

# Crisis Management in the Hospitality Industry in Taiwan, A Case Study of Severe Acute Respiratory Syndrome (SARS)

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## Abstract

Severe acute respiratory syndrome (SARS) had a severe impact in Mainland China, Hong Kong, Singapore, Taiwan, Thailand, Canada and some other countries. Taiwan was one of the countries seriously affected by this crisis. On May 21<sup>st</sup>, 2003, the World Health Organization (WHO) recommended that all potential visitors, except for essential travel, postpone their travel plans. Until June 17<sup>th</sup>, the WHO released Taiwan from the traveling warnings. Hospitality Industry is strongly link to the tourism business. As a result, the hospitality industries in Taiwan had a most difficult situation. The purpose of this study is to explore how the use of crisis management affects organizational operations; with the hope the information collected will assist hotels in making better strategic decisions regarding a crisis. The results will be used to help develop crisis management strategies for the hospitality industry.

## Introduction

Management is now more aware than ever that, activities in crisis management go well beyond disaster recovery planning and preventive strategies. The managers' ability and efficiency of dealing with crisis have been considered as a major issue in enhancing business performance. The impact of organizational crises has never been stronger: measurable damage from incidents seems to be greater than in the past, whether quantified as the extent of ecological destruction or the breadth of product contamination impact (Lagadec, 1993).

In the past, many scholars have already conducted conceptual and empirical studies on the topic of large-scale organizational crisis (e.g., Laurent, Thierry, 2000; Lagadec, 1990, 1993; Mitroff, Pauchant & Shrivastava, 1988; NyBlom, 2003; Shrivastava, 1993; Want, 1999). Specifically, organizational crises inherently are phenomena for which psychological, social-political, and technological- structural issues act as important forces in their creation and management (Pauchant & Douville, 1994). A variety of organizational crises influenced operational performance; different crises bring different issues to business operating. Crisis management is therefore a comprehensive subject that encompasses all aspects of business, including operations, marketing and media relations, distribution and legal matters.

Severe Acute Respiratory Syndrome (SARS) was a different kind of the crisis. The SARS crisis fell into Fink's (1986) descriptions of how a crisis begins: fear of the unknown caused a large part of the human crisis; fear of the truth caused almost all of the business crises. However, this crisis situation didn't fit traditional crisis management strategies where organizations apologize for an error or problem and then correct it. In fact, SARS was an

example of how a naturally occurring or intentionality caused disaster which created unexpected consequences. It was a contagious disease which spread very quickly, regardless of attempts to control them. Traditional planning may not be responsive to threats that involve a larger geographic area or an extended time period.

Connolly (2003) stated in his research that while most business plans for the acute and isolated events that they may have experienced before, this era of asymmetrical warfare calls for an asymmetrical response capability, not built in static or historic assumptions. On the contrary, communications, emergency measures, government regulations and other disease information such as effective disease identification, containment and treatment strategies, were all needed to help with the crisis management of the spreading devastating epidemic.

From tourism and hospitality industry, countries throughout the world derive a large part of the Gross National Product. Unfortunately, these industries have been influenced by some threats. Terrorism, economic depression, and recently the SARS epidemic are the most significant threats nowadays in the hospitality industry. Following the SARS outbreak, specifically, Far East business travel and tourism declined sharply, many businesses were closed, home quarantines were imposed and the disease spread from the Far East to North America. The Wall Street Journal estimated SARS' economic impact to Asia's 2003 GDP would exceed U.S. \$ 10 billion. As for Taiwan, being the third largest SARS disease outbreak on record, it indeed faced serious threats on tourism and hotel industry. In 2003, the total annual income of all the tourist hotels dropped 4.4 million, compared to year 2002.

Obviously, the crisis in the Taiwanese hospitality industry was originated from the intensification of SARS epidemic. The specific SARS case example provided an opportunity to study crisis management; SARS influence on the hospitality industry offered an empirical study on the topic of large-scale organizational crises within the same business. This study attempted to understand how crisis management was applied to the Taiwanese hospitality industry, during the SARS epidemic. The purpose of the study was to explore how the use of crisis management had affected organizational operations and performance.

## **Literature Review**

### **SARS Outbreak in Taiwan**

Severe acute respiratory syndrome (SARS), an atypical pneumonia of unknown etiology, was recognized at the end of February 2003 and shocked the world with its rapid spread (World Health Organization, 2003). Through August 2003, the cumulative numbers of SARS cases worldwide was 8422 people. Taiwan was one of the countries seriously affected by this crisis, experienced the third largest outbreak on record worldwide; included 674 cases and 84 deaths. The largest outbreaks occurred in mainland China (5327 cases and 348 deaths) and Hong Kong (1755 cases and 298 deaths). Initially, SARS in Taiwan had only a few imported cases, all clearly linked together in chains of person-to-person transmission. Following lapses in infection control practices in a hospital, the outbreak escalated dramatically, with as many as 70 new cases per day being reported in mid-May (World Health Organization, 2003). As a result, on May 21<sup>st</sup>, 2003, the World Health Organization (W.H.O.) recommended that all potential visitors, except for essential travel, postpone their travel plans.

"The SARS crisis in Taiwan has been taken very seriously at all levels," said Dr. Cathy Roth, a WHO virologist who was in Taiwan in May to assess the need for a strengthened response. SARS stimulated vast and very rapid improvements in the health infrastructure, especially in the areas of hospital infection control procedures, systems for data collection and reporting, mobilization of the public, and coordination of all agencies contributing to the outbreak response. On June 17<sup>th</sup>, Taiwan was released from the traveling warnings.

## **SARS Influence on Taiwan's Hospitality Industry**

In the late-February, SARS outbreak in the Metropole Hotel, Hong Kong, seeded the international spread of SARS. The Metropole Hotel outbreak was recognized as a "super-spreading event". The SARS epidemic had already influence the Taiwanese tourist markets that less tourist came to stay in the hotels. After the SARS outbreak in the hotel in Hong-Kong, the hospitality industries in Taiwan faced a most difficult situation. As an example, in average, there was severe drop during the SARS epidemic especially in April, May and June, for the hotel companies.

During SARS, the occupancy rate of all the tourist hotels dropped 4.87% (Taiwan Tourism Bureau, 2004). The drop was more severe in Taipei area, the capital of Taiwan. Compared with the average room price as U.S. \$ 84.08 in 2002, the price rate of tourist hotels dropped 4.95%. The price dropped because that there were plenty of the promotions going on during the SARS epidemic. Every hotel lowered its room rate to motivate customer demand. The total annual income of all the tourist hotels dropped 4.4 million, compared to year 2002. The room sales revenue in 2003 had 2 million dollars decreased than 2002, while F&B sales revenue was 1.8 million less. The lowest total income was in May; only 37 million dollars. The 2002 average total income was 81 million dollars every month.

However, after SARS, the hotel business has recovered, rebounding slowly. In fact, WHO removed Taiwan from the list of SARS epidemic area on June 17<sup>th</sup>, 2003. Since then, the tourism industry was rebounding from the outbreak of SARS; the total income of tourist hotels was raised to 74 million (Taiwan Tourism Bureau, 2003). The room occupancy also showed the recovery of hotel business. The lowest occupancy hit the hotels business in May (22%), and after that, the average occupancy rate increased. The rate was 34.14% in June, 58.35% in July, and 68.02% in August. From September to December, the occupancy was even higher than the same period of time in 2002.

The domestic travelers increased not only because of the natural rebound, but also because of the variety of the hotel promotions which encouraged them to travel. As of June, the Taiwan Tourism Bureau prevailed on the leading up-scale hotel companies to offer 999 rooms at the price of US\$29 per night. Meanwhile, the Taiwanese tourism industry was set to introduce a host of discounts to lure a skittish public back to domestic holiday destinations after the SARS epidemic (Taipei Times, 2003). As a result, domestic travelers increased since June. Compared with June 2002, there was a growth of 68 thousands domestic travelers staying in the tourist hotels; reversely a reduction of 24 thousands foreign travelers. It means, the business of hospitality industry was recovering after the SARS epidemic, especially by the increase of the domestic customers.

## **Crisis Management**

Scholars have struggled to find an acceptable definition of a crisis. For example, Fear-Banks (1996) defined a crisis as "a major occurrence" with a potential negative outcome affecting an organization, company, or industry, as well as its publics, products services, or good name" (p.1). Ray (1999) tended to view a crisis as an event triggered by organizational fallacies. Brody (1991) defined crises as a "decisive turning point in a condition or state of affairs. Crises occur where issues are neglected or otherwise mishandled. Crises produced by disasters should not create surprises" (p. 175). Contrasting research includes characterizations of "a major, unpredictable event that has potentially negative results" (Guth, 1995, p. 124).

Crisis is defined as any incident that can focus negative attention on a company and have an adverse effect on its overall financial condition, its relationship with its audiences or its reputation in the market place (Reid, 2000). Rosenthal, Boin, and Comfort (2001) indicated that people experience crises as episodes of threat and uncertainty, a grave predicament

requiring action. Most common definition of crisis is from Pearson and Clair (1998), viewing a crisis as “a low-probability, high-impact even that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly” (p.60).

When a crisis strikes, the effects can be life-threatening, devastating and personal. For a hotel, it is often up to the general manager to turn panic into order and restore sense where there is confusion (Miller, 1997). For the crisis management, it is considered as the planning for a crisis, at the turning point. Gephart (1984) asserted some researchers advocate a perspective that crises can be recurrent and non-preventable (e.g., Perrow, 1984), whereas others focus on identifying ways to manage or avert organizational crises (e.g., Meyer, 1986; Pauchant & Mitroff, 1992; Pearson & Mitroff, 1993; Roberts, 1989). NyBlom (2003) considers crisis management as a comprehensive subject, involved planning, organizing, leading, and controlling assets and activities in the critical period immediately before, during and after an actual or impending catastrophe to reduce the loss of resources essential to the organization’s eventual full recovery.

Pearson (1998) defined the organizational crisis and crisis management with the perspectives of psychological, social-political and technological-structural. He believed an organizational crisis as a low probability, high-impact situation. Ambiguity of cause, effect, and means of resolution of the organizational crisis will lead to disillusionment or loss of psychic and shared meaning, as well as to the shattering of commonly held beliefs and values and individuals basic assumptions. During the crisis, decision making is pressed by perceived time constraints and colored by cognitive limitations. Effective crisis management involves minimizing potential risk before a triggering event. In response to a triggering event, effective crisis management involves improving and interacting by key stakeholders so that individual and collective sense making, shared meaning, and roles are reconstructed. Following a triggering event, effective crisis management entails individual and organizational readjustment of basic assumptions, as well as behavioral and emotional responses aimed at recovery and readjustment.

According to Tymson and Sherman (1996), management should solely focus on taking care of any causality, controlling damage, and returning the organization to normal operating conditions as quickly as possible. Failure to effectively respond to the crisis can often bring unwanted reactions. However, the problems in managing the crisis seem to occur when they become sudden, unexpected, unanticipated, short-fused crisis. Thus, assembling a crisis management plane in advanced becomes essential. O’Beirne & Ries believe the recovery from these situations could have been improved with a structured and practiced contingency plan. An effective crisis management plan presents certain key decisions on the mechanical portions of the crisis, and leaves the manager free to manage the content portion of the crisis. Different types of crisis may require different types of plan. Fink (1986) stated that before assembling a crisis management, the crisis management team or teams must be built.

Arguably the most important component of crisis management is the development and implementation of a theoretical and effective media relations campaign. Being prepared for the unexpected with a rehearsed crisis communication plan will minimize damage that can result from reactive statements or split-second decisions. In a crisis, emotion, for example, is a response that can affect the outcome of a crisis. While emotion can sometimes help crisis situations, it can be severely detrimental to others. The media use emotion to create newsworthy angles during crises, knowing it will create an increase in audience interest. Walsh (1997) suggests “people’s often astounding willingness to publicly express emotional pains is matched by the audience’s readiness to listen”.

The media plays a vital role in an organization’s attempt to convey key messages to targeted publics. However, it can also damage reputations by creating negative publicity and

publishing rumors and innuendo. The media's ability to communicate news as soon as it happens has forced companies to develop crisis strategies that can be implemented just as quickly (Fink, 1986). Many companies have faced their ultimate demise through failing to recognize crisis situations and also failing to implement effective strategies once a situation occurs. Crisis communication experts therefore say that managing a crisis depends on being prepared and rehearsed (Miller, 1997).

## **Research Design and Methodology**

This research is a case study, aiming at the specific instance of the SARS epidemic which hit Taiwan in April, 2003. A Case study typically examines the interplay of all variables in order to provide complete understanding of a situation through a thick description. This case study was designed to explore the exact effects and reactions of the SARS crisis on the hospitality industry in Taiwan. Initially a qualitative pilot study was applied to collect in-depth information about how the high-scale tourist hotels in Taiwan managed the SARS crisis. This research started with qualitative data collection and analysis on a relatively unexplored topic, SARS crisis on hospitality industry. By using the pilot study results, a subsequent quantitative phase of the study was designed (Tashakkori & Teddlie, 1998). Following the preliminary qualitative study, a questionnaire was distributed over the full range of the Tourist Hotels in Taiwan. Differing categories of hotel business; including restaurant sales, banquet sales, room occupancy, security programs, general and human resource strategies were examined. Equally important, the study analyzed the patterns of crisis management systems utilized. The SPSS and SAS software was used to analyze the quantitative data from the survey.

### **Pilot Study Interviews**

As a pilot study, four in-depth interviews were conducted, through the high-level managers from the highest-scale hotels, three international hotels and one general tourist hotel. Of the four interview samples, two were food and beverage directors and two were vice presidents. Because the interview questions related to management strategies, business performance, company policies, and some interior information, the high-level executive managers were interviewed. Six categories of questions were queried, including restaurant sales, banquet sales, room occupancy, security, human resource, general crisis management and government policies. Open-ended questions were applied (refer to Appendix A to C).

In order to get a broad perspective from the initially qualitative pilot study, four hotels were selected from four different regions in Taiwan. The interview hotels were respectively from the north, the east-north, the east and the south. Moreover, the four hotels have different locations; two are downtown hotels, one is a resort property and one is a suburb hotel.

The first interview hotel locates in Taipei, the capital of Taiwan. In Taiwan, the SARS epidemic had the most seriously influence on the Taipei city, where the outbreak began to spread rapidly within the city hospital setting of Taipei (WHO, 2003). The second hotel is in the Kaohsiung City, the second largest city in Taiwan with the major harbor of the island. The third is a resort hotel, locating on the scenic area in the East. It is far away from the cities where SARS was spread most severely. The last interviewed hotel locates near Taipei; it is a suburb hotel for business travelers. This hotel is also the only general tourist hotel among the four interviewers.

### **Surveys**

A survey questionnaire was developed, consistent with the pilot study. The questionnaire used a combination of structured and unstructured techniques. There were totally 23

questions. Most of the questions contained categorical data. There are totally 87 tourist hotels in Taiwan and they were all contacted for participation.<sup>1</sup> Among them, 62 are international tourist hotels, and 25 are general tourist hotels (Taiwan Tourism Bureau, 2004).<sup>2</sup> Questionnaires were sent to the general managers or the highest equivalent executive managers in the 87 hotel properties.

The survey questionnaire contains a variety of questions related to hotels' operational strategies, and also the operation performance. Thus, general managers or highest equivalent executive managers were chosen to be the respondents. In addition, in order to increase the response rate of the survey towards the General Managers of the high-scale hotel properties, multiple types of direct and indirect contacts were applied. At the first stage, a mailing list of the hotel general managers was obtained from the Taiwan Tourism Bureau. Since direct, personal, and polite contacts are the best for increase the response rate (Salant & Dillman, 1994), phone calls or personal visits to the managers were conducted.

## Results

There are 87 tourist hotels in Taiwan, and all of them were participants of this study. Out of the 87 questionnaires sent out to the general managers or highest executive managers of tourist hotels, a total of 52 responses were received. After checking for completeness, all the 52 responses were valid data and were used in the data analysis. The response rate was 59.77% (52/87). Compared to other researches doing the survey towards the general managers, the response rate was high. Results showed that 71.2 percent of the participants were downtown hotels; 21.2 percent were resort hotels. 47.8 percent of the participant hotels' major customers were from Taiwan, 23.9 percent were from Japan. Namely, the majority of the participants' customers were Domestic Independent Tour (DIT). The one participant who chose "others" indicated the five continents on earth were where their majority customers came from.

### Operational Performance

In the Taiwan lodging industry, room sales and food & beverage sales are the two major sources where the tourist hotel operation revenues come from. For hotel occupancy, 61.5% of all the 52 respondents indicated their occupancy decreased more than 50 percent. 15.4% of them dropped the occupancy rate 20 to 49 percent; 7.7 % dropped 10 to 29 percent; another 7.7 % dropped less than 10 percent. Nevertheless, under the influence of the SARS epidemic, 3.8 % of the respondents said their room occupancy increased, and 3.8 % said their room sales were not changed. The majority (34.6 %) of them indicated their food and beverage sales dropped 30 to 49 percent. 26.9 % of the hotel properties lost F&B sales more than 50 percent. Again, 3.8 % of the respondents' sales were up, and 1.9 % were not changed. In average, during the SARS epidemic, 20.51 % of the banquets proceeded as scheduled, 39.59% postponed, 36.07% cancelled, and 3.83% were changed to other events. These four data sections of the influence over banquet events all had normal distributions.

### General Strategies

More than half of the respondents indicated that they applied discounts and special offers, and also added cleaning and sanitation programs as their strategies during the SARS crisis. More specifically, 92.3%, a vast majority, of the respondent hotels, and 32.7% of the total

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<sup>1</sup>. Among the 87 hotels, one hotel has been closed out since the "Chi-Chi earthquake in Taiwan" in September, 1999.

<sup>2</sup>. Generally, international tourist hotels are 4 or 5 star hotels; general tourist hotels are 3 or 4 star; general hotels are 3 star or below. In total, there are 87 tourist hotels, and 2529 legally registered general hotels.

responses applied additional cleaning and sanitation. 82.7% of the respondents used discounts and special offers; 40.4% of the respondents adopted additional marketing strategies; 34.6% of respondents requested for Government's financial support; 26.9% of the respondents supplied additional concierge service, such as special service of laundry, medical, ground transfers, etc, due to the SARS epidemic. 5.8% of the respondents chose other strategies. Among the 21 respondent hotels who applied additional marketing, 15 of them specifically mentioned their marketing strategies. 9 of these 15 respondents applied promotion packages of rooms and food & beverage; 3 hotels said they catered and promoted lunch boxes; 2 hotels reduced priced as their strategy; 1 hotel used internet marketing. The other strategies mentioned by the 3 respondents were: not to offer discount for rooms, but obligate employees to wear masks, offer antibacterial hand soap for customers, and enhance sterilizers in the bathrooms; as far as possible to avoid travelers from Hong Kong and other epidemic area; sell lunchbox.

### **Human Resource Strategies**

Seventy-six percent of respondents requested employees to increase their leave, which was the most common labor cost strategy. Meanwhile, 73% hotels increased employees' leave with no pay; 16% hotels offered half-pay; 11% hotels offered full-pay during their leave. Relatively less, 42.3% of the respondent (22/52) hotels chose to request employees to advance their annual leave and vacation leave. Among the 22 respondents that chose this strategy, 70% offered leave with full-pay, while the other 30% requested leave with no pay. As for the other labor cost strategies during the SARS crisis, 55.8% of the respondents indicated that they reduced part-time employees; 26.9% stopped internship programs for students; 21.2% reduced employees' salaries; 7.7% did not use any labor cost strategies; 3.8% laid off full-time employees; another 3.8% chose other strategies. One response who answered others specified their strategies as asking employees who showed symptoms of cold to go home and rest. Surprisingly, the other hotel's strategy was to ask employees to cut down their vacation. This hotel explained that their hotel business went better during the SARS epidemic so that they needed more labor. In order to save labor cost, they therefore requested employees to cut down their vacation.

As for the special training that hotel properties offered to employees, there were 119 responses in total with 52 valid cases. 100% of the respondents applied safety training, such as training the employees to wearing masks, washing hands property, testing temperature and so on. 84.6% used sanitation training, such as how to sanitize the hotel facilities. And 44.2% of the hotels adopted more customer service training.

### **Standard Operation Procedure (S.O.P)**

According to the results, more than half of the respondents, 76.9% replied that their hotels had a Standard Operation Procedure (S.O.P.) for crisis management before SARS epidemic outbreak. 23.1 % of the respondents did not. On the other hand, a vast majority of the participants, 96.2%, indicated that they specifically developed a S.O.P. for the SARS crisis. Only 3.8% of the respondents did not have specific S.O.P. for SARS. Being asked, the participants agreed that the government should design a S.O.P. for crisis management like SARS for the entire hospitality industry, 53.8% of the respondents stated strong agree, 32.7% said agree, 9.6% indicated neutral, and 3.8% said disagree.

### **Special Plans for the SARS Epidemic**

During the SARS epidemic, hotel properties might apply some special plans. In the survey, there were four questions asking whether if the hotels prepared any special plans, i.e., command center, quarantine areas, specific food programs, or particular house keeping

procedures. A vast majority of the respondents, 92.5%, indicated that there was a special command center in the hotel, in charge of all the emergencies; 50% of the hotel respondents prepared special areas to quarantine potential SARS victims; 30.8% of the respondents did prepare special food programs<sup>3</sup> during the crisis period. A great majority of the participant hotel companies develop specific housekeeping procedures. Finally, among the 52 respondents, 71.2% of them answered that there was a department, office or some staffs responsible for the specific duty of collecting general information about the SARS epidemic.

### **Crisis Management after SARS experience**

After the SARS experience, among the 52 participants, 89.1% of them strongly agreed or agreed that this experience improved the organizations' crisis preparedness, prevention and detection for the future. As for how much the SARS experience help with the crisis control, correction and reform, there were 98% strongly agreed or agreed that it was helpful. For crisis communication, building relationship with the media and having a specified spokesperson to address the media were the two strategies applied by more than half of the participants. 88.5% of the participants built relationships with the media; 63.5% had a specific spokesperson to address the media; 44.2% developed the skills of dealing with media; 42.3% followed up with the media after the crisis as a recovery; 38.5% re-evaluated the crisis communication plan after crisis; 32.7% practiced media relations techniques<sup>4</sup>; 28.8% had a crisis communication plan, knowing which media to talk with when there is a crisis; 1.9% applied other crisis communication. 5.8% of the respondents did not administer crisis communication. Most of the participants indicated that they had one spokesperson to address the media. The spokesperson is usually the manager of Public Relation Department.

### **Conclusion & Discussion**

The hotel location was found to be associated with the hotel occupancy rate and F&B sales. Among all the hotels which indicated their occupancy rate or F&B sales did not drop during the SARS epidemic, none of them were downtown hotels. Moreover, SARS crisis had more severe influence on downtown hotels' occupancy rate and F&B sales drop, than on non-downtown hotels. There was a significant relationship between the customer's nationality and occupancy rate. Yet, the customer's nationality was not associated with the F&B sales. For occupancy rate, SARS crisis had more severe influence on hotels which had foreign customer, than on hotels which had local tourists. The results showed that hotels which had occupancy rate drop more than 50 percent, 67.9% of them had foreign customers while 32.1% had local customers. Like the hotel location, customer's nationality was associated with the annual F&B sales. However, neither the hotel location nor the customer's nationality had significant relationship with hotel's annual room sales. More percentage of the respondents indicated their occupancy rate dropped severely, presenting that SARS influence the operational performance on the room sales more than on the F&B sales. It can be explained by one of the characteristics of Taiwan's hospitality industry. In Taiwan, the tourist hotel income mainly comes from room sales and F&B sales. The food and beverage income is brought by the local customers and also the banquet events. The SARS epidemic seriously decreased the foreign tourists to stay in the hotels but relatively lightly decreased the domestic F&B demands. For example, there were still 20.5% of the banquets proceeded as scheduled. The banquet business created a majority of the F&B sales (Hsu, 2000).

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<sup>3</sup>. These food programs could be like special menus, special preparation, a special section of the kitchen for food preparation, or some special process for room delivery.

<sup>4</sup>. Media relations techniques included examples as: aware of the media timeline, arrange press conference and prepared statement for crisis, deliver positive messages, etc.

Surprising, even under the influence of SARS epidemic, there were two hotels mentioned that both their occupancy rate and F&B sales went up. One of them indicated their occupancy rate increase 20%, and F&B sales went up 10%. These hotels of which business did not decrease were all located in the hotels outside downtown area. This result fit our interview findings and the government reports. The explanation for the increase of the business was that some hotels located in the scenery area that people intended went there to avoid the crowded city environment, and to have wider space and less personal contact with others. According to the exact test, in the SARS crisis, the occupancy rate change was not associated with the F&B sales change. However, there was a significant relationship between the annual F&B sales and annual room sales ( $p=4.558E-0.7$ ). Nearly 75.7% banquets were canceled or postponed, 20.5% proceeded as schedule, and 3.8% were changed to other events. Some hotels had the banquets being canceled up to 95%. The possible explanation is that, during the SARS epidemic, the mass education campaigns and government policies had been persuading the population not to have gathering with more than 100 people in the airtight area. As a result, most of the conferences, meetings, and banquets were canceled or postponed.

During the SARS crisis, certain management strategies were applied. Among all the general strategies, including marketing, human resource and training strategies, the most common strategies being used more than half of the respondent hotels were:

- (a) Offer employees safety training (100%)
- (b) Add cleaning and sanitation programs (92%)
- (c) Offer employees sanitation training (85%)
- (d) Apply discounts and special offers (83%)
- (e) Request employees to increase their leave (77%)
- (f) Reduce part-time employees (56%)

Most of the downtown hotels (86.5%), hotels with foreign customers as the majority (95.8%), and hotels of which occupancy rate drop more than 50 percent (87.5%) applied for the strategy of “request of employees to increase their leave”. This strategy was associated with the hotel location, customer’s nationality and the room occupancy rate. In addition, hotels which increased employees’ leave, 10.8% of them offered full-pay, 16.2% offered half-pay, and 73% offered no pay during the leave. For the hotels of which did not apply any labor cost strategy, 75% of them had no occupancy rate drop during the SARS. It can be explained that labor cost strategy was not necessary since their occupancy rate went up or was not changed.

### **Special Plans for the SARS Epidemic**

98.1% of the hotels developed specific house keeping procedures to handle the SARS epidemic. The special house keeping included particular frequency of changing bed sheets; special protection for house keepers such as wearing masks, regularly checking body temperature; special requirements for laundry, such as outsourcing the laundry. 92.5% of the hotels had a special command center in the hotel during the crisis, in charge of all the emergency measure. 71.2% of the respondents assigned a special duty of collecting general information about the SARS epidemic. 50% of the hotels prepared special areas to quarantine potential SARS victims who showed the SARS symptoms in the hotel, including the customers and employees. The least used plan was to develop a special food programs for the crisis period. Only 30.8% adopted special food programs such as preparing special menus, special food preparation procedures, specific sections of the kitchen or special process for room deliver.

## **Crisis Communication**

Before SARS happened, the most common crisis communication strategies that the tourist hotels used were building relationship with the media (88%), and having spokesperson to address the media (63%). In average, more than half of the hotels applied at least one strategy for the crisis communication. Crisis communication is considered by experts to be a constructive method to recover from the crisis (Fink, 1986). It is common recommended that the official spokesperson to address the media during the crisis should be only one person, in order to keep consistency of message (Telg; Fink; Sonnenfeld). From the survey, 87.5% of the respondents had one spokesperson and 12.5% had two. The crisis communication literature indicated the role of spokesperson usually falls to the CEO. However, according to the results, during the SARS epidemic, the majority (55.8%) of the official spokesperson was the manager of Public Relation Department. The rest of the answers were all high-level managers, including General Manager (30.8%), C.E.O. (5.8%), Vice President (5.8%), and managers directors, or leaders from different departments.

## **Before SARS and After**

23.1% of the survey respondents did not have a Standard Operation Procedure (S.O.P.) before SARS crisis. After SARS happened, 96.2% specifically developed a S.O.P. for the epidemic. Among those 9 hotels which did not have S.O.P before, 8 of them designed S.O.P. because of SARS. Namely, 91.7% of the hotels which did not have a S.O.P. developed a S.O.P. for SARS. Only one hotel property remained having no S.O.P before and after this crisis. However, this hotel strong agreed that government should develop a standard operation procedure for crisis management for the hospitality industry. On the other hand, there was one hotel property had S.O.P. for crisis management before SARS epidemic, but did not specifically prepare any procedures for handling SARS crisis. Two of the interviewed hotels said that they realized different crisis required for different standard operation procedures. Nevertheless, in average, the respondents strong agree that government should design a S.O.P. for crisis management for the entire hospitality industry. Moreover, for crisis communication, 33 (63.5%) hotel participants indicated that they had spokesperson to address the media on a regular basis. Nevertheless, during SARS epidemic, 96.2% had at least one official spokesperson. The maximum number of the official spokesperson was two.

## **Crisis Management Improvement**

After going through the crisis, the respondents strong agreed that the SARS experience indeed improved their organizations' crisis preparedness, prevention, detection, crisis control, correction and reform. A significant test also showed that the crisis preparedness, prevention, detection was associated with the crisis control, correction and reform. These are the six stages for the crisis management. As a result, the participants positive considered (mean=4.5) the SARS experience improve their ability of crisis management. Another finding was that felt that SARS experience improved organizations' crisis preparedness, prevention and detection (mean=4.63) more than it helped with the crisis control, correction, and reform (mean=4.40).

## **Respondents' Suggestions for Crisis Management**

Being asked for the three most important things dealing with a situation like the SARS crisis, the General Managers or equivalent executive managers suggested hotel companies to: be calm, confident and quick; apply crisis communication; maintain relationship with customers, employees, Government and others; improve training program; reinforce cleaning and sanitation programs; reinforce inspection system; prepared crisis plans; have a command center; thoroughly follow S.O.P.; apply proper strategies; evaluate the crisis afterwards. Some

other suggestions included: transforming the crisis into opportunities; reducing the negative influence of the crisis and seeking for new business opportunities and new markets.

### **Special Notes**

This study focused on hotel problems and responses during the SARS epidemic. During the process of the study however, some concerns related to national policy became apparent. These concerns become ever more serious if one believes that the relative ease of international travel makes the potential of transmitted disease continually more likely. If health related terrorism should become common, national policy would become even more vital. Taiwan is a country that is increasing its focus on tourism as an economic development priority. 2004 is even a focused year for tourism marketing. Yet this study indicates that the government had very little involvement with the hospitality industry during the crisis, and apparently provided very little assistance-even when help was requested by the industry. This was true even though many of the hotels affected the most had a predominance of international guests. Lack of focused activity on potential health challenges appears to be a weakness in government planning.

This study focused on the management strategies of the hotel organizations; general managers or equivalent high-scale managers were interviewed and surveyed. For the future research, surveys towards the hotel's employees and customer's consumption behaviors could be conducted. Furthermore, the difference between the management level, and employees' concepts of the company policies could be compared; the customers' consumption behaviors changed before and after a crisis could be an interesting comparison as well. A focus group interview, doing the qualitative research on the managers from different departments of different hotels is recommended. This research contained information of basic and general management strategies. For the future study, more specific dimensions on different strategies focus can be apply. For example, different hotels' with different organizational culture might apply different human resource strategies, marketing strategies, training programs, or crisis communication strategies. These could be examined in the future research.

A complete list of references is available by request. Please email the first author.