

Case Study 1

Crisis and Risk Management in Tourism

Introduction

9/11, the Bali bombings, the bombings on the transport networks of Madrid and London, health crises, the Asian tsunami, terrorist attacks in Mumbai, the earthquake in New Zealand and the earthquake and tsunami in Japan are just some of the examples of the series of 'shocks' that have affected the tourism sector since 2001. The 'shocks' have had severe impacts on tourism across the world. Airlines have gone into bankruptcy and tourism flows have been transformed. Crises are the 'new normal', seen as an inevitable part of doing business in tourism. Consequently, the tourism sector must plan to anticipate these crises and manage the after effects better when, not if, they occur. This case study shows how the inevitability of such 'shocks' and 'wild card' events has been dealt with within the tourism sector and how the process of crisis management has been developed.

Tourism and Crisis

Tourism is potentially at risk from both natural and man-made disasters and the vulnerability of the sector has been highlighted since 2001 by a number of events. The terrorist attack on the World Trade Centre, New York and the Pentagon in Washington was the first of these 'shocks,' followed by the war in Afghanistan, the bombing of an Israeli-owned hotel in Mombasa, Kenya, the SARS epidemic in 2003, the Iraq War, bombings of the transport systems in Madrid and London, the Asian Boxing Day tsunami in 2004, the earthquake in New Zealand and the earthquake and tsunami in Japan.

The terrorist attacks on 9/11 had the most impact as it was so unexpected. The crisis had a dramatic effect on international tourism, forcing a number of airlines into bankruptcy and reduced the profitability of tourism worldwide. Trips were deferred due to fears of further attacks and then through fear of job security in the subsequent downturn of the world economy.

The attacks triggered a number of significant effects on tourism. Firstly, governments and international agencies put together rescue packages for the industry as part of the immediate response. This was followed by a call for better market intelligence across all sectors of tourism. Thirdly, the term 'crisis and risk management' entered the tourism vocabulary. And finally, immigration procedures and security measures were tightened.

Crises are not just a worldwide issue. Man-made crises such as riots, fires, kidnappings, air crashes and other transport disasters, business failures and oil spillages and natural disasters such as earthquakes, volcanic eruptions, hurricanes, tsunamis and floods often have a much more localised effect. Crises can also be a combination of both, partly man-made and partly natural causes, for example, the outbreak of disease following the destruction of basic infrastructure and the disruption of public services.

Crisis and Risk Management Planning

Crisis and risk management recognises the need to prepare for such events and lays down the response plan. Impact of crises can be severe and include loss of life and property damage but also negative media coverage or changes to travel rules and regulations. The Pacific Asia Travel Association (PATA) defines a crisis as, 'any situation that has the potential to affect long-term confidence in an organisation or a product, or which may interfere with the ability to continue operating normally' (PATA, 2003, p.2). It is the task of the risk management plan to prepare for and manage a crisis so the potential impacts are reduced.

Crisis and Risk Management plans are now part of the tourism sector and in place for many destinations and organisations. UNWTO, UNCTAD and PATA and other international agencies have published guidelines on the development of plans for the sector. The UNWTO Risk and Crisis Management programme aims to 'assist members to assess and mitigate risks, where travel and tourism is concerned, through development, planning, and implementation of crisis management systems that will reduce the impact of, and assist in the recovery from crises.'

There is a template for a crisis management plan, the 'four R's of crisis management':

1. *Reduction* – This element of the plan involves the initial identification of potential risks and crises and also strengths and weaknesses of organisation or destination. The understanding of these elements is the first step to reducing the impact of potential crises.
2. *Readiness* – The second step involves the development of a plan of responses and tactics. To be the most effective, this plan must be reassessed continually.
3. *Response* – This step occurs if a crisis takes place and involves the operational response of an organisation or destination. This response is based on damage limitation as well as a communications response that focuses on reassurance. Strong leadership is needed within an organisation if a crisis management plan is put into action. A crisis management team is often formed as part of the plan to ensure the plan is implemented effectively.

4. *Recovery* – after an event or crisis, an indication of how effective a risk management plan has been is the speed with which normal operations resume and pre-crisis level business is reached.

In the period post 9/11, the tourist sector has had a shorter recovery time after each successive crisis. The response in the first two years after the terrorist attacks on New York and Washington involved agencies and destinations negotiating the new operating environment. The development of information systems followed and then speed responsiveness. The next few years saw a much more structured and sophisticated responses as web based portals were utilised including government resources, outreach tools and media packs.

Conclusion

Crises are inevitable within the tourism sector and as a business it must be prepared to deal with them and minimise the impact. Since 9/11 the sector has recognised the need for effective crisis and risk management at the company and destination levels.

Discussion Questions

1. Draw up a classification of the major crises which can affect tourism and against each draft a brief paragraph explaining how crisis management might help to reduce their impact;
2. Take a tourism destination that you know well and draft a report to the manager of a resort outlining 'the four Rs' of crisis management and how that resort might use 'the four Rs' to plan for a future crisis.
3. Why do you think it took an event of such magnitude as 9/11 to prompt the tourism sector to take crisis management seriously?

Sources

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