


## Chapter 2

# Strategic Leadership and Crisis Management in the Hospitality Industry

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### ABSTRACT

*This chapter examines the relationship between strategic leadership and crisis management in the continuously changing hospitality industry, specifically during pandemics. It explains how strategic leaders, known for their forward-thinking and flexibility, are crucial for effective crisis management. The chapter analyzes decision-making during crises, emphasizing the importance of guest safety, adaptive innovation, ethical leadership, and sustainability. It emphasizes the role of timely, transparent communication in addressing concerns and maintaining stakeholder trust. The chapter also explores stakeholder engagement strategies, including segmentation, effective communication channels, and collaborative feedback, to enhance resilience and facilitate recovery. This chapter examines the disconnect between strategic leadership and crisis management, offering invaluable insights for practitioners, academics, and policymakers in navigating the challenges posed by pandemics in the hospitality industry, with the goal of avoiding failure, vulnerability, inflexibility, and sustained decline.*

### 1. INTRODUCTION

The service industry, particularly the hospitality sector, exhibits a heightened susceptibility to crises, primarily due to its substantial dependence on human labor

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to maintain a delicate equilibrium between supply and demand (Belias & Trihas, 2023). Crises, particularly unforeseen events like economic downturns or natural disasters, possess the potential to profoundly impact the revenue streams of hospitality enterprises by significantly disrupting travel and vacation plans. Furthermore, during times of crisis, individuals frequently scale back their travel activities and tighten their travel budgets, resulting in a diminished customer base and reduced occupancy rates within the hospitality sector (Serrano-Baena et al., 2023). Strategic leadership emerges as a pivotal factor in mitigating this vulnerability (Dong et al., 2023). This is primarily because the ability to promptly implement measures such as flexibility, financial planning, and marketing strategies during crisis situations serves as a safeguard for the survival of hospitality businesses. It also assumes a critical role in post-crisis recovery by facilitating the identification and exploitation of novel market opportunities. In essence, strategic leadership stands as a cornerstone in fortifying the resilience of the hospitality sector in the face of crises.

There is a noticeable gap in the existing literature regarding the integration of strategic leadership and crisis management in the hospitality industry. Several studies have highlighted the need for a comprehensive framework that addresses this gap. For instance, Ho et al. (2023) developed a “strategic leadership-enhanced organizational resilience framework” specifically tailored to the hospitality and tourism industry, emphasizing the actions and mindsets required for organizational resilience. This framework acknowledges the critical role of strategic leadership in ensuring the industry’s preparedness for crises and its ability to navigate through uncertainties.

Moreover, the impact of crises on the hospitality industry has been evident in various studies, such as the devastating effects of the 9/11 terrorist attack on the Pentagon in Washington, D.C., which tested hotel managers’ preparedness for crisis management under great uncertainty and time compression (Yu et al., 2006). Similarly, the COVID-19 pandemic has significantly impacted the hospitality industry, necessitating sustainable crisis management solutions. Petruk (2020) emphasized the need for the development and implementation of a functional crisis management model for the hospitality industry worldwide, recognizing the industry’s substantial share in the global economy. Hahang et al. (2022) highlighted the need for exceptional leadership skills unique to the crisis faced by the hospitality industry, emphasizing the importance of effective leadership in managing the impact of the pandemic. Additionally, the study by Chang et al. (2023) explored how responsible leadership and corporate social responsibility initiatives can foster strategic agility in the hospitality industry during challenging times, such as the COVID-19 pandemic.

In light of these findings, it is evident that the existing literature recognizes the critical need for strategic leadership and crisis management integration in the hospitality industry. The studies emphasize the development of comprehensive

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