

Cost Behavior at the RBS Hotel during the COVID-19 Pandemic

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ABSTRACT

This research explores into the comprehensive examination of resource management strategies employed by hotel managers, with a specific focus on committed resources and their impact on cost behavior. This study aims to determine the cost behavior of The RBS Hotel during the the COVID-19 pandemic. This study employs a qualitative descriptive research design, and utilizing interview and observation methodologies. The findings of the study indicate that managers implemented diverse tactics to facilitate cost changes, which subsequently influenced the cost behavior of hotels. The onset of the COVID-19 pandemic resulted in a shift in the behavior of hotel costs during its initial year. There has been a decrease in both employee salaries and routine maintenance costs. The non-routine maintenance tasks experienced an upward trend during the pandemic. All three exhibit characteristics of semi-fixed cost behavior. The costs associated with room facilities are subject to variation, but with a downward trend. This study makes theoretical contributions to the fields of cost behavior theory and upper echelon theory.

Keywords: Cost; Cost Behaviour; Covid-19; Hotel

Perilaku Biaya di Hotel RBS pada Masa Pandemi COVID-19

ABSTRAK

Penelitian ini mengeksplorasi strategi manajer hotel dalam pengelolaan sumber daya terikat dan dampaknya terhadap perilaku biaya. Penelitian ini bertujuan untuk mengetahui perilaku biaya pada Hotel RBS saat masa pandemi COVID-19. Penelitian ini merupakan penelitian deskriptif kualitatif dengan pendekatan studi kasus dengan menggunakan metode wawancara dan observasi. Hasil penelitian menemukan bahwa para manajer melakukan berbagai strategi sehingga terjadi penyesuaian biaya dan berdampak pada perilaku biaya hotel. Selama tahun pertama masa pandemi COVID-19, perilaku biaya hotel mengalami perubahan. Biaya gaji pegawai dan biaya pemeliharaan rutin mengalami penurunan. Untuk pemeliharaan non rutin, pada masa pandemi justru mengalami peningkatan. Ketiganya menunjukkan perilaku biaya semi tetap. Biaya fasilitas kamar masih bersifat variabel namun mengalami penurunan. Studi ini memberikan kontribusi bagi teori perilaku biaya dan upper echelon.

Kata Kunci: Biaya; Perilaku Biaya; Covid-19; Hotel

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INTRODUCTION

Tourism is a sector that plays a very important role in the Indonesian economy because it is employee-intensive and has absorbed more than 13 million workers (Sugihamretha, 2020). As a tourist destination like the Province of Bali, where the main livelihoods of local residents are in the tourism sector, the economy will, of course, be affected. The hotel industry has been one of the industries affected by the pandemic. The WHO declared the spread of this virus to be a health emergency on 31 January 2020 and finally declared it a pandemic on 11 March 2020 (Hua & Shaw, 2020). Sales of hotel accommodation began to decline in early 2020 when China banned its citizens from traveling abroad and increasingly felt after March 2020 when the first case of COVID 19 was confirmed in Indonesia. The Indonesian government did not implement a lockdown system as was the case in several major countries around the world; this was related to the stability and economic system of the Indonesian people (Dianasari, 2021). The Indonesian government also implemented various policies and stimuli in order to ward off the global economic conditions that were being caused by the virus (Burhanuddin & Abdi, 2020). This pandemic has threatened individuals and corporations with loss of income because there have been no sales, while expenses have still been incurred although not completely (Hadiwardoyo, 2020).

The COVID-19 pandemic has brought to the forefront the imperative for enterprises to cultivate the ability to withstand and adapt to current obstacles, so ensuring their long-term survival (Su et al., 2021). Diverse rules exist among nations with respect to the imposition of activity limitations during the COVID-19 pandemic. The implementation of various policies by a nation will inevitably influence the management of resources within the hotel business. Previous study has investigated resource management in regions that employed lockdown measures, such as Hawaii, United States (Shulga & Busser, 2023), Germany (Schwaiger et al., 2022), Vietnam (Su et al., 2021), and India (Kaushal & Srivastava, 2021). In contrast, Indonesia opted not to establish a lockdown strategy but instead elected to impose specific restrictions based on the evolving COVID-19 case patterns seen in each respective location.

The number of cases shot up in a short space of time and this caused the government to impose Large-Scale Social Restrictions (*Pembatasan Sosial Berskala Besar* or PSBB) as regulated in Government Regulation Number 21 of 2020 (Yamali & Putri, 2020) and also the Enforcement of Restrictions on Community Activities (*Pemberlakuan Pembatasan Kegiatan Masyarakat* or PPKM). The policies regarding PPKM have changed since they were first established. At the time of writing, the latest PPKM policy refers to the Minister of Home Affairs Instruction Number 17 of 2021. The objectives of this policy were breaking the chain of the spread of the virus and fostering economic improvement but these have not been achieved; in fact, the situation has tended to get worse. Indeed, the implementation of this policy has actually had a serious negative impact on the hotel industry in Bali. PPKM was first implemented on January 11-25, 2021. The implementation of this PPKM caused a 93.33 percent decline in foreign tourists compared to the number recorded in December 2020 (bali.bps.go.id, 2021). The Room Occupancy Rate (OCC) for starred hotels in January 2020 is recorded as being 11.15 percent, down

7.85 points compared to the TPK in December 2020 when it was 19.00 percent (bali.bps.go.id, 2021). From January to July 2021, the Central Statistics Agency for the Province of Bali recorded that there were only 43 foreign tourists who came directly to Bali. The OCC in July was recorded as being only 5.23 percent, which was a decrease of 5.92 percent when compared to the data in January 2021.

The hotel industry face significant uncertainty due to the Indonesian government's policy of implementing activity restrictions that are subject to change based on the COVID-19 situation in a certain location or province. The outbreak of the COVID-19 virus can be said to be a natural disaster as well as a socio-political or man-made disaster if our focus is on economic development through pandemic management. On the other hand, this outbreak can also be viewed as a crisis if the focus is on organizational actions, either from a political or business perspective (Zenker & Kock, 2020). This study views the COVID-19 outbreak as a crisis because it examines the actions of a company (its managers) in a business context.

Previous academics have conducted studies on resource management during the COVID-19 period. Previous research findings indicate that hotels employ many techniques to ensure company continuity, which in turn affects their cost management practices. Various strategies have been proposed in the literature to address cost reduction in organizations. One approach is the implementation of workforce downsizing (Smart et al., 2021; Spanaki et al., 2021). Another strategy involves retaining employees while assigning them multiple tasks (Kaushal & Srivastava, 2021; Mousa et al., 2022; Su et al., 2021). Additionally, market segment transformation has been proposed as a means to cut costs, as discussed by Smart et al. (2021), Spanaki et al. (2021), and Wang et al. (2022). The primary topic of these studies pertain to the endeavors made in the field of human resource management. This study diverges from other research by specifically examining the cost behavior observed in the context of the COVID-19 pandemic.

This study explores in depth how hotel managers manage their resources. Their efforts to manage resource capacity, especially committed resources, will affect cost behavior. The provision of services to clientele by staff members constitutes a significant characteristic of the hotel industry. Hence, it is imperative for hotels to uphold high standards and ensure the stability of their services in order to remain competitive (Chang et al., 2019). The quality of a hotel business is contingent upon the subjective assessment of clients and their expectations regarding the services rendered (Machado et al., 2019). On the other hand, the way managers manage resource capacity is closely related to their optimism in dealing with the problems they face, including the COVID-19 pandemic. Various efforts made by the government to return the nation to a healthy condition, as well as the society's economy, are likely to have an effect on the level of managers' optimism in the hotel industry. Therefore, in-depth research on how managers feel, and what their efforts and strategies are to stay afloat in the midst of this pandemic, is very necessary. This study aims to determine the cost behavior of The RBS Hotel during COVID-19 pandemic. This study makes theoretical contributions to the fields of cost behavior theory and upper echelon theory, which will be elaborated upon in the subsequent sections.

The decline in the number of tourists coming to Bali has caused managers considering strategies for the survival of their hotels, such as reduce hotel operating costs due to a decrease in the volume of resource activities and hotel revenues. Their considerations when making resource management decisions trigger asymmetric cost behavior (Krisnadewi & Soewarno, 2020). Traditional cost behavior theory states that variable costs tend to be symmetrical and mechanical according to the volume of activity. The traditional approach takes the view that cost changes that occur in two directions of activity changes (up and down) are considered identical (Cohen et al., 2017). However, recent studies have demonstrated the opposite, namely that cost behavior tends to be asymmetrical. When activity increases, costs tend to increase more quickly; conversely, when activity decreases, costs are slow to fall immediately.

Anderson et al., (2003) said, regarding the decrease in costs that occurs when sales and activity decrease, it must be ascertained by managers whether the decline is temporary or will last a long time. When compared to a situation where managers hold on to excess resources temporarily, eliminating resources due to a decline in sales, and recovering resources that have been lost during normal sales, can increase costs and decrease profits in the long run. If the manager believes that the decline in business activity is temporary, he or she will choose to retain unused resources rather than make adjustments to these conditions.

All managers have their own considerations when determining the strategy to be used in optimizing resources by retaining or reducing them. This is related to upper echelon theory (Hambrick, 2007; Hambrick & Mason, 1984). This theory states that top management is responsible for the formation and determination of strategy. Strategy-making is based on consideration of the company's internal and external circumstances, where each individual has a different interpretation. This interpretation is influenced by the characteristics of the upper echelon which includes psychological aspects (cognitive base and value) as well as various observable characteristics. This phenomenon is also observed in the hotel industry. The hotel sector is strongly dependent on the provision of staff services, thus necessitating the maintenance of high-quality and stable services as a critical factor for ensuring competitiveness. In recent years, there has been a gradual increase in the proportion of overall operational income attributed to human resource costs within the hotel business (Ruhang, 2020). Therefore, the strategy taken by the upper echelon in managing its human resources will have an impact on cost management.

According to Anderson et al., (2003), managers' considerations in making decisions regarding company resources – if there are costs that cannot be adjusted when there is a decline in sales – causes sticky costs. Indications of sticky cost behavior can cause company profits to decrease because, when sales increase, costs will increase faster than the decrease in costs when sales decline (Ciftci & Zoubi, 2019; Habib & Hasan, 2019; Hartlieb et al., 2020; Hur et al., 2019; Kaspereit & Lopatta, 2019; Lopatta et al., 2020). There is research that proves that, when declines in sales occur for several consecutive periods, the level of stickiness will weaken even more because managers perceive the decline in sales to be likely to be permanent. The decision taken by the manager, is influenced by the

characteristics of the individual manager. For example, managers have different levels of optimism, risk preference, and sense of crisis (Crayne & Medeiros, 2020; Kitching et al., 2016; Krisnadewi & Sawarjuwono, 2020; Namitha & Shijin, 2016). Even though the pandemic feels like a never-ending disaster, an optimistic manager will believe that there will be positive results. Optimism can directly affect one's feelings when facing a problem (Carver et al., 2010). Research results show that someone who looks at the future positively is able to respond to all difficulties in a better way than someone who has negative expectations.

RESEARCH METHODS

This research uses a qualitative approach, namely the single case study method, using The RBS Hotel, located in Sanur Area (Bali, Indonesia), as its object. Prior to the pandemic, the guests at The RBS Hotel were mostly from Europe. At the beginning of the pandemic in Indonesia, or more precisely in March 2020, the room occupancy rate (OCC) at hotel was still quite high. However, after most countries in Europe decided to implement a lockdown, the guests chose to return to their home countries. All hotel reservations for April 2020 were canceled by guests without exception. Therefore, in April, the OCC dropped to 0% and there was not a single guest left. The general manager decided to temporarily close the hotel in April and May 2020. The RBS Hotel is classified as a three-star establishment that operates as a family-owned business. The investigation of family enterprises proves to be a significant area of study during periods of crisis. The perception of the employer image in family businesses is significantly shaped by integrative communication habits, a strategic orientation towards long-term goals, dedicated sustainability initiatives, favorable social working circumstances, and a strong sense of attachment to the local community (Schwaiger et al., 2022).

The RBS Hotel has a fairly large number of rooms and permanent employees, along with a swimming pool and restaurant facilities. The large number of assets and workers caused managers to factor in certain considerations in managing their resource capacity during the pandemic. To finance its expenditure during this Covid period, the hotel was supported by loans and personal money from its owner. Every month, The RBS Hotel borrowed around IDR 150 million for operational purposes. This was done because the hotel's income was not able to cover its operational costs. The hotel's revenues during the pandemic ranged from only IDR 50 million to IDR 100 million. By comparison, before the COVID-19 pandemic, the revenues reached IDR 1 billion. This shows that hotel revenues have decreased drastically. While other hotels around the Sanur area were not operating when this research was conducted, The RBS Hotel was still operating as before Covid. Hence, our research endeavors to explore the strategies employed by management in cost control, with a specific focus on employee and maintenance expenditures. By acquiring knowledge on the management of employee and maintenance costs, it becomes possible to elucidate the cost behavior observed at RBS.

Cost behavior analysis related to The RBS Hotel management was conducted by interviewing the accounting manager. Using the results of these interviews, the data were triangulated with existing documents, physical observation, and the results of interviews related to resource management (i.e. engineering and sales

manager). The study was carried out during the months of May and August in the year 2021. Interviews were conducted at different times. The average length of the interviews was 45 minutes. The questions posed by the researcher were adjusted to the type of work done at the hotel. In our study, we employed three distinct sub-processes to analyze the data that we had gathered. These sub-processes encompassed data display and reduction, data interpretation, as well as verification and conclusion drawing.

Each respondent signed a consent agreement before participating in this study. The research data were obtained through structured interviews with open questions and through direct observation of the hotel management. To ensure that this research did not violate the code of ethics, prior to commencing it, the interview paper was assessed by the ethical commission of the research agency and passed the ethical clearance test. To facilitate the recording of the results of the interview, an audio file was made using a voice recorder.

RESULTS AND DISCUSSIONS

The RBS Hotel is located in the Sanur area, Denpasar City, Bali Province. The hotel features a unique blend of modern and traditional styles in a minimalist setting. The rooms provide two different styles of accommodation. First, there are hotel rooms that have access to other guests, making it easier for guests to socialize and mingle. Second, there are rooms that are private which are an option for guests who are concerned about privacy. These two accommodation styles are designed to blend into a tropical garden setting and are located away from the hustle and bustle of the Sanur beach area in order to ensure guests can enjoy peace and quiet. The RBS Hotel is right on the beachfront. To protect guests from the noise from the beach area, the hotel's layout places the restaurant on a beachfront position followed by a swimming pool. Overall, the hotel has 44 rooms and a staff numbering 53 permanent employees. The total area of the hotel is 3,625 m² with the hotel's buildings accounting for 1,584 m² of this. The restaurant has a capacity of 50 seats. The swimming pool area is 400 m². The entire resource capacity of these assets has remained the same, both before and after the COVID-19 pandemic.

In light of the statement from Anderson et al., (2003), which says that managers must determine whether the decline in activity and sales will occur temporarily or will last a long time, it can be seen that, at that time, the hotel's management assumed that the decline in activity due to this pandemic was only temporary. The decision to close—"only" temporarily—was based on the experience when Mount Agung erupted. However, even though the decline in activity was felt temporarily, the hotel management realized that this outbreak was global and had serious repercussions and decided to close the hotel for two months.

During the hotel closure period, the activities of hotel employees, especially related to maintenance, were still ongoing but with a very minimal frequency. The hotel still felt confident that in May 2020 the situation would return to normal, so efforts to optimize the facilities would continue. However, in May 2020, the

management received information from Jakarta that this pandemic would last a long time. However, the hotel realized that, the longer they closed and stopped the hotel's operations, the higher the revenue that would be needed to resume those operations. Therefore, in June 2020, the hotel decided to resume its operations.

Managers had a strong belief that this decline in activity and revenue would last for a long time so the hotel decided to make adjustments. These adjustments were made to reduce costs that were too high now that hotel activity had declined. Hotel maintenance and the staff salaries were the main priorities for the management of this hotel. Both of these resources became the priority to be maintained by making some adjustments. Employees were a top priority at the hotel because almost all the permanent staff had been employed for a long time: some even since the hotel had started operating. Maintenance was also a priority for the management considering the hotel industry operates by selling its facilities. In order to validate the results of the interview, a direct observation of the physical amenities at the RBS Hotel was conducted. It was ascertained that the rooms, public areas, pool, restaurant, and garden exhibited a commendable level of maintenance.

The decrease in the number of guests visiting and staying at The RBS Hotel indirectly had an impact on the salaries of employees. In managing its human resources, the hotel chose to retain all of its employees and did not take any action to lay off any of them. Accounting manager said that adjustments were made by reducing the workload of each employee at the hotel. Currently, at the time of writing, The RBS Hotel employees work an average of 12 to 14 times a month. The division of this work allocation was adjusted to the workload of each employee's department. This aligns with the information communicated by the Engineering Manager,

"During this COVID, we are working 12 times a month. I set the schedule, then submitted it to HRD. There are 5 of us in engineering, there is another 1 person who is actually a driver but at the moment there is not much of a workload, so he is helping in engineering. I usually work Monday-Wednesday, 3 times a week".

and Sales Manager,

"Previously, we in the back office worked from Monday to Friday, namely 9 hours per day. During the pandemic, in 1 month, we only worked 12 times. For the back office, we are not allowed to work on Saturdays and Sundays. We work from Monday to Friday only. I am the one who arranges the subordinates' [work schedules]. The report still goes to HRD".

According to information from the hotel's accounting manager, employee salary deductions began in April 2020. For two months from April to May 2020, the hotel staff only received 25 percent of their total salary and did not receive service fees. This 25 percent amount was set because at that time the hotel had a cash reserve that was only able to guarantee employees' salaries for six months at a rate of 25 percent of their salary. Before the pandemic, the average wage bill was IDR 300 million with an average of IDR 5.5 million per person.

In June 2020, based on considerations and offers from the owner, the employees' salaries were increased to 50 percent. The owner was responsible for the funds needed for these salaries. At the time of writing, all hotel employees were still receiving a salary of 50 percent of their normal full salary. Therefore, the total cost of employee salaries was IDR 150 million with an average salary of IDR 2.8 million per person. To anticipate changes in the cost of fixed salaries for permanent employees, the hotel made adjustments to the number of working days for employees. On average, each employee worked 12-14 working days. Arrangements related to working days were made by each department. The human resources department simply accepted the work schedule for each department's employees and checked them to ensure that there were no employees working excess days. When there was an excess of working days, this section would verify the urgency so that such work could be paid for. In order to validate the findings of the interview, an examination of The RBS's monthly reports was conducted, revealing a comparable outcome. The findings of triangulation, derived from interviews conducted with Sales Managers, indicate consistent patterns.

"Before Covid, we got a basic salary and service charge. However, currently we are only paid half our basic salary, and there is no service charge".

Since August 2021, the source of funds for salaries was no longer fully the responsibility of the owner because The RBS Hotel had already earned income even though the amount was still far from what it was during normal times. The hotel had also set a policy that the hotel would continue to pay the employee health insurance (BPJS) contributions in full. Pay cuts as a cooperative obligation were also implemented during this pandemic. The hotel also periodically wrote to several banks regarding loan requests submitted to them by the hotel's employees, stating that the hotel had not been able to deduct salaries to pay employees' credit. All policies related to employee revenues were communicated intensively by top managers and from subordinate managers to employees. During the initial pandemic period, communication was carried out using WhatsApp groups as the media. Employees' opinions were expressed in the media. This was done to maintain communication and to calm the fears of hotel employees.

The RBS Hotel managed costs related to hotel maintenance by making some adjustments. However, during this pandemic period, the hotel was actually carrying out maintenance related to the condition of the hotel building. These repairs or renovations were actively carried out at the beginning of this pandemic funded by the owner. As stated by the accounting manager,

"The owner asked us like this: "While it's quiet now, this is when we have to repair it, because when it's crowded we don't want to disturb guests. The repair isn't a major maintenance repair model. For example, in the kitchen, the floor needs to be repaired from the start. Why we couldn't do it (before)? It's because we were always busy with the guests, so when could we do that? Now we are working on the walls,

especially the walls in the restaurant. There are some things that are a bit damaged, and then the signposts aren't that good, we're fixing that now."

The engineering manager confirmed the findings of the accounting manager's interview. Repairs were also carried out on rooms where the infrastructure had suffered minor or moderate damage. Most of these improvements were carried out by the hotel's own human resources, namely the engineering department. However, if there was any damage that they could not fix, the hotel looked for outside contractors. The water heaters in the rooms were unplugged in order to save on electricity costs. The workload of the engineering department as the party carrying out the hotel maintenance became more intensive during this period. This was revealed by the engineering manager,

"The workload during the pandemic has increased because everything has to be maintained. It was different before, when there were guests, we only took care of that. If there were disturbances (complaints from guests), they would be serviced. This service (maintenance) activity is carried out according to the results of the inspection from the MOD (manager on duty). Everything is checked, every room includes various kinds of lights, so that later, if there are guests, the room is ready. Every day there is a MOD on duty but it's a different person. Previously (before the pandemic), if operations were smooth only twice a week, not every day. The MOD system is only 1 person per day who enters. (Checking) five rooms. If it's done in full, we'll do it again, follow up again."

For routine maintenance, the hotel made adjustments in order to reduce the costs incurred. For example, efficient pest and insect control in hotel rooms. The accounting department negotiated with related companies to ask for discounts and adjust the maintenance schedule to the maximum limit so that it was not carried out every day. This negotiation was successfully carried out without any penalty. The provider was willing to do this considering that this pandemic's impacts were felt by all types of companies, so they understood that there would be adjustments. The same goes for garden maintenance costs. Previously, cutting the grass was carried out every day, while now it was done every few days. This was done to reduce the cost of gasoline for the lawn mower.

Adjustments were also made to the management of the hotel's public spaces. The engineering manager said that, to reduce maintenance costs, his staff created efficiencies by turning off 50% of lights in public spaces. Most of the lights were turned off manually by security personnel at certain hours and only a few locations used a timer to turn off the lights automatically. These locations included the swimming pool and also the restaurant kitchen. The savings in in-room electricity costs tended to be in line with the decline in sales activity. Automatic room lights were not turned on.

In relation to managing the cost of hotel facilities, The RBS Hotel negotiated the price for cable TV subscriptions and the decrease in Wi-Fi speed in the hotel area. This negotiation was conducted as an effort to reduce the fixed costs incurred. Before the pandemic, expenditure on Wi-Fi reached IDR 4 million with a speed of 100 Mbps. After negotiations with Telkom, the Wi-Fi speed was reduced to 20

Mbps with prices ranging from IDR 900 thousand to IDR 1.9 million depending on the amount of usage at the hotel. Negotiations regarding the use of cable TV were carried out by requesting that MNC Vision reduce the cost. The result of the negotiations was that The RBS Hotel received a discount of 50 percent from the normal price for one year while maintaining the existing channels.

Cost savings were also made in relation to restaurant facilities. The restaurant's operating hours had been reduced; originally, the restaurant operated until 11 pm, but now it was only open until 8 pm. This limiting of operating hours, apart from complying government regulations regarding the implementation of PPKM, was also able to save in terms of less electricity usage. The serving of food and drinks in the restaurant was also adjusted to match the reduced room rates. In addition, this adjustment was expected to persuade local people to visit the restaurant. This adjustment was made by changing the menu, which was originally dominated by European specialties, to Indonesian specialties. In normal situations, breakfast was served with a full buffet breakfast model. However, to adjust to the price offered, breakfast was served la carte consisting of one serving of food, one plate of fruit, and one glass or bottle of drink for guests staying in the hotel.

According to information from the sales manager of The RBS Hotel, the room prices had decreased very drastically. After looking through the hotel's monthly statistics, we discovered that the cost of rooms has dropped significantly. Apart from that, we also looked for published room rates on hotel websites and through online travel agency apps like traveloka, booking.com, and agoda. In August 2021, the selling price of the room is currently equivalent to the extra-bed price offered under normal circumstances, which is IDR 350 thousand. Normally, the selling price of rooms ranges from IDR 700 thousand to IDR 1.2 million depending on the type of building where the rooms are located. Decreasing the selling price was one of the hotel's strategies to earn revenue. This was done by the hotel in an effort to attract guests.

Adjusting the selling price of the rooms was, of course, followed by adjustments to the facilities in the room. As stated by the sales manager,

"During normal conditions, the hotel provides refills of water every day for guests who are staying. However, for now, the hotel only provides water when guests check-in. For cleaning facilities, the rooms occupied by guests are only cleaned two to three times if guests are estimated to stay for a week, previously it was every day, and we changed the linen every day too."

To increase hotel sales during this pandemic, the hotel tried to innovate by boosting restaurant sales. Before the pandemic, the restaurant tended to function only in order to serve hotel guests, especially for serving breakfast. Currently, the restaurant also serves outside customers and it is a major source of income. The restaurant menu has been adapted for local people, so they sell dishes at low prices, in the range of IDR 10,000 to IDR 15,000. This is possible bearing in mind that the restaurant is located by the beach so it can attract local customers.

During the pandemic, hotel sales targets charged to the sales department were no longer based on OCC or room revenue nominals. Regardless, the sales department made various changes in an effort to keep the hotel open. At the time of writing, promotions are currently being carried out with the target market being local guests. The media being used for promotion at this time is social media, especially Instagram. This has proven to be effective considering that many guests make room reservations through promos on Instagram and via Instagram sponsors. Before the pandemic, the hotel had never promoted itself using social media because its market segment was foreign guests.

Changes in the promotion model have also led to changes in advertising costs. Previously, there was no advertising on Instagram (IG) so there were no such costs, but now these costs are increasing. However, when compared to normal times, there are still advertising costs but with different media. For example, promotion through overseas magazines. This is explained by the sales manager as follows.

"They (advertising costs) are different. There's a different price. There is a cost in the target. So, for example, we make a marketing plan, for next year we will join this magazine with a number of US dollars, several euros, all kinds of things already exist. If it's now, I can't decide. I as a marketer will think it will be next week's long weekend, then I will add it to the IG promo. So I can't go abroad. If I went abroad, for example, there is a magazine. Have you seen how, in one magazine, there are many hotels? That's what we follow. In Europe, the system is still the same. Then, if you go online, the biggest cost is the commission. Usually we get a 15% commission because we ask for a boost so that our hotel appear at the top. At the top we pay an more, it's 20%."

The COVID-19 pandemic has been one of the most impactful events of the 21st century. At the beginning, its impact on world tourism was extraordinary. It is estimated that 75 million jobs in tourism were at immediate risk and the industry was losing more than USD 2.1 trillion in turnover as a result of closed borders, cruise ships banned from docking, flight being suspended, and hotels, restaurants and tourist attractions being closed (Zenker & Kock, 2020). The onslaught of the virus had reached its global scale in 2020, requiring responses from leaders around the world. Although the virus was a ubiquitous problem, world leaders responded in ways so varied that they produced very different outcomes in terms of virus mitigation, the health of populations, and economic stability. Leaders had different approaches to understanding the crisis which, in turn, dictated their approaches to decision-making and communication (Crayne & Medeiros, 2020). The same was true of hotel managers.

The role of managers as decision makers during this pandemic has been very crucial. The findings of the study conducted on multiple hotels during the Covid-19 era indicate that hotel management implemented a downsizing strategy focused on keeping exclusively highly skilled employees (Smart et al., 2021; Spanaki et al., 2021; Su et al., 2021). On the contrary, The manager at The RBS Hotel agreed that retaining employees was a top priority even if their income had to be adjusted. Similar findings were observed in Germany (Schwaiger et al., 2022) and

India (Kaushal & Srivastava, 2021). The general manager of The RSB Hotel was able to explain the approach to crisis management due to COVID-19. This was in accordance with leadership theory that focuses on understanding, where the realization of a specific and relatively stable approach to understanding is sought through measures that can be implemented by managers in times of crisis.

The cost of salaries for permanent employee is a long-term committed cost so it behaves in a fixed manner. Even so, at the beginning of the COVID-19 pandemic, the hotel cut the salaries of permanent employees by 75 percent for two months. The definition of fixed costs is based on the theory that the total costs incurred are fixed as long as they are within a certain range of activities. Fixed cost adjustments at The RBS Hotel showed semi-fixed cost behavior, where costs were still fixed but had decreased by 25 percent. In the subsequent month, up until the time of writing, employee salaries had been readjusted, namely being increased to 50 percent of their pre-pandemic levels (see Figure 1). The theory states that the increase or decrease in fixed costs is adjusted to the range of activity, so, in the case of The RBS Hotel, the adjustment was more due to the considerations of the manager.

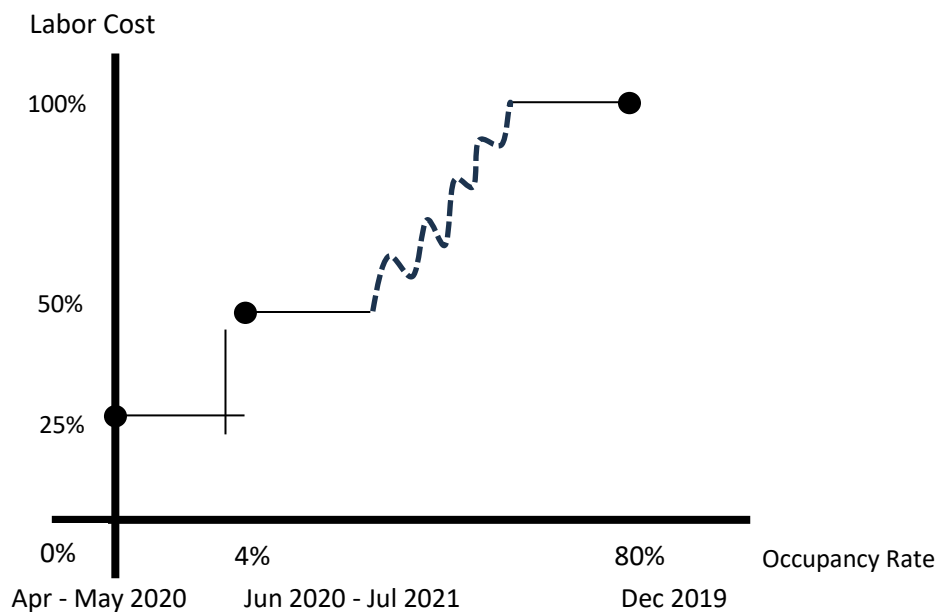


Figure 1. Employee Salary Graph

Source: Research Data, 2023

The management of employee salary costs at The RBS Hotel was decided based on the considerations of the hotel's top management. This is in accordance with the upper echelon theory where The RBS Hotel general manager made resource management decisions using various internal considerations, namely the opinions or suggestions of managers in each department (accounting, marketing, and engineering), the hotel's financial condition, and the volume of hotel activities, as well as considerations of external conditions, namely those arising from government policies related to the management of the COVID-19 outbreak. This is

also consistent with contemporary cost behavior research which states that cost behavior is not mechanical and rigid like traditional cost behavior theory.

According to the explanation regarding the maintenance costs incurred by the hotel during the pandemic, it appears that there are two models of cost behavior (see figure 2). First, for maintenance costs related to infrastructure and repairs to facilities; in this regard, it can be seen that there was an increase in maintenance costs compared to before the pandemic. This is in accordance with the results of contemporary cost behavior research conducted by Krisnadewi & Soewarno (2020) which found that, when there was a decline in sales, administrative and general sales costs actually increased (a phenomenon the researchers call super-sticky). This is believed to happen when managers actually feel they have to make these efforts as part of a strategy to deal with sales in the future. In the case of The RBS Hotel, the manager was actively making improvements so that the condition of the hotel would get better so that, when the pandemic period ended, the hotel would be well ready to face competition.

Second, the cost of routine hotel maintenance decreased. Maintenance costs which were initially fixed, decreased during the pandemic meaning they became semi-fixed costs to adjust to sales activities. This is in line with traditional cost behavior theory which states that costs adjust mechanically according to activity. In this context, the sticky nature of the contemporary cost behavior, as explained by the researchers, becomes weak or even non-sticky.

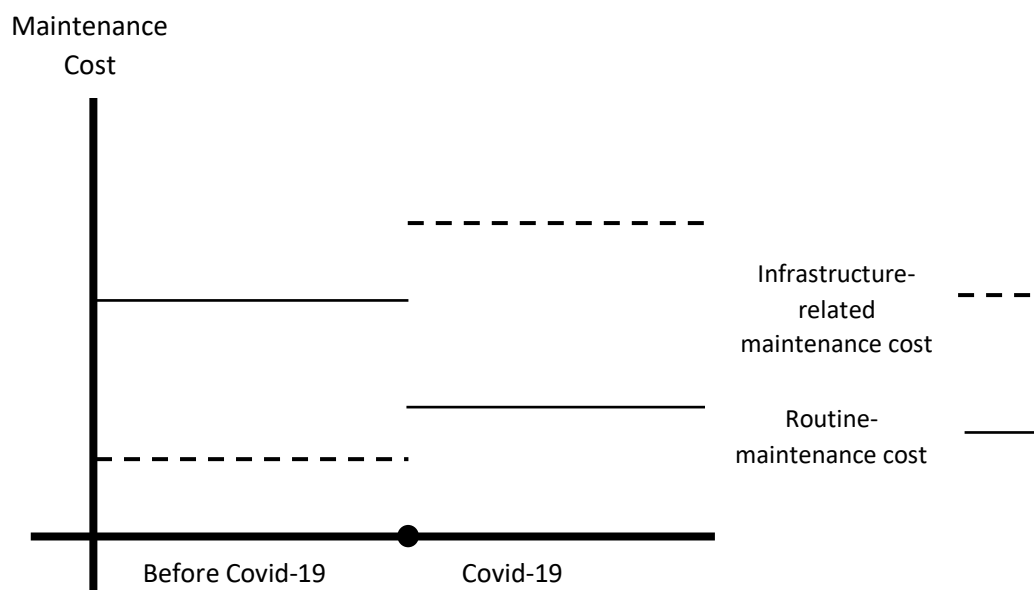


Figure 2. Cost of Maintenance

Source: Research Data, 2023

The hotel adjusts costs that are directly related to guests, such as providing refills of water, changing linen, and providing breakfast. These costs are immediately adjusted as a follow-up to the decrease in the selling prices of the rooms (see Figure 3). These costs are related to the cost of goods sold. One of the ways to do this is to support operational performance in terms of profit margins. The results of research conducted by Banker et al. (2020) have shown that, in

contrast to current beliefs, companies that experience a decline in sales during an economic slowdown show higher operating margins than companies that experience a decline in sales during a normal period. This anomalous behavior results from: (1) a decrease in the overall cost of goods sold during an economic slowdown; and (2) a reduction in additional selling, general and administrative costs in addition to expenses that could affect the competitiveness (i.e., research and development and advertising) of a company experiencing a decline in sales. The COVID-19 pandemic caused a global economic slowdown, including in the hotel industry. This causes companies to operate more efficiently, especially in terms of the cost of goods sold. This study is in line with the results of research on how macroeconomic conditions affect a company's operating performance in a predictable way (Banker et al., 2020).

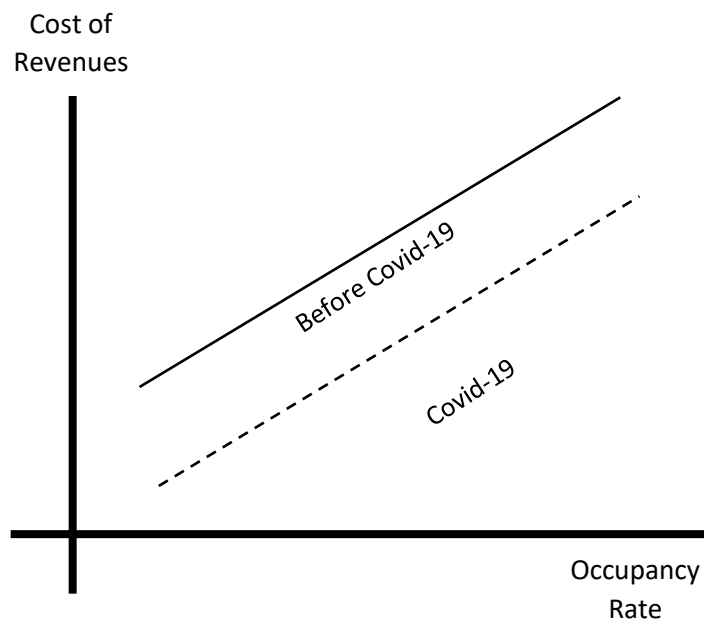


Figure 3. Cost of Revenues

Source: Research Data, 2023

CONCLUSIONS

This study aimed to find out more about cost management in the hospitality industry during the COVID-19 pandemic by using a case study at The RBS Hotel. It can be concluded that the hotel's cost behavior model underwent adjustments during this pandemic. The hotel's fixed employee salary adjustments showed semi-fixed behavior, while maintenance costs during the pandemic showed two types: super stickiness in infrastructure and facility repair costs, and variable cost behavior in direct guest service costs. Management's resource management policies significantly impacted cost behavior. The study highlights the impact of management policies on cost behavior, highlighting that cost behavior is controlled by policy makers, not mechanical factors. This has practical implications for hotel businesses, enabling optimization of maintenance during reduced activity and resource allocation.

The scope of this study was restricted to the COVID-19 period, hence constraining researchers in investigating cost behavior under situations of decreasing activity. The concept of cost behavior asymmetry pertains to the manner in which costs fluctuate in response to variations in activity levels, both in terms of increases and decreases. Hence, it is recommended that future studies delve into the dynamics of cost behavior within the post-COVID-19 era. During this particular time frame, there is a notable surge in activity as scholars endeavor to examine and contrast the variances in management policies between the pre-Covid and post-Covid periods. In order to give empirical evidence of the impact of management practices on cost behavior, future studies should also use diverse survey methods targeting different hotels.

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