

**Assessment Title: Business environmental auditing of
Radisson Hotel Group during the Covid-19 pandemic**

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Executive summary

This report focuses on the Radisson Hotel Group to audit its internal and external environments in the Covid-19 pandemic time. This report, by employing a series of analytical frameworks, finds that the company has established a competitive strategic management routine in the pandemic and should be sustained in the post-pandemic time. This study has concluded with five findings based on the analysis and suggests that the company to establish a staff-caring project with the extension of its current strategy.

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1.0 Introduction

Covid-19 is the pandemic caused by the spreading of the Sars-Cov-2 virus, a virus that was first identified in Wuhan, China and later spread to the entire world. The outbreak of the Covid-19 pandemic has developed one of the most influential events in the 21st century. The pandemic has not only resulted in deaths of people but also significant impact on business operations due to the enforcement of relevant restriction policies such as city-wide lockdowns. The pandemic, as argued by Seetharaman (2020), has changed the business landscapes in the world drastically. As in the example of UK, the monthly GDP index has experienced the lowest point since 2002 as shown in figure 1. Meanwhile, the confirmed case number and the death toll continued to rise and has barely touched the plateau as shown in figure 1. It is thus clear that the pandemic has posed and will continue to pose long-term and profound impact on the global business world.

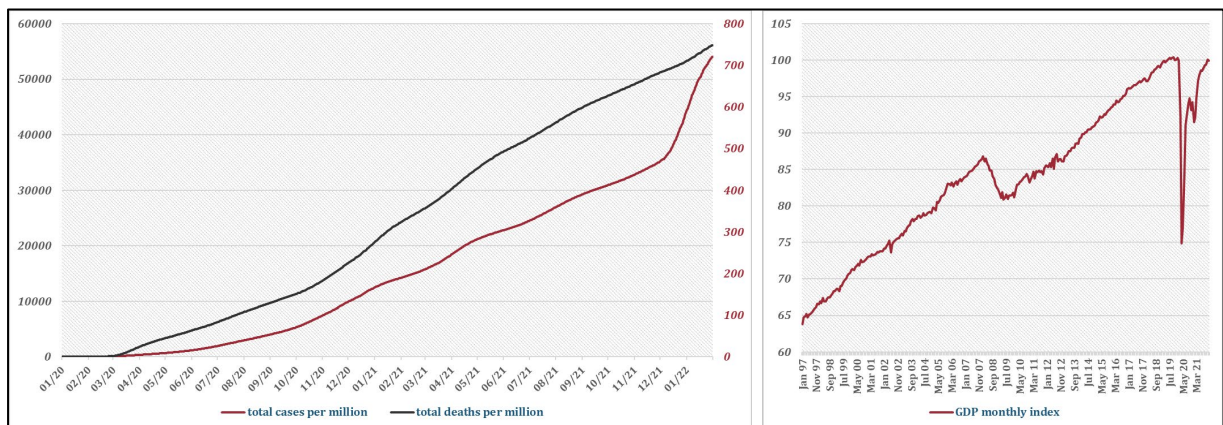


Figure 1. (Left) Total confirmed case per million people in the world (red line) and total death number per million people in the world (dark line); (Right) GDP monthly index of UK from 1997 to 2021. Source: (Office for National Statistics, 2021b; Johns Hopkins Coronavirus Resource

Center, 2022)

One industry particularly affected by the pandemic is the hospitality industry. Due to travel restriction policies and quarantine policies established worldwide, the customer base of the hospitality industry has severely reduced, letting alone the fear among the public on the potential contamination of the virus in hospitality facilities such as hotels and restaurants (Gursoy and Chi, 2020). As shown in figure 2, the UK hospitality industry has been barely recovering from the pandemic with new waves of the pandemic emerging, indicated by the trading volume of the industry.

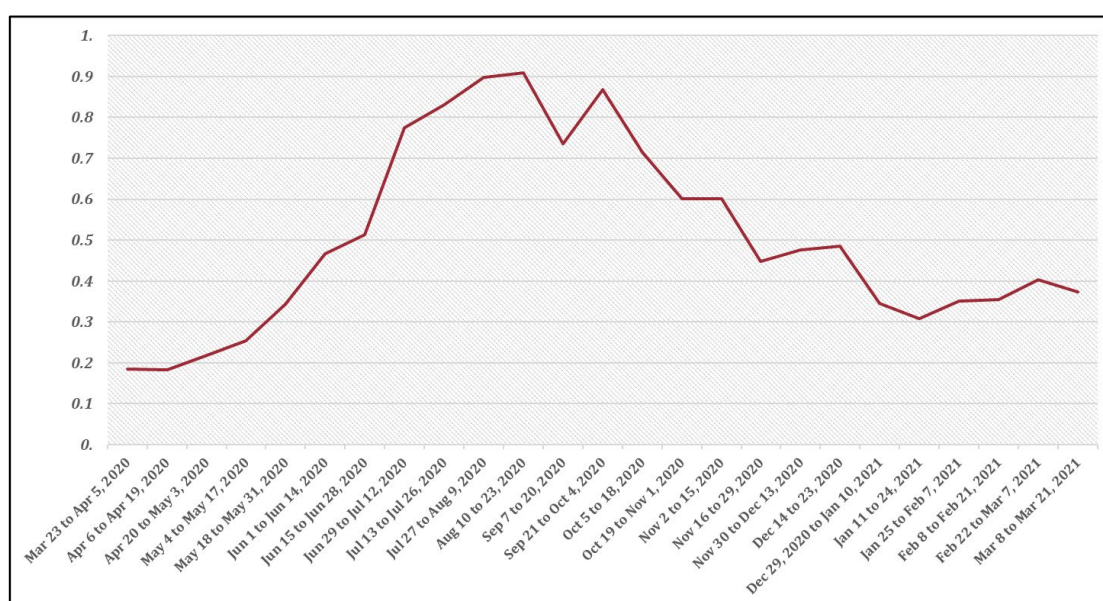


Figure 2. Share of accommodation and food service businesses trading during the coronavirus pandemic in the United Kingdom (UK) from March 2020 to March 2021. Source: (Office for National Statistics, 2021a)

Regarding the impact from the pandemic on the hospitality industry, this report focuses on leading hospitality company in the world, as the Radisson Hotel Group (RHG). The RHG is one of the most well-established hospitality companies in the world starting in

the beginning of the 20th century. The RHG now operates in all major markets in the world including the Americas, the Europe, the Middle East and Africa, and the Asia-Pacific markets with over 1500 hotels. The company operates nine brands from economy to exclusive hotel services as shown in figure 3.

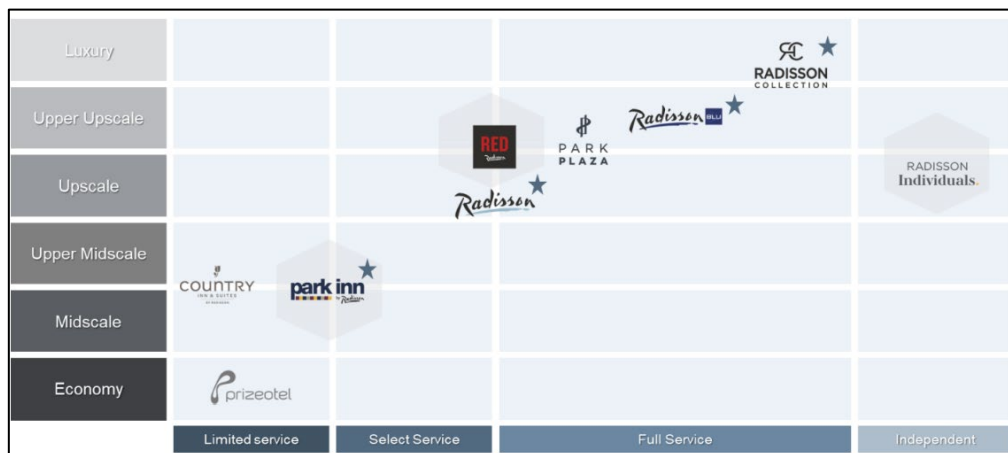


Figure 3. Illustration of RHG brands. The star indicates the provision of serviced apartments.

Source: (Radisson Hotel Group, 2022)

The RHG has established a distinguished strategy during the Covid-19 pandemic as to expand based on the low-cost of the property in the global market. The company's operational income in the time of the pandemic, as from 2020 to 2021, has also been affected limited with only 3.4% drop compared with previous fiscal years (Radisson, 2021). Considering the width of the impact posed by the Covid-19 pandemic on the hospitality industry and the performance of the RHG, it is thus necessary to conduct a holistic audit of the environments of the RHG company for the establishment of future strategies.

2.0 Main body

The analysis in this report, regarding the business environmental auditing of the RHG, consists of a PESTEL analysis for the audit of the external environment of the company, a Porter's five forces analysis for the analysis of the global hospitality market, a McKinsey's 7s framework for the audit of the RHG organisation, a SWOT analysis summarising the company's capabilities against external environments.

2.1 PESTEL analysis

♦ Definition of the framework and elements selection criteria

PESTEL is a widely adopted analytical framework for the examination of the external environment of one business or one industry regarding a specific market segment. The PESTEL analysis includes the analysis of the political, economic, social, technological, environmental and legal factors that affect the operations of the business or businesses in one industry in a specific market. PESTEL has been a starting analysis in strategic auditing of companies (Yüksel, 2012).

The Covid-19 crisis is a public healthcare crisis yet its primary impacts are overwhelming in every aspect of the daily life. Consumers' preference on travel means, tourism selections, and their financial stability have all been affected by the crisis (Carracedo, Puertas and Marti, 2021). One of the two fundamental impacts arise from the political aspect as currently the political decisions made by governments worldwide, including whether the restriction policies should continue, critically affect how

consumers could reach to the RHG and vice versa. The other fundamental aspect is the economic impact. The economic impact not only affects the businesses including stimulus plans but also consumers of the RHG as they could be affected regarding their purchasing power for goods and services provided by the RHG (Gursoy and Chi, 2020; Lindquist, 2021; Davari *et al.*, 2022). The political and economic factors are thus selected as the focus of this report.

♦ **Political factor**

The primary political factors affecting the RHG are the changes in the pandemic policies around the world. The global governments have, regarding changes of the pandemic situation, issued various policies from city-wide lock-downs to business-wide social distancing policies (Cassola *et al.*, 2022). The pandemic policies around the world have shown signs of easement as governments, with the emergence of new variants of the virus being less harmful yet more contaminable, have widely concurred that the pandemic could be effectively stopped by establishing nation-wide herd immunity. As reported by Ashton (2022), the policies established by governments worldwide have exhibited the potential entire re-opening of the global business society in 2022 with many countries claiming to have established herd immunity. In this regard, future political environments of the RHG favour the company's development as to recover from the pandemic.

- ♦ **Economic factor**

The economic factors pose complex influence on the RHG and the hospitality industry at large. The pandemic has severely affected the global economy negatively as exemplified by UK shown in figure 1. The impact on the global economy has in turn affected customers' habit in consumption such as to retain their assets and spend less on leisure trips (Kang *et al.*, 2021). While the economic impact, as foreseen by global governments, comes with strong economic stimulus plans across the world. In the European Union alone, the stimulus plan has reached over 50 billion euros (Hackethal and Weber, 2020). The stimulus plan, though targeting a wide range of business organisations, could potentially enhance the capabilities of hospitality businesses, such as RHG, in recovering from the pandemic. In this regard, the economic factors pose complex, yet overall favourable environments for the RHG in the coming years.

2.2 Porter's Five Forces analysis

- ♦ **Porter's Five Forces analysis and factor selection criteria**

Porter's Five Forces analysis was proposed by Michael Porter following the industrial economics studies in the Harvard Business School. The analysis framework argues that the establishment of competitive advantages in the market by one specific business is via the optimal handling of the five key forces in the market including the bargaining power of buyers, bargaining power of suppliers, threat from market entrants, threat from market incumbents and the level of rivalry in the market (Porter, 2008). The Five Forces analysis provides a clear strategic auditing framework on how the

competitive position of the company is in a specific market segment (Belton, 2017).

Residing in a service industry, suppliers pose limited impact on the RHG and market entrants are rare in the time of the Covid-19 due to the unexpected impact from travel restriction policies targeting the entire tourism and hospitality industry (Zhong *et al.*, 2022). The decreased market activity as businesses in the hospitality industry are being driven out from the market, expansions, mergers and acquisitions are decreasing in number, suggests that the market rivalry level is moderate to low (Davahli *et al.*, 2020).

The remaining forces as the power of buyers and threats of market incumbents are thus the most prominent factors in the context of the Covid-19 pandemic. This could be further supported by the study conducted by Dimitrios *et al.* (2020), who also suggests that the buyer's power and the competition from market incumbents are primary forces affecting hospitality businesses in the time of the pandemic.

Among the two remaining factors, the bargaining power of buyers is deemed as more important in this study. The consumer behaviour, which could be viewed as the outcome of the changes in the bargaining power of buyers, has been one of the primary focuses of the hospitality industry in the pandemic time as factors analysed in previous section ultimately affect the consumer behaviour of consumers such as how they choose hotels and tourism destinations in the pandemic time (Sanjeev and Tiwari, 2021). This study thus focuses on the bargaining power of buyers from the Porter's Five Forces framework.

- ♦ **Bargaining power of buyers**

The bargaining power of buyers is relatively low during the pandemic. The sanitary policies posed on the hospitality industry, such as to disinfect goods in the facility and to keep social distancing among customers, can hardly be achieved by small businesses especially home-run businesses such as Airbnb owners. Customers also fear that small businesses could be less capable in providing a safe environment for them (Lu and Zhao, 2022). With limited choices tabled for customers, the bargaining power of buyers is low.

In the long run, the bargaining power of buyers will continue to decrease as the pandemic crisis requires hotel businesses to possess substantial financial and operational capability to ensure, firstly the safety of customers, and secondly, their operation capability such as the retaining of employees when new waves of the pandemic hits (Srivastava *et al.*, 2022). As a company expanding in the pandemic time with substantial financial capability, and a company with diverse brand management for different groups of customers, the RHG is likely to see the further decrease of the bargaining of buyers.

2.3 McKinsey's 7s framework analysis

- ♦ **Definition of the McKinsey 7s framework and factor selection criteria**

The McKinsey's 7s framework consists of the analysis of the strategy, structure, system, style, staff, skill which are linked by the shared values of the company. The framework was developed by the McKinsey consulting company for the overall audit

of the strategic management of one specific company. The model has been less focused in academic studies but primarily used in business case studies (Channon and Caldart, 2015).

7 factors are included in the framework as the strategy, structure, system, style, staff and share value of the company. The analysis using this framework is for the long-term strategic management of the company. During and after the pandemic, one of the critical elements in the strategic management of hotels is the staff and their skills as the staffs of the hotels are in the forefront of the combating with the pandemic (Wong *et al.*, 2021). As found by Caligiuri *et al.* (2020), staffs in the hospitality industry in the pandemic are required with more critical skills such as the knowledge of the development of the pandemic and relevant policies, and the necessary healthcare knowledge such as sanitisation and emergence aid. The staff and skills are thus selected as the focus in this study.

♦ **Staff and skills**

The staffs within the RHG are from diverse backgrounds. What should be noted is that the RHG company has been directly controlling the appointment of high-ranking managers within local branches from the headquarter while empowering managers on acquiring local or global human resources. The company, according to its report, has offered various training and development plans for the career development of its employees. As argued by Katarzyna and Marta (2015), the company's human resource management has been focusing on the capabilities of its employees to adapt

the market.

It should be pointed out that the rapid expansion of the company during the pandemic coinciding with the decreasing asset price in the global hospitality industry could lead to increased pressure on its staffs. Though the RHG has not directly reported this, similar phenomenon as staffs in the hospitality industry suffer from anxiety in workplaces has been reported by recent studies (Teng *et al.*, 2020). The releasing of the pressure mounted in the pandemic time could be in the post-pandemic time when the workload is eased according to Teng's study. The staff and skills aspects of the strategic management of the RHG thus should be one of the primary focuses in the post-pandemic time to maintain the performance and working attitude of its employees.

2.4 SWOT analysis

♦ Definition of the SWOT analysis and factor selection criteria

The SWOT analysis is a widely adopted analytical framework in the business sphere and beyond. The framework, by singling out the four key elements of the company in its competition environment, as the strengths, weaknesses, opportunities and threats, offers a simple and straightforward overview of how the company should fit its internal resources and capabilities to the external environment (Helms and Nixon, 2010).

Based on the introduction, it is clear that the pandemic has not yet ended but shown signs of ending in the near future. Though the experience and lessons of dealing with the pandemic could be highly valuable for companies like RHG in the future, this report is more focused on the future strategic management of the RHG company. Thus, the

opportunity factor is selected as the primary factor affecting the future of the RHG. More importantly, the analyses in previous sections suggest that the company is faced with many opportunities which it should seize.

♦ **Opportunities**

The opportunities of the RHG, based on the analyses in this report, include the opportunities from the easing of the pandemic situation, the easing of restriction policies, the decreasing of bargaining power from buyers. These opportunities suggest that the company should expand in the pandemic time, which has been the strategy of the company. The company can continue this strategy in the post-pandemic era to reinforce its market position in the global hospitality market. The company could be haunted by the psychological status of its employees in the post-pandemic time and this should be one of the primary focuses in the post-pandemic strategic management.

3.0 Recommendations

Three recommendations are made based on the analyses conducted in this report for the RHG during and after the pandemic. Firstly, the company should sustain its strategy to leverage the low-asset cost during the pandemic to acquire low-cost tangible assets, such as lands and hotel facilities, and intangible assets, such as employees left from other hotel companies. Secondly, the company should establish a new development goal after the pandemic focusing on the care of its competent employees in the pandemic time for them psychologically. Thirdly, the company should work with external parties such as the academia to further analyse the situation in the post-pandemic era to refine its strategic management.

4.0 Conclusion

Based on the analysis in this study, five findings have been obtained. From the PESTEL analysis, this study finds that the political and economic factors are prominent, offering the RHG company opportunities in recovering from the pandemic due to the changes in the travel restriction policies and the economic stimulus packages offered by governments worldwide. From the Porter's Five Forces analysis, this study finds that the decreasing of the bargaining power of buyers is the most prominent factor affecting the future development of the company. From the McKinsey's 7s framework, this study finds that the pressure on its employees and the demanding on the staffs regarding skills need in the pandemic and in the post-pandemic time could one of the primary issues hampering the development of the company. From the SWOT analysis, this study finds that the company should continue the current expansion strategy and to establish a system that could help employees on releasing pressure during the pandemic.

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