Covid-19 crisis management
human resource cost-retrenchment: the role of transformational leadership and ethical climate

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Abstract
Purpose – As the tourism industry emerges from full or partial closure caused by the COVID-19 crisis, it is imperative to understand the internal conditions that assisted organizations to maintain positive employee attitudes despite the adverse effects of unpopular cost–retrenchment strategies. Therefore, this study aims to understand the impacts of transformational leadership (TFL), human resource management (HRM) crisis cost–retrenchment and ethical climate (EC) on employee job outcomes affected by COVID-19 pandemic.

Design/methodology/approach – Mid-level managers of service organizations from a travel destination heavily reliant on the tourism participated in an online self-administered survey one month after the state eased its COVID-19 travel restrictions. Partial least square structural equation modeling (PLS-SEM) examined how TFL and EC influenced cost–retrenchment crisis management HRM, satisfaction and trust in the organization, followed by PLS multi-group analysis (PLS-MGA) to understand differences between hospitality and non-hospitality employees.

Findings – Results revealed an overall positive effect of TFL that diminished the negative affect of HRM cost-retrenchment on employee satisfaction. PLS-MGA showed a significant positive role of other-focused EC on employee outcomes, especially for hospitality organizations, whereas self-focused EC had a negative impact for non-hospitality firms.

Originality/value – This study contributes to contingency theory of leadership by demonstrating that TFL in combination with EC mitigates or overpowers the negative effects of cost–retrenchment crisis management strategies on employees. The study advances knowledge of self-focused and other-focused moral reasoning climate impacts under COVID-19 conditions for hospitality organizations. The industry comparison results highlight the important positive characteristics of hospitality crisis management.

Keywords Transformational leadership, Ethical climate, Retrenchment, Crisis management, Job satisfaction, Covid-19

Paper type Research paper

1. Introduction
The abrupt full or partial closure of regional tourism due to the COVID-19 health pandemic, prompted business leaders to implement rapid crisis management to sustain and survive the short- and long-term impacts on their organization (Khan et al., 2022; Lopes et al., 2021; Zhang et al., 2020). Cutting costs, downsizing and restructuring human resources are often
the first crisis management responses enacted by organizations (Tsao et al., 2016), including tourism and hospitality organizations (hospitality organizations hereafter) (Khan et al., 2022; Lopes et al., 2021; Yacoub and ElHajjar, 2021). However, previous research revealed that human resource management (HRM) retrenchment strategies, such as employee downsizing, did not improve organizational performance (Datta et al., 2010), yet might have violated relationships between the company and remaining employees, negatively influencing productivity, organizational commitment and trust in the organization (Tsao et al., 2016). Nonetheless, in the face of the COVID-19 crisis, hospitality organizations confronted by financial constraints, rushed to implement a number of restrictive HRM cost–retrenchment strategies to reduce the number of employees, freeze recruitment, introduce voluntary or mandatory furloughs, layoffs, sabbaticals and retirements, and freeze or reduce remaining employee compensation packages, including incentives and benefits (He et al., 2021; Khan et al., 2022). Both industry practitioners and researchers report adverse effects of COVID-19 on tourism and hospitality employees (hospitality employees hereafter) essentially leading to increased financial concerns, emotional exhaustion, absenteeism and turnover intention, loss of job engagement and job security and decreased employee wellbeing (Chen and Chen, 2021; Chan et al., 2021; Chua et al., 2022).

Crisis management is defined as “a series of functions or processes to identify, study and forecast crisis issues, and set forth specific ways that would enable an organization to prevent or cope with a crisis” (Kash and Darling, 1998, p. 180). Yet, the level of preparedness for the COVID-19 health crisis among hospitality organizations was admittedly low (Yacoub and ElHajjar, 2021). Hospitality research on COVID-19 raised a number of calls for a comprehensive understanding of crisis management, system resilience, competitiveness and transformational opportunity, specifically how to design and implement crisis response strategies and create organizations that are capable of withstanding and addressing future crises (Giousmpasoglou et al., 2021; Lopes et al., 2021; Sigala, 2020; Yacoub and ElHajjar, 2021).

Despite the vast majority of research on crisis management in hospitality and in the business literature, the role of hospitality leadership in crisis management has mainly focused on specific actions, such as safety behavior, decision-making, coping, adaptability and communication strategies (Giousmpasoglou et al., 2021; James et al., 2011; Khan et al., 2022; Yacoub and ElHajjar, 2021). Fiedler (1978) proposed that in the contingency theory of leadership, effective leadership type successfully converges with the specific business situation and particular set of circumstances. Transformational leadership (TFL), as a contingency leadership type, is closely linked to the extent a leader is capable of effectively leading a team by implementing changes necessary to improve organizational performance (Buil et al., 2019; Gui et al., 2020), especially under crisis management (Kim et al., 2021; Kloutsiniotis et al., 2022). Following the contingency theory of leadership, effective leaders in the face of the crisis should be able to sustain organizational efficiency (Donaldson, 2001) and, thus, maintain employee job outcomes. Recently, in response to COVID-19, TFL showed a positive impact on hospitality employee quality of life (Kim et al., 2021) and a negative impact on stress, anxiety and workplace loneliness (Kloutsiniotis et al., 2022). Although hospitality research has extensively examined TFL under non-crisis business conditions (Gui et al., 2020), there is a lack of understanding how TFL affects crisis-management decision-making such as HRM cost–retrenchment strategies and employee job outcomes.

Studies on crisis management understand a system’s resilience as the capacity to withstand disturbances and re-organize, self-organize and innovate to retain its processes and structures (Sigala, 2020). Tourism ecosystem resilience was proposed to consist of two
dimensions: planning and culture, collaboration and innovation (Orchiston et al., 2016). Drawing from the tourism ecosystem and organizational resilience research (Giousmpasoglou et al., 2021; Sigala, 2020), it could be proposed that organizational climate can hinder or facilitate an organization’s preparedness and crisis management, resilience, adaptive capacity and response to emergency situations.

As a subset of organizational culture, ethical climate (EC) is understood as employees’ collective perceptions of an organization’s ethical values, standards, systems, policy and procedures (Arnaud and Schminke, 2012). Under non-crisis circumstances, EC was found to considerably influence employee satisfaction, ethical behavior, organizational commitment and turnover intention (Mulki et al., 2009). Using a different basis of moral reasoning, Arnaud and Schminke (2012) specified two distinct dimensions of EC: self-focused EC and other-focused EC. Surprisingly, in a recent COVID-19 study, governmental support of the hospitality industry revealed a high correlation but a negative moderation effect of broad EC on hotel employee satisfaction and commitment (Salem et al., 2021). Despite an emerging line of research on hospitality EC (i.e. Salem et al., 2021), the impact of EC’s dimensions in combination with TFL on HRM cost–retrenchment strategies and employee outcomes has not been examined, yet may deepen an understanding of the conditions that either hinder or facilitate crisis management responses and recovery strategies.

Unequivocally, COVID-19 has affected multiple facets of regional business eco-system, beyond tourism and hospitality, with various crisis management strategies implemented by different organizations, ranging from new entrepreneurial ventures, increased opportunities and exponential growth, to complete shutdowns and bankruptcies (Kuhlmann et al., 2021). Researchers report differences in crisis management responses based on different cultures and countries, company sizes, as well as industry sectors (Kuhlmann et al., 2021). Comparing industry crisis management approaches (i.e. hospitality and non-hospitality) including HRM cost–retrenchment strategies, the influences of TFL, EC and employee responses, offer an important hospitality distinction that leads to crisis management that promotes sustainable and resilient businesses (i.e. Gholami et al., 2022). Thus, a more focused and granular comparison between hospitality and non-hospitality business responses to crisis might bring forward important insights into what conditions are unique for hospitality organizations to effectively prepare and manage crisis situations in the future.

To fill the identified gaps, grounded in the contingency theory of leadership and tourism ecosystem resilience framework (Fiedler, 1978; Orchiston et al., 2016), this study’s purpose is to explore the effects of TFL, EC and HRM crisis cost–retrenchment strategies on work-related outcomes (employee satisfaction and trust) as a result of COVID-19. To inform the understanding of HRM cost–retrenchment impacts on hospitality employees, we investigate the perceptions of mid-level managers and compare hospitality and non-hospitality industry sectors located in Hawaii, a world-class travel destination adversely affected by COVID-19 related tourism closures. Our research model is presented in Figure 1 that captures how TFL as a contingent leadership style influences employee perceptions of EC and HRM cost-retrenchment, leading to employee job outcomes, operationalized as job satisfaction and trust in the organization. These job outcomes were chosen based on their widespread acceptability as measures of employee responses to crisis management by organizational leadership (i.e. Salem et al., 2021).

This research offers several important contributions to crisis management. Based on contingency theory of leadership, this study examines how TFL, as leadership style in combination with ethical moral reasoning, may hinder or facilitate employee perceptions of the adverse effects of HRM cost-retrenchment. The critical evaluation of decision-making and HRM strategies implemented by hospitality and non-hospitality leaders during COVID-19
pandemic closures, assessing differences in impacts on employees and identifying organizational approaches that might mitigate the negative effects, brings forward lessons learned from the COVID-19 crisis to improve future crisis responses by hospitality organizations. This study also extends the understanding of how self-focused and other-focused reasoning impacts crisis management within hospitality and non-hospitality organization. Overall, this study contributes to the crisis management, leadership, HRM and employee relations literature concerning managing a severe, abrupt, complex and hostile contingency, which is beyond the control of hospitality organizations.

2. Literature review

2.1 Crisis management and transformational leadership

The need for leadership in crisis management is undeniable (James et al., 2011). Hotel leaders as crisis managers ensure safety behavior, maintain normal business operations, minimize negative effects both on employees and customers, survive and strive to remain competitive in understandably demanding and volatile markets (Giousmpasoglou et al., 2021). Crisis management was included in the generic list of competencies for hotel managers by Jeou-Shyan et al. (2011), understood as knowing and preventing a potential crisis, handling a crisis effectively and managing security hazards. Nonetheless, previously hospitality leaders were criticized for their limited ability to effectively lead change, manage a crisis and lacking crisis planning to build personal and organizational resilience (Chan et al., 2021; Okumus et al., 2005; Yacoub and ElHajjar, 2021). Leaders are traditionally evaluated not only on their readiness to respond and ability to lead through a crisis but also on how well they translate an organizational mission into realistic and achievable survival goals, as well as how fast they can adapt their approach to the crisis and recap emerging opportunities (James et al., 2011).
Recently, hotel managers’ crisis leadership efficacy was found to moderate and strengthen the relationship between technological turbulence and employee resilience (Senbeto and Hon, 2021). One of the foundational organizational behavior theories, the contingency theory of leadership (Fiedler, 1978) postulates that there is no single best approach to managing organizations, hence, a rational effective leader should choose and adapt in the most effective and optimal way based on the current situation (Donaldson, 2001).

The core of the contingency theory of leadership is in understanding that the impact of leadership style on organizational effectiveness is moderated by a contingency (Lord et al., 2017). In crisis management, a contingency can be understood as environmental uncertainty, sudden change and a situation beyond one’s reach (Mintzberg, 1979). For hospitality organizations, the combination of contingency factors and the chosen or fitted leadership approach, rather than the optimal use of organizational resources and capabilities, should lead to maximum organizational performance (Doh et al., 2017). For example, in the context of agricultural tourism, manager perceptions of external contingencies (community, organizational/government support, economic status) in combination with internal factors (networking ability; business experience), led to changes in leader behavior and improved performance (Doh et al., 2017).

Responding to COVID-19, hospitality managers must act as change agents, inspire teams, innovate, have knowledge of available organizational resources, exhibit clear thinking and lead by example with care and compassion (Giousmpasoglou et al., 2021; Zhang et al., 2020). Carless et al. (2000) defined TFL as a style of leadership that reflects capabilities of the leader, who “(1) communicates a vision, (2) develops staff, (3) provides support, (4) empowers staff, (5) is innovative, (6) leads by example, and (7) is charismatic” (p. 390). In the study of COVID-19 crisis management in China, Ma and Young (2020) revealed a positive link between TFL and crisis management performance under different degrees of crisis experienced by the organization. Therefore, based on contingency theory of leadership, it can be argued that TFL should be applied to implement changes necessary to mitigate the negative impacts of external contingencies associated with the crisis, such as the COVID-19 global pandemic.

On one hand, research has focused on the overall positive influence of TFL on personal and organizational outcomes of hospitality front-line employees and mid-level managers as well as firm’s overall performance (Gui et al., 2020; Kim et al., 2021; Kloutsiniotis et al., 2022). On the other, researchers point out potential adverse effects of TFL behaviors in an economic downturn or recession (Li and Yuan, 2017). From the followers’ perspective, TFL’s charisma may be viewed as authoritarian and self-centered, whereas boastfulness and positivity may be incongruent with negative events (Li and Yuan, 2017). As followers become more involved with the TFL’s vision, they might be more willing to work longer hours, increase energy output but experience burnout, thus sacrificing their own wellbeing (Arnold, 2017). Focusing on their own vision could drive TFL to undervalue subordinates’ ideas, especially in a crisis when openness, creativity and innovation from multiple points of view is necessary (Li and Yuan, 2017). Therefore, amplified by crisis situations, TFL may constrain employees leading to a negative assessment of crisis management strategies chosen by the organization, as well as adversely affect subordinates’ personal and organizational outcomes.

2.2 Crisis management strategy: human resource management retrenchment

In response to a crisis, company leadership initially starts with short-term cost-cutting measures to stem immediate financial losses (e.g. hiring freezes, benefit reductions), followed by mid-term measures (e.g. downsizing, employee layofs, furloughs) (Brahmana et al., 2020; Tsao et al., 2016). Long-term strategies include improving the organization’s competitive position and reputation through innovation. Unlike socially responsible HRM practices, the use of cost–retrenchment strategies, particularly under economic crisis-management,
became a pervasive approach to stabilize or even improve organizational performance (Tsao et al., 2016), but potentially leading to hospitality employees’ job insecurity, financial concerns and psychological stress (Chua et al., 2022; He et al., 2021). Due to the severity of COVID-19, as an external contingency, leading to abrupt business closures, hospitality leaders had to implement both short-term and mid-term HRM cost–retrenchment strategies immediately and simultaneously. Hence, in this study we focused on both short-term and mid-term HRM cost–retrenchment strategies implemented by hospitality organizations: hiring freezes, benefit reductions, shortened workweeks, layoffs, salary reductions, unpaid leaves, mandatory leaves, voluntary sabbaticals and outsourcing.

In the analysis of non-financial public companies over a five-year period following the 2008 recession, Brahmana et al. (2020) showed that stronger leadership power was linked to greater retrenchment, resulting in higher firm performance. Previously, hospitality TFL successfully implemented change and improved organizational processes, as well as affected followers’ personal and organizational outcomes (Gui et al., 2020). Under COVID-19 conditions, HRM practices interacted with TFL and job stressors, mitigating their impacts on burnout (Kloutsiniotis et al., 2022). Although TFL is known for its long-term orientation (Gui et al., 2020), the contingency theory of leadership postulates that in the face of a crisis, leaders should choose and adapt their style to drive organizational results (Donaldson, 2001). Therefore, it can be argued that effective leaders may enact a TFL style when faced with immediate and severe contingencies to inspire and change employee perceptions of unpopular HRM cost–retrenchment strategies implemented by management:

**H1.** During crisis management, TFL significantly and positively influences employee perceptions of HRM cost retrenchment.

### 2.3 Ethical climate

When describing the tourism industry’s dynamic response to crisis, Orchiston et al. (2016) proposed that strong leadership and culture might lead to adaptive resilience and preparedness of organizations. EC, as a subset of organizational culture, promotes and offers guidance to employees in ethical decision-making and behavior (Newman et al., 2017). Due to the customer-facing nature, ethical, sustainable and socially responsible orientation of the hospitality industry (Ertuna et al., 2019), an organization’s EC may provide moral-focused guidance to leadership in crisis decision-making regarding HRM cost–retrenchment strategies, as well as foster employee attitudes and behavior.

EC is “a moral concept reflecting the content and strength of the prevalent ethical values, norms, attitudes, feelings and behaviors of the members of a social-system” (Arnaud, 2010, p. 125). According to Arnaud and Schminke (2012), organizational moral reasoning often differs from personal ethical propensities and consists of two EC dimensions: self-focused and other-focused. Self-focused EC uses egoistic moral reasoning when self-interest is placed ahead of others in the organization. Other-focused EC uses non-egoistic moral reasoning, when the interest of others in the organization is placed ahead of personal self-interest. Arnaud and Schminke (2012) found self-focused EC was negatively related to ethical organizational outcomes, whereas other-focused EC had a positive effect.

Leadership is considered another key factor that creates and maintains an ethical organizational climate (Schminke et al., 2007; Newman et al., 2017). Although research on how TFL influences ethical organizational climate is limited (Guerci et al., 2015), instrumental and benevolent leadership affected ethical organizational climate (Newman et al., 2017). Yet, Buil et al. (2019) proposed that TFL usually demonstrates high moral standards and ethical conduct. Leaders institute ethical norms, everyday ethical practices
and activities (Schminke et al., 2007); therefore, based on contingency theory of leadership in crisis-management when leaders enact TFL, it empowers and inspires employees to follow their change management strategies as well as sharpens their attention to followers’ needs (Buil et al., 2019), which in return will influence organizational EC:

**H2.** During crisis management, TFL positively influences organizational EC based on moral-reasoning: (a) self-focused EC and (b) other-focused EC.

Unethical behavior (lying, falsifying reports and accepting bribes) affects ethical decision-making (Arnaud and Schminke, 2012). Hotel leaders’ unethical behavior negatively influences employee-related practices: employee exploitation, including working hours, pay and benefits, leading to employee deviance behavior (Wong and Li, 2015). The moral reasoning process that employees’ use creates the ethical environment, reinforces normative systems and provides decision-making guidance (Arnaud and Schminke, 2012), specifically, what is morally appropriate under the given circumstances (Newman et al., 2017). Arnaud and Schminke (2012) proposed that self-focused EC negatively affects ethical outcomes and other-focused EC has a positive effect. While under normal circumstances HRM practices and procedures assist in creating the ethical organizational climate (Guerci et al., 2015), under crisis management, EC might provide the environment and normative guidelines that affect HRM cost–retrenchment decision-making:

**H3.** During crisis management, EC negatively influences employee perceptions of HRM cost–retrenchment strategies based on (a) self-focused EC and positively based on (b) other-focused EC.

2.4 Employee outcomes: job satisfaction

Although, HRM retrenchment is the first crisis-related decision made by leaders to reduce operating costs, such decisions may undermine a firm’s long-term competitive advantage and performance, while negatively affecting the remaining workforce (Tsao et al., 2016). Employees who continue to work for the organization that implemented drastic and abrupt HRM retrenchment strategies may exhibit psychological withdrawal, lose commitment and trust in the organization, reduce job performance, increase absenteeism and even voluntarily resign (Tsao et al., 2016), jeopardizing the success of crisis-management. Indisputably important for hospitality, employee job satisfaction is one’s evaluation of his or her job from an attitudinal perspective (Kim et al., 2009). Influenced by the COVID-19 crisis, organizational changes implemented by hospitality organizations increased feelings of job insecurity and negatively affected employee satisfaction (Bajrami et al., 2021). In response, the remaining employees might retaliate due to perceived injustice and become dissatisfied (James et al., 2011; Tsao et al., 2016), thus:

**H4.** During crisis management, HRM cost–retrenchment strategies decrease employee job satisfaction.

Following the debate about the positive and negative effects of TFL on followers’ attitudes, perceptions and behaviors (Gui et al., 2020; Li and Yuan, 2017), Kloutsiniotis et al. (2022) showed that under COVID-19 conditions, TFL reduced hospitality employee stress and burnout. Previously, TFL had a positive influence on followers’ satisfaction and their perceptions of leader effectiveness (Buil et al., 2019). Hospitality TFL empowers followers to achieve greater performance, job satisfaction, organizational commitment and improves their life satisfaction and well-being (Gui et al., 2020; Kim et al., 2009). Transformational leaders
inspire, motivate and empower individual decision-making, while also being attentive to followers’ needs (Bass, 1990). Hence, despite the potential negative effects (Li and Yuan, 2017), we argue that in response to a severe contingency with sudden changes (Mintzberg, 1979), TFL would improve employee job satisfaction, rather than have a negative influence:

**H5.** During crisis management, TFL has positive impact on employee job satisfaction.

Organizational climate can also influence employees’ job satisfaction (Gui et al., 2020). EC may reduce risk and increase sense of comfort for employees, as it guides employee behavior, decision-making and attitudes from the moral reasoning perspective, influencing their job-related attitudes, such as job satisfaction (Gui et al., 2020; Shin, 2012). Despite the overall positive outcomes of EC on job satisfaction (Shin, 2012), other studies revealed mixed results (Salem et al., 2021). A caring EC related positively to job satisfaction, while instrumental climate was negatively associated with satisfaction (Tsai and Huang, 2008; Newman et al., 2017). Exploring the effects of COVID-19 on hotel employee performance in Egypt, Salem et al. (2021) revealed that universal EC changed the positive impact of job satisfaction and organizational commitment to a negative effect. The self-serving and egoistic nature of self-focused reasoning negatively influenced employee group behavior, while other-focused reasoning did not have such an effect (Arnaud and Schminke, 2012). Therefore, given the dual-nature of EC, such results may point to a more complex relationship of EC’s influence on employee outcomes during crisis management:

**H6.** During crisis management, EC negatively influences job satisfaction based on moral reasoning: (a) self-focused EC and positively based on (b) other-focused EC.

2.5 Employee outcomes: trust in the organization

Employee trust is defined as perceptions of employer trustworthiness to confidently manage all facets of company performance with adequate safeguards of HRM assets (Alfes et al., 2012). For hospitality, work conditions may lead to employee trust and job satisfaction, which often serves as a stepping-stone to organizational commitment and job performance (Magnini et al., 2011). If job satisfaction reflects immediate employee attitudinal assessment of changing job conditions (Kim et al., 2009), organizational trust may influence long-term relationships with the organization (He et al., 2021). Previous studies demonstrated the influence of employee job satisfaction on trust in their organization (Williams, 2005). Under COVID-19 crisis conditions, organizational trust was found to significantly influence and mediate hospitality employee fears of external threats (He et al., 2021). Therefore, under crisis management conditions and based on the contingency theory of leadership premise of upholding organizational outcomes (James et al., 2011), it is important for hospitality organizations to maintain trust in the organization, in order to ensure employees’ organizational commitment and performance:

**H7.** During crisis management, job satisfaction positively influences employee trust in the organization.

If employees perceive the organization as an ethical entity, they are more willing to develop and exhibit trust (Mulki et al., 2009). However, organizational climate may have a positive or negative impact on organizational commitment, where the instrumental nature leads to decreased commitment, while caring nature relates to improvement (Newman et al., 2017). More self-focused ECs, where employees expect others within the organization to behave purely with egoistic, opportunistic and self-interest were linked to unethical employee behaviors, workplace
deviance and reduced mutual trust (Arnaud, 2010). For hospitality organizations, discord, conflicts and tension negatively influenced mutual trust among employees and employers (Wong and Li, 2015). It is reasonable to predict that trust in the organization may decline under crisis situations, especially if the company implements severe HRM cost-retrenchment that deviates from the EC established in the organization and has egoistic self-serving reasoning. Yet, EC that is based on other-focused moral reasoning may have a positive influence on trust in the organization, as trust reflects ethically inclined other-focused reasoning (Arnaud and Schminke, 2012):

H8. During crisis management, EC negatively influences employee trust in the organization based on moral reasoning (a) self-focused EC and positively based on (b) other-focused EC.

2.6 Differences in evaluation of crisis as contingency between hospitality and non-hospitality organizations
Following a well-accepted approach of industry comparisons (i.e. Gholami et al., 2022), to better understand the unique approach of hospitality organizations to crisis management and implementing HRM cost–retrenchment strategies, this study compares hospitality and non-hospitality employee perceptions of TFL, EC and HRM cost-retrenchment. In a crisis, according to contingency theory, effective leaders analyze the situation based on the nature of the crisis, its origin, environmental uncertainty, complexity, controllability, agency, intentionality and impact (Mintzberg, 1979; Paraskevas and Quek, 2019). Generally, hospitality and tourism are considered highly volatile and vulnerable to manmade and natural disasters (Chan et al., 2021). According to the United Nations report (August 2020), tourism, one of the largest contributors to the world’s gross domestic product, was named as one of the economic industry sectors most affected by the crisis of COVID-19 (Lopes et al., 2021). The tourism supply chain created a multiplier effect that threatened the economic livelihood of other industries for both developed and developing nations (United Nations, 2020). Compared to the leaders of non-hospitality organizations, due to the full or partial shutdown of tourism in travel-dependent destinations, hospitality leaders recognized the COVID-19 crisis as unintentional, but highly complex, impactful, hostile, destabilizing and diverse, lacking controllability due to governmental policies, shutdowns, quarantines and visitor arrivals (Margaux et al., 2020; Lopes et al., 2021; Yacoub and ElHajjar, 2021). Therefore, based on the contingency theory of leadership, COVID-19 hospitality crisis-management HMR cost-retrenchment, compared with non-hospitality organizations, will be affected by the leadership style and EC established, influencing employees’ outcomes of job satisfaction and trust in the organization:

H9. Significant differences exist between hospitality and non-hospitality organizations in employee perceptions of crisis management HRM cost–retrenchment strategies implemented by organizations.

The conceptualization of the research model and hypotheses (Figure 1) are grounded in the contingency theory of leadership (Mintzberg, 1979; Fiedler, 1978). TFL serves as the antecedent that affects organizational processes, employee attitudes and behaviors in response to the crisis or contingency. Finally, based on differences in the severity, hostility and complexity of the COVID-19 crisis as a contingency, the proposed research model reflects a comparison between hospitality and non-hospitality organizations.
3. Methodology

3.1 Sample

Data were collected from hospitality and non-hospitality professionals working in the State of Hawaii, USA. Located in the Asia-Pacific region, the Hawaii economy is exceedingly dependent on the tourism and hospitality industry. In response to the COVID-19 pandemic, from April to October 2020, Hawaii’s governor issued an emergency proclamation mandating all arriving passengers to self-quarantine for 14 days. Such measures substantially decreased tourism demand, leading to temporary or permanent closure of a significant percentage of Hawaii hospitality and tourism-supporting businesses (Dbedt, 2021). Based on the Department of Business, Economic Development and Tourism data, the 2020 Hawaii visitor arrivals compared to 2019 decreased by 73.7%, visitor spending by 71.1% and the transient accommodation tax revenue by $236.4 M in the first three quarters of 2020 (Dbedt, 2021), critically affecting the state’s economy. In Hawaii, the average 2020 rate of unemployment was 11.2% with the job loss in lodging and restaurant sectors accounting for 54.4% (Dbedt, 2021). On October 15, 2020 the 14-day quarantine was lifted, allowing tourist arrivals with proof of a 72-hour negative COVID-19 test, essentially re-opening hospitality and tourism-supporting businesses. The data collection for this study started on November 15, 2020, or one month after resuming airline tourist arrivals, with approximately one-half of hospitality organizations re-opened for service. Limited cruise ship arrivals opened during November 2022.

The relative insulation of the Hawaiian Islands, with limited available transportation (i.e. airlines, cruise-ships) to bring visitors to and from the state and the high dependency on the tourism industry as the single largest source of private capital for the state’s economy (Dbedt, 2021), presented a unique opportunity to explore the effects of COVID-19 closures on hospitality organizations as a natural experiment with a one-shot posttest-only design (Babbie, 2020). This approach isolated the effects of crisis management on hospitality versus other industries within the state’s economic system. Furthermore, we adopted the widely accepted hospitality research approach of one state, county, island or country (Okumus et al., 2005; Wang et al., 2022), including COVID-19 studies (Lopes et al., 2021; Kloutsiniotis et al., 2022).

Data were collected using a well-adapted social research convenience sampling method (Babbie, 2020) by deploying two state-wide professional business membership rosters (N = 650), both consisted of mid-level managers and were generally considered representative of Hawaii businesses. After three follow-up emails, 203 professionals started the questionnaire and 161 completed (24.8% response rate). On average participants were 50.5 years old. Women represented the majority of participants (n = 107, 66.5%) and men were at 24.2%, 15 participants did not identify themselves. The majority of respondents were married (n = 109, 67.7%) and had children (n = 113, 70.2%). Most respondents’ family income was above US$100,000 (65.9%). The majority had an undergraduate degree or less (68.9%). Respondents identified their ethnicity as Asian (n = 65, 40.4%), followed by multiracial (24.3%) and white (21.1%).

Overall, 44.1% of respondents represented hospitality (n = 71) and 55.9% represented non-hospitality organizations (n = 90) including retail, health-care, financial services and manufacturing. This ratio was approximately indicative of both sectors pace of re-opening after COVID-19 closures. All respondents were professionals with the majority in managerial or supervisory roles (n = 133, 82.6%) and non-managerial roles (n = 28, 17.4%); working in operations (n = 20), human resources (n = 86), sales and marketing (n = 26), finance (n = 3) and other departments (n = 26). The majority of participants worked in the same company for over seven years (49.1%), followed by those who worked in the same company for less than five years (41.0%) and between five and seven years (9.9%).
Respondents also represented different organization sizes: 44.7% had less than 249 employees, 30.5% with 250–999 employees and 24.8% with over 1,000 employees.

3.2 Questionnaire design
The questionnaire was designed with the help of Qualtrics software as an online self-administered survey. The data were collected between November 2020 and January 2021. All measures used in this study were adopted without significant modifications from widely researched scales published in peer-reviewed academic journals. The cost-retrenchment measure (nine-items) was from Tsao et al. (2016) and used a seven-point Likert-type scale rated from “not at all” to “a very large extent.” Participants assessed the extent to which their organizations deployed HRM cost-retrenchment during COVID-19 lockdowns from March to October 2020 (see Table 1 in Supplementary Materials; Source: Created by authors). Hospitality organizations were significantly more involved in HRM cost-retrenchment compared to non-hospitality organizations (t-values = 11.13, p < 0.001).

The TFL scale was from Carless et al. (2000) (seven items; example: “My CEO communicates a clear and positive vision of the future”). The Arnaud and Schminke (2012) measure of EC was used to measure two unique dimensions: self-focused moral reasoning (five-items; example: “In my organization, people’s primary concern is their personal benefit”) and other-focused moral reasoning (five-items; example: “What is best for everyone in the organization is the major consideration”). The Brayfield and Rothe (1951) scale was used to measure job satisfaction (four items; example: “Overall, I am satisfied with my present job”). This study used Alfes et al. (2012) seven-item measure of trust in the organization (example: “I fully trust my employer”). Participants evaluated all scale items based on a seven-point Likert-type scale rating from “strongly disagree” to “strongly agree.” The constructs’ reliability was assessed using Cronbach’s alphas (Table 1).

3.3 Common method bias
Self-administered surveys might be affected by common method bias (CMB) (Podsakoff et al., 2003). To lessen the potential effects of CMB, the survey design included the assurance of anonymity and confidentiality; the presentation of the questions were on separate pages to increase the proximal parting of the items to decrease the possibility of CMB. Statistical controls were deployed to verify the impact of CMB. Harman’s single-factor test explained 36.64% of variance, which was below the 50% criteria (Podsakoff et al., 2003). Following a well-accepted CMB testing procedure (Chang and Busser, 2017), a confirmatory factor

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<td></td>
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<tr>
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<td>0.83</td>
<td>-0.39</td>
<td>0.91</td>
<td></td>
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</tr>
<tr>
<td>CRET</td>
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<td>0.51</td>
<td>0.14</td>
<td>0.07</td>
<td>0.72</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAT</td>
<td>0.93</td>
<td>0.83</td>
<td>0.43</td>
<td>-0.37***</td>
<td>-0.21***</td>
<td>0.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TFL</td>
<td>0.96</td>
<td>0.80</td>
<td>0.37</td>
<td>-0.16**</td>
<td>0.26***</td>
<td>0.63***</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>TRUST</td>
<td>0.96</td>
<td>0.81</td>
<td>0.50</td>
<td>-0.42***</td>
<td>0.14**</td>
<td>0.76***</td>
<td>0.68***</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Notes: *p < 0.05; **p < 0.01; ***p < 0.001; AVE = average variance extracted. In-italic on diagonal are square root of AVE, followed by paired correlations. TFL = transformational leadership; EC-Other = other-focused ethical climate; EC-Self = self-focused ethical climate; SAT = job satisfaction; CRET = cost-retrenchment

Source: Created by authors

Table 1. PLS model testing results of reliability, convergent and discriminant validity
analysis (CFA) was performed demonstrating that the one-factor model had a poor model fit to the data (normed $\chi^2 = 5.37$; RMSEA = 0.17; GFI = 0.48; TLI = 0.45); the 5-factor model showed an improved model fit (normed $\chi^2 = 2.30$; RMSEA = 0.09; GFI = 0.67; TLI = 0.84); the six-factor model with two dimensions of EC revealed an acceptable model fit (normed $\chi^2 = 1.86$; RMSEA = 0.07; GFI = 0.73; TLI = 0.89). Results of statistical controls suggested that CMB did not significantly affect the study results.

3.4 Data analysis

Partial least squares structural equation modeling (PLS-SEM) and PLS-multi-group analysis (PLS-MGA) SmartPLS 3.2.8 in combination with IBM SPSS v26 were used to analyze the data. PLS-SEM is widely used in social research including hospitality and tourism (Lo et al., 2017), due to its nonparametric statistical methods (Hair et al., 2014), for exploratory purposes that are examining complex continuous and categorical variables and analyzing relatively smaller sample sizes (Hair et al., 2014). According to Hair et al. (2014), when the maximum number of independent variables in the measurement and structural model is 4, 65 observations would be needed to achieve a statistical power of 80% for detecting $R^2$ of at least 0.25 with a 5% probability error. Thus, this study meets the required criteria for a sufficient sample size ($n = 161$, $N_{hospitality} = 71$; $N_{non-hospitality} = 90$) to estimate the models and conduct PLS-MGA.

To test the proposed hypotheses, PLS-SEM procedure established by Hair et al. (2014) was followed that included three steps using 5,000 resamples and 95% confidence interval: measurement outer model examined; the structural inner model tested; and PLS-MGA between hospitality and non-hospitality organizations. First, the outer model was examined for constructs’ reliability (Cronbach’s alpha above 0.70), convergent validity (average variance extracted AVE > 0.50) and discriminant validity (Fornell–Larcker criterion). Second, the inner model was examined for its predictive capability using $R^2$, predictive relevance $Q^2$ and effect size $f^2$. Next, the significance of path coefficients were analyzed. Third, PLS-MGA, a statistical “technique that allows testing for differences between identical models estimated for different groups of data” (Hair et al., 2014, p. 71) was performed to analyze differences between two groups of respondents: hospitality and non-hospitality employees. With PLS-MGA the same model is compared across different samples of respondents, which determines whether the relationships in the model are statistically significant for both groups (hospitality and non-hospitality) and if the strength of the relationships between groups is similar or statistically different (Hair et al., 2014).

4. Results

First, using the criteria outlined by Hair et al. (2014), CFA was performed to determine the reliability, convergent and discriminant validity of the measures (Table 2 Source: Created by authors). In the first iteration, two items from the HRM cost–retrenchment scale were deleted due to standardized outer loadings below 0.60 (i.e. reduction in benefits and outsourcing). In the final iteration, all standardized outer loadings ranged from 0.65 to 0.95. Out of the seven remaining cost–retrenchment items, standardized loadings ranged from 0.65 to 0.79. Three items loaded below 0.70 (0.65–0.68), but were retained based on conceptual basis (Hair et al., 2014). Convergent validity was tested by the AVE, where above 0.50 was considered adequate (Hair et al., 2014). The analysis of discriminant validity was based on the Fornell–Larcker criterion, where the square-root of constructs’ AVE were above constructs’ correlations. To check for potential multi-collinearity, variance inflation factors (VIFs) were reviewed and were between 1.00 and 1.34, hence, below 5 (Hair et al., 2014) and were deemed acceptable. In general, the measurement outer model was satisfactory for PLS-SEM analysis.
Second, the structural inner model was examined to evaluate the relationships among the latent variables (Model A; Figures 1 and 2). Initially, to better understand the impact of TFL on the variables, the PLS-SEM model without TFL was examined (Figure 2). HRM cost–retrenchment strategies had direct and significant effect on job satisfaction ($\beta = -0.19, p < 0.01$); self-focused EC had direct and significant effect on satisfaction ($\beta = -0.26, p < 0.01$) and trust in the organization ($\beta = -0.12, p < 0.05$), but non-significant impact on HRM cost–retrenchment ($p = 0.15$); other-focused EC direct and significant effect on HRM cost–retrenchment ($\beta = 0.21, p < 0.05$), satisfaction ($\beta = 0.30, p < 0.001$) and trust in the organization ($\beta = 0.18, p < 0.01$).

To test the proposed hypotheses and better demonstrate TFL’s role, the PLS-SEM model with TFL was tested (Model B; Figure 3). Based on $R^2$, the model explained 61.80% of the variance in trust in the organization and 49.10% of the variance in job satisfaction. The Stone–Geisser test was used to examine the model’s predictive relevance for trust, revealing a moderate level of $Q^2 = 0.42$. Overall, the results indicated satisfactory predictive capability of the research model (Figure 3).

TFL had a direct positive effect on employee perceptions of cost retrenchment ($\beta = 0.24, p < 0.01$), thus supporting $H1$. TFL had a direct negative effect on self-focused EC ($\beta = -0.16, p < 0.05$), thus rejecting $H2a$ and a direct and positive effect on other-focused EC ($\beta = 0.37, p < 0.001$), thus supporting $H2b$. Self-focused EC had no significant effect on cost retrenchment ($p = 0.11$), thus rejecting $H3a$. Other-focused EC showed no significant effect on cost retrenchment ($p = 0.24$) as well, thus rejecting $H3b$. Cost retrenchment had no significant effect on job satisfaction ($p = 0.13$) rejecting $H4$. TFL had a direct positive effect on job satisfaction ($\beta = 0.52, p < 0.001$), thus

![Diagram](Image)

**Notes:** *p < 0.05; **p < 0.01; ***p < 0.001; n.s. – non-significant

**Source:** Created by authors

**Figure 2.**
Model A without TFL – summary of the direct path coefficients of the structural model
supporting $H5$. However, self-focused EC had a significant negative effect on job satisfaction ($\beta = -0.23, p < 0.001$), thus supporting $H6a$, and other-focused EC had no significant effect on job satisfaction ($p = 0.06$), thus rejecting $H6b$. Job satisfaction had a positive significant effect on trust ($\beta = 0.64, p < 0.001$) supporting $H7$. However, self-focused EC had a significant negative effect on trust ($\beta = -0.12, p < 0.05$) supporting $H8b$, and other-focused EC had a positive and significant impact on trust in employer ($\beta = 0.18, p < 0.05$), thus supporting $H8b$. For detailed PLS-SEM path analysis results see Table 3 in Supplementary Materials (Source: Created by authors).

4.1 Multi-group analysis: differences between hospitality versus non-hospitality employees
To test $H9$, PLS-MGA analyzed differences between hospitality ($n = 71$) and non-hospitality organizations ($n = 90$) (Table 2). Using the Welch–Satterthwait test recommended by Hair et al. (2014), a significant difference between hospitality and non-hospitality organizations was found between other-focused EC and trust in the organization ($\text{diff} = 0.30, t = 2.26, p < 0.05$). Hospitality employees evaluated the effect of other-focused EC on trust as significant and positive ($\beta = 0.37, t = 3.38, p < 0.01$) and non-hospitality organizations as non-significant ($p = 0.44$). When individual paths for each model were examined and compared, both categories revealed significant paths from TFL to satisfaction, other-focused EC and trust. However, differences emerged when the impacts of TFL on self-focused EC were compared: non-significant for hospitality employees ($p = 0.28$) and significantly negative for non-hospitality employees ($\beta = -0.27, t = 2.90, p < 0.01$). Furthermore, the impact of self-focused EC on job satisfaction was non-significant for hospitality employees ($p = 0.19$) and significantly negative for non-hospitality employees ($\beta = -0.29, t = 2.75, p < 0.01$). The results underscore the differences in perceptions of TFL on EC within organizations, showing the negative effect of self-focused EC on employee outcomes for non-hospitality employees, and positive impact of other-focused EC on employee outcomes for hospitality employees. Thus, $H9$ was partially supported.
5. Discussion

Our study examined both short-term and mid-term HRM cost–retrenchment strategies from the standpoint of crisis management responses that organizations implemented due to the COVID-19 related economic crisis. Results indicated that despite the potential negative impact of crisis management cost–retrenchment strategies on long-term organizational outcomes and the remaining workforce (Tsao et al., 2016; Chua et al., 2022), the disparate impact of HRM cost-retrenchment was mitigated by the combination of TFL and other-focused EC. In line with our hypotheses, these findings revealed the value of TFL when managing hospitality organizations through the crisis, thus providing further evidence in support of the positive effects of TFL on attitudinal (satisfaction) and relational (trust in the organization) employee outcomes, extending findings of He et al. (2021), Kim et al. (2021), Kloutsiniotis et al. (2022). While previous criticism of hospitality leadership in crisis management is well founded (Chan et al., 2021; Okumus et al., 2005; Yacoub and ElHajjar, 2021), our results showed that TFL, as a style of leadership, is able to transform hospitality organizations in crisis, clarify the vision, empower and inspire employees (Buil et al., 2019) and positively affect remaining employee’s satisfaction. The positive impact of TFL on employee crisis management perceptions, refute the potential adverse TFL effects (Li and Yuan, 2017).

The findings revealed that TFL influenced organizational EC, HRM crisis-management strategies and fully curbed the effects of cost-retrenchment on job satisfaction. Organizations with TFL may be more inclined to have EC centered on other-focused moral reasoning. The TFL as a style of leadership that supports and inspires others (Bass, 1990), positively affected other-focused EC and negatively influenced self-focused EC. The self-focused EC developed by the company, as the predominant moral-reasoning, negatively influenced both job satisfaction and trust providing further support for Arnaud and Schminke (2012) two-dimensional EC model. The other-focused moral reasoning supported trust in the organization. However, neither EC dimension had an impact on HRM cost–retrenchment strategies. These results may provide a deeper understanding of Salem et al. (2021) findings of a potential negative influence of EC on the relationship between satisfaction and commitment for Egyptian hotel employees during COVID-19, while also extending the findings of Wong and Li (2015). Other-focused EC established in an

<table>
<thead>
<tr>
<th>Paths</th>
<th>β – Hospitality</th>
<th>β – Non-hospitality</th>
</tr>
</thead>
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<tr>
<td>EC-Other → CRET</td>
<td>0.18</td>
<td>−0.06</td>
</tr>
<tr>
<td>EC-Other → SAT</td>
<td>0.20</td>
<td>0.10</td>
</tr>
<tr>
<td>EC-Other → Trust</td>
<td>0.37***</td>
<td>0.06</td>
</tr>
<tr>
<td>EC-Self → CRET</td>
<td>0.13</td>
<td>−0.26</td>
</tr>
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<td>EC-Self → SAT</td>
<td>−0.12</td>
<td>−0.29**</td>
</tr>
<tr>
<td>EC-Self → Trust</td>
<td>−0.14</td>
<td>−0.10</td>
</tr>
<tr>
<td>CRET → SAT</td>
<td>0.09</td>
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<td>SAT → Trust</td>
<td>0.51***</td>
<td>0.70***</td>
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<td>0.43***</td>
<td>0.33***</td>
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<td>TFL → CRET</td>
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<td>−0.21</td>
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<tr>
<td>TFL → SAT</td>
<td>0.51***</td>
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</table>

Notes: TFL – transformational leadership, EC = ethical climate, CRET = cost-retrenchment; SAT = job satisfaction; significant differences between groups in paths coefficients highlighted in italic; *** p < 0.001; ** p < 0.01; * p < 0.05
Source: Created by authors

Table 2.
Results of multi-group analysis (PLS-MGA): hospitality versus non-hospitality employees
organization may serve as an approach for TFL to ensure the organizational vision and necessary changes are implemented with minimal adverse effects for employees. Other-focused EC (Arnaud and Schminke, 2012) had a far-reaching impact for hospitality organizations compared to non-hospitality organizations. For hospitality companies, leadership committed to establishing a climate benefiting and encouraging employees to have a sense of responsibility for co-workers, team-members, supervisors, customers, humankind and social systems, are imperative factors to be effective in crisis-management. Self-focused EC was non-significant for hospitality but had a significant negative effect for non-hospitality organizations on employee satisfaction. Taken together and grounded in the contingency theory of leadership, the differences in perceptions of crisis-management between hospitality and non-hospitality organizations uncovered by this analysis support the general understanding of how the same contingency creates inequalities and variability in organizational responses (Mintzberg, 1979; Paraskevas and Quek, 2019).

5.1 Theoretical contribution
This study contributes to the body of knowledge and theory development in three ways. First, Fiedler’s (1978) contingency theory of leadership is extended by demonstrating the positive role of TFL in crisis management that mitigated and potentially overpowered the negative effects of HRM cost–retrenchment strategies. Our research is one of the first to examine how HRM cost-retrenchment affects hospitality organizations and employee outcomes during crisis. The COVID-19 crisis was characterized as the external contingency high in complexity, instability, hostility toward tourism and market variability, which was mainly beyond the control of organizational leadership (Mintzberg, 1979). Fiedler (1978) proposed that from the contingency standpoint effective leaders should apply the leadership style that converged with a particular situation. Our study supports this contingency premise and demonstrates that TFL, as a leadership style, is effective and converges with the external complexity of the COVID-19 crisis contingency. Based on the contingency theory of leadership, effective leaders in the face of a crisis should be able to maintain organizational efficiency (Donaldson, 2001) and, thus, maintain employee job outcomes. On its own, HRM cost-retrenchment negatively affected employees who remained with the organization. However, organizations with TFL may turn employee perceptions around. Thus, to deepen the understanding contingency theory of leadership (Donaldson, 2001), leaders fitting their leadership approach to contingency factors may not only maximize levels of organizational performance (Doh et al., 2017), but also suppress detrimental effects of unpopular HRM strategies on employee attitudinal and relational work outcomes. Hence, TFL can be considered a contingency leadership style that is suitable to implement crisis-related changes such as HRM cost-retrenchment and maintain organizational and employee outcomes (Buil et al., 2019; Kim et al., 2021; Kloutsiniotis et al., 2022). Furthermore, closing the theoretical gap, this study extends contingency theory of leadership and broadens the TFL line of research by revealing a combined effect of leadership and EC on employee response to unpopular HRM cost–retrenchment strategies driven by a complex, unstable and hostile contingency.

Second, this study expands the limited hospitality research on the effects of EC on organizational and employee outcomes, specifically from a two-dimensional understanding of EC based on self-focused and other-focused reasoning (Arnaud and Schminke, 2012). Results demonstrated a wider negative influence of self-focused EC on employee work outcomes: job satisfaction and trust in the organization. Self-focused EC fosters employee vulnerability to more negative effects of crisis management, thus, potentially reducing organizational resilience in the short- and long-term. Our study extends the previous
understanding of the overall positive impact of ethics and EC on job satisfaction and trust while also extending Salem et al. (2021) by clarifying that it is EC with other-focused moral reasoning that brings about positive effects.

This study advances the knowledge on climate and collaboration for hospitality organizational system crisis resilience (Lopes et al., 2021; Sigala, 2020; Orchiston et al., 2016) by highlighting the positive role of other-focused EC on employee outcomes. Our findings extend previous research that indicated the positive impact of ethical leadership on EC (Shin, 2012) by demonstrating the influence of TFL on different dimensions of EC, specifically how TFL converges with other-focused EC and departs from self-focused EC. This study provides further understanding of EC from position of two unique principles of moral reasoning: self-focused and other-focused (Arnaud and Schminke, 2012) and the roles both factors play in HRM and employee perceptions under crisis management situations. Overall, it is the other-focused EC, when backed by TFL that drives positive employee job outcomes under unpopular crisis management HRM cost-retrenchment.

Finally, this research answers Sigala (2020) and Giousmpasoglou et al. (2021) calls for more research on how to design and implement crisis-response strategies and create hospitality organizations that are capable of buffering the effects. This study is one of the first to examine the impacts of crisis-related HRM cost–retrenchment strategies and the two-dimensions of EC on hospitality organizations and employee outcomes. The current study is also the first to bring forward differences between hospitality and non-hospitality organizations’ crisis management strategies. To support and extend Paraskevas and Quek (2019), by incorporating TFL and EC, this study adds a deeper understanding of the Orchiston et al. (2016) two-dimensional framework of hospitality organizational resilience and crisis preparedness by demonstrating the role of TFL. When compared to non-hospitality organizations, hospitality EC characterized by other-focused moral reasoning in combination with TFL serves as an internal environment that might improve organizational resilience in crisis situations, especially when the crisis is low on internal controllability and intentionality, high on external origin and agency (Paraskevas and Quek, 2019). Our study suggests further theoretical development of the distinctive approaches to crisis management and a system’s crisis resilience that can be derived from understanding of how the hospitality industry compared to non-hospitality organizations.

### 5.2 Practical implications

The findings of this research benefit the hospitality industry and HR professionals by bringing forward important practical implications for crisis management beyond COVID-19, especially offering support for the positive role of TFL and EC in mitigating the potentially negative impacts of unpopular HRM cost–retrenchment strategies on employees (Giousmpasoglou et al., 2021; Sigala, 2020). In the people-oriented hospitality industry (Salem et al., 2021), HR managers should be concerned with maintaining job satisfaction and ensuring trust in the employer through turbulent crisis management when potentially risky and unpopular HRM cost–retrenchment strategy decisions are implemented (He et al., 2021; Tsao et al., 2016). Our study points to two conditions that could be established pre-crisis to assist with these employee-oriented goals during- and post- crisis management phases (James et al., 2011; Sigala, 2020).

First, based on TFLs positive impact on the adverse effects of HRM cost–retrenchment strategies, managers should hire, select and promote employees embodying a TFL style. HR managers should assist, train and support employees TFL style throughout their careers. TFL’s “idealized influence, inspirational motivation, intellectual stimulation and individualized consideration” (Bass, 1990, p. 24), should be used to develop selection techniques for hiring new managers. Assessing existing organizational managers TFL styles is important, to ensure the
inclusion of candidates with high TFL scores in succession planning strategies. Performance standards could be developed to promote TFL behaviors. Developing training programs to influence and enhance TFL behaviors of existing leaders would ensure that in the moment of a crisis leaders are capable of enacting TFL mechanisms to mitigate potentially detrimental effects of HRM cost-retrenchment decisions. Following Paraskevas and Quek (2019), hospitality leaders and their organizations facing a crisis, must analyze the situation based on its origin, controllability, agency and intentionality, while determining the strategies to mitigate the potential negative effects of HRM cost-retrenchment from the position of TFL and other-focused EC. Immediate crisis leadership interventions should be put forward for both for mid-level managers and their subordinates and effectiveness measured by employee satisfaction and trust in the organization. Extending the findings by Khan et al. (2022) and Chua et al. (2022), transformational leaders should focus their delivery of cost-retrenchment and change messages using transparent and horizontal communication patterns by explaining business-decision making and reasoning behind HRM cost–retrenchment strategies to reduce negative impacts on employees.

Second, for hospitality organizations, establishing other-focused EC may foster continuous organizational trust through the challenges associated with crisis management (James et al., 2011; Giousmpasoglou et al., 2021) and ensure organizational resilience and competitiveness during- and post- crisis (Lopes et al., 2021). HR managers should improve organizational EC climate and exemplify other-focused. According to Arnaud and Schminke (2012), managers that work to establish other-focused EC should emphasize care not only for others before oneself, but also a strong sense of responsibility for society. The most important pivot should be on the greater good for all in the organization. Employees should be both actively concerned about their colleagues’ interests and what is right for society and humanity.

Our findings reinforce that leaders shape organizational EC (Guerci et al., 2015), as TFL revealed the potential to create and positively influence other-focused EC. Therefore, hospitality leaders should commit to instilling other-focused EC by creating inter-organizational policies and procedures that assist in maintaining other-focused EC. They should opt for including other-oriented values in the organizational mission and vision statements. To assist TFL, HR managers should strengthen leadership buy-in to further develop other-focused EC. Hospitality organization’s code of ethics, training and employee engagement programs should be revised to reflect other-focused moral reasoning as guidelines for employee behavior and decision-making. Both leadership and HR managers should communicate the principles of other-focused EC to employees to improve mid-level and front-line employee commitment to other-oriented reasoning ethics approach. Training programs should address decision-making approaches that include other-oriented reasoning to foster ethical conduct by leaders, which in turn will improve employee job outcomes. Finally, the hiring and selection procedures should include criteria and questions to test potential job candidates on their innate moral reasoning to align with other-focused EC employees and demonstrate the fit between personal values and organizational other-focused EC.

6. Limitations and directions for future research
Our study revealed a few limitations and points to several future research opportunities. The sample demographics based on single-survey data collection, using professional association membership roster, although representative of State of Hawaii hospitality workforce, may not be generalizable to US hospitality employees. However, given the global nature of the hospitality industry, results could be viewed from an international and Asia-Pacific region standpoint. Future studies may use multi-country, multi-region, multi-cultural samples to contrast and compare the relations proposed in this study.
Longitudinal studies may offer a clearer picture of causal relationships among crisis management strategies and consequences examined in this study. An examination of employee responses to short-term, mid-term and long-term HRM cost–retrenchment strategies at different stages of before, during and after implementation may increase the understanding of TFL and EC influences on organizational outcomes. This study was focused on examining perceptions of mid-level managers, employed at their company for five or more years, predominantly private organizations with male CEOs, thus overall representing a somewhat homogenous group, without control variables in the analysis. Future research may explore the impacts of various leadership styles, unique TFL dimensions, organizational climates on HRM retrenchment with employees from different age groups, genders, length of service and education, working in public, private, or non-profit organizations, which could bring forward a deeper understanding of hospitality crisis management. Overall, our findings provide important insights for both leadership theory and crisis management that might assist hospitality organizations in the future (Sigala, 2020). The results suggests future research on the ethics for modern hospitality organizations, using relationships between morals and hospitality leadership, such as opportunity and ethical controls, moral motivation and HRM, collective ethical organizational support, emotions and behavior.

References


Further reading


Supplementary material
The supplementary material for this article can be found online.

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