

To what extent did the COVID-19 pandemic affect the hotel operations of Starwood Hotel?

Intended Audience: Managing Director

Word Count: 1990

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Abstract

This research assesses the impact of Covid-19 on the operations of Starwood Hotel by answering the question “To what extent did the COVID-19 pandemic affect the hotel operations of Starwood Hotel?” Covid-19 was first discovered in late 2019 and since then has caused a pandemic with great impact on businesses such as Starwood Hotel, one of the many lawfully incorporated companies that provide hotel and restaurant services in Baguio City, Philippines. The impact was analyzed based on the operations of the hotel by looking at its Human Resource Management, Finance and Accounts, Marketing, and Operations management. To these, SWOT and PEST analysis were applied. Ultimately, the firm’s Finance and Account Departments as well as its Operations Department showed a clear negative impact from the pandemic, while Human Resource management and Marketing seemed to have a minimal impact.

Introduction

There are different factors to consider when it comes to the operation of a business. Those factors can include internal and external variables. Internal variables are the strengths and the weaknesses of the business, while the external factors are opportunities and threats that shape business' objectives and actions. At present, one of the most relevant causes of change is Covid-19, which has added more difficulties for businesses to continue operating not just in particular regions of the country but all over the world. This started in December 2019 when the number of confirmed cases started increasing exponentially. In order to avoid the contagious virus, most government agencies decided to force people not to gather in one place relying on the idea of "Social Distancing." This affected firms since they recommended limiting business to help reduce the rates of infection from Coronavirus. Due to business closures, many firms actually stopped operating completely due to no income earned.

Within this context, this research aims to investigate the impact of Covid-19 on the operations of Starwood Hotel in Baguio City, Philippines. The Philippines has been particularly affected since its government has imposed one of the longest periods of lockdown starting last March 15, 2020. The government limited interaction in the contact services like restaurants, bars, and hotels. Thus, lockdown legislation has definitely hampered service-focused businesses operations. Since March 2020, however, there has been slow and staggered resumption of these services. All these changes have definitely affected firms like Starwood Hotel.

To give a basic background of the company, Starwood Hotel was established in 1999 as a small enterprise that employs some 20 to 30 workers. Specifically, it is a corporation providing hotel and restaurant services to various customers from tourists looking for short term accomodations and white collar workers seeking longer term rentals.

Methodology

In this research, data obtained from primary research through interviews were used as the main source of information for analysis. The researcher sent an approval letter from the firm to ask for permission to use it as the subject of the case study. Once the general manager signalled approval, a 19-item survey was emailed to their office. In the survey, the questions are divided into 5 portions of hotel operations. To start, the first set of questions asked general information about the hotel, whereas the 2nd to the 5th sections all consist of questions that tackle the operations of the business including Human Resource Management, Finance and Account, Marketing, and Operation management. These sections are also divided into two parts which explore the hotel's situation before and after Coronavirus closures occurred. Furthermore, the researcher sent follow-up correspondence for clarificatory information. In support of the primary data, secondary sources of information were obtained through research, yielding supporting documents that aided in analysis.

To all this data, different analytical tools such as SWOT analysis, and PEST analysis were used. Firstly, SWOT analysis is used in the business in order to determine the strengths, weakness, opportunity, and threats to relate it to the impact of Covid-19. Secondly, PEST analysis is used so that the external impacts to the business can easily be determined.

Furthermore, despite the different business tools that were useful in analysis, various limitations were present. To begin, since most businesses tend to be strict with their finance data, Starwood Hotel was also hesitant to share certain private information such as financial details of the company. Therefore, the analysis on the finance and account can be found lacking due to unavailable information. After the analysis, the conclusion of this paper may only be suitable for Starwood Hotel which cannot be generalized; thus, results can be applicable for other

circumstances - since this paper only focuses on the context of Covid-19 and its impact on Starwood Hotel.

Main results and findings

The survey produced enough data to conduct a SWOT and PEST analysis of the firm. The results of the survey with the general manager of the hotel showed the condition of the business before and after the pandemic. For SWOT analysis of Starwood hotel (see Table 1 below), first, **Strengths** have to do with its operational advantages in having continuous customers, supported by its location and ethical reputation. Second, **Weaknesses** can be summed up in two broad groups: the first, how the firm could expand in marketing and recruitment, and second, how it should improve employee relations. Third, **Opportunities** can be done in the areas of technology, innovation of products, and potential employees. Finally, **Threats** can be reflected in increased levels of competition from various sources as well as government policies to respond to Covid- 19. As for PEST (see Table 2 below), First, **Political** changes are focused on the government policies because of the pandemic. Second, both **Economic** and **Social** changes are related to the impact of the Covid-19 and how society, and thus, the firm itself must respond. Finally, **Technological** changes relate to the general increase in online platform as a venue for business.

Table 1. SWOT Analysis of Starwood Hotel

| <i>Strengths</i> | <i>Weaknesses</i> | <i>Opportunities</i> | <i>Threats</i> |
|------------------|-------------------|----------------------|----------------|
|------------------|-------------------|----------------------|----------------|

| | | | |
|---|--|---|---|
| <ol style="list-style-type: none"> 1. Small size of the employees leads to better communication within the business. 2. Cheap price for the hotel service 3. Location of the business 4. Convenience store in the hotel 5. Online delivery for restaurant 6. All workers are considered as regular workers 7. Use of call-centers 8. Considering the ethical issues for workers | <ol style="list-style-type: none"> 1. Limited ways advertisement 2. Limited ways of recruitment 3. Location of the business due to the traffic 4. Undifferentiated products or services. 5. No crisis response plans settled in the business 6. Not all workers are working during the pandemic. | <ol style="list-style-type: none"> 1. Use of internet as a developing market 2. Moving into new product in terms of restaurant 3. A way for international market 4. Accepting OJT's, contractual, and part-time employees to expand the business. | <ol style="list-style-type: none"> 1. A new competitor in their market. 2. Price wars with competitors 3. Better quality and innovative goods and services of the competitors. 4. Decrease in number of customers for hotel and restaurant 5. Can no longer accept OJT's, contractual, and part-time employees to expand the business. |
|---|--|---|---|

Table 2. PEST Analysis of Starwood Hotel

| | External Factors | IMPACT | |
|------------------|---|--|--|
| | | Opportunities | Threats |
| <i>POLITICAL</i> | <ul style="list-style-type: none"> • Social Distancing • Quarantine • No-dining policy • Only take-out is allowed • Health concerns about the employees and employers • Employee's rights (Safe working | <ul style="list-style-type: none"> • Less Congestion. • People can prevent infection. • Employees can work in a safe working place. | <ul style="list-style-type: none"> • Higher plastic wastes. • Less customers. • Employees might not earn as much as they were before. |

| | condition) | | |
|----------------------|---|--|--|
| <i>ECONOMIC</i> | <ul style="list-style-type: none"> • Economic recession | <ul style="list-style-type: none"> • The hotel can reduce the production. | <ul style="list-style-type: none"> • People tend to save money - lower revenue in the hotel |
| <i>SOCIAL</i> | <ul style="list-style-type: none"> • Employment pattern • Opening up the hotel for health frontliners. • Maintaining the restaurant clean from the virus by using the hygienic materials • Pre-check up for Covid symptoms before entering the hotel • Spread of Coronavirus | <ul style="list-style-type: none"> • Employees still have the opportunity to work. • The hotel can have a good image from the public for considering the moral issues. • Through keeping the hotel clean, everyone can be safe. | <ul style="list-style-type: none"> • The employees are still exposed to the potential dangers of the virus. • The restaurant will experience a decrease in their income as they help other people. • The spread of coronavirus will make people hesitant to use the hotel services. |
| <i>TECHNOLOGICAL</i> | <ul style="list-style-type: none"> • Use of online platforms (Food Panda) | <ul style="list-style-type: none"> • People can have a better access to the hotel service (restaurant) | <ul style="list-style-type: none"> • Another field of cost is added to the hotel. |

Analysis and Discussion

With these findings, different business tools were used to assess the impact of Covid-19 on Starwood hotel. First, the SWOT analysis is a form of strategic analysis that determines internal strengths and weaknesses as well as external opportunities and threats that influence the performance of businesses (Grant. M, 2020). Also, the PEST analysis (political, economic, social

and technological) is a management method whereby an organization can assess major external factors that influence its operation (Will. K, 2020).

To begin, as to Human Resource, Starwood Hotel seems to be minimally affected by the current situation. This is evidenced by table 1, Strengths portion of the SWOT analysis - since call-centers based in the hotel continued to operate, most parts of the hotel needed to operate in their usual course. While some departments were not operational due to the quarantine, the hotel still allowed most to work to support employees and their family. The decision to continue operating touches on another Strength, the ethical leadership of the manager. This is supported by #8 in SWOT Analysis and #1 in the HRM (See Table 1.) These information elaborate on how the company worked for its own survival and its workers and their families. Another strength for the hotel is how it effectively manages and communicates with its 20-30 employees as a “small enterprise.” Conversely, this number of workers, while usually a strength, could also be a weakness of SWOT analysis, #6 that not all workers are given opportunities to fulfill their duties which hotel resources might be wasted.

Also, when it comes to the Human Resource Management, Starwood Hotel accepts OJT's, contractual, and part-time employees before the pandemic which is can be an opportunity for hotel growth as it is indicated in the opportunity #4 in SWOT analysis. While it can be an opportunity to the hotel, with the current situation, such opportunities can become a threat to the hotel like how Starwood hotel will have less opportunity to expand the hotel more as shown in #5 of SWOT analysis (Threat). In addition, they use the online platform called “Foodpanda” in order to continue selling their food. This can fall under the Technological issues of the PEST analysis, but this can affect the hotel either positively or negatively as mentioned above.

Despite the lack of in-depth information on hotel finances, the results of the survey did support the conclusion that the spread of Covid-19 had a minimal impact on hotel revenue, while having greater impact on its revenue of its restaurant services. To clarify, Starwood Hotel, experienced decrease in overall revenue as well as overall number of customers of both its hotel and restaurant services as illustrated by #5. Here, an identified Threat in the SWOT analysis was a decrease in number of customers could aggravate the hotel's overall performance. Furthermore, this can also be supported by the PEST analysis where political factors like quarantine, social distancing, and no-dining in policy resulted in lower than usual number of customers. This lowered outcome is potentially due to fears the public has of infection from going outside and engaging the hotel's services. The Economic issues in PEST analysis (See Table 2.) can also be utilized to see the impact of the Covid-19 particularly in financial management of the corporation. Since most people were quarantined at their homes, there was a decrease in the spending which led to the economic recession; thus, the hotel can reduce the production, while the less income will be earned for the hotel.

On the other hand, when it comes to Marketing, it was not greatly affected by the Covid-19 because the firm does not rely much on advertising, there were no changes even if the pandemic had struck the hotel. According to their reply, they only relied on the social media as well as the regular or loyal customers who could convey the information to others. However, this can be considered as one of the weaknesses in SWOT analysis. For instance, #1 in weakness of SWOT analysis talks about how limited ways of advertisement can hinder their hotel to expand and grow. Therefore, this can also be a threat to the hotel itself since other competitors can have better methods of marketing.

Lastly, operation management particularly crisis management will be assessed. The hotel could have been prepared to face sudden changes or crises, yet if they are not, the impact of such circumstances can make the performance of the hotel worse than they could have minimized. In terms of Starwood Hotel, there were not any back-up ideas or plans to overcome the pandemic situation, and this is also counted as another weakness of the hotel as mentioned in #3 of SWOT analysis. In addition, this department can also be related to the aspects of social issues of PEST analysis. Although the hotel was not able to prepare for the pandemic situation, they have allowed workers to continue operating despite the working conditions. Also, the hotel also offered their place free for health frontliners to support them. Starwood hotel maintained the restaurant clean from the virus as well as to conduct pre-check up for all people who enter the business.

Conclusion and Recommendations

To conclude, this paper answers the question of “To what extent did the Covid-19 pandemic affect the hotel operations of Starwood Hotel?” The impact of Covid-19 has been shown in different operations of Starwood Hotel such as Human Resource Management, Finance and Account, Marketing, and Operation management. The Finance management department and operation management department seem to have received a great impact from the pandemic situation like their revenue decreased as well as the lack of plans where the hotel had to suffer from the pandemic. Yet, Human Resource Management and Marketing departments only had minor problems which indirectly affected the performance of the hotel, but it may be considered as weaknesses and threats of the firm which might affect its future performance.

For Starwood Hotel, several methods and ways can be adapted to develop and face crises like Covid-19. Since the hotel only has fewer workers to manage the hotel, the resources might not be maximized as it is recommended to hire more workers to increase the productivity. However, this is not the only way of improving productivity, but also the marketing department can actively work more effectively such as using other platforms of advertisement to increase the potential customers. This can bring a higher revenue to the hotel which the profit of the hotel can even increase more than the usual that can be an opportunity for . Also, nowadays, the role of the marketing department has become more important since the use of the internet is more active than it was in the past. Lastly, it is necessary to prepare and improve on the crisis management to face the problems from now on. This can prevent the hotel from collapsing and help it survive during difficult days. Therefore, to answer the research question, different departments of the hotel operations of Starwood Hotel had an impact by COVID-19 pandemic situation.

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Appendices

Appendix 1. Survey with the answers from the business

BUSINESS BACKGROUND INFORMATION

1. How is this business officially called?
 - Ever since the hotel opened, it already started with the name Starwood Hotel.
2. When was this established?
 - I am not sure of the exact date, but for what I remember, it was established in the year 1999.
3. What type of business is this?
 - The business is a corporation, and it is considered to be a service kind of business since the hotel offers service and accommodation to various people.
4. What type of organization is this?
 - The organization is a corporation.
5. What types of ownership does Starwood Hotel have?
 - Starwood Hotel is owned by a corporation.
6. What is the size of this business?
 - The business is a small enterprise since it has a range of 20 to 30 employees.

HUMAN RESOURCE MANAGEMENT (BEFORE THE PANDEMIC- *first two quarters of the year; 2019*)

1. How many employees (both managerial and rank and file) are there in your company as a whole, and in each department?
 - Starwood Hotel has a total of 25 employees. In specification, the Front Office Department consists of 3 employees, Sales Department consists of 2, Marketing Department consists of 1, HR Department consists of 1, Housekeeping Department consists of 6, Maintenance Department consists of 2, Food and Beverages consists of 10 employees.
2. What percentage of your workers are regular?
 - 100% of the workers in the company are regular or full-time.
 - a. What are their duties and responsibilities?
 - The workers are expected to perform their respective duties and responsibilities according to the department they belong in. For example, for those in the food and beverages department, they are expected to fulfil their duty to manage the restaurant by accommodating entering customers.
3. What percentage of your workers are non-regular? (contractual, part-time, On the Job Trainees)
 - As of now, the company does not have non-regular workers. However, there are times when there are OJT's, but this happens once a year only.
 - a. What are their duties and responsibilities?
 - Similar to what I've mentioned in the past number, they are expected to perform their duties and responsibilities according to the department they get assigned in.
4. What are the specific ways of recruiting, selecting, and training people in this company?
 - Media is definitely the way for us to recruit workers. Ads and social media posts do help in recruiting people. When it comes to selecting, proper screening is done such as interviews. As for the training, new recruits usually take a week long or two for us to decide whether or not to hire them.

HUMAN RESOURCE MANAGEMENT (DURING THE PANDEMIC- *first two quarters of 2020*)

1. How many departments are operating now?
 - At present, all the departments are operating. Though, employees are not performing their specific duties since not all departments are needed to perform now. However, I see to it that

- they get the chance to still have work despite the current situation in order to continue to support their families.
2. Are there any services that were temporarily closed or stopped due to the pandemic? If so, what are those services? Why did they close?
 - At the very start of this, no, there wasn't any service that really stopped. Though the pandemic really hit all businesses, the services in the company did not really stop since call centers were still present to use the accommodation of the hotel. As for the food and beverages, its service still pushed through, too.
 3. How many employees (both managerial and rank and file) are there in your company as a whole, and in each department?
 - Same answer with Question #1 ☺
 - a. Did some workers get fired due to the pandemic? If so, why?
 - As much as possible, I did not really want to fire workers since I also consider the family they are supporting, so no worker got fired. However, there are around two workers who resigned by themselves since they wanted to go back to their hometown.
 4. What percentage of your workers are regular now? (*August, 2020*)
 - Still the same, they are all regular.
 5. What percentage of your workers are non-regular now? (*August, 2020*) - (Including contractual, part-time, On the Job Trainees)
 - For now, there are no non-regular workers like OJT's.
 6. Are there any changes in the process of recruiting, selecting, and training people? If so, what are those changes?
 - No changes. ☺

FINANCE MANAGEMENT (BEFORE THE PANDEMIC - *first two quarters of 2019*)

1. How many customers generally used the service? (*INCLUDING all services in the firm*)
 - There is no exact number that I can provide. Let us say quite many, especially for the restaurant. As for the hotel, peak seasons provide us with the most customers for every year.
2. In broad estimates, did the firm make a loss, make a profit, or merely break-even? (*Can be answered by loss, profit, or break-even*)
 - The firm was able to make a profit. ☺
 - a. In each department, how is the budget distributed? (*Can be percentage description*)
 - N/A

FINANCE MANAGEMENT (DURING THE PANDEMIC - *first two quarters of 2020*)

1. How many customers generally used the service? (*INCLUDING all services in the firm*)
 - There was a big decrease when it comes to the number of the customers. No exact number, but with the pandemic, we totally decreased the number of customers for both the restaurant and hotel areas.
2. Was there a percentage drop in the company's revenue? (*Can be answered yes or no - better with percentage description*)
 - The company had a drop when it comes to the revenue.
 - a. If decreased, in each department, how is the budget affected? (*Can be percentage description*)
 - N/A

MARKETING (BEFORE THE PANDEMIC - *first two quarters of 2019*)

1. What are the ways for this company to advertise?

- We are open for the social medias we have at present, and they are a great help when it comes to advertising. In addition, regular and loyal customers or guests also do help in advertising by sharing the word about us to their close friends or relatives.
- 2. How did the firm spend marketing budgets?
 - a. In what areas? - *(Percentage)*
 - N/A

MARKETING (DURING THE PANDEMIC - *first two quarters of 2020*)

1. Due to the pandemic, was the marketing budget affected? *(decrease, increase, or no)*
 - Marketing strategy wasn't really affected since the company do not rely heavily on paid advertisements.
 - a. *If increased, why?*
 - b. *If decreased, did it change the marketing strategies?*
 - i. If so, what kind of the marketing strategy was eliminated or added? why?

OPERATIONS MANAGEMENT

1. Were there crisis response plans even before Covid-19 pandemic?
 - a. If so, what were those?
 - None. ☺ We did not really expect this huge impact of the virus.
 - b. If so, how much did it cost?
2. How did this company alter and finance the crisis response events like Covid-19?
 - The company tried its best to survive---not for profit but for the employees, so operations still continued, to support the employees, and thankfully, to have enough to supply for hygienic needs for both the employees and customers.
 - a. Were they effective enough to cover the impact of the pandemic?
 - Yes, gladly, the continuous operation of the company was still able to cover for the expenses needed to stand against the pandemic.
 - i. How much crisis response cost in the hotel? *(e.g. buying hygienic materials)*
 - Not sure of the total amount. ☺