of corporate social responsibility (CSR) activities on firm financial performance (Barnett & Solomon, 2012; Franco et al., 2020; Kang et al., 2010). This existing line of research has convincingly established the beneficial impact on increasing firm value by taking into account of legitimate stakeholders. Iyer & Jarvis (2019) suggest that CSR adoption in multinational hospitality businesses is due to stakeholder pressures, as well as competitive environment and cultural environment. Farmaki (2019) further shows that stakeholder influence outlines the CSR orientation of hotels and is largely shaped by the interdependent and multifaceted nature of the tourism industry. More relevant to this research, Nguyen et al. (2017) examine Matsushima, Japan, after its 2011 tsunami as a case study and find that hotels can play a key role in working together with stakeholders in the public sector (e.g., the local government) towards disaster risk management.

Adapting Dibb et al.’s (2014) analysis on how airlines and their stakeholders collaborated to survive industry-wide challenges, we propose a framework (Figure 1) that outlines a process of recognizing challenges, rationalizing the changes needed and refashioning ways of working together for the context of hospitality businesses facing COVID-19.
Dibb et al.’s (2014) research focuses on phenomena that impact the macroenvironment in which firms operate, and, therefore, which affect both the operational and the commercial aspects of the industry as a whole. The empirical setting chosen by Dibb and colleagues was the implementation of government initiatives to monitor the movement of people across the UK borders, following high-profile terrorist attacks in the U.S., UK and elsewhere (Surveillance Network, 2010). Security threats – like the COVID-19 pandemic – impact the macroenvironment in the sense that they shape consumer preferences and behavior (Hall, Timothy, & Duval, 2004), firms’ activities (Fuchs & Reichel, 2011) and government policy (Birkland, 2006), at a global scale. When faced with existential crisis, firms need to understand and react to the macro-environment in iterative and flexible ways (Dibb et al., 2014), as discussed next.

3.1 Recognizing challenges

In order to survive, firms need to learn about the changes in their systems, and their possible implications (Dibb et al., 2014). As discussed in Section 2, the COVID-19 pandemic presented severe and unique challenges that had never previously been faced by players in the hospitality industry, nor been considered in the relevant literature. The complexity and severity of this crisis, and the speed at which it became a global event (Wells et al., 2020),
meant that managers in the hospitality industry lacked frames of reference on which to base their assessment of the situation, and start formulating plans.

When faced with novel, complex scenarios, managers need to use multiple formal and informal, and internal as well as external, sources of information (Qiu, 2008). Due to the multiple demands on their attention, and the need to make decisions quickly, managers may not be able to engage in lengthy assessments of the environment (Brown, 2000). Hence, stakeholders that can help the manager develop comprehensive representations of the environment and estimate the consequences of specific actions will be particularly valuable (El Sawy et al., 2010). Information sharing is one of the motivations for stakeholder collaboration when facing a natural disaster (Jiang & Ritchie, 2017). This stage is about sensemaking and establishing the expectations and possible implications of the challenges ahead. We posit that stakeholders learn about the changes in the system, consider the possible implications of these changes and assess how these implications might be managed.

3.2 Rationalizing changes needed

When faced with a crisis, businesses need to adjust their resources temporarily to resume operations as soon as possible and to minimize economic damage (Kim et al., 2019). Hence, in this second stage of strategy development, collaborating stakeholders identify the modifications needed to existing processes, technology and ways of working (Dibb et al., 2014). This could range from actions that refer to the organization itself, such as cost cutting or price discounts, to those that involve other stakeholders, such as requests for government support (Israeli et al., 2011). This stage is difficult and costly, as the overall system is destabilized and power relations between stakeholders may change (Dibb et al., 2014). Therefore, the focal organization needs to develop strong relationships with salient stakeholders (Erkus-Ozturk & Eraydin, 2010).

Stakeholder attributes are variable, dynamic and socially constructed (Magness, 2008). That is, stakeholders that might usually be deemed expectant or latent for hospitality, may, in the pandemic, become very salient. For example, national governments do not usually have the power to enforce the closure of hotels and restaurants. However, when facing the novel virus SARS-CoV-2, they have gained the power to do so, which significantly affects hospitality businesses. National governments’ stakeholder status is also deemed legitimate
and urgent, based on public health arguments. These three attributes assign governments a highly salient, “definitive” stakeholder status (Mitchell et al., 1997), for the duration of the pandemic. In another example, because knowledge flow and information sharing motivate stakeholder collaboration in a turbulent crisis (Jiang & Ritchie, 2017), stakeholder relationships such as those with local universities (a member of the communities) may become more salient and stronger (Khan, 2019). Based on these arguments, we posit that key stakeholders identify the modifications needed to existing processes, technology and ways of working (both as individual units and collectively).

3.3 Refashioning ways of working

In this stage, stakeholders seek long-term solutions to the disruption, and, if possible, to develop new commercial opportunities (Dibb et al., 2014). They seek to move away from firefighting (Smart & Vertinsky, 1984), and, instead, focus on optimizing the payoffs in the collaborative system (Jamal & Getz, 1995). Hotels seek solutions to the severe, costly fluid consequences of the pandemic. They need to adapt to segment and target the prospect travelers and explore new positioning strategies and revenue sources.

In novel or particularly complex situations, managers need to be creative and flexible to regain control of the situation (Heath, 1995). However, they face the paradox of having to make strategic decisions while the consequences are not fully known (Hermes & Mainela, 2014; Ritchie & Jiang, 2019). Therefore, some of these decisions will have to be modified or even abandoned as the situation evolves. That is why it is imperative to share information openly (Lalicic, 2018), to adopt consensus-based decision making (Arnaboldi & Spiller, 2011), and to be willing to innovate (Naidoo, 2010). Thus, we posit that key stakeholders seek collaborative solutions to the disruption to regain control of the COVID-19 situation.

4. Research design

To empirically examine the process of developing a recovery strategy from COVID-19, we adopted a case study methodology. Case studies are “analyses of persons, events, decisions, periods, projects, policies, institutions or other systems that are studied holistically by one or more methods” (Thomas, 2011, p. 513). They are recommended where the goal of the present research is to refine conceptual frameworks (Yin, 2009). Moreover, case studies are the recommended methodology for novel hospitality research settings (Veal, 2011), as is
the unprecedented context created by COVID-19. Finally, because case studies allow researchers to focus on daily practices (Israeli et al., 2011) and to understand emergent phenomenon in context (Flick, 2013), they are widely used in strategy development in hospitality research (Aladag et al., 2020).

4.1 Case selection

The setting chosen for the empirical investigation was a boutique hotel located in England, UK, because it met Veal’s (2011) criteria for case selection. The hotel (Hotel E hereafter) is a hospitality business facing an existential threat caused by the COVID-19 disruptions; it illustrates the proposition under analysis (i.e., collaborative strategy development) and offers pragmatic advantages to the researchers particularly in terms of access and contextual knowledge (Thomas, 2011).

Hotel E has six employees and operates all year round. It has 11 rooms in a Victorian building, located in an historic city of many attractions (anonymized as City EE) that is a popular tourist destination. The building has many period characters, including high ceilings, bay windows and stained-glass features, thus is a popular choice with international travelers. In addition, the city hosts two major universities and several colleges, among other businesses, which attract a steady stream of domestic guests and B2B customers for the hotel. As shown in Table 1, UK residents represented 41% of their guests in the 12 months before the COVID-19 crisis. The remaining guests came from various countries, and from both short- and long-haul locations, demonstrating the truly global nature of this industry.
Table 1

Hotel guests by country, April 2019-March 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>41%</td>
</tr>
<tr>
<td>China</td>
<td>11%</td>
</tr>
<tr>
<td>U.S.</td>
<td>4%</td>
</tr>
<tr>
<td>Germany</td>
<td>4%</td>
</tr>
<tr>
<td>Italy</td>
<td>2%</td>
</tr>
<tr>
<td>France</td>
<td>2%</td>
</tr>
<tr>
<td>Spain</td>
<td>2%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2%</td>
</tr>
<tr>
<td>Japan</td>
<td>1%</td>
</tr>
<tr>
<td>Australia</td>
<td>1%</td>
</tr>
<tr>
<td>Hong Kong, S.A.R.</td>
<td>1%</td>
</tr>
<tr>
<td>Canada</td>
<td>1%</td>
</tr>
<tr>
<td>Singapore</td>
<td>1%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1%</td>
</tr>
</tbody>
</table>
4.2 Data collection and analysis

Hotel E was forced to close when the UK government issued lockdown orders 24 March 2020,\(^9\) and is due to reopen 5 July following the announcement of the easing of the lockdown restrictions.\(^{10}\) Accordingly, the data collection focused on this period. To obtain a comprehensive picture of the situation faced by the hotel, we followed Aladag et al. (2020) and collected multiple types of data from multiple sources. Specifically, we conducted 12 unstructured in-depth interviews with the hotel management, each lasting around one hour. The interviews presented an opportunity to capture the knowledge and experiences (Denzin & Lincoln, 2008) of the decision-making unit (Jiang & Ritchie, 2017). In addition, we collected and analyzed multiple hotel internal communications and documents (Table 2) to obtain comparative and contextual data (Gibbert & Ruigrok, 2010). The documents also provided an opportunity for complementarity triangulation of the interview data (Decrop, 1999). In addition to providing holistic insight into the phenomenon being studied, the use of multiple sources and types of evidence adopted in this study enabled the researchers to overcome the limitations of individual data collection tools (Woodside, 2010).

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Table 2

Documents collected

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>Booking system</td>
</tr>
<tr>
<td></td>
<td>Strategic Plan</td>
</tr>
<tr>
<td></td>
<td>Training materials</td>
</tr>
<tr>
<td></td>
<td>Internal communications (primarily emails)</td>
</tr>
<tr>
<td></td>
<td>Record of meetings</td>
</tr>
<tr>
<td></td>
<td>Marketing communications materials (e.g., hotel website; photos; videos)</td>
</tr>
<tr>
<td>External</td>
<td>Government directives</td>
</tr>
<tr>
<td></td>
<td>Industry reports</td>
</tr>
<tr>
<td></td>
<td>Media articles</td>
</tr>
</tbody>
</table>

The analysis of the data followed Yin’s (2009) analytic framework. Each type of data was analyzed individually, before being compared with other types, to identify converging findings, to minimize bias and to increase the robustness of the analysis (Jick, 1979). The coding process followed the approach outlined in Miles & Huberman (1994), whereby a list of codes developed prior to the fieldwork was augmented with codes emerging from the data. The former consisted of codes for stakeholder type, stakeholder salience and the three stages of collaboration, as discussed in Section 3. The latter consisted of codes developed inductively from the data, regarding the process of collaboration itself. To minimize the bias, the interviews and documents were coded by each of the researchers, independently. Subsequently, the two coders exchanged their coding results, and discussed any issues requiring clarification. Finally, the findings were discussed with the research participants to validate the researchers’ interpretation, and to meet Guba & Lincoln’s (1994) criterion of authenticity.
5. Results and Discussions

In this section, we present the findings regarding how Hotel E, which is the focal unit of analysis of this case study, engaged relevant stakeholders in a collaborative process of strategy development to navigate the complex crisis created by the COVID-19 pandemic. The findings are organized according to the three stages of collaboration of our conceptual framework. Figure 2 presents the conceptual framework illustrated with these findings.

Fig. 2. Conceptual model with key findings: Collaborative strategy development

5.1 Recognizing challenges

As the pandemic spread, governments started to impose domestic and international travels restrictions (U.N. World Tourism Organization, 2020a). For instance, the U.S. announced a travel ban to the UK starting from 16 March 202011. Moreover, the UK government asked workers to work from home, and advised citizens to stay at home and avoid hospitality outlets.12 A national lockdown came into effect 26 March.13 As these events

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11 https://www.bbc.co.uk/news/world-us-canada-51891662
12 https://www.bbc.co.uk/news/uk-51917562
unfolded, Hotel E recognized a flurry of cancelations such that the revenue for March 2020 was 48% lower year-on-year (Figure 3).

![Hotel revenue indexed to March 2018](image)

**Fig 3.** Hotel E revenues in 2018-2019 and 2019-2020, with March 2018 revenues indexed as baseline

Taking a hint from the 76-day lockdown in Wuhan, China (from 23 January to 8 April 2020), Hotel E management soon realized that the lockdown could last for months and leave the hotel vacant during the spring and summer months starting in April, which usually are the high season. As the owner put it:

“In March the total amount of cancellations came in at just over £61,000. Occupancy for April is 0%. May could turn out to be like April, empty.” (Internal communication, 7 April).

The owner also recognized the industry-wide cancelation and very low occupancy from the UK government’s tourism authority Visit Britain (email on 7 April) and the regional tourism board (email on 24 April). He said:

“I know that after the terrible month (March) we have had, I must have a plan to recover to the 'new' normal, whatever that is.” (Internal communication, 7 April).

Employees, as key stakeholders, have their claim of job security over the hotel management. Retaining skilled staff can help businesses make a sooner and easier recovery
Thus, hotel management should measure and monitor the perceived job risk of their employees (Xie et al., 2020) and engage in evidence-based talent management practices (Shulga & Busser, 2019). On 20 March, the UK government announced a furlough scheme in order for businesses to retain their employees; 80% of staff working in hotels, restaurants and pubs have been put on this government-supported furlough scheme (Osborne, 2020). Accordingly, most of Hotel E’s employees were furloughed:

“I had to furlough everybody to save cash. But I couldn’t furlough the accountant, because I need her to pay the accounts, apply for business support, and so on.” (Interview, Hotel Owner).

The accumulated effects of booking cancelations and ongoing expenses meant that Hotel E faced an existential crisis: even with the government support packages, it was likely to run out of cash within 60 days. So, the owner approached a bank to request a loan, which required Hotel E to present a business recovery plan. It was then that the hotel management decided to engage the key stakeholders. Reflecting on the decision to seek outside help, the owner said:

“What do I do? I am at the coalface. I need a broader picture. I need outside help because I sit so close to it.” (Interview, Hotel Owner).

With the help of two academic experts, the owner identified and categorized the hotel’s stakeholder groups, from high to low salience (Mitchell et al., 1997), shown in Table 3.
Table 3

Salience mapping for hospitality business in the COVID-19 pandemic

<table>
<thead>
<tr>
<th>Type</th>
<th>Stakeholder group</th>
<th>Power</th>
<th>Legitimacy</th>
<th>Urgency</th>
<th>Salience</th>
<th>Key claims in COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market-based</td>
<td>Owners /Shareholders /Financiers</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>High</td>
<td>Profits; growth</td>
</tr>
<tr>
<td></td>
<td>Customers (domestic &amp; international; B2B &amp; B2C)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>High</td>
<td>Safety and health</td>
</tr>
<tr>
<td></td>
<td>Employees</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>High</td>
<td>Safety and health, job security</td>
</tr>
<tr>
<td></td>
<td>Suppliers: Partners, Insurers, etc.</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Medium</td>
<td>Profits; growth</td>
</tr>
<tr>
<td>Nonmarket-based</td>
<td>Governments, policymakers, regulators (domestic and international)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>High</td>
<td>Public health, safety</td>
</tr>
<tr>
<td></td>
<td>Communities: Local university academics</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Medium</td>
<td>Public health, other community support</td>
</tr>
</tbody>
</table>

Subsequently, the owner set up an advisory group with a subset of these key stakeholders to consider the challenges ahead. The group collated information from multiple internal and external sources to develop an understanding of the current position of the hotel in light of changes in the macro-environment such as stay-at-home directives and the reduced spending on business and leisure travels. Based on such understanding, the group developed several scenarios (e.g., a second wave of the pandemic; elongated travel restrictions) and
estimated the impact of these different scenarios on Hotel E, across three timeframes. The first period was the hotel’s starting position, when severe moving restrictions continued to be in effect in the UK (Gov.UK, 2020). The second period is when some movement restrictions are lifted but due to persisting health and safety concerns of travelers and employees alike (YouGov, 2020a) or great volatility across major economies (International Monetary Fund, 2020), the hotel still suffers from vacancy. This is also when the hotel’s liquidity is most at risk. In the third period, when effective vaccines and/or treatments that are currently lacking (Brennan, 2020) may have been developed, Hotel E will enter its “next normal” business environment (McKinsey, 2020).

In summary, the recognizing stage allowed Hotel E, working with the advisory group, to identify the main threats presented by COVID-19 and the interdependencies between the various stakeholders.

5.2 Rationalizing changes needed

Subsequently, the working group entered the rationalizing stage to align the requirements of the “next normal” with operational factors by “modifying existing processes, technology and ways of working” (Dibb et al., 2004, p. 58). Like many businesses around the world (Yoon & Lochhead, 2020), the hotel was likely to run out of cash, soon. Hence, Hotel E’s owner organized a session with members of the working group, to brainstorm ideas for possible solutions (Figure 4).

![Table]

<table>
<thead>
<tr>
<th>New Offers</th>
<th>Existing Offers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examples: Gift cards;</td>
<td>Examples: Long term</td>
</tr>
<tr>
<td>Consulting services for</td>
<td>accommodation; overflow</td>
</tr>
<tr>
<td>hotel guests that are</td>
<td>services for local care homes; Storage services; …</td>
</tr>
<tr>
<td>applying to City EE’s</td>
<td></td>
</tr>
<tr>
<td>colleges; …</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Examples: Advanced bookings from B2B customers; Advanced bookings from</td>
</tr>
<tr>
<td></td>
<td>repeat customers; …</td>
</tr>
<tr>
<td></td>
<td>Examples: Target essential workers (medical staff, teachers…); Target</td>
</tr>
<tr>
<td></td>
<td>construction workers on nearby building site; …</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fig 4.** Examples of revenue generation ideas for Hotel E (Meeting notes, 14 April 2020)
Armed with these new ideas, the owner started investigating whether they would be supported by the hotel’s market and non-market stakeholders. In some cases, there were conflicts of interest with powerful stakeholders which forced a change in direction. For instance, the hotel’s insurer objected to one of the ideas for developing new revenue streams:

“Talking to the insurers, (name), they said that if the hotel went ahead with this, the insurance would not cover this activity. Reasons being:

• Not knowing what people are storing, e.g. hazardous or flammable goods.
• People may hurt themselves while lifting their goods, they may sue the hotel.
• Damage to doors, walls and the rooms as being move their goods in and out.

Due to the lack of insurance cover, this idea was not progressed.” (Strategic plan)

However, there were more instances where the stakeholders provided suggestions which not only served their interests but also helped the hotel. For instance, the idea of encouraging business customers to do advance, group bookings for their corporate events was welcomed by business customers and staff alike. Advanced booking is usually favored in the corporate travel segment, as it reduces uncertainty regarding the availability of accommodation and daily rates (Guizzardo et al., 2017).

Some of the proposals required changes in operations. For instance, given that many MICE activities have been canceled or postponed, the management team had to develop a new cancelation policy to accommodate all possible scenarios for the evolution of the pandemic. Alternatively, in order to offer accommodation, there would be the need to provide for greater distancing not only between customers, but also between employees, and in staff–customer interactions, for health and safety reasons, as well as to deal with possible changes in customer expectations. Accordingly, staff suggested changes to the layout and the operations of the hotel to facilitate disinfection.

Continuous engagement with employees was key to Hotel E’s management. On the one hand, the employees were a useful source of insight and suggestions; on the other hand, they were concerned with personal safety and job continuity. The owner of Hotel E has held
weekly meetings with staff since the start of the crisis and has regularly shared information and plans with them. For example, the owner wrote in the first crisis action plan:

“Regular updates to the plan are vital for the success of the business. [Owner] will update the plan each week. However, should the economic, regulatory or financial situation significantly or suddenly change, then the plan will be updated immediately to reflect the new situation.

(...) Reviewing progress is essential as it allows the assessment of the effectiveness of past actions, new information can be discussed, and practical activities agreed upon for implementation. The types of reviews may be verbal, informal, or formal depending upon the nature of the topic. The number of people involved can vary from two to everyone. A regular weekly meeting will occur to ensure progress is occurring on issues discussed.” (Crisis Action Plan, v1, 20 April 2020).

Local, national and international governments, too, had a large influence in the hotel’s plans, even if they were not part of the working group. Stakeholder theory has recently begun to include global actors and global rules as high-salience groups (Scherer et al., 2006). The prospect of the pandemic largely depends on the measures taken by governments and legislators across the world. National governments have adopted different travel restriction measures (U.N. World Tourism Organization, 2020b), cleaning practices (World Health Organization, 2020c) and physical distancing guidelines (Shukman, 2020). These measures directly affect the demand for business travel and leisure travel alike, and may have a long-lasting impact on travelers’ demand for free and flexible cancelation policies (Riasi et al., 2018) and full support when being stranded (Morakabati et al., 2017). Moreover, indirectly, these guidelines will be internalized by travelers and reflected in their expectations for the hotel experience such as sparse seating to maintain sufficient physical distance. For example, Hotel E’s new hygiene protocols stated:

“A vital aspect of the protocols used within the hotel is ensuring that the protocols are up to date, relevant and accurate at all times. To this end, the hotel will use a variety of credible websites which include, but is not limited to:
The management of the hotel will, on a regular basis, check the above websites to ensure that it is following the latest advice and recommendations from these organisations.” (Hotel E Hygiene Protocols, 11 May 2020).

Accordingly, the group also discussed the needs of leisure travelers, both domestic and international. International travelers may have different expectations from domestic ones for hotel services and cleanliness standards. For example, the personal non-pharmaceutical interventions (NPIs) that Korean travelers take as routine procedures (Lee et al., 2012) have not been the common practice in hotels in most other countries. The wide adoption of facemasks and alcohol-based hand sanitizers in East and Southeast Asian countries has only just made its way into North America and Europe (YouGov, 2020b). These cross-national differences can be reflected in the expectations of travelers from different countries. Learning about these trends, the hotel management decided to start offering NPIs to guests:

“To overcome (guests’ fears), the hotel can supply each guest with a hygiene bag. The exact contents will have to be determined and costed, but it will probably contain a facemask, anti-bacterial hand gel and tissues or wet wipes.” (“New services”, in Hotel E’s Crisis Action Plan, v1, 20 April 2020).

While the academic experts and the business partners could provide some insights about evolving customer expectations, the hotel management were aware that it lacked first-hand insight directly from guests. Hence, the group started considering how to talk directly with guests to shape longer-term strategic plans:

“All through the current lockdown, the hotel has been posting on Social Media. Some posts have kept the hotel’s followers up to date on how the hotel is managing the COVID-19 situation. Other posts have reflected the mood of the nation, such as Clap for Our Carers. Some have asked general questions such as on the easing of restrictions, what are people looking forward to doing.
The hotel can build upon the last type, asking questions to find out information about travelers’ ideas on places to visit, how they think hotels will change and new services they expect when staying away from home. These questions can be in the form of polls, surveys, or questionnaires. The data generated by the questions then provide information to be considered when reviewing the plans. (“Marketing”, in Hotel E’s Crisis Action Plan, v1, 20 April 2020).

Throughout this period, the working group continued to meet frequently (cf. Ritchie, 2004), albeit remotely, and they shared information openly (cf. Arnaboldi & Spiller, 2011), via shared drives. Even information that did not add new insight was deemed valuable, because it helped reassure the team that they were on the right track. For instance, this e-mail from a supplier was shared with the working group:

“(See below) an email from the Company that supplies our booking system software. The email is about actions to take during these ‘unprecedented times.’ We are basically doing what they say. We are looking at a broader picture than they suggest.” (Internal communication, 22 April 2020)

To sum up, in the rationalizing stage, the collaborating stakeholders broadened the set of possible solutions for the problems caused by the COVID-19 pandemic. This happened because the stakeholders offered multiple perspectives from outside of the organization, because they helped make sense of the information available, and because they brought to the fore the interdependencies and the interests of the various stakeholders.

5.3 Refashioning ways of working

Once the management team had obtained a sense of direction, they turned their attention to the long term, and the search for new opportunities (Dibb et al., 2014). Flexibility, adaptation and innovation are crucial to overcoming turbulence in the macro-environment (Naidoo, 2010), a view that was embraced by the hotel owner:

“There has been a reset of the market. It is like doing Ctrl-Alt-Delete on your computer (...) When discussing the nature of the ‘new normal’, the academics asked me about the landscape that I am operating in. I said that I am planning what I need to buy, how to pay for it, looking at cash flow. The academics said ‘So, you are a start-up.’ I replied,
not just me, every other hotel in the world is having to do this. We are all start-ups because what happened before is irrelevant. How long you have been in business does not count anymore. (...) We are all start-ups.” (Interview, Hotel Owner)

The working group revisited every aspect of the traditional hotel service, considering whether it needed to change. Hotel E developed new business partnerships with providers of outdoor activities, such as walking tours and bike tours, and started offering picnic baskets for guests to enjoy a meal outdoors. Figure 5 illustrates the options considered for one of those areas: the breakfast.

<table>
<thead>
<tr>
<th><strong>Breakfast</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>There are several options being investigated:</td>
</tr>
<tr>
<td><strong>No breakfast</strong> – just sell Room Only and Non-Refundable</td>
</tr>
<tr>
<td><strong>Change Conservatory Layout</strong> – put tables at the edge of the room and in the centre have a tall shelved item containing breakfast items.</td>
</tr>
<tr>
<td><strong>Change food location</strong> – In reception, in front of fire, have serving table with food on it. Add hot water dispenser for tea and toasters – There are enough sockets.</td>
</tr>
<tr>
<td><strong>Sub-contract breakfast</strong> – Arrange with Gails/Taylors/Someone else to supply breakfast to order.</td>
</tr>
<tr>
<td><strong>Breakfast Vouchers</strong> – These are for outside organisations, eg Gails, Taylors.</td>
</tr>
<tr>
<td><strong>Room Service</strong> – Guests select from a menu the night before. Breakfast is served on a tray/s</td>
</tr>
<tr>
<td><strong>Combination of some of the above</strong></td>
</tr>
</tbody>
</table>

**Fig. 5.** Reimagining the breakfast options (“Breakfast”, in Hotel E’s Crisis Action Plan, v1.1, 29 April 2020).
While there are many uncertainties regarding the evolution of the disease, some trends have emerged. Key among them is the emphasis on cleanliness. Hotel guests’ intention to stay is largely driven by safety, security and perceived control (Ineson et al., 2019). Business travelers in particular have cleanliness as a top attribute (Dolnicar, 2002). Cleanliness enhances their perceived security (Amblee, 2015); it not only is one of the top reasons that guests are willing to pay a premium (Cró & Martins, 2017), but also one of the top complaints (Levy et al., 2012). The COVID-19 pandemic heightens the need for health, making hotel cleanliness and hygiene the top need. Past research has revealed that hotel guests are willing to pay for enhanced disinfection (Zemke et al., 2015), and that high-touch areas in hotels are correlated with objective measures of dirtiness (Park et al., 2019). Therefore, the hotel management needs to engage in high-standard disinfection at their premises to stop the spread of the virus. Hotel E rearranged the lobby and other public areas to comply with the physical distancing requirements. Hand sanitizer stations and dispensers have been added; hygiene kits, each containing a facemask, a pair of gloves and hand sanitizer, were ordered for the guests. The hotel also developed new cleaning protocols and a door seal with a QR code taking the guests to the hygiene section on Hotel E’s website:

“When housekeeping clean a room, they will wear additional PPE such as facemasks. They will use recommended cleaning products, 70% alcohol cleaning agents. Separate clothes may be used for bathrooms, bedroom and the public areas. (...) If a guest develops COVID-19, then the hotel will need to enact a deep cleaning protocol. (...) The hotel will base their deep clean protocol on (the Centre for Health Protection in Hong Kong)’s system in the absence of anything from the UK Government.” (“Cleaning”, in Hotel E’s Crisis Action Plan, v1.1, 29 April 2020).

“They will seal a room when it is cleaned to re-assure guests that they are entering a clean environment.” (Internal communication, 29 May 2020).
In addition, because cleanliness is mostly a perception and the SARS-CoV-2 virus is invisible to the naked eye, the hotel needs to communicate the new standards of disinfection in ways that reassure customers. Customer experience research suggests that hotel guests want a sense of security and comfort, over and above a night’s stay (Chien et al., 2017; Pizam & Tasci, 2019). Hence, it is advisable for hotel managers to emphasize their housekeeping and cleaning practices, especially the frequency of cleaning high-touch areas. This can be communicated using websites or social media (Gonzalez et al., 2019) or via targeted communications with the key accounts (Iankova et al., 2019). To emphasize the hotel’s cleanliness to potential guests, the management at Hotel E has revamped its marketing communications to highlight the outdoor setting within its premises, the hygiene and cleaning practices and send out a pre-arrival guest information pack to past guests in its database. First, since the staff-guest touchpoints are minimized, the document provided very detailed information about the guest’s entire hotel stay. Second, because the food and drinks section within Hotel E has been reduced, the document laid out nearby restaurants and cafes. Third, the document featured a selection of local tourist activities including deals on open-space garden picnics and bicycle tours negotiated with local businesses (Hotel Pre-arrival Information Pack, June 2020).

Hotel E also redesigned its webpage featuring a message from the owner to let the website visitors know the efforts they have made to ensure health and safety:

“A clean, safe and hygienic environment is what our guests’ [sic] value. So now, more than ever, we have taken our commitment to a higher level to re-assure you that your stay will be safe. We have deep cleaned all rooms, common areas and public spaces. The housekeeping staff have been trained in our enhanced cleaning procedures to make sure your room is hygienically safe for your arrival. To demonstrate to you that your room is clean, each room will be sealed so that you know, no one has entered since it was last cleaned.” (“A message from the owner”, Website Redesign, 16 June 2020)

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Another clear trend emerging is that customers want to avoid crowded spaces. This led the hotel to showcase the opportunities to relax outdoors:

“During the lockdown, many people are missing wide-open spaces and shopping. The city of EE can satisfy both of those needs (...) I have taken up your suggestion and took many photos of the open spaces in City EE. I have updated the photo library, and, as you can see from the email below, asked my Marketing person to add the Open Spaces to our website and to use them to publicize the open spaces of City EE.” (Internal communication, 28 April 2020)

The efforts to revamp the hotel website turned out to be on right track. The redesigned website went live 26 June; the Google Analytics from the first two days showed the newly added page devoted to hygiene and safety and the updated photo gallery page stressing open spaces were in high demand, an early sign of success. Figure 6 shows that the hygiene and the gallery pages were the top two most visited pages (where 1 is the main landing page, and the other four are the second-tier pages devoted to various topics).

Fig. 6. Web analytics (29 June 2020) where “/” represents the homepage, i.e., the landing page

To conclude, in the refashioning stage, Hotel E’s managers developed new ways of doing business, abandoning long-established ways of working, and created new partnerships. They complemented the work done with effective communications and relationship development.

6. Conclusion

For many in hospitality, the COVID-19 pandemic created an existential crisis, with cancelations and huge uncertainty. Owners control the decisions and activities of their business, with a view of protecting its profits and ensuring its continued growth (Smith,
However, when faced with such a complex situation as that presented by the COVID-19 crisis, they may struggle to develop comprehensive representations of the environment (Qiu, 2008), estimate the consequences of specific actions (El Sawy et al., 2010), and develop proactive solutions (Alonso-Almeida et al., 2015). We presented a framework for strategy development for the COVID-19 crisis, which engages salient stakeholders collaboratively throughout the stages of recognizing, rationalizing and refashioning. Furthermore, our case study showed how, by reaching out to and working closely with other stakeholders, hotel owners can address their cognitive and resource limitations, and develop a plan for navigating the challenges presented by the pandemic. Our findings advanced crisis and disaster management literature and practice, as discussed next.

6.1 Contributions to theory

The unprecedented COVID-19 crisis merits a revisit and a refinement of the existing crisis management literature, especially to address its global reach, its compound nature and the lack of clear resolution in a relatively long period of time. This research as a first step aims to address a few gaps in the existing crisis management literature. First, dominant crisis management frameworks such as Ritchie (2004) have proposed to involve stakeholders in the strategy implementation only, where this present research suggests that open and strong collaboration with key stakeholders – both domestic and global – should be carried out throughout the three stages. Second, existing literature on crisis management has begun to consider the global nature of crises, yet the economic side of globalization has been the only focus (Sheldon & Dwyer, 2010; Song et al., 2018). It has not examined a crisis that disrupts global supply and global demand. Third, the previous crisis research has mostly been retrospective and examined the phenomena after the crises have reached some degree of resolution. The COVID-19 pandemic has illuminated the need for a strategic framework to deal with an ongoing crisis, which requires managers to constantly go through the three stages, and more importantly, engage with key global stakeholders in all three stages. Refashioning the ways of working takes place in small, gradual steps with no grand finale in sight before the economic consequences wipe out a large chunk of the hospitality sector. We believe that such a framework will help businesses in and outside of hospitality to adjust and adapt to an even larger problem: climate change, where there is no clear, quick or easy
solution and any business’ survival depends on the engagement with stakeholders in the entire globe.

6.2 Contributions to practice

We have identified high-salience stakeholders as customers, employees and government authorities, and discussed their roles. Moreover, detailed analyses and discussions are provided about the collaboration with these key stakeholders to ensure maximum engagement in the three stages of recognizing, rationalizing and refashioning.

Through recognizing, the owner and the collaborating stakeholders developed and agreed on likely scenarios for the evolution of the crisis. While they faced much uncertainty regarding the evolution of the disease and the economic and social fallouts of the pandemic, they could start to put together some parameters for what different scenarios might look like, and the risks for the business. By engaging multiple stakeholders, the owner could not only access their knowledge and insight, but he could also begin to map their interests, and take these into consideration when developing his own recovery strategy. The interests and actions of three stakeholder groups were particularly salient at this stage: customers, employees and governments. Their claims played out differently across each of the three main time periods.

Next, through rationalizing, the owner and the collaborating stakeholders identified avenues to overcome the challenges identified in the previous stage. The focus was on generating income, to ensure the survival of the business. By engaging multiple stakeholders, the owner could be inspired to find novel ways to use the assets at his disposal. The interests and actions of a fourth stakeholder group become highly salient at this stage: suppliers. This stage reveals the intricate web of interdependencies between the various stakeholders. At times, the conflicting interests between the collaborating partners lead to blockages. Though, with continued engagement and the support of other stakeholders, alternatives to those blockages may be found (Jiang & Ritchie, 2017). This complements previous studies such as Nguyen et al. (2017) that emphasize the benefits and importance of collaboration with public sector stakeholders. Like the hotel’s, the stakeholders’ situation is evolving. Information and communication are key.

Finally, through refashioning, the owner and the collaborating stakeholders considered the structural changes needed to succeed in the new normal. When the context changes
dramatically, it is necessary to question the old ways of doing business, and to be open to change (Farmaki, 2019). Collaborating with stakeholders enabled the hotel to identify new business opportunities that maximize overall payoff, while also identifying ways of communicating the changes, effectively. The purpose of this stage is to solidify the progress made in the previous ones. Flexibility is key.

6.3 Limitations and future directions

A limitation of this research is the use of a single case in the UK, while more numerous cases from other parts of the world may be considered in future studies to further strengthen the results. Indeed, the relationship with stakeholders and eventually also the framework proposed may be affected by different cultural and institutional contexts.

Further, although this paper has focused on the hospitality sector, the stakeholder theory and the recommendations provided are generally useful for executives in other industries. The gist of the managerial recommendations is that many other industries will benefit from acknowledging the interdependencies between market and non-market stakeholders in their markets, not only local and national but also international (Hermes & Mainela, 2014). This is crucial for managing the uncertainty faced by businesses with a significant portion of their demand from international customers. In addition, innovation, especially fast and open innovation, should play a greater role in helping businesses to recover. This is best achieved by engaging stakeholders outside of the organization to find collaborative solutions (Lalicic, 2018). Using inside-out knowledge flows (McKenzie & van Winkelen, 2004), universities can help local businesses rethink the type of products and services offered. Conversely, using outside-in knowledge, these universities can better understand and anticipate the needs for sustainable global solutions and conduct relevant and impactful research to prepare for them.

References


Highlights

- The COVID-19 pandemic presents an existential threat to many hospitality businesses.
- Hotels and their stakeholders are interdependent.
- Managers need to engage salient stakeholders in collaborative strategy development.
- Our 3Rs framework helps identify new revenue streams, operational modifications and new commercial partnerships.