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Critical Success Factors for Crisis Recovery Management: A Case Study of Phuket Hotels

ABSTRACT

Tourism is a major export industry for Thailand. Phuket, one of the most popular tourist destinations in the country, has been negatively influenced in recent years by a number of crises including the Global Financial Crisis (GFC). This has limited the travel budget not only for domestic tourists but also those from overseas. Hotel businesses have been particularly affected by the GFC. While hotel managers may not be able anticipate a crisis, it is crucial for them to understand the critical success factors contributing to effective crisis recovery in order to ensure their long term survival.

This research identifies critical success factors necessary for effective economic crisis management through qualitative analysis of in-depth interviews with managers of Phuket hotels. The findings of these interviews provide a rich and meaningful understanding of pertinent factors emphasized by managers as important in crisis recovery.

Keywords: hotel, destination management, crisis, collaboration, turnaround, critical success factors

INTRODUCTION

Over recent decades, tourism has become one of the fastest growing economic sectors in the world. Nowadays, global expenditure on tourism surpasses that of oil exports, food products or automobiles and represents one of the main income sources for many developing countries. Such growth goes hand-in-hand with increasing diversification and competition among destinations (World Tourism Organization, 2011).

The global tourism industry has been challenged in recent years by a number of distinct crises (Aktas & Gunlu, 2005; Prideaux, Laws, & Faulkner, 2007, p. 353), including terrorisms, outbreaks, natural disasters, financial crisis, and political crises. According to United Nations World Tourism Organization (UNWTO), international tourism started to decline during the second quarter of 2008, due to the effects of the global recession caused by the recent global financial crisis (GFC) that originated in the USA. The negative trend in international tourist arrivals intensified during the first half of 2009 in line with the prevailing financial situation (Papatheodorou, Rosselló, & Xiao, 2010).

Hotels are among the sectors in the tourism industry hardest hit by crises. They have substantial fixed costs that cannot be easily varied during a downturn. For that reason, hotels worldwide are battling for customers amid the global economic downturn leading to price competition. The average price of a hotel room around the world was 14% cheaper in 2009 than in 2008, according to the Hotels.com Hotel Price Index. Rooms cost 13% less in Europe during 2009 than in 2008, 14% less in the United States, 16% less in Asia, and 21% less in Latin America. However, towards the end of 2009, the price falls started to level off. The average price of a hotel room fell by just 7% year-on-year in Q4 2009, compared to 14% in the 3rd quarter, 17% in the 2nd quarter, and 16% in the 1st quarter (Qfinance, 2012).

Clearly, the economic crisis has affected international hotel demand worldwide, and Phuket is no exception (The Age, 2009). Phuket is one of the most popular tourist destinations in Thailand. Phuket is Thailand's largest island and provides a tropical sun and sand destination. It is South Thailand's wealthiest, busiest, most visited and most popular island and province (Tourism Authority of Thailand, 2010). Like other tourism destinations in Thailand, Phuket has been affected by the GFC which has reduced visitor numbers particularly from long-haul markets (Theparat, 2008). This comes after its recovery from the 2004 tsunami (The Age, 2009). Figure 1 below show international tourist arrivals for Thailand between 1998 and 2010, with indications of the crisis-affected periods. Clearly the GFC is one of a number of crises that has affected Thailand since 2003.

Figure 1 about here

The combined effect of various crises were that Phuket's annual visitor arrivals of 2.9 million in 2009 were only equivalent to those in 2007 (C9 Hotelworks, 2010) as shown in Figure 2. Visitor arrivals at Phuket International Airport during the economic crisis period were significantly lower than the number of visitor arrivals during the same month a year before. As hotels are a crucial part in Phuket's tourism industry, Phuket hotels inevitably have been affected by economic crises.

Profitability of hotels has been significantly affected as hoteliers attempted to induce demand and meet increasing consumer expectations of lower rates. Virtually every grade of accommodation has been affected with the exception of the budget and economy segment. Overall 2.9 million tourists visited Phuket in 2009 with an island-wide average occupancy of

64%. Phuket hotels have suffered reductions in key metrics: revenue per available room (RevPAR) and average room rates (ADR). Wide-scale discounting of up to 20% led to losses of approximately US\$300 million in room revenue in 2009. This means average rates and revenue per occupied room dropped by 20% and 22% respectively compared to 2008 (C9 Hotelworks, 2010).

Figure 2 about here

Given the frequency with which crises have affected the tourism sector in Thailand it would appear a context in which to identify the best practices or ‘critical success factors’ for management of hotels during such events. An understanding of responses to previous crises provides an essential foundation for assisting both industry and government bodies to develop strategies to avoid or cope with future crises (Faulkner, 2001). In order to meet such needs, this research aims to investigate the critical success factors (CSFs) of crisis management implemented by Phuket hotels to deal with the GFC.

LITERATURE REVIEW

Scholars of management and tourism have emphasized that every crisis is unique (Pearson & Milroff, 1993; Coombs, 1999; Henderson, 2007). Different crises require different skills from crisis team members; emphasize the importance of different stakeholders; and require different crisis communication strategies. In order to cope with such a complexity, having an effective crisis management framework is vital for tourism organizations. Developing such a comprehensive framework however requires an extensive

review of the staged approaches to crisis management (Faulkner, 2001) and the frameworks which have been used to describe these stages. While opinion varies greatly as to what are the most suitable stages/phases in managing a crisis there is agreement that the multi-stages/phases of crisis management involves a number of stages (Augustine, 2000; Campbell, 1999; Coombs, 1999; Faulkner, 2001; Pacific Asia Travel Association, 2003; Ruff & Aziz, 2003; Schwartz, 2000; World Tourism Organization, 2003) including:

1. Identification or discovery of threats;
2. Crisis management planning;
3. Crisis response;
4. Crisis recovery; and
5. Learning from the crisis.

Previous research on crises has been largely focused on these stages of crisis management (Thorn, 2001). These stages are important but do not explain what the key issues that must be undertaken by particular managers at each stage are. In addition, much of the literature of tourism crises takes place from the viewpoint of the central coordinator rather than individual businesses (e.g. Susilovic & Sertic, 2010) and have neglected the recovery stage (e.g. Plog, 2006). Furthermore, most studies tend to examine how to deal with the particular effects of a crisis rather than how businesses should regain their profitability. Clearly, there is a lack of crisis management studies which examine how the tourism business resumes full business operations during the crisis recovery stage.

Crisis Recovery Stage

The crisis recovery stage offers an opportunity to recover from losses and begin to repair the disruption to the business (Augustine, 2000). Crisis recovery requires the development of short and long-term strategies to facilitate fast and orderly recovery from a crisis situation (Campbell, 1999). In this phase, the efficiency of crisis recovery can be measured by the speed at which an organization resumes full business operations; the degree to which business recovers to pre-crisis levels; or the amount of crisis-resistance added since the crisis occurred (Pacific Asia Travel Association, 2003).

One of the key aims of crisis recovery is to ensure business continuity (Pacific Asia Travel Association, 2003), which is the ability to maintain a revenue stream through a crisis (Castillo, 2004, p. 18). It is important for organizations to have a business continuity program in place should the organization experience a crisis. The objective of business continuity is to ensure that an organization can mitigate and manage identified risks, maintain service continuity and integrity, retain business and customer confidence, protect their employees, and fully recover from crises (Dawes, 2004, p. 26). There are a number of business continuity strategies and the most widely adopted, the turnaround strategy, is discussed below.

With a focus on short-term restructuring (Forster & Browne, 1996, p. 253), turnaround is a countermeasure applied when an organization falls short of its goals (Glaesser, 2006, p. 15), and/or experiences a crisis (Thompson, Strickland, & Gamble, 2005, p. 225; Viljoen & Dann, 2000, p. 403). Turnaround has been recognized as an issue in strategic management (Chowdhury, 2002, p. 249) that deals with the survival of organizations (Forster & Browne, 1996, p. 253).

The topic of turnaround in the strategic management literature has developed over the past three decades, with a number of studies focused specifically on strategic management

strategies for crisis-ridden businesses (Thompson, Strickland, & Gamble, 2005; Viljoen & Dann, 2000). Much of this literature suggests that achieving a successful business turnaround can involve any or all of the following actions: selling off assets to raise cash, launching efforts to boost revenues, reducing costs, and using a combination of these efforts (Chowdhury, 2002, p. 254; Hofer, 1980, p. 20; Thompson, Strickland, & Gamble, 2005, p. 225; Thompson & Martin, 2005, p. 661). While there are many types of turnaround strategies (Sulaiman, Ali, & Ganto, 2005, p. 227), the two most effective remain increasing revenue and reducing costs (Johnson, Scholes, & Whittington, 2005, p. 523; Viljoen & Dann, 2000, p. 404). Some differences between these key strategies are summarized below in Table 1.

Table 1 about here

CSFs for Recovery in Tourism

CSFs can be defined as the limited number of areas in which results, if they are satisfactory, will ensure successful performance for the organization (Rockart, 1979, p. 85). By investigating the CSFs for crisis recovery in tourism, it is envisaged that tourism managers will be able to develop a better understanding, and ultimately conception of crisis management particularly in the recovery stage.

Handling crises constitutes a special challenge for managers working in the tourism industry (Henderson, 2005, p. 89). To cope with an economic crisis effectively, tourism scholars have suggested a number of strategies. Cooperation between public and private sectors appears critical to sustain international tourism in a region. Arguably, while tourism in a single economy is likely to remain more vulnerable in an economic downturn, it is

believed that collective strategies through collaboration, regional cooperation, and partnership will serve as effective coping strategies for the recovery of inbound and outbound tourism (Papatheodorou, Rosselló, & Xiao, 2010).

During an economic crisis, it is recommended that tourism organizations focus on markets that will generate revenue (Johnson, Scholes, & Whittington, 2005, p. 524). Research conducted in the US investigated the relationship between the travel intentions of US residents and various risks (Wilkening, 2011a). The study found that respondents were less likely to travel if they had taken trips in the past 12 months. It also found that an economic crisis has a stronger negative impact on travel intention than other crisis types. A financial crisis results in consumer demand falling in both the business and leisure tourism sectors (Badr, Zakareya, & Saleh, 2009) although each sector has different characteristics and reacts to an economic crisis differently.

For business travel, one result of the recent economic crises is that scrutiny of the need and cost of every trip is becoming standard practice. This means a new pressure for corporate travel managers to maintain a more exact and transparent view of travel spending. Once the financial crisis took hold, companies started scrutinizing every aspect of their business travel policies to see where money could be saved. Some have been very successful at this, saving millions of dollars (Brett, 2009). In addition, the availability of hotel discounts once business travelers arrive at their destination is thought to play a role in continued business travel despite the increased cost of airfares (Wilkening, 2011b).

Leisure travel, on the other hand, may see a stronger negative shift as a result of an economic crisis. Instead of buying an airplane ticket, consumers may forego travel during the recession and take their vacations within driving distance (a 'staycation') and thus domestic tourism can increase as a repercussion of global economic recession, with segments such as

visiting friends and relatives, repeat visitors, special-interest, and independent travelers expected to be more resilient. At the same time, a decline in the length of stay and international tourism expenditure will be more pronounced than volume (or number of arrivals); value-for-money destinations (e.g., places with favorable exchange rates) are likely to be preferred destinations among the traveling public (Papatheodorou, Rosselló, & Xiao, 2010). Consumers will wait for special offers before making decisions resulting in an increase in late bookings, while companies will focus on containment of cost (UNWTO, 2009).

Discounting has also been widely used as a marketing strategy to attract potential customers after a crisis. In fact, a number of tourism organizations consider discounting to be one of the most important marketing strategies. However Tourism Internet Marketing (2009) has argued that discounting is not the most effective strategy during an economic crisis and is not recommended due to a number of reasons.

Firstly, it sends a very dismissive signal to past loyal customers - essentially saying their loyalty is worthless and implying that the profit margin is so high that the supplier can afford to discount indiscriminately. Secondly, it reinforces the notion that if the seller does not value their own product. Thirdly, it further commodifies the industry and, by necessity, downgrades service levels. Five star hotel properties cannot offer over 50 per cent discounts without reducing back of house staff and dropping service levels (Tourism Internet Marketing, 2009).

Contrary to revenue-generating strategies as discussed above, cost-cutting strategies appear to produce results more rapidly (Hofer, 1980, p. 26). In fact, a key to the success of turnaround often lies in organizations evaluating financial resources carefully and thoughtfully undertaking cost reduction (Pearce & Robbins, 1994, p. 414). The reduction of

salary costs by retrenching staff is one way of cutting costs (J. Thompson & Martin, 2005, p. 658; Viljoen & Dann, 2000, p. 404). Laying off is not the only alternative for staff retrenchment however, as organizations can avoid layoffs through hiring freezes; restricting overtime; retraining and redeploying staff; switching staff to part-time; giving unpaid vacation; shortening the work week; and/or reducing pay (Harrison & Enz, 2005, p. 177). Having said that, hard decisions need to be made where unsuitable or unwilling staff members may need to be removed (Viljoen & Dann, 2000, p. 540).

While Pearce and Robbins (1994, p. 412) have suggested that retrenchment should be implemented as the first stage of turnaround, a number of authors (e.g. Harrison & Enz, 2005, p. 177; e.g. Johnson, Scholes, & Whittington, 2005, p. 523) think otherwise. Part of this disagreement lies in the fact that retrenching staff may result in reductions in service quality, a loss in productivity, decreased effectiveness, lost trust, increased conflict, and low morale (Harrison & Enz, 2005, p. 177). Most successful turnaround strategies focus more on reducing direct operational costs, while less effective approaches focus more on the reduction of overheads (Johnson, Scholes, & Whittington, 2005, p. 523).

This research examined the strategies or critical success factors used by Phuket hotels in recovery from a crisis. It compares the strategies discussed above (cooperation with public authorities, segmentation and discounting) with those used.

METHODOLOGY

In accordance with the research aims, a multi-stage sampling strategy and in-depth interview techniques were used in the data collection. It should be pointed that this research is motivated by the lack of relevant research and literature concerned specifically with this

research topic. As little is known about this key issue, a crucial consideration for this research was to adopt qualitative research methods and semi-structured in-depth interviews to obtain rich and substantively meaningful data.

The sampling strategy implemented in this research began with the process of defining the target population. As the central aim of this research is to identify critical success factors of economic crisis management approaches utilized by Phuket hotels, this research chose high-level executives (e.g. directors, general managers, company advisors, and presidents) at hotels in Phuket who had already been in business prior to the year 2008 in which the global economic crisis started (C9 Hotelworks, 2010). Further the hotels were chosen if they had a room rate of at least 133 USD (approx 4,280 Baht) per night, which is an average room rate in Phuket (Koldowski, 2009).

The Phuket hotels were obtained from an internet search (using Google) of hotels in Phuket with a room rate of at least 133 USD. Using Internet search, the researcher has found a number of hotels that can be chosen as target populations. From the list of search results, 60 hotels that have sufficient hotel information provided on their websites have been chosen. An email was sent to the general managers of these hotels asking for cooperation with the in-depth interviews. In return, the researcher received a total of 25 responses out of 60 (a 41.6% response rate) from organizations willing to participate in an interview. Out of 25 responses, 10 hotels considered their hotel at the 5-star level, and 15 hotels as 4-star. There were four international-chain hotels, three Thai-chain hotels, and 18 non-chain hotels. Each hotel manager was asked to nominate one high-level executive (e.g. a director or general manager), who was considered as most able to provide insightful information in regard to the research topic.

Five pilot interviews were conducted with hotel executives, prior to the main interviews. Each hotel executive in the pilot interviews was at a different level within an organization. Observations from the pilot interviews revealed that respondents in a higher position tend to have a better understanding and knowledge of crisis management than respondents in a lower position. This led to the researcher's decision to interview only high-level hotel executives. The qualitative research approach employed semi-structured interviewing and used an interview guide outlining a specific list of topics needed to be covered during an interview (Aaker, Kumar, & Day, 2004). From the list of search results, 60 in-scope hotels were chosen. The researcher completed a total of 25 responses out of 60 (a 41.6% response rate) from organizations willing to participate in an interview. A profile of respondents is given in Table 2.

Table 2 about here

The in-depth interviews were all undertaken in October 2010. Each interview lasted between 30 and 40 minutes and was tape-recorded. These recordings were transcribed then coded and categorized based on themes, concepts, or other common features, a process known as 'content analysis' (Ruhanen, 2006). This is a research technique for making replicable and valid inferences from texts (or other meaningful matter) relative to the context of their use (Krippendorff, 2004). In this sense, content analysis is a technique for data collection, description, and interpretation (Norris & Jacobson, 1998), with the goal of depicting the 'big' picture in terms of a given subject, and displaying conceptual depth through the thoughtful arrangement of a wealth of detailed observations (White & Marsh, 2006). A panel of tourism experts chosen using convenience sampling were used to validate

the data collected. Through online surveys, they were requested to rate their opinions on each major finding that has been identified in the in-depth interviews.

DISCUSSION

Using a content analysis approach, similar individual critical success factors (CSFs) are grouped together into five collective sets of CSFs, as shown in a table below. It should be noted however that the frequency below derives from the number of interviewees who discussed such CSFs, and not from how many times that particular word was mentioned.

Frequency and percentage respondents' opinions regarding CSFs

#	Factors	Frequency*	Percentage
1	Crisis Management Plan	23	92
2	Crisis Market Segmentation	21	84
3	Crisis Marketing Promotion	20	80
4	Crisis Collaboration	17	68
5	Crisis Personnel Management	13	52

*N = 25

Source: Developed for this research

According to the in-depth interviews with key informants, this research has identified five critical success factors (CSFs) as follows:

- CSF1: Crisis Management Plan
- CSF2: Market Segmentation
- CSF3: Marketing Promotion
- CSF4: Collaboration
- CSF5: Personnel Management

CSF1: Crisis Management and Recovery Plan

The first CSF is to have a crisis management plan in place. This factor has been previously discussed a number of scholars (Augustine, 2000; Campbell, 1999; Coombs, 1999; Faulkner, 2001; Pacific Asia Travel Association, 2003; Ruff & Aziz, 2003; World Tourism Organization, 2003). Respondents agreed that a crisis management plan should be in place to ensure that a hotel retains its business. Although business may be lost, it is crucial for a hotel to maintain links to existing businesses or clients.

“It makes a lot of difference on how you react to crises, both potential and actual crises. A good crisis management plan could be a great success or failure. It is vital that our crisis management plan has to be well thought through as crises change all the time.”

The crisis management plan or guidelines should reflect different types of crisis.

“Our plan has to be tailored to the call, logical and valid reasoning. For an economic crisis, we need to understand that people are having leaner pockets. For a political crisis, we need to distance ourselves from a protest-affected destination. For outbreaks, we need to show that we have a quarantine system and medical preparedness.”

On the other hand, a small group of respondents, mainly those working in non-chain hotels, did not have a crisis management plan. This group considered that commonsense would drive their decisions during a crisis situation and therefore a plan was not necessary.

“We know all along that what we do is right and we would not think twice. If it is for the right reason, we would do it. Management decisions are well thought out. It is about believing in what we do.”

All respondents agreed, however, that a crisis management plan is only a basic guideline. The plan needs to be adapted to the situation, location, and market (Aktas & Gunlu, 2005; Henderson, 2007; Tiernan, Igoe, Carroll, & O'Keefe, 2007, p. 324).

“We need to be flexible. Each (hotel) property needs to do their homework because each hotel is different. The main guideline is given to us and then we need to adapt it.”

Such a statement has been endorsed by crisis management literatures. While it is crucial that a crisis management plan indicates exact measures to ensure that employees know what to do (Ruff & Aziz, 2003, p. 94), it is also crucial that such a plan is flexible (Augustine, 2000; Campbell, 1999). Augustine (2000) highlighted that a plan should be able to deal with a variety of undesirable crises. Similarly, Campbell (1999) has pointed out that much crisis planning tends to be impracticable as it is only directed towards a certain type of crises. In turn, a crisis plan cannot be based on a standard set of critical decisions that determine specific success, and must instead be flexible and able to cope with a broad range of crisis types.

CSF2: Crisis Market Segmentation

The research findings support prior literature that organizations, recovering from a crisis situation, should focus on markets that will generate revenue (Johnson, Scholes, & Whittington, 2005, p. 524). To begin with, hotels must choose the right mix of market

segments (S. Thompson, 2010). Although Phuket has successfully attracted a number of tourists from both overseas and domestic markets in the past, attracting similar segments to Phuket during an economic crisis is more difficult.

For overseas markets, it is vital for hotels in Phuket to focus either on markets that have not been affected, or emerging markets. Moreover, Phuket is a seasonal destination. Mantanarat (2011) has pointed out that promoting Phuket during the low seasons, six months from May to October, is extremely challenging. Therefore Phuket hotels would need to match the right market with the right season.

“During an economic crisis, our strategy is to focus somewhere else. A crisis does not affect every market. We are looking more at Asians. This market is appropriate for crises, but markets bounce back fast. And let’s not forget that Phuket is a seasonal destination. During low season, we attract Chinese and Korean tourists. Australians also come to Phuket during the low season as it is winter in Australia at that period of time. After October we move to the Russian and Scandinavian tourists. Pattaya used to be a prime destination for both markets. However the trend has changed and Phuket is now very appealing to them.”

Like the overseas market, the domestic market is crucial to the Phuket’s tourism industry as a respondent stated:

“One of the markets everyone tries to get is the domestic market. We need to have an immediate response as regional and domestic markets have less lead time for holiday planning. The domestic market is not sensitive to the rainy season as much as the overseas market. This is because tourists travel for different reasons. For instance, European tourists generally come for the beach and a warm climate, whilst many Thai tourists come for sightseeing.”

However Thai tourists perceive Phuket as a rather expensive destination (Kaenkrachang, 2010) which primarily welcome overseas tourists, and domestic tourists are likely to spend less than overseas tourists and also tend to stay at low-medium level hotel accommodation (Thai Websites, 2011). Therefore, medium-high level hotels in Phuket need to work harder to attract domestic tourists who could afford their products.

CSF3: Recovery Promotion

Tourists are generally cost conscious after an economic crisis. Hence a marketing promotion offered by hotels needs to explain the possibilities of having an affordable quality holiday. Findings from this research have shown that there are largely two approaches of doing so, either by discounting or by adding value to the tourism products. Both approaches are discussed below.

For a large number of hotels, the most important thing for them during an economic crisis is to generate cash by discounting, regardless of rates.

“I have been working in the luxury hotel market. If the economy is good, people can afford your product. If the economy is bad, people can't afford it. So you need to compromise on your rate. Therefore 5 star hotels are selling at the room rate of 4 stars to capture more of the market. It is all about pricing.”

Another respondent added that hotels should set the price based on customer demand:

“Our hotel was built with one word in mind which is ‘affordable luxury’. We thought for the long term that everyone would look for luxury. And in order to reach large clients, we make our products affordable. We never believe in setting the price

according to the product. We set the price according to the demand. We do not feel bad about it, and we are quite happy if guests can afford our products.”

This is in line with research by Thompson and Martin's (2005, p. 651) which indicated that a price decrease can result in increased revenue by stimulating demand and consequently revenue.

A number of respondents have argued however that discounting has numerous downfalls. Firstly, discounted rates can be perceived as a reduced level of service. Secondly, it can take a long period of time for hotels to reach normal room rates once the rate has been discounted. Thirdly, discounting rates means that hotels may be attracting tourists who are very cautious with their spending and are not the hotel's preferred target market.

“If you drop the price so much, guests will come to your hotel but they will go to 7-11 for dinner, and not spend at your hotel restaurants. Therefore, the key to attracting tourists during an economic crisis is not to discount, but instead to demonstrate that hotel guests will get more products and services than the value of the money spent.”

An alternative to discounting rates is adding value to the tourism products, which appears to be a superior approach for attracting customers during an economic crisis. One of many respondents who highly support the strategy of adding product value stated

“We do not lower the rate even though the Euro currency has dropped. Instead, we look ahead a few months to when the economy bounces back, unless another crisis happens. We add value to our program only for a short period of time, as otherwise it would dilute the value of our products. We inform our customers that the value-added products have a validity of a certain period of time, and convince them that the right time to travel is now.”

Similarly, the Tourism Authority of Thailand (TAT) launched a global campaign ‘Amazing Thailand, Amazing Value’ in 2009. By emphasizing Thailand’s value, TAT can better address travelers who still like to go on vacation, but to a less-costly destination. A survey by CNN has confirmed the campaign effectiveness, with Thailand noted as the best value destination in Asia-Pacific (Ketter, 2009).

CSF4: Recovery Collaboration

A common problem after an economic crisis happens is that hotels compete using discounting strategies. It is therefore suggested that hotels work hand-in-hand with suppliers in order to achieve an economy of scale which would lower the total product costs.

“We need to talk to suppliers such as tour operators to get a special price. We need to manage a rate to come up with the best option based on what our customers demand.”

As Beirman (2011) has explained, collaboration among tourism organizations would enable them to sell bulk tourism products as an attractive value-added package. Aktas and Gunlu (2005) added that crisis collaboration requires partnership among various parties ranging from public and private authorities to the leading associations of all income-generating industries existing in the destination.

“We can’t work in isolation and need to work with our partner, and the airline is very important as they bring in customers to Phuket. So our partners and our company will have to head in the same direction in order to get through an economic crisis together.”

Although no single authority can be expected to provide solutions to problems caused by a crisis, it is often governments who steer the joint efforts of numerous organizations and launch special public units and centers to accelerate recovery (Aktas & Gunlu, 2005).

“You need to come up with a collective package. A luxury hotel will not be able to compete against middle-level hotels as each hotel has its own market. You need to first identify the problem. Think as a team, not as an individual. Be friends with your competitors. You need to work hand in hand with suppliers; do not fight internally within the industry; and always communicate with each stakeholder. Without an initiative from the Tourism Authority of Thailand (TAT), industry collaboration will not be possible.”

The Phuket News (2011) reported that the Tourism Authority of Thailand (TAT)’s Phuket Office launched a new campaign, encouraging domestic trips to Phuket from Bangkok. The campaign, “Phuket Great Time – Click and Go”, was a collective effort from over 100 tourism agencies in Phuket and Phang-nga. Whilst this campaign was only available to Thai nationals it was hoped an influx of domestic tourists will be able to compensate for the loss of other tourism markets. Nonetheless, research findings indicate otherwise. Some leading tourism organizations, particularly the TAT and Thai Airways, have been criticized for not doing enough to support the tourism industry during an economic crisis situation.

“TAT should create a team consisting of travel agents, hotels, etc, then set a policy, and plan what to do. Everybody can’t do the same by discounting because the only people that benefit are middleman. We need to collaborate in order to communicate in a professional way as we can’t afford to confuse the stakeholders.”

Another respondent also added

“Unfortunately, Thai Airways has been inflexible in supporting us. Hence, a lot of my hotel colleagues are searching for a partnership with other airlines. We are now partnering with Air Asia by combining a package of flight and hotel. Collaboration with partners is absolutely vital to the success of strategy.”

CSF5: Personnel Management

A hotel’s biggest costs are its overhead costs and employees are the largest overhead although also the most valuable asset. Hotels in Phuket were cautious with fixed and variable costs during an economic crisis in which generating revenue became difficult. It is important to have a personnel management plan that can be implemented and adapted during an economic crisis situation. The hotel leader should explain clearly why the employee related decision are being made, and how it will help an organization. Organizations that communicate well internally tend to communicate better overall, achieving a more favorable perception among external audiences (Ruff & Aziz, 2003).

For hotels with a large number of employees, reducing labor cost would appear to be challenging. This means hotels need to have regular, open, and honest communication with employees to inform them about an organization’s performance. The most important thing is that the leader explains clearly why the decision has been made, and how it would help an organization.

“What we did was telling staff that there are times when things are not going as well as planned, and that staff needs to help the hotel. So we ask them to take 4 days of leave without pay per month...we have low occupancy anyway. This applies to all level of staff, and they understand if it’s clearly communicated.”

In regards to internal communication, another respondent added that

“We communicate with our staff during a ‘town hall’ meeting each month which is a direct communication. I have staff in front of me, so there is no room to misinterpret my message. I never delegate my staff to tell other staff. That always works for me. And as soon as things go better, you need to pay back your staff. You need to be fair to your staff, and it works. This approach earns me loyalty among my staff. Of course staff may sometime disagree, but they are not part of the decision making. It is up to the managers to decide. 20 managers make decisions for 300 people.”

Employing casual staff has also proved to be helpful during an economic crisis.

“We are more cautious, and flexible. We try to have to have a leaner work force. We work more with casual staff so that we don't have to hire them during the low season. This is because Phuket is seasonal, and you need staffs during high seasons.”

Furthermore, hotels must carefully select human resource management options when attempting to lower labor cost. During low occupancy, there are a number of human resource management options. Firstly, there is paid leave, and also leave-without-pay. For large hotels with branches in different locations, staff can be transferred to a location that has not been affected by an economic crisis. Such strategies are endorsed by prior literature (i.e. Harrison & Enz, 2005, p. 177) which shows that approaches to reduce overhead costs can help sustain the organization's financial outlook.

CONCLUSION

Thailand's tourism has been negatively influenced in recent years by a number of crises, and particularly by the GFC. Phuket, one of the most important tourist destinations in Thailand, is no exception. Such a crisis, in turn, has transformed travel patterns and discouraged tourists from spending their holidays with hotels in Phuket. Therefore, effective crisis management approaches and strategies are needed.

This research has examined economic crisis management issues in the context of Phuket hotels. Its findings have provided meaningful insights and understanding of an economic crisis, and the ways such a crisis affects tourists more severely than other crisis types, whilst simultaneously complicating its crisis management processes. Most importantly, this research has provided five CSFs for crisis recovery, and discussed the managerial implications for hotels as well as policy makers by underlining that all five critical success factors identified in this research are considered very important by respondents.

The first CSF, a crisis management and recovery plan, requires that hotels develop a flexible, yet economic crisis-specific, crisis management plan in order to be proactive rather than reactive. This is in line with the literatures that tourism organizations should only employ a crisis management plan as a basic guideline. The crisis management plan therefore needs to be adapted accordingly to the situation, location, and market (Aktas & Gunlu, 2005; Henderson, 2007; Tiernan, Igoe, Carroll, & O'Keefe, 2007, p. 324).

The second CSF, crisis market segmentation, emphasizes that tourism organizations need to identify potential markets, possibly targeting a combination of overseas and domestic tourists, which will generate revenue. As Johnson et al. (2005, p. 523) has stated, such a CSF is a crucial part of the turnaround strategy in order to ensure that an organization's marketing mix is tailored to key market segments.

Recovery promotion is the third CSF. This research has suggested that a marketing promotion which explains the possibilities of having an affordable quality holiday should be considered by hotels' marketing department. Such a CSF has been supported by Thompson and Martin's (2005, p. 651) study which demonstrated that a price decrease can result in increased revenue by stimulating demand.

To develop an effective recovery promotion however, recovery collaboration, the fourth CSF, is recommended. This research has highlighted that it is necessary for tourism organizations to collaborate with their stakeholders, both public and private sectors, in order to develop a promotional campaign. Papatheodorou, Rosselló, and Xiao (2010) emphasize that collective strategies that have been developed through collaboration, regional cooperation, and partnership serve as effective recovery strategies for inbound and outbound tourism.

Last but not least, managers consider the hotel staff as a most valuable asset, but staff salaries are their largest business cost. A number of personnel management responses to a crisis have been discussed and a chosen approach should be carefully selected. As suggested by Ruff and Aziz (2003), a personnel management plan should be developed so that it can be implemented and adapted during an economic crisis situation. Moreover, hotel managers should communicate internally why the employee related decisions are made, and how it will help an organization as a crisis recovery strategy.

Although this research has implications for managers of hotels, its limitation is that data was collected from only one tourist destination. As the tourism literature (e.g. Aktas & Gunlu, 2005; Henderson, 2007; Tiernan, Igoe, Carroll, & O'Keefe, 2007) has indicated, each crisis is unique and the same type of crisis may often pose different degrees of severity across different destinations. Therefore, it would be beneficial if comparative studies are conducted

in the future focusing on the same hotel sector, yet in different economic crisis-affected destinations. For instance, this could involve an examination of crisis management implemented by hotels in the Maldives or Bali where their tourism-generating countries have also been affected by an economic crisis. The findings of such research can potentially provide important insights into the similarities and differences of economic crisis management strategies in different regions.

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TABLES

Table 1: Turnaround strategies

Increasing revenue	Reducing costs
<ul style="list-style-type: none"> • Ensure marketing mix tailored to key market segments • Review pricing strategy to maximize revenue • Focus organizational activities on needs of target market sector customers • Exploit additional opportunities for revenue creation related to target market • Invest funds from reduction of costs in new growth areas 	<ul style="list-style-type: none"> • Reduce labor costs and reduce costs of senior management • Focus on productivity improvement • Reduce marketing costs not focused on target market • Tighten financial controls • Tighten control on cash expenses • Establish competitive bidding for suppliers; defer creditor payments; speed up debtor payments • Reduce inventory • Eliminate non-profitable products/services

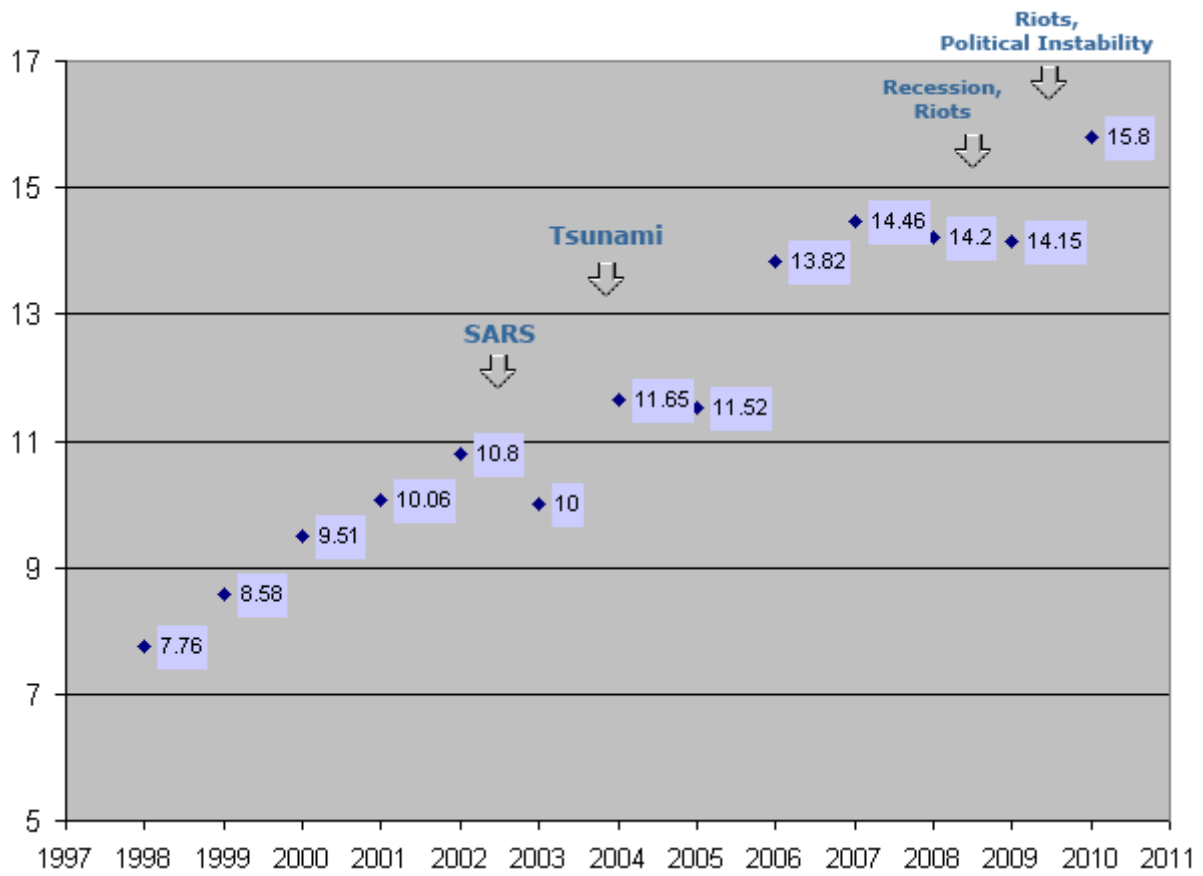
Source: Johnson et al. (2005, p. 523)

Table 2: Profile of respondent titles

Respondent Profiles	No.
General Managers	19
Board of Directors	3
Directors	3
Total	25

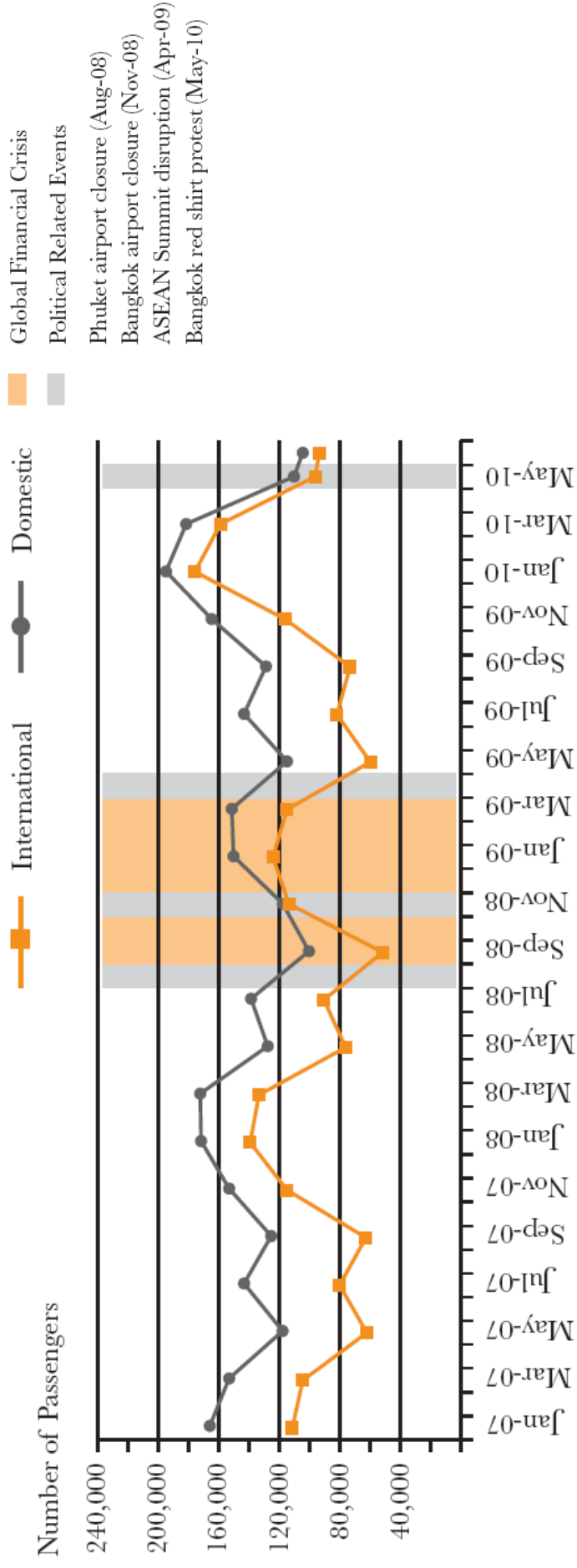
FIGURES

Figure 1: International tourist arrival to Thailand



Source: Thai Websites (2011)

Figure 2: Visitor arrivals at Phuket International Airport



Source: C9 Hotelworks (2011)