

RISK AND RISK MANAGEMENT: THEORETICAL CONSIDERATIONS AND SOME APPLICATIONS IN TOURISM

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Abstract:

Risk and risk management are concepts that have also applicability in the tourism field. However, what makes special the case of tourism is the existence of a multitude of stakeholders in a tourism destination as well as the risk “exposure” of two different population groups with different needs: local community (residents) on the one hand, and tourists, on the other hand. The purpose of this paper is to present some theoretical considerations associated with the concepts of risk and risk management as well as to briefly illustrate different applications of risk management in tourism in different countries/regions in the world. These can be considered good practices in this field and can represent at the same time, models for similar applications for the tourism sector in our country.

Keywords: tourism, risk, risk management

1. Conceptual Issues for Risk and Risk Management

Frequently both in the current activity and in the literature, the concept of risk is used with different meanings. Thus, one can see there are different definitions for risk which leads to different concepts and approaches for the same analyzed notion. As it follows, a short presentation will be made for these concepts.

Popa (2012) states that “the possibility of an entity to be exposed to losses, for instance the possibility to have losses as a result of fires, explosions, landslides, floods is named risk. For the purpose of using this definition, the risk cannot be measured, it exists or not” (p. 17). Tricart cited by Bălțeanu and Costache (2006) made a distinction between the terms danger and risk. He defines danger as being a gross fact not having necessarily consequences. The danger becomes risk only when it threatens a living being or an object. When this risk has occurred and it produced important damages, one can talk about a catastrophe.

The definition of the economic risk given by Dobrotă (1999) is that of „event or uncertain and probable process which can cause a damage, a loss to an activity, operation or economic action”. According to Armaș (2006) “in the relation of human community with extreme natural events, one can make the difference between a risk perceived as being tolerable in terms of losses by local authorities and a disaster or catastrophe, which involves major malfunctions for society. In the latter case the recovery can be achieved only with foreign aid” (p. 3).

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In the globalization times, for more and more companies there is a necessity of an efficient risk management which can reduce the occurrence of some unforeseen events that can affect their competitiveness (Ionescu, 2010). In fact, one might say that one of the main conditions to operate a business is developing and applying an efficient program for risk management (Stihi, 2010).

According with Scrădreanu (2014) the risk management process comprises three phases:

1. Risk identification
2. Risk analysis
3. Risk reaction.

Each of these 3 phases are explained by the author as it follows: *risk identification* is developed by preparing some checklists, organizing some sessions of risk identification and analysis of collected information; *risk analysis* uses probability methods such as establishing the expected value, Monte Carlo simulation, decision trees, etc.; *risk reaction* refers to measures and actions for reducing, eliminating and distribution of risk.

Following the same idea, *risk management* is defined as being the process through which an organization is approaching systematically the risk using some methods and procedures with the purpose of indentifying, analyzing and treating the risks (Ionescu, 2010). Of course, risk management can be also extended to a community level. Thus, AICST (2006) defines risk administration management as being identification and risk analysis (the chance that something to happen) for an organization and community as well as a selection of solutions to approach risks.

Connected to risk management there is the concept of *disaster management*. This is defined as totalities of policies, administrative decisions and operational activities that are connected to different stages of disasters at all levels (Bădilă, 2007). Another terminology used is that of *disaster risk management* referring to understanding the potential of occurrence of a hazard in the context of (social, economic and politic) environment for which there is an impact as well as understanding and managing the full spectrum of consequences of hazard impact upon a community (Cunliffe, 2005).

Referring strictly at tourism, according to AICST (2006) risk management in the tourism context includes also planning an applying all processes focused on managing the negative effects of crisis and disasters on tourism. According to the same source, the concept of “crisis management” is applied also to the means by which a tourism enterprise/organization or a destination is preparing to respond and to recovery from a crisis.

After investigating the literature regarding the application of the process of risk management in the tourism industry, Cunliffe (2005) states that all approaches have in common a set of six steps:

1. Establishing objectives
2. Risk identification
3. Risk assessment
4. Considering the alternatives and selecting the methods of risk treatment
5. Decision implementation
6. Final evaluation and review.

2. The Reference Guide in the Field of Tourism Risk Management

This guide was elaborated in 2006 by Asia Pacific Economic Cooperation – APEC in partnership with World Tourism Organisation (WTO) and Pacific Asia Travel Association - PATA. The guide represents a reference paper in this field being published under the name of „*Tourism Risk Management: An Authoritative Guide to Managing Crises in Tourism*” (AICST, 2006). The purpose of this guide is to show the way tourism destinations can be better prepared to manage the risks that affects tourism in the future.

The structure of presenting this guide is considering the following sections:

- Approaching risk management for crises in tourism and disasters;
- Presenting responsibilities at national level in risk and disaster management;
- Managing the crisis situation for tourism operators and destinations;
- A section referring to media and communication.

The process of risk management in tourism and disasters has been initiated and developed in Australia by Emergency Management Australia. This is based on two main activities and five major sub-activities: establishing context, risk identification, risk analysis, risk evaluation and risk treatment.

Regarding responsibilities at national level we have to say that national governments are responsible for the development, coordination and applying risk and disaster management policies. National governments also establish the strategic directions for risk and disaster management processes and in many countries they provide funds for the connected activities. However, the tourism industry has to pay attention to national governments regarding the legislative and regulation environment in which tourism operates as well as the potential threats to this sector.

Initially elaborated by the United Nations Disaster Relief Organization (UNDRO) more than thirty years ago, the crisis management strategies of Prevention/mitigation, Preparedness, Response and Recovery (PPRR) provide tourism destinations and businesses/organizations a logical, methodical and interlinked and sustainable approach. Currently, PPRR is the terminology used in the process of risk management and it represents also the accepted terminology used in disasters management.

Regarding Media and communication section it is important to mention that an efficient communication, based on honesty and transparency is the key to successfully manage crisis but, in the same time, some specific aspects of tourism have to be considered especially promotion, safety and security and market study. The purpose is the return of tourists as soon as possible in the destination affected by crisis and efficient management techniques can successfully intensify this process.

3. Applications of Risk Management in the Tourism Field

A reference example is the risk management strategy for tourism in Phuket region in Thailand, a region that has been strongly affected by natural disasters, the most notably being the one from the Indian Ocean in 2004. The risk management strategy for Phuket region contains a list of all governmental agencies that have responsibilities in managing these risks as well as the actions tourism industry has to take in order to provide safety and security of tourists and the personnel working in the tourism industry. It has been

proposed that stakeholders have to revise this strategy annually and to bring some amendments that may be required.

Another example of good practices in this field is the guide for risk management for tourism operators in Canada, a guide that contains instruments specific to tourism industries but also methods for managing risks, methods that can be applied by enterprises in all tourism industries (Canadian Tourism Commission, 2003). This guide is focused on presenting the best practices and instruments for managing risk in the tourism industry and provides a basic understanding of principles related to the insurance field.

Another case in point is the Initiative for hotel sector in Asia-Pacific named <Hotel Resilient Initiative>, an initiative that aims to develop internationally recognized standards for hotels in order to minimize the business risks and risks occurred in the tourism destinations due to natural and technological catastrophes outlining the preparedness and providing safety of their (own) spaces for their potential customers (UNISDR, PATA and GIDRM, 2015).

Also, it has to be added an example of a safety plan in tourism in Iceland under the official quality label named VAKINN. An essential role within VAKINN is represented by the safety of tourists and consequently all tourism operators in Iceland that applies for VAKINN has to submit in writing the so called “safety plans” (Icelandic Tourist Board, 2013).

Another example in the field of risk management is the one adopted by Caribbean countries and named „Natural Hazard Risk Management”. The examples are various from planning for disasters in Barbados, to establishing a centre for emergency in Jamaica, a recovery plan for cruise industry in Grenada and a plan against hurricane protection implemented by a hotel chain in Jamaica (Simpson and Gladin, 2008).

Shaw, Saayman and Saayman (2012) presented a method of risk assessment in South Africa by using a matrix where risk is evaluated in three categories: high risk, medium and low but the assessment scale is more extended (by using six variables). Applying the assessment risk matrix in South Africa has been made for the travel agencies sector. In this regard, we have to consider that even the authors applied a questionnaire to this sector, the questionnaire did not evaluate the probability of an event or the severity of risk, the assessment matrix being based only on the importance (the ranking) of each risk.

Another model to assess multi-hazard type risks applied for tourism industry in Taiwan was the one proposed by Chung-Hung Tsai (2013) for risks produced by typhoons and floods. This model was based on some parameters such as historical data regarding rainfalls and floods (a stochastic model), data regarding the flood potential and natural disasters provided by National Science Council and Water Resources Agency as well as a financial analysis where possible economic losses were estimated.

Also one might add also the results of a research carried in Qatar (in the perspective of holding the football World Cup Qatar 2022) that focused on how a good strategy for risk assessment affects the tourism performance and moreover on identification of the factors that can be considered critical to achieve better monitoring (Nair, 2013).

4. Conclusions

This article has sought to highlight several concepts and theoretical considerations associated to risk and risk management as well as on how these were applied in the tourism sector, respectively the international experience in this field.

One can say that there is a diversity of definitions for the concepts of risk and risk management due to some different conceptual and methodological approaches specific to various sciences. Of course, these are applicable also for the tourism field, as an interdisciplinary field belonging to human and social sciences. However, what makes a particularity of tourism is the existence of a multitude of stakeholders in a tourism destination as well as the risk “exposure” of two different population groups with different needs: local community (residents) on the one hand, and tourists, on the other hand.

At the same time, as stated above, presenting briefly the international experience in tourism risk management was also considered. This was structured in two main directions. Firstly, presenting the reference guide in tourism risk management was envisaged and secondly illustrating different applications of tourism risk management in different countries/regions. We believe that these can be considered good practices in this field and can underlie, at the same time, specific similar applications for the tourism sector in Romania.

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