Understanding the Challenges Faced by Hospitality Managers during COVID-19 Pandemic in Malaysia

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Abstract
The COVID-19 pandemic severely hit the hospitality industry in Malaysia. The Malaysian government implemented restriction orders and preventative measures, which had impacted business operations, particularly hotels and restaurants. This study aims to identify the challenges faced by hospitality managers during the early phase of the COVID-19 in Malaysia. Using qualitative purposive sampling, researchers interviewed 12 managers from the hotel and restaurant sectors. The respondents reported several challenges based on the content analysis, including costs, workforce, revenue, customers, and competition. Findings contributed significantly to various stakeholders such as the Malaysian government and the hospitality providers. Limitations and future recommendations are discussed.

Keywords: Hospitality; COVID-19; Malaysia; Pandemic

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DOI: https://doi.org/10.21834/ebpj.v7i19.3213

1.0 Introduction
The hospitality industry has been facing one of the darkest times since 2020. The COVID-19 pandemic had caused a sharp drop in demand and an unprecedented crisis in the industry (Chang et al., 2020; Smart et al., 2021). A worldwide decrease of 73% in international arrivals and approximately USD$80 billion in receipt losses were reported in 2020 (UNWTO, 2020). The hotel industry has experienced a dramatic decline in occupancy rates, resulting in sales losses and decreased number of travellers (Sobieralski, 2020). The hotel room occupancy rates were dropped to 39.4% due to the COVID-19 pandemic in the United States (Statista, 2020). Most hotels’ financial situations have deteriorated, forcing their employees to take unpaid leave or early retirement (Edge-Cliffe-Johnson, 2020). These oppressive situations increased the anxiety levels among hotel staff about their employment future (Wong et al., 2021). Previous research showed that the hotel industry encountered a catastrophic increase in layoffs or temporary employee leave (Jung et al., 2021). The COVID-19 negatively impacted the restaurant industry with 40% of restaurants were closed, and over eight million restaurant workers were laid off in the United States, which means, two out of three restaurant employees have lost their jobs during the pandemic (National Restaurant Association [NRA], 2020).
Additionally, restaurant employees faced emotional exhaustion and high levels of stress because of the frequent customer interactions and long working hours (Choi et al., 2014; Han et al., 2016). Uncertainty of employment in the hotel industry due to COVID-19 causes a threat to organizational performance (Carnevale & Hatak, 2020). It increases the sense of job insecurity for the restaurant industry's workers (Chen & Eyoun, 2021). Indeed, the COVID-19 pandemic has impacted all the affected employees' overall quality of life. A similar impact of COVID-19 is reported for hospitality businesses and employees in Malaysia (Che Ahmat et al., 2021; Karim et al., 2020). Therefore, this study aims to identify the challenges hospitality managers face during the early phase of the COVID-19 pandemic in Malaysia.

2.0 Literature Review

2.1 The COVID-19 Pandemic and Its Impact on Businesses

The unprecedented COVID-19 pandemic has disastrously impacted various industries worldwide, including hospitality (Eggers, 2020; Nicola et al., 2020; OECD, 2020). Numerous efforts, such as movement restriction and social distancing, have been used to curb the virus spread in various countries. The pandemic has forced the hospitality industry to face tremendous challenges, including but not limited to employment issues, plummeted revenues, as well as customers' and employees' safety. These challenges continue and become more severe as this industry faces the highest unemployment rates in history. In terms of employment, the hospitality industry provides services that greatly depend on humans; thus, labour costs such as staff wages and salaries are among the most significant expenses in the hospitality industry like hotels and foodservice. Many well-known hotels opted for downsizing their operations, including temporarily closing the hotels and reducing the number of staff.

Like other countries, the Malaysian government has implemented various safety measures to curb the virus (Che Ahmat et al., 2021). Hospitality operation hours were cut down, and various standard operating procedures (SOPs) enforced by the Ministry of Health and National Security Council need to be followed. These situations resulted in a steep decrease in revenues and affected employment in the hospitality industry. It is reported that approximately 80% of the hotel and tourism industry lost their businesses due to the COVID-19. In 2020, the hotel industry recorded over RM6.53 billion lost, with RM300 million lost for the two weeks of Movement Control Order (MCO). The unemployment number increased from 1.7 million in January 2020 to 7.35 million in August 2020. The situation was made worse as many people received less pay as their working hours were reduced, put on leave or partial pay, while some lost their jobs due to closures (Che Ahmat et al., 2021; Karim et al., 2020). The government disbursed various economic stimulus packages for its people and businesses to alleviate the impact of the economy on Malaysians. Many middle- and top-income groups were thrust into the low-income group when companies retracted the workforce when businesses had to close temporarily or permanently due to the MCOs implemented.

Although presently, the Malaysian government has lifted the MCOs and allowed businesses to operate, as usual, the revenues generated in the hospitality industry are still slow, not the same as before the pandemic. Also, employment and safety issues are still the primary concerns. People are afraid to go out with the recent Omicron outbreak, thus staying away from travelling or eating out in foodservice operations. It is an insurmountable challenging moment for the hospitality industry to keep surviving. Several researchers from other countries (e.g., India, Indonesia, Pakistan) examined the challenges of COVID-19 and reported significant findings (Japutra & Situmorang, 2021; Kaushal & Srivasta, 2020, Burhan et al., 2021). Hence, it is crucial to conduct an empirical study to identify the challenges hospitality managers face in Malaysia during the COVID-19 pandemic.

3.0 Methods

Given the scarcity of research on this topic, the researchers utilized qualitative interviews. During the COVID-19 pandemic, hotels and restaurants were among the sectors severely hit by the pandemic and the government restriction orders (Che Ahmat et al., 2021). Therefore, twelve hospitality managers from hotel and restaurant sectors were recruited through purposive sampling. Due to the restriction orders, the interviews were conducted through phones between June and July 2020. A copy of the informed consent document with the study objectives and the interview questions was emailed to all respondents one week before the interview session. With consent from the respondents, the interview sessions were audio-recorded and later were transcribed and analysed using content analysis. Content analysis allows the researchers to replicate and make valid inferences based on the interview transcription with the study context (Bengtsson, 2016). Other researchers in the team validated the coding and interpretations through member checking procedures. Themes and categorizations emerged from the transcripts. Although saturation was achieved before the 12 interviews, the researchers decided to continue the interview process to increase the sample size's validity, credibility, and reliability.

4.0 Findings and Discussion

More respondents worked in hotel sector (n=10, 83%) participated in the interviews than the restaurant sector (n = 2, 17%). All the respondents’ industry working experiences were between 10 to more than 30 years. Generally, all respondents were aware of the implementation of the Malaysian government's MCOs. Some hotels were temporarily closed during the early phase of the MCOs, while some were still open either because they were operating restaurants (n = 2, 17%) or as quarantine hotels (n = 3, 25%). Figure 1 visually summarized the most frequent words mentioned by the respondents during the interview sessions, using a word cloud. The cost was the respondents' main concern because they still needed to pay for labour, utilities, and others even though they were not operating as usual due to the COVID-19 and restriction orders imposed by the Malaysian government. Staff was also frequently mentioned throughout the
interviews, reflecting that these hospitality managers were concerned about employees’ welfare since the COVID-19 has affected the quality of life of their employees (e.g., unpaid leave, salary cut, retrenchment).

Fig. 1: Most frequent words mentioned by the respondents.

Furthermore, this study found five themes that reflect the challenges faced by the hospitality managers who worked during the early phase of the pandemic COVID-19 in Malaysia (see Figure 2). The following sections discuss the central themes with the chosen quotes to represent specific viewpoints from the respondents.

4.1. Theme 1: Costs
Costs, including operational and labour costs, was the main theme that emerged from the interviews. During the pandemic, hospitality managers struggle to manage costs (e.g., utilities, labour) (Alonso et al., 2020; Che Ahmat et al., 2021). R1, Hotel, explained, “We have to cut down team members because we don’t have the revenue to circulate.” Similarly, R4, Hotel, explained, “Majority of our staff had worked here for more than 20 years, so if they opt for retrenchment, hotel need to pay them voluntary separation scheme [VSS] for their years of service. It’s going to be a problem for the hotel.” In other words, a strategy like the VSS incurred more cost as the hotel needed to pay employees according to their year of service. R11, Hotel, explained, “I had to do a presentation about managing cost control, and the management wanted to know how I did. My profit for this month [June] is only 10%. I need to cover food costs, labour costs, utilities, and others. So, it is not enough.” In a similar vein, R11, Restaurant, said, “We need to reduce our labour cost because our profit decreased. But, considering other businesses, our restaurant business is still surviving; many foods and beverage businesses are struggling right now.” Because cost was a significant concern, many businesses practiced cost-cutting management to survive the pandemic. R12, Hotel, explained, “Imagine that we don’t have many sales, but our operational cost is still the same. So now we are practicing cost-cutting management.” Also, R7, Hotel, said, “We are no longer serving buffet to control cost through a’la carte menu. We make food to order, depending on the type of food.”

4.2. Theme 2: Workforce
The workforce is another theme that emerged from the interviews. While layoff seems to be the right solution at that time, this decision has left the industry with serious problems to date as the industry is losing quality candidates. Letting go of employees with skills, knowledge, and experience in the hospitality business is a huge loss to the industry (Saied, 2021). R2, Hotel, explained, “A challenge that I must face is to sustain all my staff. We do not want to let go of most staff because we are running with limited manpower. So, we have to do something with them so they can get their salary.” R5, Hotel, mentioned, “We did townhall with the staff, to brief them about COVID-19 and how the disease had impacted the global tourism and hotel business, including our hotel. We also inform them about our plan hoping that the staff will understand the situation better.” Based on the interviews, some businesses retained their employees, while some opted to lay off to reduce the labour costs. R1, Hotel, stated, “We have to cut down the team member because we have no revenue to circulate. Unfortunately, the management must take a tough decision to retrench and unpaid leave for all the team members. It is a complicated situation and the last option for the team members.” Japutra and Situmorang (2021) also reported similar findings when the hotel industry in Indonesia reduced the number of employees to reduce costs. Generally, most respondents were concerned about employee welfare because the COVID-19 crisis had severely affected the workforce. The unemployment rate in Malaysia increased significantly during the pandemic, from 3.7 percent in August 2019 (DOSM, 2019) to 4.7 percent in August 2020 (DOSM, 2020). Those affected employees could have lost their monthly income due to termination or received less monthly income during the pandemic through salary deduction or reduced work hours. During the interview, some respondents mentioned their company deducts employee salary according to percentages, based on the employee position. Overall, the COVID-19 crisis has a profound impact on employment, thus, influencing the quality of life and the mental health of those affected individuals (Bahar Moni et al., 2021).
4.3. Theme 3: Revenue
The COVID-19 crisis had proven to be much more challenging than other previous crises faced by the industry when the revenue was negatively impacted (Kaushal & Srivastava, 2021). The financial distress will be more severe for small firms (Crespi-Ciader, et al., 2021). The hospitality industry in Malaysia has exhausted all options for generating revenue, particularly during the MCOs imposed by the government. R1, Hotel, said, “Financial is affected because once we hit by the pandemic in January, that was the Chinese New Year. Normally, we are very busy with bookings. But then, we received many cancellations from China, Korea, and Japan. We received a lot of losses, and the revenues kept on declining”. Similarly, R6, Hotel said, “The biggest challenge is how we can get the revenue back because when we don’t have revenue, we cannot sustain our staff. We can no longer generate the same revenue as those days.” Although some hotels transformed as quarantine centres, R3, Hotel, mentioned, “Even though our hotel is open for the frontliners, the revenue generated is not enough to cover the operational cost. It is a challenge to reduce the overall cost and think outside of the box regarding what we should do after the MCO.”

4.4. Theme 4: Customers
All respondents shared their concerns about the existing and potential customers. R3, Hotel stated, “We have already implemented some things for customers. So now, we are waiting for customers to react to that marketing strategy.” R10, Hotel, mentioned, “The challenge is to convince customers with what we have provided. We prepare gloves, sanitize, and the social distance between tables, but we cannot do anything if the customer refuses to follow. We did implement the SOPs by the Ministry of Health.” Similarly, R12, Hotel said, “In terms of operations, the difficult part is customers. We followed the government SOPs. If they did not wear a mask, we would not allow them to enter. We need to consider other customers’ and employees’ safety too. We don’t want our hotel to close because of a new cluster.” The COVID-19 pandemic has altered customer behaviours as customers become more worried about their safety and health. It is a challenge, particularly those quarantine hotels, to convince customers. Therefore, hospitality providers need to find ways to convince customers to visit their establishment by providing a sense of safety (Kaushal & Srivastava, 2021). Outbreak cases involving hotels will tarnish the brand image of the involved establishment and create a sense of insecurity among future customers (Hoefer et al., 2020).

4.5. Theme 5: Competition
Competition is one of the themes that emerged from the interviews. The management team that stays with the current hospitality organization faces an uphill battle due to the uncertainties of the current COVID-19 pandemic (Sharma et al., 2020). The challenge lies on the management team and managers to come out with strategies for business survival. R2, Hotel, said, “The board of directors will ask what we (managers) can do to help the business? So, we had to do food delivery outside and make promotions.” Additionally, R5, Hotel, explained, “We expect to see many businesses will make price wars with more offerings like room booking with free breakfast or offer rooms at reduced rates. However, five-star hotels will benefit more from the price wars because their rates were expensive before the pandemic, so customers will take this opportunity to stay at five-star hotels.” R3, Hotel, said, “Another challenge is to think outside of the box regarding what we should do after the MCOs, how to attract customers, and how to come out with something to cover our losses.” Since the pandemic started, many hospitality businesses have closed either temporarily or permanently because they cannot survive the impact of the COVID-19 on their business. R9, Hotel, reflected that “This pandemic has made a huge turn in the hotel and tourism industry. We (the hotel industry) never predicted this day would happen. Even if you compare with other epidemic crises like Ebola, there are hugely different. What we are facing right now is a pandemic.” The year 2020 was the worst global economic fallout due to the COVID-19 pandemic, which affected many countries, including Malaysia.

![Fig. 2: Challenges faced by hospitality managers during the COVID-19 pandemic.](image)

5.0 Conclusion & Recommendations
This study identified several challenges hospitality managers face during the early phase of the COVID-19 in Malaysia through interviews with 12 managers. Costs, revenues, workforce, customers, and competition are the challenges reported by these hospitality managers. Findings from the interviews are somewhat equivalent to previous studies when revenues and costs are the main challenges found by researchers in other countries, thus validating the challenges most hospitality managers face worldwide. Due to the uncertainty, hospitality managers should develop their competencies and prepare themselves mentally and physically to face crises (Tomastika et al., 2015). As this paper is written, the COVID-19 positive cases in Malaysia have started to increase since the recent Omicron virus, which has sparked
fear among the people. Such news would affect the quality of life of many people. Not to mention, the challenges faced by hospitality managers have increased exponentially as the challenge is no longer revolved around day-to-day operation but also included the safety of customers and employees and the need to monitor and follow the SOPs by the Malaysian government. A recent announcement by the government to reopen international borders starting 1st April 2022 (Daim, 2022) will challenge the readiness of hospitality industry providers to accept international travellers.

Despite the study’s contributions, some limitations should be considered. The researchers conducted the interviews during the early phase of the COVID-19; hence, the challenges faced by managers might be altered because the COVID-19 pandemic is still ongoing. Therefore, prospective studies are needed to uncover the detail of this phenomenon and to identify further challenges hospitality managers face to develop a strategic action plan and explore business opportunities when dealing with crises like the COVID-19 in the future. Since the hospitality industry was severely hit and the respondents frequently mentioned managing the workforce when describing the challenges, the COVID-19 pandemic might affect the hospitality job attractiveness. To date, many organizations, including hospitality, are having difficulties in recruiting talents. Accordingly, it is recommended to investigate to what extent the COVID-19 has affected the hospitality job and occupation attractiveness.

Acknowledgements
This paper is part of the grant work sponsored by Universiti Teknologi MARA under the LESTARI COVID grant [600-RMC/LESTARI COVID/5/3 (028/2020)]. Also, the authors would like to thank Universiti Teknologi MARA, Cawangan Pulau Pinang for their support toward the completion of this project. Special thanks to all hospitality managers who participated in this study.

Paper Contribution to Related Field of Study
Findings regarding the challenges faced by hospitality managers during the COVID-19 pandemic will benefit the Malaysian government, and the hospitality providers will benefit from the findings. The Malaysian government can develop future-proof policies that best suit hospitality providers by understanding the five main challenges reported in this study. Effective standard crisis management procedures and guidelines tailored to the hospitality industry should be developed to prepare for a similar crisis like the COVID-19 pandemic. Knowing that each industry is unique, developing standard operating procedures tailored to the industry is vital to avoid confusion. For the hospitality providers, findings regarding the workforce could help them better understand and deal with their employees during a major crisis like the COVID-19. Realizing that terminating employees to reduce cost is a short-term strategy, thus, losing quality employees, hospitality providers should consider alternatives such as unpaid leaves or salary deductions that still allow them to maintain the employees.

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