

Crisis Management In The Tourism Industry

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Abstract

The article shows the theoretical foundations for managing the activities of organizations and enterprises in the tourism sector in the post-COVID period. Attention is focused on the fact that the most vulnerable area is mass urban tourism, which has been experiencing increasingly more damage and losses since 2020 through events aimed at combating COVID-19, including those of an international nature. The study confirmed the need to create and introduce the most effective management system, which is the main and important issue for organizations and enterprises in the tourism sector. It was found that the development of a specific and precise plan for diversifying the activities of organizations and enterprises in the tourism sector, which implies the cooperation of various methods and regulatory instruments, ensures clear interaction, interconnection, and consistency in order to achieve minimal damage. The main means of managing the financial component of an enterprise activity have been determined: business planning, leasing, franchising, budget planning and development, strategic maps, modern sales models, and controlling. The importance and significance of applying these management practices are due to the new realities caused by COVID-19. The global trend of economic instability as well as the danger and new prospects caused by COVID-19 require changes in the nature of management and the means of developing and implementing business strategies. The main advantage in the current practice of crisis management is often given to systems and means of rapid response that prevent and mitigate the adverse effects of COVID-19, but do not provide the necessary conditions for development. The peculiarities of crisis processes require the use of modern business strategies to implement an anti-crisis control and management strategy that not only can prevent and mitigate the negative consequences of COVID-19, but also apply their capabilities to the functioning of organizations and enterprises in the tourism sector in the post-COVID period. It is determined that the rationale for choosing an anti-crisis strategy for diversifying the activities of organizations and enterprises in the tourism sector and its development provides for a range of various circumstances and moments of the periods of an organization's functioning. An algorithm for developing an anti-crisis marketing strategy is proposed.

Keywords – COVID-19, crisis, controls, tourism industry, diversification

I. INTRODUCTION

At present, one can observe a trend towards an increase in crisis phenomena caused by a spectrum of various challenges. Socio-political factors exacerbate the situation even more. The tourism industry is in a difficult state.

Crises of global, macro-regional, and national scales have a devastating impact on tourism. Crises have become an integral limiting factor in the development of the global tourism industry in the 21st century. Political instability in the world, terrorism, terrorist attacks, and international conflicts force tourists to choose the safest tourist destinations [1]. The crisis of the coronavirus pandemic has marked significant changes for everyone, and above all for tourism, which is one of the sectors most affected by the virus [2]. Today, the range of scientific research on the impact of financial, economic, geopolitical, migration, terrorist, natural and climatic, as well as environmental and pandemic crises on tourism includes hundreds of publications in books and journals indexed in Scopus and Web of Science. Potential crisis risks and the subjective assessment of the safety of foreign travel are the main motivations for making travel decisions for millions of modern tourists, especially in developed countries. It is obvious, however, that nothing scares the average tourist more than the threat of contracting a virus while travelling. Outbreaks of malaria, HIV/AIDS, SARS, Ebola, strains of influenza, MERS-CoV, and eventually COVID-19 have almost completely wiped out the flow of tourists entering infected areas. Travellers can carry microbes and their genetic material; they can be victims, carriers, couriers, and spreaders of microbial pathogens. The same scientists said that travel restrictions, especially urban lockdowns, would be the only effective strategy to contain epidemics in the future.

The aim of the study is to analyze the theoretical basis of crisis management of the activities of enterprises in the tourism industry in the context of countering the uncertainties of business caused by the COVID-19 pandemic.

There is currently no consensus among scientists and practitioners on how to develop effective enterprise management strategies to ensure the competitiveness of enterprises. Rationale of the choice of an anti-crisis strategy for diversifying an enterprise and its development is a complex process that involves taking into account many interrelated external and internal factors [3-5]. An even more complex process, however, is the implementation of an anti-crisis strategy for diversifying the business of companies, which would provide for the interaction of various management methods, tools, and technology, while ensuring coordination, consistency of management functions, and minimizing losses. Diversification of business serves as a tool that, by distributing capital between its various types, allows the enterprise to avoid losses from failures in certain strategic segments, while benefiting from others [6]. In addition, it can be considered not only as a means of crisis management, but also as a source of potential growth of the enterprise, when all the opportunities for growth with this product in this market have been exhausted, and there is a need to create new ones [7-9].

The need to form and implement an effective crisis management system is a key issue for entrepreneurship, for which reason special attention is paid to the introduction of general principles and methods of management in crisis situations, the improvement of personnel management to restore the solvency of enterprises, as well as taking measures to ensure the stable functioning of those business entities who seek to strengthen their position in a changing market environment. Competition in the hotel services market caused by the search for and attraction of new occupied market segments leads to the use of actions aimed at attracting the attention of potential clients and retaining attracted clients or “enticing” them away from competitors.

The effectiveness of the anti-crisis strategy for diversifying a company’s business depends on the set of tools used to achieve the strategic goals in view [10]. The need and possibility of using modern tools at enterprises of various types of business and organizational forms is due to the emergence of new technology for crisis management at all levels of the economy, as well as the development of information support and computerization processes. In this regard, the situational matrix approach is fundamental for building crisis management strategies. Since the problem of modelling and forecasting is of great theoretical and practical interest, while the methods used in this industry require significant improvement, there is a need for its detailed analysis. The decisive role in solving these problems is played by the use of situation-matrix modelling in the field of crisis management, which can be used to analyze the effectiveness of managerial decisions, control management efficiency, plan financial results, and identify reserves for improving financial management. Today, the tools for implementing the crisis management strategy go beyond traditional concepts [11]. Managers are increasingly guided by progressive management methods, relying on management tools to improve the quality of strategic management decisions. Such tools include business planning, leasing, franchising, budgeting, strategic maps and road maps, innovative sales models, and controlling. The relevance of the use of these management tools is primarily due to the change in the goals and objectives that financial managers face.

II. MATERIALS AND METHODS

Information from specialized business publications served as the basis for the study. Collection, systematic analysis, and generalization are the scientific methods that were used in the study. An analysis of international practice was carried out to identify the stages of crisis management of an enterprise and propose a scientific approach to choosing a strategy for diversifying the business of an enterprise, taking into account the stage of its life cycle and the level of development of the crisis management system.

III. RESULTS AND DISCUSSION

An analysis of recent studies and publications shows that, despite a significant number of works devoted to strategic marketing in tourism and various aspects of the theory and practice of crisis management, the problem of functioning of the industry in a crisis period requires proposing constructive solutions. Crisis phenomena are easier predicted than eliminated. Therefore, the success of a tourism enterprise depends on the timely preparation of crisis management for future threats, which will significantly minimize the negative impact of crisis phenomena on the enterprise and allow it to be successful and competitive.

Tourism today is the leading sector of the world economy, which contributes to an increase in GDP, industrial development, job creation, and investment attraction. Tourism is the main source of income in many countries of the world, which determines the dependence of their economic condition on international tourism [2].

On March 11, 2020, the World Health Organization announced that the world was facing a new global pandemic, the COVID-19 virus. This is another challenge for the global and national economy, and primarily for the tourism industry. The COVID-19 pandemic provoked a deep crisis in the tourism industry, which required tour operators, travel agents, airlines, hotels, cruise

companies, restaurants, and other enterprises involved in tourism to adapt accordingly and follow the latest trends in the tourism market [1]. Along with large transport corporations and hotel and restaurant chains, a large group of urban mass tourism centres suffered the greatest financial losses through international quarantine measures. Among many cities on the planet, the centres of beach, cruise, ski, wellness & SPA, entertainment, cultural, and educational tourism bear the greatest losses from COVID-19. Since 2020, hundreds of cities are on the brink of financial collapse, which have over 75-90% of their budgets filled by tourists who arrive with day trips and shopping from cruise ships or overseas beachgoers.

The dynamics of overcoming the crisis and subsequent economic growth depend on the sovereignty of the state and its ability to stimulate the development of institutional forms. Anti-crisis regulation can be considered both at the macro, meso, and micro levels. The implementation of anti-crisis procedures for the functioning of the industry is called the Anti-Crisis Process. International experience shows that this process is manageable and includes two blocks of procedures: anti-crisis regulation and crisis management, which serves a common goal at various (micro-, meso- and macro-economic) levels.

At the micro level, anti-crisis regulation is considered in the economic literature as crisis management in relation to a specific business entity. At the mesolevel, crisis management provides for a system of measures for groups of enterprises in a particular industry.

The following tasks can be solved thanks to crisis management:

- 1) Diagnostics of the financial condition and assessment of the prospects for the development of potential production of enterprises in the industry.
- 2) Development of a plan for the financial recovery of enterprises.
- 3) Assessment of the depth of the financial and economic crisis of the enterprise and the effectiveness of measures for its financial recovery.
- 4) Selection and adoption of anti-crisis procedures.

However, effective crisis management of the industry should be facilitated by public regulation. Crisis management involves measures of public organizational, economic, and regulatory actions at enterprises at the stages of prevention, response, and study of crises. Crisis management is the process of preparing for and managing any surprising or unexpected situations that affect the business as well as stakeholders, employees, customers, and revenues. It is an essential component of the overall corporate management strategy. Crisis management is a little different from risk management, which requires assessing potential threats and finding the best way to avoid them. In crisis management, the threat has already arisen, and the enterprise must fight it. Crises, however, are not always bad for business, as they can motivate companies to be successful in the short term. For example, many enterprises are investing in digital transformation by implementing web applications to facilitate team collaboration and improve data security when working from home [11]. The available international practice demonstrates that crisis management consists of three main stages (Fig. 1, drawn by the author).

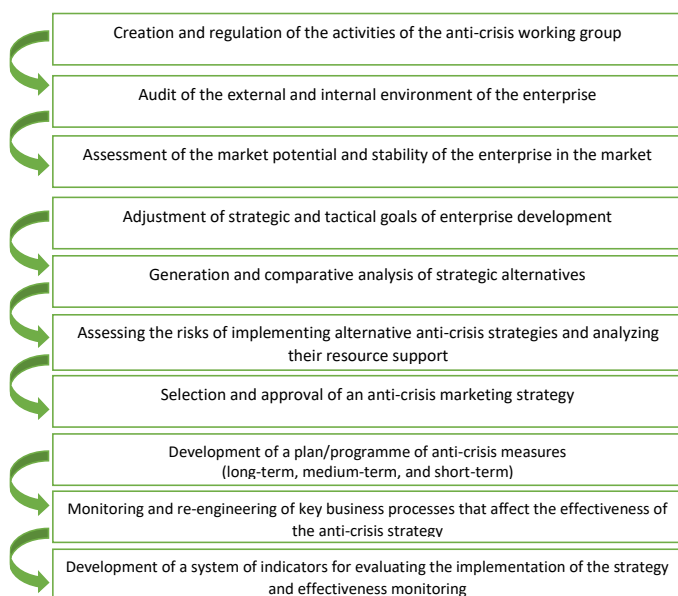


Fig. 1. Stages of Enterprise Crisis Management

The development of a programme and action plan for crisis management is an important aspect of crisis management of an

enterprise.

The main objectives of these documents are:

- 1) Maintaining the business reputation of the enterprise.
- 2) Improving the safety of employees of the enterprise.
- 3) Improving the efficiency of the enterprise.

The global nature of economic instability at the present stage as well as the threats and opportunities that it generates require a change in the nature of crisis management as well as the development and implementation tools of its strategy. Priority in the modern practice of crisis management is often given to mechanisms and tools for immediate response that eliminate and mitigate the negative consequences of the crisis, but do not create conditions for development. The peculiarities of crisis processes require the use of new tools for the implementation of a crisis management strategy that not only can prevent and mitigate the negative consequences of the crisis, but also use their capabilities for the functioning of the enterprise after the crisis. Based on the fact that economic crises should be considered as a general pattern inherent in a market economy, any management should be anti-crisis, that is, contain appropriate tools for planning, analysis, forecasting, and control in crisis situations. Constant work should be carried out to diversify the hotel business, which contributes to the diversity of the sphere of capital investment within the hotel business. By diversifying their business, hotel companies can increase the use of available resources and gain an additional source of profit.

Vertical (concentric) diversification of the hotel business involves the expansion of the hotel business through differentiation within the type of services that the company specializes in (offering services to customers related to the main ones).

Horizontal diversification consists in organizing businesses that are not directly related to the current specialization of the hotel enterprise (opening new hotels, businesses, and developing new types of hotel services). Conglomerate diversification involves the opening of new businesses. For example, a hotel company creates its own travel agency, builds a restaurant, or opens its own airline. In international practice, conglomerate diversification is common, but it is possible only when a certain amount of capital and enterprise turnover is reached [4-6].

Along with functional properties, additional services provided to hotel customers are divided into paid and free. All types of additional services require certain labour, material, and financial resources, that is, they have a certain cost. However, the costs of organizing various services are compensated by a corresponding increase in customer turnover and, consequently, by additional income from the hotel's business. These services can be provided free of charge. In addition, the cost of certain services can be included in the cost of hotel accommodation, creating the appearance of providing them free of charge to customers. This practice may be limited, since raising the price of hotel accommodation without improving the quality of services significantly weakens the competitive position of the hotel company in the market. Favourable price services should be provided to consumers exclusively on a paid basis in order to create additional income for the hotel company.

Interest in diversification for a hotel company is associated with the possibility of obtaining a synergistic effect. Synergy in this case is the economic effect of a combination of complementary business or management capabilities. The practice of crisis management shows that a crisis can be latent in nature and its origins can begin to manifest itself both in the internal and external environment of an enterprise; therefore, preventive diagnostics of an enterprise's crisis situation is an important tool for strategic crisis management, which allows preventive identification of possible and existing problems, crisis factors, trends in its development, assessment of the strengths and weaknesses, opportunities and threats for the enterprise, and the level of its financial potential and, therefore, is the basis for the development, adjustment, and implementation of an anti-crisis strategy.

The purpose of preventive diagnostics of a crisis situation in the strategic crisis management of an enterprise is a timely warning about the threat of disruption of strategic plans due to problems that can lead to a deepening of the crisis. In addition, preventive diagnostics of the crisis state of the enterprise should promptly allocate management personnel to eliminate crisis situations. The compliance of the achieved results with the goals and objectives of the anti-crisis strategy for diversifying the business of the enterprise is assessed based on the effectiveness of the chosen anti-crisis strategy.

The effectiveness of implementation of an anti-crisis strategy for diversifying business is assessed by the following results:

- 1) The financial instability of the enterprise is overcome, which resulted in the restoration of its solvency (all creditors' claims and the claims of the enterprise are repaid).
- 2) The ability to generate net cash flows is restored.
- 3) The growth of the market value of the enterprise; the threshold of its crisis stability is restored, and the efficiency of business increases.

However, the effective implementation of the anti-crisis strategy for diversifying the hotel business is impossible without assessing the level of consumer satisfaction with the services received. Steady state and crisis are constant antagonisms in the development of any system. Based on this, crisis management can be viewed as a system of measures for diagnosing, preventing, neutralizing, and overcoming crisis phenomena and their causes at all levels of the economy.

Public crisis management in countries with developed market economies is expressed in various forms. In Western countries, the object of crisis management is the crisis itself as a situation or process, which is not perceived as something that inevitably leads to a catastrophe. In the countries of Eastern Europe, by contrast, the object of crisis management is an enterprise that is experiencing a crisis or which is threatened by the crisis. Thus, 'crisis' is the key term in the concept of 'Crisis Management', so the content of crisis management directly depends on the meaning of its concept. The term of Crisis Management is relatively recent. Methods of crisis management and enterprise risk management are increasingly used today in the concept of crisis management in international practice, while a crisis is considered a dangerous unstable situation that has arisen or is developing, which requires an immediate solution.

Therefore, it can be stated that the scope of crisis management is expanding, with preference given to crisis prevention, namely the timely implementation of risk prevention methods.

The crisis management system includes:

- 1) Risk assessment of potential crises.
- 2) Measures to reduce the likelihood of crises.
- 3) Development of crisis management plans and identifying signs of a crisis.
- 4) Elimination of the consequences of crises and prevention of crises in the planned future.

The typology of crisis management of enterprises, which is used in Western countries, is divided into two main large groups:

- 1) Corporate crisis management, which is carried out within the framework of a corporate code or a Civil Code, and is not regulated by special regulatory documents.
- 2) Crisis management during the procedures of enterprise insolvency, namely bankruptcy.

Unfortunately, crisis management is aimed at overcoming the crisis and eliminating its consequences; at the same time, only a correct understanding of the essence of the institution of bankruptcy can contribute to the formation of a positive attitude of society towards bankruptcy as a natural economic process that contributes to the restoration of the country's economy.

An anti-crisis marketing strategy, as part of an enterprise's anti-crisis business strategy, is designed to link the interests of the enterprise and changes in the external business environment. Moreover, an effective anti-crisis marketing strategy can reduce sales and promotion costs without reducing the effect of income generation. The main feature of anti-crisis marketing strategies is the ability to quickly adapt to a changing environment and create promising business opportunities to stabilize the economic situation of a tourism enterprise or even to improve its market positions (increase in market share, sales, customer loyalty, etc.).

The algorithm for developing an anti-crisis marketing strategy can be presented as follows (Fig. 2, drawn by the author).

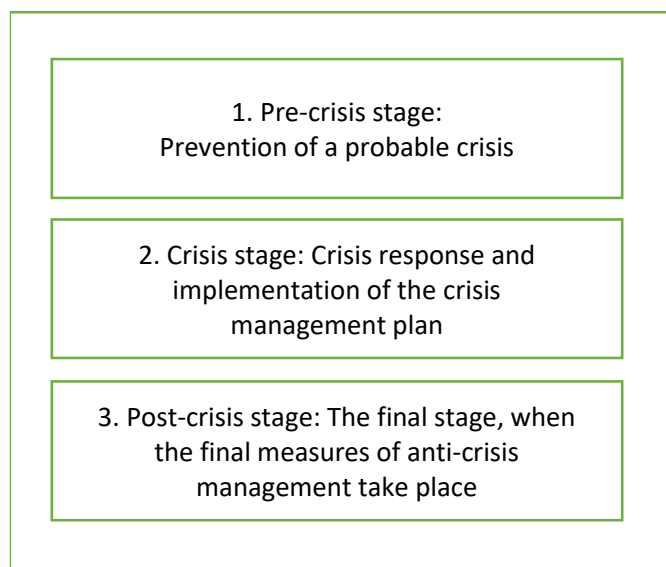


Fig. 2. Algorithm for Developing an Anti-Crisis Marketing Strategy

IV. CONCLUSION

Timely and systematic performance of the functions assigned to each of the subjects of crisis management provides optimal conditions for their implementation and contributes to the transformation of diversification from a crisis management tool into a tool for ensuring strategic crisis management. It has been established that the rationale for choosing an anti-crisis strategy for

diversifying the business of an enterprise and its development involves taking into account interchangeable multidirectional external and internal factors and the stage of the enterprise's life cycle. The proposed scientific approach to choosing a strategy for diversifying an enterprise's business, taking into account the stage of its life cycle and the level of development of the crisis management system, makes it possible to take adequate decisions regarding the strategic areas of the enterprise's development.

The use of the philosophy and methodology of marketing in crisis management makes it possible to ensure the effective functioning of tourism enterprises in the face of fierce competition and unfavourable foreign economic conditions. The proposed algorithm for developing an anti-crisis marketing strategy will contribute to the adaptation of tourism enterprises to changing environmental conditions.

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