
Crisis management and COVID-19: the case of budget hotels in Muang Chiangmai District

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Abstract: Economy of Thailand is heavily dependent on the tourism industry with increase in foreign tourists year by year. The current outbreak of a new coronavirus disease (COVID-19) in Thailand is a crisis for the tourism industry and economy. Due to their characteristics, budget hotels are vulnerable as they are mostly owned by individuals lacking finance, manpower, strategy, or a plan to overcome the crisis. Hence, this study focuses on the budget hotels in Muang Chiangmai District area. The purpose of the research is to understand effects of COVID-19 and develop an approach in crisis management especially for budget hotels. This study employed mixed method concept, by combining qualitative and quantitative methods. The results of the study show that manager perception, well trained staff, strategy, and planning to combat crisis plays a crucial role in crisis management.

Keywords: crisis management; budget hotels; COVID-2019.

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1 Introduction

Thailand is a well know tourist destination in ASIA attracting millions of foreign tourists due to its hospitality, beautiful beaches, historical places, cuisine, affordable accommodation, and tourism related infrastructure. Secretary-general of the NESDC, the government plans for the tourism sector to contribute 30% of the country's GDP by 2030, up from about 20% this year. "Tourism in the very near future will become an even larger component of the economy," he said. "The development will be based on the requirements of each region."

The current outbreak of a new coronavirus disease (COVID-19) in Thailand in 2019–2020 is a crisis for the tourism industry and economy as a whole. With more and more travel advisories from different nations tourism is going through the worst phase. Barnett (2020), "Perhaps the biggest wild card is the mounting number of travel advisories across the globe based on Covid- 19." According to the above excerpt Covid-2019 will hurt Thai tourism due to its vulnerability. It is generally agreed that tourism is highly susceptible to external factors and pressures in the wider operating environment (Robkob, 2010).

In the ever-changing uncertain world, almost all organisations connected to the tourism industry face the likelihood of experiencing some form of crisis from the ongoing pandemic. In recent years, crises from various events around the world has severely affected tourism and the hotel business like the events of September 11 in the USA (2001), terrorism in Bali (2002) and Jakarta (2003), Train bombings in Spain (2004)

Tsunami disaster in Southeast Asian countries (2004) Asian economic crisis (1997) and the occurrence of SARS and avian influenza (2003–2004), etc. (Rugmai et al., 2017).

However, levels of preparedness and the competence with which difficulties are handled vary and the topic of tourism crisis management is attracting greater attention from researchers.

This research has the purpose to understand the crisis management and covid-19 and their effect to the budget hotels in Muang Chiangmai to create an awareness to all the stakeholders of budget hotels. Tourism has been a major force in Thailand economy and budget hotels play an important role. There are very few papers which are focused on budget hotel although being vulnerable to crisis due to their characteristics. This research outlines the importance of a crisis management and has the purpose to raise the awareness. The research is of special value to the owners of budget hotels, managers, staff members, as well as related governmental authorities.

1.1 COVID-19 and Thailand

According to Worldometer website date April 9th, 2020, “The coronavirus COVID-19 is affecting 214 countries and territories around the world and 2 international conveyances.”

Coronavirus has been described as the most severe crisis since World War II said by Italian Prime Minister Giuseppe Conte on March 21, 2020 in Rome, Italy.

Covid-2019 virus was confirmed to have spread to Thailand on 12 January 2020. Thailand was one of the first country to confirm a case of coronavirus disease 2019 (COVID-19) outside of China (Department of Disease Control, 2020).

Coronavirus has become a pandemic duly announced by WHO and a social stigma affecting most of the countries all over the globe. Thailand and its economy is vulnerable to the current crisis, as it relies on tourism income to 12% of GDP directly, whereas indirect income related to tourism makes the sector even more important to the economy.

Government of Thailand has released structure guidelines and protocols under an emergency decree whereby they have declared to temporary close education institutions, department stores nationwide, some companies asked employees to work from home. Curfew has been used to safeguard Thai population and are strongly urged to stay home and stop socialising in hope to control and minimise the effect of Covid-19 virus.

According to data from Airports of Thailand Public Company Limited (AOT), the number of foreign tourists from October 2019 to September 2020 will drop 8%–10%, especially in February. Expects the number of foreign tourists to drop by 30%. This economic fallout of the pandemic could drive large parts of east Asia into poverty.

1.2 Statement of the problem

This study is concerned with a new coronavirus (COVID-19), a new and potentially fatal virus, which affecting much of the world population in the year 2020. It focuses on how the pandemic impact on Thailand’s hotel sector in Chiang Mai and management reactions to it, affording insights into the problems caused by outbreaks of infectious disease at destinations and possible responses.

WHO issued travel advisory recommendations that travellers consider postponing all but essential journeys to high-risk areas where COVID-19 cases had been reported. This has severely impacted the hotel industry and hotels deployed plans and strategies to combat the problem.

According to Pakkanan Winijchai, director of the Tourism Authority of Thailand's Chiang Mai office, "Tourism revenue contributes 68% of the province's GDP. The pandemic not only affected tourism, but also wider stakeholders in the economy."

Most of the 5 stars, 4 stars and 3 stars hotels are owned and operated by big organisations with financial back up and quality manpower to overcome hiccups which comes to them. Danger lies with the budget and lower ranked hotels as they are mostly owned by individuals lacking finance, manpower, strategy or a plan to overcome the crisis. Therefore, the features in particular, of the budget hotel require the development of specific management guidelines for crisis management (Zhukov, 2015).

1.3 Research questions

Researcher is curious to know and understand the current crisis and its effect on budget hotels in Chiangmai. Moreover, researcher would like to figure out the plans and strategies used by budget hotels to overcome the crisis in case they have. This leads to the following questions:

- What are the effects of COVID-19 on budget hotels in Chiangmai?
- Which crisis management approach do budget hotels use in dealing with the current crisis?

1.4 Research objectives

- To study the effects of COVID-19 on budget hotels in Chiangmai.
- To find relevant solutions to crisis which can be adapted by budget hotels.
- To offer management guidelines for hotel managers.

1.5 Scope of the study

Unlike earlier studies conducted on five- and four-star hotels and their group, the current study focuses on budget Hotels in Muang District, Chiangmai Province with the focus on their crisis management during the period of Covid-19. The study will be conducted from March 2020 by choosing the budget hotels in Chiangmai and interviewing the related authorities linked to it along with the staffs who are the front of facing the crisis and have real knowledge of the underlying problem.

Rahman and Nordin (2018), "budget hotels face many problems and constraints. Three main problems which have been identified are financial constraint, lack of financial and management skills and lack of experienced and skilled employees." As we can see from the above extract that budget hotels face problems and constraints which will ensure them being more vulnerable to the current crisis (Covid-19). Hence, the paper focuses on budget hotels so as to be able to guide them and give an overview on the problem faced which will enable policy maker to have a look on this important but ignore hotel segment.

2 Literature review

2.1 Hotel industry and crisis

Hotel business is a related business that is linked to tourism and the service industry. Which is one of the service sectors that has an important role to the economic growth of the country that is increasing continuously. There has been an expansion of foreign tourists from Brazil, Russia, India and China (BRIC), due to their economic growth, causing the hotel industry in every region to grow rapidly. United Nations World Tourism Organization (UNWTO) reported that 1.5 billion international tourist arrivals were recorded in 2019, globally and is forecast number of international tourists' arrivals will reach 1.8 billion people by the year 2030, with Asia and the Pacific region being the region with the highest growth rate to 30% in 2030.

In 2019, According to National Statistical Office, Ministry of Digital Economy and Society published 'the 2018 accommodation survey' in Thailand, there are 24,391 places. Most of the accommodation are located in Southern region 6,789 accounted for 27.8%, followed by Central region 6,439 places with 26.4%, Northern 4960 and North East 4,977 both regions shared the same percentage of 20.4, the rest is 1,226 places accounted for 5%. This sector employed 323,882 people, provide revenue of 210,921.5 million baht.

Figure 1 The growth rate of various types of hotels (see online version for colours)



Source: <https://dtc.ac.th/>

When consider the growth rate of various types of hotels in Thailand, Euromonitor 2019 has established data from 2014 - 2018 detail as follows: 4 and 5-star hotels (luxury and upscale hotels) in 2018 were 3,934 hotels, increased from 535 last three years. 3-star hotels (mid-market hotels) in 2018 were 3,715 hotels, increased from 3 years ago to 947 hotels. Budget hotels in 2018 were 3,450 hotels, increasing from 1,077, three years ago. There are 42,870 short-term rentals in 2018, up from 25,770 from three years ago.

However, throughout the past years, Thailand has been affected by some crisis as other countries. Thailand is still affected by the domestic political crisis (2004–2009 and

2013–2014), major floods (2011–2012) and bombings at Rajaprasong junction (2015) and Covid-19 pandemic around the world (2019).

Majority of hoteliers in Thailand are looking for some historical context and the closest thing is the SARS crisis in 2003. For Thailand, the market hit a freefall over five months from March to July, as market-wide occupancy bottomed out just under the 30% level in May of that year.

To safeguard their population from the pandemic, various nations have imposed and proposed lockdown and travel restrictions including Thailand. Ms. La-iad Bungsritthong, President of Northern Thai Hotel Association mentioned that COVID-19 is expected to have an impact on second quarter of 2020 in hotel industry in Chiang Mai even it is the high season especially for Chinese market. However, hotels need to find other substitute for the largest market is Chinese which the number has been reporting of drop of almost 70% in room occupancy. Most of the hotel room bookings are cancelled. If cancelled, refund of the room reservation will be given until the situation is resolved.

Mr. Pornchai Jitnasathien, the owner of the hotel business and a former president of the Chiang Mai tourism industry, revealed that the hotel has lost at least 70% of the tourists, only has 15%–20% of its revenue and has to reduce the room rates.

“At the moment, some hotels reduced staff rates and having employees leave indefinitely, refraining from paying bonuses, saving on water bills in any area that can reduce costs has already been done. The situation cannot be concluded when it will be resolved but the thing that the entrepreneurs have to bear the burden is tax has to be paid. Therefore, seriously help is urgently needed by the tourism business.” Mr. Pornchai said.

The Colliers International Thailand Research and Communication Division estimates that the impact of coronavirus will be more severe during the March–June 2020 period which will lead to the whole year of occupancy rate drops around 30%.

Chuangphusri and Buranasing (2011) explained that the damage caused by a crisis may destroy the reputation and credibility of the organisation and management or causing loss of value creation process, revenue source, competitive position, and business continuity of organisations in times of crisis to all organisations, including hotel businesses.

There are solutions to the crisis for the organisation to pass through the crisis or minimise the effects of the crisis. One of the most common way to go through crisis is to reduce costs and expenses in various fields. Rugmai (2017) has outlined that in a crisis most hotels solve problems by reducing labour or personnel costs. However, in a crisis, organisation might have success and failure which may the result of a proper strategy and plan. Hotel business with plans and strategies are able to handle crises well (Chuangphusri and Buranasing, 2011; Bilić et al., 2017).

Therefore, the knowledge of crisis management is very important to the hotel business in preparation for dealing and mitigating the negative impact of the crisis. This study therefore focuses to present the concepts and guidelines for managing the crisis of the hotel business for the operations of the hotel business when there is a crisis to be able to manage effectively.

2.2 The concept of crisis management

Crisis management is a critical organisational function, essential as because every organisation faces crisis or hurdle during their operation. Failure from that crisis can

result in serious harm to stakeholders, losses for an organisation, or end its very existence. Volumes have been written about crisis management by both practitioners and researchers from many different disciplines.

Crisis can hamper and damage a destination's reputation and attraction. Hence, it is essential that destination managers must apply crisis management as a technique both for avoiding emergencies and planning for the unexpected ones, as well as a method for dealing with crises when they happen, so as to be reduce any negative consequences. As such, crisis management and risk assessment have become, and will remain, a vital component of the way all businesses operate within the tourism industry (Jia et al., 2012).

Wang and Ritchie (2010) stated that crisis management can be defined as "an ongoing systemic effort that organisations carry out in an attempt to identify and prevent potential risks and problems, to manage those that occur in order to minimise damages and maximise opportunities, and to take into account learning, planning and training activities as well as the interests of their stakeholders". Spillan and Hough (2003) argue that "crisis management entails minimising the impact of an unexpected event in the life of an organisation". As the purpose of crisis management is not to produce a set of plans; it is to prepare an organisation to think creatively about the unthinkable so that the best possible decisions will be made in time of crisis. Coordination and collaboration between managers and stakeholders are very vital for the effective management of a crisis (Henderson, 2003; Carlsen and Liburd, 2007). As both the tourism industry and governments will, in many cases, prevent a crisis or disaster from occurring. However, not all undesirable events can be avoided, so destination managers must respond quickly and effectively to negative situations (Wilks and Moore, 2004; Mansfeld and Pizam, 2006; Rittichainuwat, 2013).

2.3 *Crisis management model*

There are many proposed crisis management models to serve as a base and be a guideline to managers and planners prior to, during and after a crisis event, and would help them to overcome the crisis with the least loss. Loss is an important aspect of crisis, but through using and providing a model the loss can be minimised. According to Wilks and Moore (2004), the four R's approach adopted by PATA, to guide for tourism industry how destinations and small businesses can effectively manage the four distinct phases of a crisis.

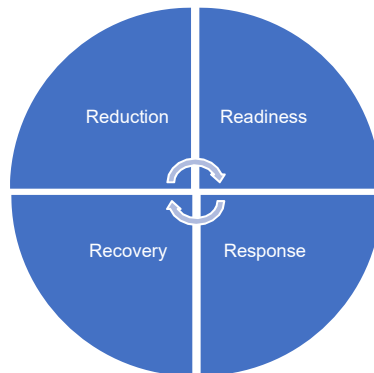
2.4 *Four R's model*

- a *Reduction*: discovering early warning signals is key to crisis management which helps to identify a potential crisis, and then seek to reduce its impact. Manager's perception, knowledge and understanding of crisis is a vital factor for budget hotels to pass through the crisis. Managers need to perform a survey of their destination's internal strengths and weaknesses and external opportunities and threats (a SWOT analysis mentioned that a SWOT analysis should be used when developing plans and procedures to cope with crises affecting a tourism business).

Based on this analysis, they can evaluate the impact on the destination of a particular type of crisis, create continuity and emergency plans and work out how to reduce the possibility of a crisis (Prideaux et al., 2003).

- b *Readiness*: ‘Being Ready’ in this stage destination managers need to determine and evaluate the crisis damage and develop tactical, strategic and communication plans. Staffs should be well trained and should know their roles and duties in time of crisis and moreover there should be proper communication channel. Destination managers must check their plans regularly, organise crisis response exercises and improve crisis management skills for the crisis management team (Wilks and Moore, 2004; Bilić et al., 2017).
- c *Response*: is focused on the immediate result of an incident. It will illustrate if the reduction and readiness phases have developed emergency and effective plans. The first step will focus on diminishing destination damages. In this phase, managers must prepare and apply crisis communications strategy in addition to encourage stakeholders and the public. Proper protocols and system to handle should be in place and formulated with a proper strategy to overcome the crisis. Employee should know about the ways to handle crisis and provided proper training in relation to the crisis.
- d *Recovery*: The best assessment of effective crisis management is if a crisis has been avoided. But many crises could not be avoided. In this case, the efficiency of crisis management systems can be assessed through three ways:
- The speed with which a destination returns to normality.
 - The degree to which business gets back to pre-crisis levels.
 - How the lessons learned from such crisis have been included in preparation and preparedness stage to avoid future problems (Wilks and Moore, 2004). Proper strategy and plan should be put in place to combat any future crisis.

Figure 2 Four R’s model of crisis management (see online version for colours)



Source: This figure illustrates four phases of crisis by Wilks and Moore (2004)

2.5 *Decision-making in crisis and leadership in crisis*

Making proper decision is the key ingredient in fighting crisis as decision-making is vital in times of crisis. Every industry, organisation or businesses go through crisis in their life span, hence it is essential to see crisis in a positive and take proper decision considering

and understanding the local cultural environment, as well as the values and ethics of the society in which they operate and exist.

Center and Jackson (2002) stated that, the crisis management process requires making wise and sound decisions, as they contribute to a successful exit of the crisis and alleviate its effects.

This might explain why decision-making often requires considerable expertise and knowledge. In fact, key features of an outstanding leader is his ability to make the right decisions in times of crisis, hence the timing of making those decisions is crucial to their success and efficiency.

Budget hotels due to their structure and limitation such as financial, quality manpower would find it hard to have a leader who can guide them through the period of crisis. Hence, a proposed model will be a boon for them and will guide them to pass the Covid-19 pandemic.

2.6 Conceptual framework and hypothesis

Research variables has been derived after analysing various literatures which puts light on the crisis management related to budget hotels. Different crisis management models have been studied as 4R model and crisis stage life cycle.

Bernstein and Rakowitz (2012) have mentioned, "A crises mindset requires the ability to think of the worst- case scenario while simultaneously suggesting numerous solutions". Managers play a vital role in budget hotel as he directly makes decision due to the characteristics of the budget hotel. Hence, Manager's perception of crisis and being prepared, taking timely action will go a long way in determining the success of budget hotels during crisis.

Speakman and Sharpley (2012) have mentioned the importance of employee training as they are better prepared with knowledge and skills to handle such problems. In the second stage of crisis which is readiness employees should be well trained and should know their roles and duties in time of crisis. According to Thiranagama and Dileesha (2020), attracting and retaining human capital is one of the best sources of competitive advantage for the organisation. As we know due to the characteristics and other constraints quality of employee in budget hotels are lower than well know and star hotels. Hence, employee training is essential and critical to safeguard interest of guests, hotels, and other stakeholders.

A set protocols and procedures should be employed by all budget hotels due to the various limitations of budget hotels. Bilić et al. (2017) strongly recommended for any company to develop a written crisis manual, with assigned roles and duties in the event of a crisis, which should serve as a bible. Hence, protocol and procedures to be followed during crisis is a vital factor which shows the readiness of an organisation.

Rittichainuwat (2013) stressed the importance of the crisis management, where a written crisis management plan is positively perceived as management's commitment to protect their guests. Budget hotels should be well prepared with strategy and plan for crisis, as it involved the life of human not only the guests but also their own employees. Chuangphusri and Buranasing (2011) and Bilić et al. (2017) have highlighted that, "Hotel business with plans and strategies are able to handle crises well".

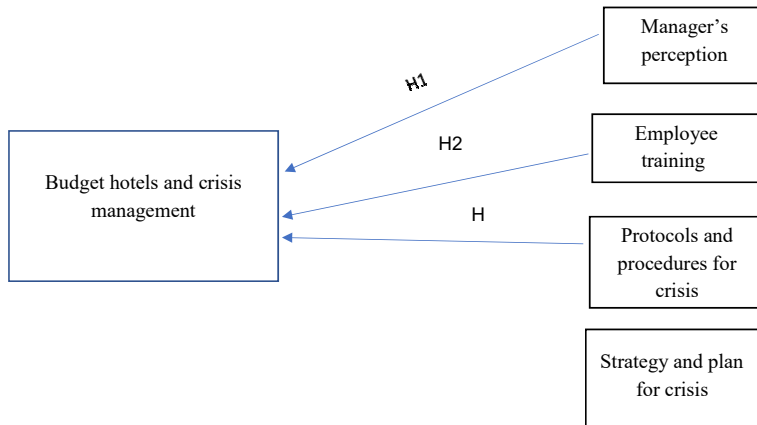
H1 Managers perceive that they play a key role in ensuring the security protocols/procedures for crisis situations.

H2 The practice of employee training on handling crisis situations is well developed.

H3 The protocols and procedures for crisis situations are well developed.

H4 Budget hotels are prepared with strategy and plan for potential Crisis situations in the near future.

Figure 3 Conceptual framework and hypothesis (see online version for colours)



3 Research methodology

3.1 Research design

This research will use the triangulation method to shed lights on the impact of COVID-19 on budget hotels. Two types of data will be used in the assessment:

- 1 Interviews with five executives from budget hotels concerned effects of COVID-19 on budget hotels through snowball technique.
- 2 Questionnaire distributed 100 employees in the budget hotels, Muang District, Chiang Mai.

3.2 Research place

The earlier study of crisis management was mostly conducted in broad sector of tourism industry with significant focus on the impact of crisis on the management, policy, and performance result. This study will emphasise specifically on hotel industry and narrowed into budget hotels in Muang District, Chiang Mai Province.

3.3 Research population and sample

There are around 535 hotels in the Chiang Mai but around 450 hotels listed in Muang District, Chiang Mai Province (Department of Tourism, 2020).

This study focuses on the budget hotels in Muang District area. To conduct the effects of COVID- 19 and crisis management, the study got the list of budget hotels in the hotel industry in Chiang Mai from Department of Tourism. There are around 272 budget hotels in the Chiang Mai hotel industry (Department of Tourism, 2020). The study concentrates on budget hotels in hotel industry, so as the data collection will be easier and viable.

Sample size for the qualitative research interviews will be chosen by snowball technique in total five interviews to find variable framework with executives or managers from budget hotels in Muang District, Chiang Mai Province.

Sample sizes for the quantitative analysis will give questionnaire to 100 employees who are currently working at budget hotels.

3.4 Data analysis and measurement

The acquitted data of five executives or managers of hotels in Chiang Mai using in-depth interview will be analysed using content analysis method and interpreting the data collected:

a Percentage

All the received data from 100 employees will input into statistical analysis software, along with the variables. Followings are the statistical tools utilised in analysing. Percentage is the ratio of a part of the whole multiplied by a hundred. The respondents' answers will be analysed and interpreted using percentage. It gives a clear view as how much percentage of respondents agreed or disagreed on a questionnaire.

b Correlation

The correlation procedure is used to find the relationships between the variables used to determine the crisis management of budget hotels. For each combination of variables, the Pearson product-moment coefficient of correlation is computed. This correlation coefficient, commonly called r , measures the linear correlation between two variables. Thus, $r = 0$ implies no linear correlation between two variables.

4 Data findings

4.1 Result and discussion

4.1.1 Data findings using research tools

Questionnaire was sent to 100 respondents through email and relevant social media. Out of which 90 questionnaires were returned which were used for statistical representation. Most of the respondents of the questionnaire were between the age of 18–30 years amounting to around 65% of the total respondents. Most of the respondents found to be female around 71% of them and moreover, it has been found that the female population tend to work more in tourism and hospitality related industries in Thailand. Around 30% of the population had income distribution between 18,000–25,000 baht per month.

4.2 Regression analysis

From Table 1 and its relevant analysis, we can conclude that it was found that the coefficient (adjusted R square) was 18.50%, which means the independent variables (managerial perception, employee training, protocols and procedures, strategy, and plan) can explain the dependent variable (crisis management of budget hotels) by 10.8%.

Table 1 Relationship of managers' perception (MP), employee training (ET), protocols and procedures (PP) and strategy and plan (SP) with crisis management (CM) of budget hotels

		<i>Coefficients^a</i>				
<i>Model</i>	<i>Unstandardised coefficients</i>		<i>Standardised coefficients</i>	<i>t</i>	<i>Sig.</i>	
	<i>B</i>	<i>Std. error</i>	<i>Beta</i>			
1	(Constant)	2.466	0.218		12.162	0.000
	MP	0.228	0.076	0.255	2.984	0.003
	ET	0.170	0.063	0.207	2.682	0.002
	PP	0.083	0.059	0.127	1.392	0.166
	SP	0.027	0.064	0.036	0.415	0.676
<i>Model summary</i>						
<i>Model</i>	<i>R</i>	<i>R square</i>	<i>Adjusted R square</i>	<i>Std. error of the estimate</i>		
1	0.437 ^b	0.214	0.185	0.72351		

Notes: ^aDependent variable: crisis management (CM).

^{*}Statistically significant at d level 0.05.

^bPredictors: (Constant), MP, ET, PP, SP.

Therefore, managers perception ($B = 0.228$), employee training ($B = 0.170$) found a strong significant correlation with country of origin at the level of significance of 0.05.

“According to Wilks and Moore (2004) the Four R’s approach, Managers perception can play a key role in crisis management by having a good knowledge of crisis and discovering early signals of crisis which can help to reduce the impact of crisis management.”

“Managers play a crucial role in budget hotels as they are responsible for various tasks including guests service as well as handling of employees. Due to their incapability to hiring high quality staffs, onus lies with the manager of budget hotel with the day-to-day operations. Hence, perception and knowledge of crisis plays an important role in managing crisis.”

“Readiness is the second stage in Wilks and Moore (2004) Four R’s approach to crisis management. Budget hotels should be ready and develop tactical, strategic and communication plans. Speakman and Sharpley (2012) have mentioned the importance of employee training, and employee should be well trained with proper knowledge. Employee training is vital; part of crisis management as the hotel industry deals with service and guest satisfaction. Employee should know what actions to be action to ensure safety of the guest as per the norms of the hotel.”

Whereas protocols and procedures ($B = 0.083$) and strategy and plan ($B = 0.027$) was found to have low statistically significant relationship having significance value more

than .005 when related to crisis management of budget hotels at the at the level of significance of 0.05.

“As discussed in literature review making proper decision is the key ingredient in fighting crisis., the same being recommended by Bilić et al. (2017) laying importance to protocols and procedures in the form of standard operation procedures for crisis management. Hotels should be proactive and have a proper communication and written text of protocols and procedures in case of crisis. This will enable a set action to be taken as per norms and conditions laid down by required authorities. During the research it was found that the budget hotels relied on government protocols rather than having a well-established crisis management protocols and procedures.”

“Strategies and plan and their relevant importance to fight crisis has been duly highlighted by Chuangphusri and Buranasing (2011) and Bilić et al. (2017). Aljuhmani and Emeagwali (2017) noted that strategic planning can contribute to the development of both operation and enhanced capability during and after crisis. During our research, it was found that budget hotels due to different constraints and their characteristic give less importance to strategy and plan. Strategy and plan (B = 0.027) was found to have low statistically significant relationship it was found to have low statistically significant relationship to crisis management in budget hotels.”

“Budget hotels should have proper strategy along with a plan to counter crisis and the same should be communicated well to all employees and responsible authorities. Lack of communication, clarity and knowledge of strategy and plan to handle crisis is vital for all stakeholders of budget hotels.”

4.3 *Qualitative data findings*

The researcher specifies the characteristics of the population of interest and then located the individuals who match the needed characteristics. Semi structure interviews were used to collect data which were based upon the research questions related to crisis and budget hotels.

- What are the effects of COVID-19 on budget hotels in Chiangmai?

All the respondent of the qualitative interview informed that they are going through worst phase which started from last year with lower occupancy.

One of the respondents who owned a budget hotel in city centre informed that, “We have an oversupply of rooms in Chiang Mai, with around 60,000 rooms, whereas the number of visitors is not growing. We were already suffering from stronger Baht, which had turned tourist to other ASEAN Countries. Now we are suffering from COVID-19 crisis, it is very tough for small businesses like us to survive”.

“This is the worst crisis which I have seen as a hotelier, as there is travel restrictions all over. Moreover, people are scared to move around as there is no treatment for COVID-19.” Explained of the executives of a budget hotel.

One of the respondents informed that, “Thailand’s need to open the borders for the last quarter of the year, or our hotel will collapse. Our main business if during the high season which is from November to March, if we don’t open our borders in advance there is no chance for us to survive”.

“Government has started Special Tourist Visa scheme; it will help some well-known hotel companies who already have means to survive for a time period. But our small business needs substantial cash flow to survive. Thailand should open up its boundaries for the high season or our economy will take a big hit,” informed one of the respondents.

- Which approach do budget hotels use in dealing with the current crisis?

During our qualitative analysis, we found that budget hotels are using different approaches to deal with the current crisis. Cash preserving and cost saving, attracting domestic market, reduce monthly costs and expenses are some of the approaches which are used by budget hotels.

According to a respondent who works as a manager, “cash preserving, and cost saving have become survival factors in this current crisis. We need to survive in the current crisis and have enough cash flow for day-to-day operation.”

“Chiangmai used to be the favorite destination of domestic tourist. But with the advent and popularity of Chiangmai in China, we had a large influx of Chinese tourists bringing in more income and profit. In the current scenario we are focusing on domestic market.” Explained one of the respondents.

“There is some movement of domestic tourists as the COVID-19 cases in Thailand are under control. Moreover, government stimulus package and nod for long holidays in the months of November and December will bring us some respite”. Informed one of the respondents.

“We have cut down on our monthly expenses and laid off some staffs. In the current scenario, it is almost impossible to sustain if we do not take such actions. In this hard time keeping employee morale is hard but we are communicating with them clearly why are these decisions taken and what implications it can have to our business”.

5 Conclusions

This research examines the current situation and the problems faced by budget hotels in Chiangmai in relation to Covid-19 epidemic. As the purpose of crisis management is not to produce a set of plans; it is to prepare an organisation to think creatively about the unthinkable so that the best possible decisions will be made in time of crisis. Coordination and collaboration between managers and stakeholders are very vital for the effective management of a crisis (Carlsen and Liburd, 2007). This paper encourages and tries to create an awareness among the related stakeholders understand the importance of covid-19 and crisis management to be able to take best decision possible and communicate the related decision to the related stakeholders.

Since the study did not include all hotels in Chiangmai, this paper does not generalise the findings to hotels in general. This is a study about the responses of hotels to covid-19, hence other crisis like natural disasters, fire, terrorist attacks like incidents were not studied.

Thailand economy relies heavily on tourism which is a major contributor to its economy providing direct and indirect income to a large population. Theparat (2019), “According to the secretary-general of the Office of the National Economic and Social

Development Council in 2019, the government projects that the tourism sector will account for 30% of GDP by 2030, up from 20% in 2019.”

According to Thaiger (2020), in Thailand, with its reliance on tourism as a significant contributor to its GDP, will see a fall beyond 90% for the year's total numbers. FitchRatings (2020) report indicates that, Thai hotels, as a major victim of the coronavirus pandemic, will continue to suffer from low RevPAR, which FitchRatings expects to recover in 2021-2022 from the trough in 2020 but to remain below the 2019 level.

Crisis is a part of every business and crisis management is a critical organisational function. Failure to manage crises can have serious effects financial loss, safety of human lives and more importantly loss of reputation leading to end of its very existence. A set of best practices and lessons learned from the past should be used as a tool and resource for handling and managing a crisis in near future.

The primary concern of any crisis management should be public safety, if not addressed well it can intensify the damage along with loss of reputation which can result to closure of the business. Crisis management should be designed to prevent or lessen the damage a crisis can inflict on an organisation and its stakeholders.

5.1 Managerial implications

The hotel industry and tourism industry is vulnerable to crisis, as they are dependent to the number of tourist arrivals and movement of domestic tourists. It is very important for the managers and the people responsible to have proper knowledge, perception and understanding of crisis.

The aim should be to prepare as much possible to be able to reduce the impact of the crisis, lessen the recovery time, and learn lesson from the current problem to be able to apply when the next crisis comes.

Managers perception towards a crisis is very crucial as he is the guiding force in the success of a budget hotel. A proper knowledge, understanding of crisis management will go a long way in ensuring that hotels not only minimise financial loss, loss of reputation but also loss of human lives which can be the result of crisis.

With the recent announcement from various medical organisation regarding covid-19 vaccine there is an end insight sooner or later. The real challenge for budget hotels will be to be clear, properly articulate the authentic purpose for being and same should be proper conveyed and communicated to all stake holders.

Employee training and proper communication is very important, as high employee morale plays a vital role in crisis management. Employees should be well informed about the hard decisions taken along with proper well-articulated reasons as they can play a part in going through the crisis. To recover sooner managers, need to be creative in finding new business opportunities during the hard times.

A slow recovery in the number of inbound tourists, amid a weakening global economy, will remain a key challenge in the next two to three years. Hence, managers need to be proactive and have marketing strategy to counter the new normal.

5.2 Suggestions

- a Long stay medical wellness: Thailand is a well-known medical tourism centre due to its hospitality and well know medical services, attracting number of medical tourists

primarily in Bangkok. Chiangmai can target medical tourist who want to visit Thailand for medical reasons. Chiangmai should focus on becoming long stay medical wellness centre in Thailand as it generates good income and moreover tourist stay for long time.

- b Domestic tourists-to survive in the short run, budget hotels should cooperate with domestic tourist companies and target domestic tourist. Although the income from the domestic tourists are less when compared to foreign tourist, its important to survive the current crisis.
- c Alternative local quarantine (ALQ)-Thailand government has announced special visas from a fixed number of tourists from certain countries. With their arrivals these tourists are required to quarantine in Bangkok or Phuket in government advised quarantine centre. Chiangmai chamber of commerce and tourism association should advise the government to open alternative local quarantine centres in Chiangmai so as the tourist can come directly to

Chiangmai rather than flying to Bangkok or Phuket to quarantine there as per government norms and requirements.

With the hotel industry currently on indefinite hiatus and many hotel employees already on mandatory leave, hoteliers will find themselves in a state of confusion and panic. The focus should be on long-term goals and strategies and being clam in this turbulent time.

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