

Crisis and Disaster Management: The COVID-19 Pandemic

Colette A. Langley

Rosen College of Hospitality and Tourism

Dr. Jeffrey T. Weinland

October 17, 2021

Abstract

This case study seeks to provide an overview of the challenges presented by crisis and disaster management for the hospitality industry. This paper will provide a brief overview of the threat disasters present for the hospitality industry, with a focus on the COVID-19 pandemic and the impacts it has had. The hospitality industry is especially susceptible to impacts from disasters and it is important that hospitality and tourism (H&T) organizations understand the importance of disaster and crisis management and develop strategic management plans to proactively prepare for and be able to respond to future disasters. This paper will present findings on how organizations approached COVID-19 and proposed frameworks and solutions to many of the issues presented by past disasters. Future research is still needed as the COVID-19 pandemic continues to develop and the vastness of disaster management leads to numerous proposed solutions.

Introduction

The hospitality and tourism (H&T) industry operates in an ever-changing environment that requires firms to be adaptable and flexible. This environment includes a risk of disasters and crises that must be managed appropriately by H&T organizations. Disasters can be defined as “a sudden event where the trigger is outside the current control of the affected area (community and/or business), the event disrupts the functions of that area and requires additional resources...to respond to and recover from the event” (Brown et al., 2017, p.363). Disasters can encompass events including natural disasters, health crises, terrorist activity, energy generation disruptions and malfunctions or technological disruptions. The tourism industry is susceptible to the impacts of crises and disasters as the tourism industry is dependent “on the local cultural and natural environment as well as complex networks of organizations” (Brown, Rovins, Feldmann-

Jensen & Johnston, 2018, p.68). It is important that businesses within the tourism and hospitality industry prepare and create plans for disasters. Organizations must take a proactive approach and plan before a disaster strikes to be able to respond adequately. “The tourism industry, vulnerable to disaster, often experiences a disaster’s effect across organizational and geographical boundaries...[and] organizations within the tourism sector require many different characteristics and capacities to recover from disaster” (Brown et al., 2018, p.69). H&T organizations have been affected by events such as hurricanes or tornadoes, wildfires, terrorist attacks and many other events. This paper will briefly discuss other disasters but will be focusing on the recent COVID-19 pandemic and reviewing literature discussing the overall impact and response by the tourism industry and presenting recommendations for tourism organizations as we begin to return to a more normal operating environment.

Literature Review

The COVID-19 pandemic brought the hospitality industry to a halt as many governments implemented lockdowns or recommended that citizens do not travel or leave their homes if possible. Hotels had few guests staying, many restaurants could only operate for take-out business, and attractions such as theme parks closed entirely. The pandemic “brought a challenge for the hospitality industry to survive by adopting innovative strategies and improving the customers’ perception of service” (Khan, 2021, p.2). Many of the organizations that were able to survive the lockdowns were organizations that implemented technological innovations and risk reduction strategies. These strategies will also aid in gaining back trust from customers and ensuring a successful future for the organizations. During the COVID-19 pandemic, firms took many different approaches including “restructuring and downsizing, cost reduction and cash saving, drastic changes in operations, including changes in service delivery methods, new

technology adoption and compliance with new hygiene and safety measures” (Im, Kim & Miao, 2021, p.1). The COVID-19 pandemic brought areas of concern forward when looking at disaster management and ensuring businesses continue to be successful. The literature review will cover multiple areas that must be considered when looking at crisis and disaster management. First, the pandemic resulted in closure and limited operating capacity for many H&T organizations. This showcased the need for organizations to have the ability to be flexible and adapt their business structure to meet the changing external environment. Second, creating strategies to mitigate the effect of supply chain disruptions. Third, understanding the impact disasters have on employee mental health and performance. Fourth, adapting to governmental and health recommendations. Fifth, understanding the need for strong leadership and adequate service recovery strategies.

The pandemic greatly impacted the ability for the H&T industry to operate and many firms were forced to close their doors or at least modify their operations to meet governmental rules and meet the new desires of customers. As governments issued recommendation to stay home, consumers were no longer traveling for leisure, eating out in restaurants, or visiting the newest attraction. Customers wanted services that would allow them to escape, while remaining in the comfort of their home. For perspective, nearly 3.9 million hotel-supported jobs were lost, and occupancy levels reached all-times lows. Some occupancy rates were even in the single digits (Pillai, Haldorai, Seo & Kim, 2021, p. 1). It was estimated that 76% of hotels were closed in Europe, and revenue was expected to drop 50% for hotels, 70% for tour operators and 90% for airlines (Gonzalez-Torres, Rodriguez-Sanchez & Pelechano-Barahona, 2021, p. 1). The U.S. restaurant industry “predicted a total of more than a USD 8 billion loss in sales in March and April 2020 alone, and the loss will be three times more by the end of 2020” (National Restaurant Association, 2020). In January of 2020, the pandemic caused an almost 90% decrease in China’s

hotel occupancy and in the United States revenue available per room fell by 11.6% and in March 2020 a one-third decline in restaurant spending was noticed (Duarte Alonso et al., 2020, p.2).

H&T organizations worked quickly to restructure their business to attempt to have some sort of revenue flow during the lockdowns. H&T organizations became very innovative and utilized technology to their advantage. Many restaurants ramped up their to-go service and created user-friendly online ordering applications and redesigned their operations to provide for low or no contact options for pick-up and delivery. Attractions created online virtual experiences for customers to experience. Museums put entire collections online for people to explore in the comfort of their home and to continue to market their destination. Hotels and airlines opened their doors to traveling nurses, doctors, and those traveling for urgent needs while implementing deep cleaning procedures and limiting the need for contact between employees and guests. Hotels redesigned breakfast buffets to grab and go meals to provide a popular amenity to their guests, while also practicing safety measures.

With the COVID-19 pandemic the hospitality supply chain was also impacted and interruptions in the supply chain caused safety issues and inconveniences for tourists. These issues and inconveniences including shortage of quality food supply and electricity and computer outages. The pandemic also created operational risks for suppliers and demand fluctuations (Ivanov, 2020). Some companies were not able to operate or had to operate in a limited capacity, and consumers purchased certain goods at extreme rates that did not allow for suppliers to maintain stock levels of in-demand products. The COVID-19 pandemic resulted in “one of the greatest economic disruptions in recent decades” and made a strong case for the need for supply chain planning and relationship management (Gonzalez-Torres, Rodriguez-Sanchez & Pelechano-Barahona, 2021, p. 7). The hospitality industry relies on a vast network of suppliers and other

organizations to operate effectively. Disasters greatly inhibit the supply chain to operate normally and will result in shortages. H&T organizations need to develop strong relationships with suppliers in their network and develop strategies to deal with shortages to mitigate negative service experiences for guests.

Another critical aspect of disaster management for H&T organizations is creating a strategy to improve mental health of employees and provide stability for employees. During the peak of COVID-19, many had a larger fear of being laid off from their jobs than getting infected. The pandemic prompted governments across the globe to implement lockdowns which resulted in large rates of job loss and financial insecurity. “Past research on pandemics suggests that such diseases significantly affect employee performance and mental health...occupation uncertainty and the threat of unemployment at the workplace has been directly related to an unexpected low performance level” and “this uncertainty and threat increase anxiety, fear, depression and job burnout among the employees” (Khan, 2021, p.2). This impairment of mental health then leads to a decrease in the quality of service the employees provide to guests. The “impact of COVID-19 on hospitality employment mirrors that during previous pandemics (such as SARS and MERS)...however, what is of significance during the COVID-19 2020 pandemic is the scale of the impact across both place (geographical spread) and time (the anticipated period to full hospitality industry recovery)” (Baum, Mooney, Robinson & Solnet, 2020, p.2815). Current research indicate that it is unlikely for international tourism to reach pre-COVID levels until 2023 (Flynn, 2020).

When looking specifically at health crises, scholars have “elaborated on the importance of hygiene, cleanliness, and safety in the recovery of the hotel industry during the SARS outbreak...research to date has shown that hygiene, cleanliness, and safety protocols are the most

important measures taken by businesses in the hospitality industry, both during and post epidemic/pandemic times” ((Pillai, Haldorai, Seo & Kim, 2021, p. 1). Customers are looking to H&T organizations to re-open safely and have precautions in place to show they are taking the pandemic seriously. There have been many safety measures introduced but, “the extent to which these measures are complied with in a ‘deep’ or comprehensive manner will impact not only on the health and safety of hospitality employees but also the viability of the business” (Hu, Yan, Casey & Wu, 2021, p.7). There needs to be a commitment from management regarding safety policies and organizations should develop an organization crisis response strategy to encourage employee compliance. The pandemic has shown the need for organizations to go above and beyond what is expected. While governments created mandates on hygiene and safety, many guests sought H&T organizations that took those mandates a step further and showed their guests they took everyone’s safety seriously.

The pandemic brought about rapid changes in H&T operating environments, and many choices that firms were forced to make created tensions with key stakeholders. Many firms were forced to layoff employees, cut costs and most organizations reported a loss of profits during the pandemic (Im, Kim & Miao, 2021). As a result, it was very critical that organizational leadership stepped up and played a role in promoting organizational image and reputation during a time of crisis. COVID-19 highlighted the “need [for] strategically developing corporate narratives...for hospitality organizations to plausibly claim their approaches to the crisis in order to mitigate negative reactions from key stakeholders and the broader audience base as well as to promote a positive image and the competence of the organizations” (Im, Kim & Miao, 2021, p. 8).

Organizations took varying approaches to connect with their customers and communicate changes in business processes or policies to best appeal to their consumer base. It was critical for

H&T organizations to take proactive approaches in communicating with their customers as this directly reflected on whether customer's see the organization as prepared, competent, and proactive in taking steps to mitigate risks and create a positive experience for customers moving forward.

It is also important to consider how the customers will react and behave during a disaster. The COVID-19 pandemic presented unique situations and resulted in precautions that were foreign to most people. Research has shows that visitors utilize an approach called Cognitive Appraisal framework to determine their reaction to an event and they will follow a set cognition-emotion-behavior sequence. "The sequence starts with a cognitive evaluation, followed by an emotional response, which leads to the formation of particular behavioral intentions" (Demeter, Walters & Mair, 2021, p.406). While each disaster is different and each customer will perceive the disaster differently, "service providers need to understand how service recovery strategies are likely to be received so they can pre-empt and mitigate the consequent coping behavior" (Demeter, Walters * Mair, 2021, p.406). The most likely response by a visitor is to attribute the responsibility for the service failure to the disaster itself, rather than seeing the service organization as responsible. However, the attribution can be influenced by the steps taken by the organization to provide service recovery and assistance. With an adequate amount of effort, the tourist is not likely to blame the organization, but not enough will leave a negative experience for the tourist regarding the service organization. However, providing too much service recovery can also indicate to the visitor that the service organization is taking responsibility for the disaster (Demeter, Walters & Mair, 2021, p.411).

Critical Issue

H&T organizations must create strategies to prepare for future disasters and develop plans to learn from disasters they have already been exposed to. These organizations need to develop a resilience plan and adapt their resources to most effectively handle disasters that will occur during their operation. Customers expect H&T organizations to be prepared for disasters and take a leadership role in ensuring visitor's safety and comfort during times of crisis. This section will focus on actionable ways presented for H&T organizations to strategically plan and manage their business during times of crisis. There is not one perfect method to ensure a H&T organization will operate effectively during a time of disaster. Instead, it is important that leadership has a thorough understanding of the business and understand their strengths, weaknesses, and resources to best develop a strategic plan for disaster management.

When looking at the response to COVID-19 many organizations followed similar adaptive measures. The pandemic required organizations to act “upon severe restrictions and challenges, quickly reverting to practical and pragmatic measures to maintain vital cash-flow and safeguard their livelihoods” (Duarte Alonso et al., 2020, p.10). After the initial impact, many organizations made changes and adjustments to revamp and assist their business in becoming more adaptive. They prioritized activities that could alleviate current issues and identify suitable options to continue moving forward. However, some businesses were not able to develop new activities to remain in operation and instead spent the time to focus on compliance and future protocols and develop a future plan for their business. Duarte Alonso et al. (2020) demonstrates the importance of having a resiliency plan and the ability to adapt to avoid a domino effect. The domino effect could result from employees losing income as well as suppliers losing customers and the effect these losses will have on other parties within the network. Those employees will no longer be

able to support other businesses and suppliers may not be able to stay in business to supply to other businesses.

Brown et al. (2018) presents a concept of a disaster resilience framework that utilizes themes and concepts developed from the review of 352 articles. This framework identifies six areas of capitals to define community resilience. These six capitals include cultural, social, economic, human, physical and natural. Each of these six capitals have numerous components that define their predictors of resilience. For example, when looking at economic capital it is important to analyze the availability of resources, diversification of income, financial strength, and staff economic resilience. These predictors can be measured by looking at insurance coverage, customer base diversity, length of time in operation and disaster management budget. Brown et al. (2018) presents each of these six capitals as important to understanding the resilience of an operation and creating strategic plans to take advantage of strengths and work to build up weaknesses. This framework is flexible to provide the ability for organizations to customize their strategy based on current capacities. As well, Brown et al. (2018) outlines common themes of disaster resilience include social aspects, adaptive capacities, trust in stakeholders and information sources, social connections, capacity to adapt. Additionally, having a decisive, effective, and proactive leadership is important to resilience as well as having sufficient resources. It is important that H&T organizations include stakeholders during planning and preparedness activities as this can increase the knowledge and skills available for the organization.

Pillai et al. (2021) presents the concept of hospitality 5.0 and how the COVID-19 pandemic is likely to redefine hospitality operations moving forward. Hygiene, safety, and cleanliness has proven to be incredibly important for the recovery of the hotel industry and has been ranked as

the most important factor when selecting a hotel. The concept of hospitality 5.0 is utilizing “technology on multiple touchpoints in customer journeys to ensure hygiene and safety” with a focus on “artificial intelligence, robotics, mobile technology, and contactless automation technology, as well as virtual and augmented reality during various touchpoints in the customer’s journey” (Pillai et al., 2021, p. 2). This concept seeks to utilize rapidly developing technology to develop a human-machine collaboration that utilizes “human brainpower and creativity to enhance process efficiency by integrating workflows with intelligent systems” which “can lead to hyper-connected networks without compromising long term safety, hygiene, and social distancing with hyper-personalized customer experience” (Pillai et al., 2021, p. 4).

The hospitality workforce was hit incredibly hard, and thousands of employees lost their jobs due to the pandemic. The hospitality workforce has always been turbulent and “has a long-standing experience of managing the impact of stochastic demand by rapid-fire recruitment and retrenchment of staff, exploiting low entry barriers to work and precarious work contracts...and what we have witnessed during the first few months of COVID-19 is an amplification of historical practice” (Baum, Mooney, Robinson & Solnet, 2020, p.2822). The pandemic has highlighted the difficulty of the hospitality workforce and some employees have even sought employment in other fields after the uncertainty of the pandemic. As well, smaller H&T organizations have been hit especially hard and do not have the savings to support their workforce or even their businesses in some cases, forcing many small, locally owned businesses to go under. It is unlikely that the high turnover present in the hospitality industry will go away after the pandemic as over, as that is an attribute of the industry as organizations work to meet fluctuating demands throughout the year. Many hospitality positions can be trained easily and do

not have a high barrier for entry. However, it is also crucial for organizations to place a value on their employees and give employees stability during times of crisis.

When looking at the response by customers, research has shown they are likely to utilize a Cognitive Appraisal framework that goes through a process of blame attribution, emotional response, and behavioral outcomes. During times of crisis and disaster, it is important that service firms have a firm grasp on service and recovery strategies that will have the greatest positive impact on the tourists' emotional response. One simple recovery strategy that was found to be very effective was offering an apology or assistance. Tourists that received an apology or assistance "perceived that the negative experience was not a general characteristic of the tourism experience that would continue to happen during future visits", "are more likely to attribute blame to the actual destination rather than the hospitality organization" and "were more likely to attribute the blame to things beyond the service provider's control" (Demeter, Walters & Mair, 2021, p.410). If a tourist receives compensation, or assistance combined with compensation, the customer is less likely to engage in negative word of mouth and leads to a higher likelihood of positive behavior and higher levels of satisfaction with some form of compensation is involved. However, even with apologies, assistance and compensation, tourists will still combine the destination and hospitality organization together when attributing blame, causing decreased loyalty and repeat visitation for both the destination and organization (Demeter, Walters & Mair, 2021). It is still important for hospitality organizations to have a service recovery plan established for times of crisis and disaster, but still understand that regardless of the actions taken, customers are still likely to have a slightly deteriorated view of the destination and hospitality organization. A strong service recovery strategy will help mitigate the negative

impacts and provide avenues for the hospitality organization to increase positive behaviors and feelings and provide avenues for future marketing to the customer.

Additionally, it is also important to consider the infrastructure of the destination as well as the organization's infrastructure. This was not as prevalent during the COVID-19 pandemic, but certain strains were placed on local and organizational infrastructure during the pandemic as well. When considering infrastructure, this can refer to the physical structure and its "ability to withstand the effects of disasters and integration of life-saving measures contribute to an organization's resilience" (Brown et al., 2018, p. 69). It is also important to understand the strengths and weaknesses of infrastructure within the local environment such as the strength of electricity grids, waste management and technological infrastructure. In some destinations, power grids are not reliable, so it is important that H&T organizations takes steps such as investing in generators to create a resilient infrastructure for guests. The healthcare infrastructure was hit hard during the pandemic and many hospitals filled up.

Conclusion

Disasters have been prevalent within the H&T industry and will continue to make an impact on H&T organizations in the future. For most every H&T organization, it is not a question of if, but when a disaster will affect their operation. The hospitality industry has been affected by a myriad of disasters including natural disasters, terrorist attacks, infrastructure disruptions and health crises. Each of these disasters present unique challenges and require H&T organizations to be adaptable and flexible. Disasters require the H&T organization to be prepared and proactive in approaching their response. Firms need to place an emphasis on developing resilience plans before the plan needs to be implemented and take a proactive approach in understanding strengths and weaknesses and developing resources and capabilities, so they can respond to

disasters in an effective and efficient manner. Disasters present a complex challenge of managing multiple priorities in a highly stressful and time-sensitive scenario. H&T organizations must manage the needs and desires of employees, guests, stakeholders, and the local community.

Many issues arose during the unfolding of the COVID-19 virus and these issues tested organization's current planning and challenged them to adapt quickly. The pandemic forced many hospitality organizations to change their business model and offer new and adapted services. Firms needed to redesign their business strategies and develop new sources of revenue. Guest desired less human interaction and sought out businesses who took cleanliness, hygiene, and safety seriously. Even with adaptations, many businesses were forced to become inoperative and often required laying off many employees. Even employees that did not experience loss of job still feared the potential loss of their job as the pandemic continued to cause shutdowns. This fear created challenges for human resources and for operating businesses to maintain employee morale and high service levels. As well, the idea of guest recovery came to the forefront and required organizations to juggle what an adequate amount of compensation entailed without causing blame to be placed on the organization. As well, ensuring customers maintain a positive image of the organization even during times of crisis. Many organizations stepped up to help their local or the global community in combatting the pandemic, which helped customers to maintain a favorable and recent memory of the firm. Leadership carefully crafted responses and addresses to the public detailing their strategies and to explain their decisions in a turbulent time.

It is important to understand how organizations have reacted to disasters that have already occurred and learn from their successes and mistakes. First, the firms must develop a thorough understanding of their unique strengths, weaknesses, opportunities, and threats. After they have completed an analysis of their business environment, it is imperative that the firm completes

planning and implementation procedures to prepare the firm for when disaster strikes. Brown et al. (2018) presents a Disaster Resilience framework that will help guide H&T organizations through analyzing and preparing their business for a disaster. As well as utilizing new concepts such as Hospitality 5.0 and creating strategies for dealing with common issues such as guest recovery and employee mental health.

As we continue to open our economy while monitoring and adjusting to the changing COVID-19 pandemic, it is critical that we continue to learn and grow from the experiences and knowledge gained from the pandemic. This pandemic changed the face of hospitality and forced businesses to adapt quickly. Research is just beginning to be completed on the successes and failures of firm's reactions and strategies and it is crucial that hospitality organizations utilize the knowledge to prepare for the future and develop strategic plans that can be adapted to respond to the next disaster.

Discussion Questions

1. Can you provide an example of how you have witnessed a hospitality organization react to a disaster? What did the organization do well and what could have been done better?
2. If you oversaw a H&T organization, what areas of disaster management do you see as most important?
3. What areas have you seen hospitality organizations fall short in when it comes to disaster management?
4. What would your approach be to guest recovery during a disaster or crisis?
5. How would you prioritize your employees and business operational success during a time of crisis?

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Teaching Plan

Topic Overview and Presentation (1 hour)

The session will begin with an overview presentation about crisis and disaster management with a focus on the COVID-19 pandemic. This will be presented in a lecture-based format with discussion questions built into the presentation. See Appendix for Example PowerPoint slides.

Group Activity: Crisis and Disaster Planning (1 hour)

Groups will utilize the knowledge gained from the presentation at the beginning of the session and work with a group of 3-4 people to begin the crisis planning process for a hospitality organization.

Each group will be given the same information regarding their hospitality organization, New Moon Hotels, and will have access to the Disaster Resilience Framework introduced by Brown et. Al (2018). Groups will be asked to analyze the organizations current capabilities against the predictors and choose the areas with the largest room for improvement. See Appendix for Group Activity Worksheet.

Case Study Examples and De-briefing/Questions (1 hour)

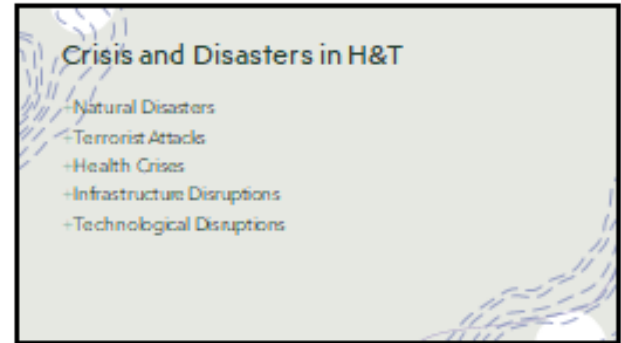
This part of the presentation will present case studies from 3 different hospitality organizations: Marriott Worldwide, Walt Disney Parks & Resorts and Darden Restaurants. These case studies will emphasize the actions taken by each of these organizations during the COVID-19 pandemic. After these case studies have been presented, groups will be challenged to examine their steps and provide opportunities for future improvement. Finally, the presentation will conclude with the opportunity for attendees to ask questions and present their learnings to the group.

Teaching Plan Appendix

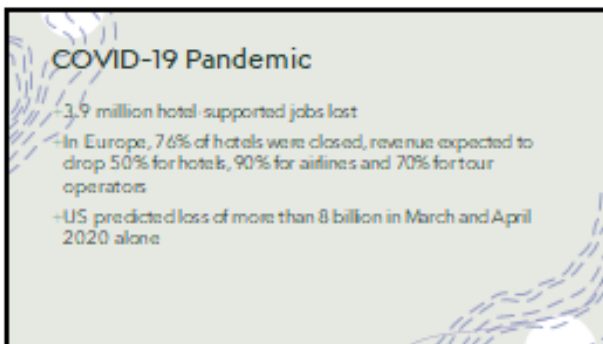
Topic Overview Presentation



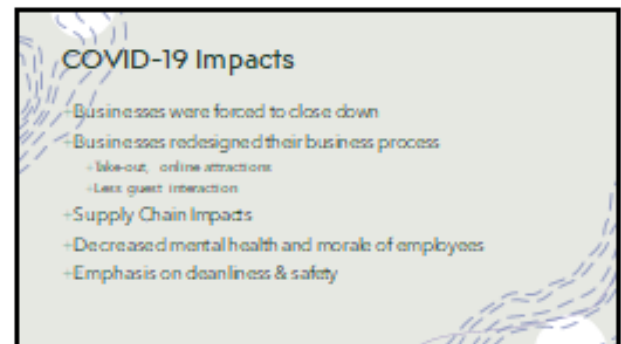
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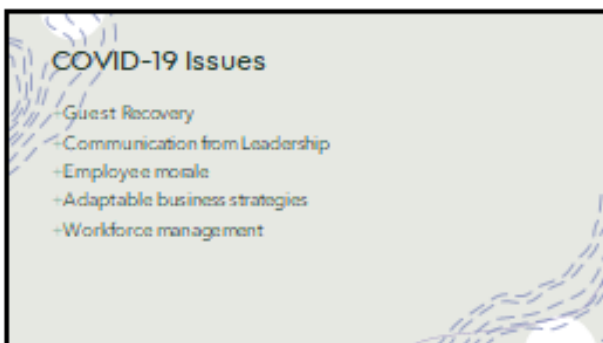
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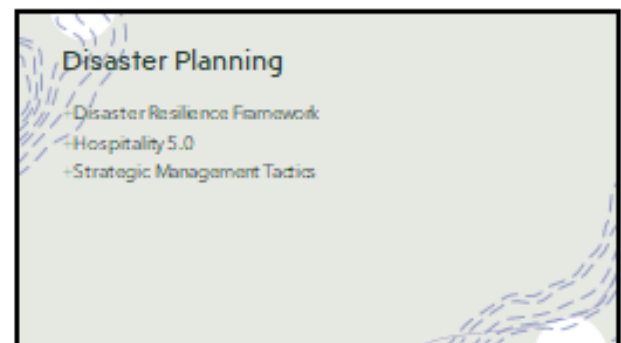
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Group Activity Worksheet

NEW MOON HOTELS

Company Overview

Founded in 2001, New Moon Hotels currently operates 10 different hotels located throughout the United States and Europe. Each hotel is operated independently with support given from a localized corporate group in Orlando, FL. Our New Moon Hotel located in Houston, TX is planning to open at the end of 2021. We are hoping to brainstorm and develop a disaster resilience plan to set up our new hotel for success.

The hotel is in the heart of the city, and we anticipate most of our guests to be staying with us for business or as leisure. We do not have any other hotels located in Texas, but we are closely connected to another hotel located about 2 miles from New Moon Hotel – Houston. Our hotel will have 150 guest rooms, a sit-down restaurant, café, pool and gym facilities.

Disaster Resilience Framework

Utilizing the knowledge gathered from the presentation and the Disaster Resilience Framework, discuss with your group what you think the most important components of your disaster planning should be.

What should this new hotel focus on?

TYPES OF CAPITAL	PREDICTORS
SOCIAL CAPITAL	Social networks/connectedness/cohesion, capacity to work as a group, trust
ECONOMIC CAPITAL	Availability of resources, diversification of income, financial strength, staff economic resilience
HUMAN CAPITAL	Health, skills, capacity to adapt, knowledge, business continuity
PHYSICAL CAPITAL	Life safety, business continuity
NATURAL CAPITAL	Location's environmental risk, location's effect on environment
CULTURAL CAPITAL	Cultural influence on social systems, cultural knowledge

Scenarios

1. The COVID-19 pandemic really changed the hospitality industry. Before we open our hotel, we are hoping to proactively prepare for the continued threat of COVID. What precautions should we take and what sort of strategy should we use to address the continued threat?
2. Since we are starting new, how can we best prepare our hotel for crisis? How can we also ensure are employees are prepared for crisis?
3. New Moon Hotel – Houston is tracking an incoming hurricane. The hotel is not directly in the path of the hurricane, but that could always change. We are looking to prepare in advance in case the hurricane impacts us. What should we be planning for and how can we ensure our guests stay safe and happy?
4. There is a bomb threat in the vicinity of our hotel, and we want to make sure our guests and employees remain safe. There is no confirmation of a bomb, but there is a bomb robot in route to explore the area. How should we approach this situation?