THE CRITICAL ROLE OF SOCIAL CAPITAL IN HOTEL BUSINESS RESILIENCE

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Abstract: The COVID-19 outbreak provides the tourism industry incalculable lessons. Many businesses are concentrating on resilience, but few have explored the potential benefits of social capital. This article explains how utilising social capital might help business hotels boost their resilience during times of crisis. Social capital is inextricably linked to social networks, group collaboration, and trust among internal and external stakeholders. The research conducts in March to August 2021. The data was assessed qualitatively through interviews with four informants from the hospitality industry (Hotel Managers) and hotel associations. According to the research, social capital manifests itself in a variety of ways to assist hotels in times of difficulty. Internally, fighting a pandemic requires a willingness to compromise, with the hotel's leadership and creativity playing a critical role. Externally, the government's and associations' roles have a significant impact on hotel resiliency. Collaboration with associations and other external parties has been demonstrated to assist hotels during times of crises. Social capital cannot be created instantly but must be nurtured from the beginning of the hotel's operations. In turn, the social capital that has been established will ensure the hotel's long-term sustainability facing challenges.

Keywords: social capital, hotel resilience, COVID-19, tourism industry, business sustainability


Kata kunci: bisnis berkelanjutan, industri pariwisata, Ketahanan bisnis hotel, modal sosial, pandemi COVID-19

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INTRODUCTION

In few decades, the tourism industry has faced challenges of environmental change, whether triggered by economic crises, climate change and the environment, and technological innovation (Hall et al. 2020; Hao et al. 2020; Le and Phi, 2021). Moreover, the discussion about the resilience of the tourism industry has not become a hot topic to be debated. Both are related to the travel and hospitality industry as a component in the tourism industry. At the time, the most frequently discussed topics were sustainable tourism, environmental, and business issues (Kiper, 2013; Robinson et al. 2017). However, in the last two years, resilience has emerged as a topic that must be addressed. With the number of disasters and crises that have occurred, the world of tourism is shocked and more aware of how vulnerable this industry is to disaster issues including outbreaks.

Since 2020, the world has been shocked by the arrival of the Novel Coronavirus Diseases (Covid-19). COVID-19’s presence demonstrates the tourism industry’s vulnerability. Almost the whole tourism sector and its proponents suffered tremendous destruction, as if they had come to a halt helplessly and threatened the business’s sustainability (Filimonau et al. 2020). Although similar diseases outbreaks occurred over a century before and had a substantial impact on the environment and society (Hall et al. 2020), it seems as though no one anticipated the COVID-19 pandemic would decimate all businesses, including tourism and its components (hotels, transportation, destinations). No single industry was prepared for this magnitude of disruption. Everyone was compelled to stand still and was unable to move. Following COVID-19, new habits began to develop. The design of anticipatory measures has already begun. Even the many scenarios for the pandemic’s evolution have begun to shift. Every industry is driven by a single objective: survival. (Agoes, 2020).

Bandung is one of the cities in Indonesia that benefits from the tourism industry (Sukriah, 2014). Hence, Bandung became one of the cities that suffered a beating during the COVID-19 pandemic. According to data from the Bandung hotel and restaurant association (PHRI), hundreds of hotels declared bankruptcy during the pandemic as of February 2021 (Kumparan Travel, 2021). Some hotels have even been advertised for sale because they can no longer sustain their hotel management. Similarly, many hotel workers have been laid off or have been fired. Despite these difficulties, the city of Bandung still has quite notable number of hotels that survive. The reality is that many of the surviving hotels are three- and four-star properties (PHRI, 2020). These hotel classifications are the primary contributors to Bandung’s regional tourism income.

Many argue that hotels can survive in the presence of resources or capital (Brown et al. 2018; Filimonau et al. 2020; Ivkov et al. 2019; Sydnor-Bousso et al. 2011a). They are primarily related to economic and physical capital, which are both critical for hotels to survive during the crisis. However, it turns out that other factors, especially regarding social capital, are quite crucial in evaluating the resilience of hotels to the pandemic. The presence of social capital enables organizations to resolve problems collectively and efficiently. Previous research has shown that social capital can help shape community resilience in the face of natural disasters (Mayunga, 2007), but its application is slightly abstract, difficult to measure, and still rarely used (Aldrich and Meyer, 2015; Brown et al. 2018), particularly how social capital can help hotels survive empirically.

This article focuses on the use of social capital to strengthen the resilience of star-rated hotels during the COVID-19 outbreak. Evaluation of social capital is done by analyzing the roles of people involved in the hotel industry. How hotels can survive by facilitating network, trust, and collaboration internally and externally for organizational sustainability or crisis recovery by presenting the latest literature and evidence topic.

METHODS

This study takes place in Bandung, one of the domestic tourists’ most visited destinations. The research period spanned six months from March to August 2021, with the focus on three-four-star hotels in Bandung. The classification of star hotels was chosen since hotels in this category dominate the number of hotels in Bandung. The research method was carried out qualitatively and descriptively by collecting, presenting, and selecting data, then providing the interpretation (Cresswell, 2012).
Interviews were conducted to gather data. Four interviewees were chosen as the study’s primary sources of information due to their extensive experience in the hotel business. The General Manager of Arion Swiss Bell Hotel and the Manager of Fave Braga Hotel Bandung represented the professionals. The association was led by the chairman of Riung Priangan and the chairman of the Indonesian Hotel General Manager Association (IHGMA) Bandung Chapter. The interview data were then transcribed and analyzed to determine the role of social capital in internal and external organizations. Saldana (2011) stated that there are no particular standards in qualitative data analysis, but some experts suggest constructing the interpretation of the data using technology assistance. The Atlas.Ti software as Computer Qualitative Analysis Software (CAQDAS) version 9 is used to enhance the credibility of research data, even with a minimum of informants (Ang et al. 2016). Data analysis was carried out through three stages: open coding, data category (axial coding), and selective coding, and then the data was presented in a visual network to identify the data.

RESULTS

Bandung is the capital of West Java province, which has a large population in comparison to other large cities in Indonesia. According to data from the city of Bandung’s Population Service and Civil Registry in 2021, the city had a population of 2,467,821 people. Geographically, the city of Bandung is very close to the national capital, Jakarta. Access to the nearby places is also quite simple. Due to the high level of resident mobilization in neighboring cities, Bandung is extremely vulnerable to the COVID-19 transmission, which started in Wuhan, China. The first infected case was discovered in March 2020, followed by the finding of several clusters of COVID-19 virus sources. Since then, the trend of increasing positive cases daily has continued. Following the declaration of an emergency to prevent and stop the spread of COVID-19 in Bandung, the government implemented several policies and measures. Government regulations and policies are implemented simultaneously on a national level. These policies have a substantial impact on the local economy and hotel industry. While the government’s vaccination program has been ongoing since January 2021, the trend of infected cases continues to rise.

The Impact of the COVID-19 on Hotel Industry in Bandung

Restriction of residents’ activities, referred to as Large-Scale and Micro-scale Social Restrictions as well as area quarantines, had a substantial impact on the tourism industry. This circumstance has resulted in a decline in room occupancy and a corresponding decline in hotel revenue. The hotel cannot continue operating normally. This constrained cash flow has affected the company’s ability to meet several obligations, including the following: 1) employee salaries; 2) bank credit; 3) tax payments; 4) energy; 5) labour and health insurance; and 6) Eid-al-Fitr allowances.

During the pandemic specially when emergency period, almost all hotels in Bandung limited their activities. Some of them closed hotel operations. However, no command requires hotels to be close, the deficiency of guests staying forcing the hotel to reduce operational costs. As a result, on average, the occupancy rate of five-star hotels in Bandung in April 2020 reached the lowest point of 10.77%. This situation is very different from the previous year, 2019, where the occupancy rate reached 49.19%. While the ‘New Normal’ period started in June 2020, the government issued a policy to relax economic activity. As a result, some hotels have started to open operations. Although they are still not stable, hotel occupancy is starting to move up. Somehow, the situation remains unpredictable; when new strains of virus begin to spread and the number of cases continues to rise, it has an effect on the hotel industry. Based on interviews with informants consisting of General Managers and Chairs of Star Hotel Associations, it can be categorized as developing resilience during the pandemic, how hotels coordinate with various parties both internally and externally.

Social Capital Role

According to the study’s findings, the social role of an organization appears to be classified into two categories; The internal role of the organization and the external role of the organization.

1. The Internal Role Organization

Internal organizations are the parties involved in the organization in order to build hotel resilience. The role of social capital is internally related to connections and the capacity to work in groups. Internal organization
can be categorized into three roles, particularly owner, management, and employees.

The Role of Owner

Internally, within the hotel organization, the principal of the hotel property is the owner. Although operationally, the owner does not have to be directly involved in managing the hotel, however owners also have a vital role in making decisions during pandemic. Several roles have emerged from hotel owners, specifically as follows: a). Support bailout funds to last while the hotel is temporarily closing its operations. The fund, among others, is to cover the salaries and the maintenance of the property (electricity, water, other maintenance fees); b). access to credit, if necessary, hotel owners can also play a role in accessing credit as additional capital through the crisis stage. However, financial assistance becomes the responsibility of the management.

c. Cost efficiency

Employees’ cutting, daily labor, and outsourcing are the first layers of the hotel’s cost burden to be eliminated, opening hotel rooms per zone or wing. To save cost, the hotel shuts electricity off. Additionally, due to the government’s policy of restricting economic activities, most hotels have decided to close their operations

d. Leadership

The role of leadership reflected through the strong leader’s which include ability to motivate employees, solve problems, and decision making with minimal impact during crisis.

The Role of Management

a. Flexibility of organization structure

Reduction of employees in several departments requires hotels to produce flexible policies on employee placement, such as cross-departmental policies and double positions.

b. Innovation and creativity

There are three categories of findings recorded as a form of innovation and creativity initiated by hotel management; product diversification, market diversification, and service diversification.

Product diversification. Includes room and food sales innovation (staycation program, food delivery service, include some hotel provide food truck, and early bird room packages).

Market diversification. Hotels rely on customer from both local and domestic travellers; thus, marketing campaigns are geared at the domestic market. Furthermore, the change in digitization has compelled hotels to perform online sales promotions, which has resulted in a tendency of shifting market segments to millennials.

Service diversification. Followed by procurement of health and safety equipment, providing body temperature, hand sanitizers & handwashing facilities, social distancing guidelines, etc. updating Standard Operating Procedures (SOPs) according to health protocols requirement. In addition, management utilizes technology for touchless services, such as menu adjustments using barcodes or digital TV, cashless transactions, touchless systems in elevators and parking areas. As a health facility, the hotel provides clinic and lactation rooms.

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The Role of Employees

Workers are the company’s capital in carrying out its activities. As an internal component of the business, employee can serve as social capital. Employees can leverage social capital to enhance group collaboration and build management trust. The COVID-19 has a significant impact on hotel staff. Employee income was affected by the outbreak’s sharp decline in hotel occupancy. The hotel is unable to pay employee salaries due to a lack of revenue.

As human resources, employees contribute to the hotel’s sustainability in times of crisis. Although some staff were forced to take unpaid leave even resign, many are still able to make ends meet due to the hotel’s precarious financial situation. The hotel will not be able to survive unless its staff are steadfast and willing to admit the company’s difficulties. Employee role in support social capital as stated by General Manager of hotel as follow:

“During pandemic, where the business is not
The roles of employees are classified into two categories: loyalty and teamwork. Each of these sections is described: Loyalty (willingness to work long hours includes work in shift; multitasking with varying workloads; non-full salary, all employees continue to receive salaries even if they are not paid in full; some hotels apply 14 working days in a month, allowing them to stay in their jobs or not leave the work); Teamwork (supporting work among departments; covering work in other fields). The role if internal organization has showed in Figure 1.

2. The External Role Organization

Externally, the network’s connectedness and cohesion may be seen in how hotels engage with third parties to provide assistance during the crisis. Two parties are involved in the effort to strengthen the hotel industry’s resilience: the hotel associations and the government.

The Role of Association

The hotel’s connections with associations could reflect social capital. The hotel industry in Bandung is regulated by two organisations: the Indonesian Hotel and Restaurant Association (PHRI) and Riung Priangan. PHRI manages the hotel and restaurant industry with its coverage of the West Java province and its membership as a company. Meanwhile, Riung Priangan manages the star-rated hotel within the scope of its general manager (GM) as the membership status is attached to the hotel property. Not all hotels in Bandung automatically become members of the PHRI and Riung Priangan. To become a member, hotels must register directly. Aside from that, there are also hotel organizations that are bound individually. The association consists of GM, but its scope is broader, within the range of West Java. This association was identified as IHGMA (Indonesian Hotel General Manager Association). Multiple roles of association were found in this research. In general, numerous roles of associations have emerged and are considered to support hotels in the process of surviving the COVID-19 crisis. The roles that the association performs practically include: 1). as the mediating party, building cooperation with stakeholders, coordinating with the government and serving as a forum for members’ aspirations. The association’s support, as stated by Chief Riung Priangan:
“We are the first association in Indonesia that accommodated a vaccine program for hotel General Managers in Bandung, which was coordinated with the local government.” Furthermore, we also asked the government to review the road closure policy at several points because it is considered very detrimental to hotel entrepreneurs.” (Interviewed March 30, 2021).

Therefore, the association tries to convey the complaint to related parties; 2). distribution of grant funds; The Bandung Tourism Office (Dinas Pariwisata Kota Bandung) trusts the association to distribute grant funds during the emergency period; 3) provide valid data; the association seeks to collect such occupancy rates directly from members. Such data can be used to assist members in determining market strategies by providing reliable data; 4). charity programs; conducting charitable activities; 5) creating solid teamwork among members, hotel try to survive with minimum manpower and support each other; 6). sources of information; the association becomes the center of information and tries to spread the most recent news about the hotel industry; 7). support business members; particularly by sharing prospective customers to help their members’ businesses prospect customer to support the business of its members; and 8). support training; providing various training activities to improve knowledge and skills.

The Role of Government

As a essential part of the tourism industry, hotels are an inseparable part of the government’s attention. Realizing how damaging the tourism industry is, the government has taken various ways to help. However, of course, this effort cannot be separated from the assistance of various parties at the national level to the local. One of the government’s prominent roles is to provide grant funds for tourism business affected by the COVID-19. This fund was given following the policy of restricting society activities during the emergency response period. In addition, some of the government’s roles that have emerged include 1) grant fund, the fund is given to hotels that meet administrative requirements; 2) provision of pre-employment cards; in the form of financial assistance for training programs for the community to improve their skills. 3) provide Cleanliness, Health, Safety, Environment (CHSE) certification: During the New Normal period, the government plays a role in controlling regulations so that the economy continues to run and the safety and health of citizens can be maintained. Furthermore, as an adaptation strategy that aims to restore the national tourism industry and ensure that hotel operations continue to run smoothly, the government provides a free CHSE certification program to the tourism industry. 4) vaccination program: the government provides vaccinations for the tourism industry, including hotels. The vaccine program is done step by step, and the tourism industry is one of the government’s priorities. 5) regulate national and local policies: the policies related to the tourism industry are issued by the Ministry of Tourism and Creative Economic of Indonesia and the local government. 6) provide tax relaxation: easing in paying hotel & restaurant taxes; 7) creating Events: events are made on a small scale to anticipate crowd; 8) tourism promotion; the local government initiated the promotion of Bandung tourism, such as the ‘Smiling West Java’ promo program, which involved all tourism industry players in West Java; socialization of Bandung tourism to Malaysia is done by the tourism office; Tourism Exhibition by the Bandung City Tourism Promotion Board. The government role’s reinforced by Tirtayasa et al. (2021), they argued that as external parties, government play significant role in maintaining the existence of small and medium enterprises by implementing the policy. Figure 2 depicts the external role of social capital in greater detail.

Social Capital to Strengthen the Resilience of Star-rated Hotels

COVID-19 is the largest non-natural disaster that significantly impacts the hotel industry. As business organization, hotels must have the resilience to survive and get through crises. hotels must be resilient in order to survive and recover from catastrophes. Available resources can help a hotel survive (Mayunga, 2007; Sydnor-Bousso et al. 2011b) and possibly become a deciding element in the hotel’s continuity. Hotels can mitigate issues through the use of social capital, facilities, and access. Previous studies revealed that social capital could be defined as the result of network development, cooperation, and trust (Nancy et al. 2018; Nancy et al. 2017). The study (Aldrich and Meyer, 2015) took a social capital approach, assessing the bonding, bridging, and linking components. This study demonstrates how social capital enables hotels to be more robust both internally and externally.
Internal organization is the primary function of the hotel to enable the hotel to survive in the COVID-19 crisis. The most prominent role of social capital from the inner side is thru teamwork, loyalty, innovation, creativity, and strong leadership. The pandemic crisis requires a willingness to sacrifice from both the owner, management, and employees. The significant fall in hotel occupancy has resulted in minimal income, which means no profit for the owner and no funds to pay employees. In these difficult times, the owner must be willing to continue to run the hotel even without a profit, while the management and employees must be willing to work with a non-full income, work hard, and contribute more in creating products and services without expecting additional compensation. Therefore, management strategies must conform to and fight against the crisis. In addition, Ervina et al. (2021) argued that one of the hotel’s essential roles in reviving the COVID-19 is managing preparedness. On the other hand, employees also need to understand the unstable condition of the hotel. During a crisis, employee loyalty is tested with additional workloads, and on management’s side the role of motivating the employees becomes critical. Environmental changes must be accompanied by adaptation and innovation in all forms. Hotel operations can benefit from using technology to minimise the risk of virus transmission.

Externally, the hotel’s connectedness with the government and associations benefits the hotel in getting thru the crisis. The national authority (the ministry of tourism) and the local government have different roles at each crisis stage. In the emergency response phase, hotel closures due to travel bans and regional quarantines resulted in hotels depreciating without revenue. In addition, the existence of grant funds and government subsidy assistance for affected hotel employees provides additional breath for hotel employees regarding salaries that cannot be met by hotel management. During the ‘new normal,’ the government tried to recover the economy. For example, the CHSE certification program helped increase consumer confidence in hotels. Likewise, marketing programs such as promoting and organizing tourism events are expected to continue to be initiated and even broadly involve other ministries. On the association side, the most leading role is prominent coordinator and mediating party among the hotel industry and the
government (Aldrich and Meyer, 2015). Aside from the programs carried out by the government and associations to recover the tourism industry, the most critical factor is handling COVID-19 as the top priority. No matter how hard the strategies, we all need to be concerned for the health system to recover the economy.

Managerial Implication

This study can be used by hotel managers to develop social capital plans by designing effective strategies for building hotel resilience. The ability of the hotel to strategically design cannot be separated from the role of human resources in both internal and external crisis situations. As a starting point, the indicators for each role of social capital can be applied as reference.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Social capital plays a role in building hotel resilience. Hotel can invest strategic resources to enhance future capabilities during the crisis thru social networks. During the pandemic, it takes sacrifice and willingness to get thru the crisis at the expense of the rights of the parties concerned both internal and external. The government is expected to provide sustainable support thru policies that encourage the tourism environment returns to normal. Whilst the association builds teamwork and leads team members to support their business. The dimensions of social capital are not limited to trust, cooperation, and coordination between organizations but also develop in innovation, creativity, and leadership. These two things become aspects that are quite decisive for the hotel’s survival. Social capital will operate effectively if all roles have the same goals.

Recommendations

The hotel’s success in navigating tough times reflected how the hotel maintained social capital. Future research suggests to examine the relationship between each characteristic of capitals’ resilience and hotel resilience strategies throughout the crisis.

ACKNOWLEDGMENT

The author expresses infinite gratitude to those who have contributed to taking the time to conduct interviews and provide data related to the situation of the hotel industry in Bandung During COVID-19 crisis. Especially to Chief of Riung Priangan Association, Head of IHGMA Bandung Chapter, and General Manager of star- hotel.

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