

THE MANAGEMENT
OF HOSPITALITY
AND TOURISM
ENTERPRISES SERIES

TOURISM CRISES

CAUSES, CONSEQUENCES & MANAGEMENT

Joan C. Henderson



Tourism Crises: Causes, Consequences and Management

Joan C. Henderson



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1

Introduction

Learning Objectives

By the end of the chapter, the reader should be able to

- Recognize the different causes of tourism crises.
- Identify the characteristics of tourism crises and their various types.
- Appreciate the consequences of tourism crises.
- Understand the special features of the tourism industry which make it vulnerable to crisis.
- Explain the key components of crisis management plans and underlying principles.

Introduction

The opening of the twenty-first century was marked by a wave of terrorist attacks, outbreaks of disease and devastating natural phenomena. Many of these incidents had local, regional and global repercussions and prompted tourism crises at corporate, industry and destination levels. Although some events were unprecedented, crisis and disaster have acquired greater prominence in recent years and the modern world appears to be one of heightened uncertainty and insecurity. Tourism cannot isolate itself from these forces and developments in the external environment have the capacity to precipitate tourism crises, as do industry and organizational circumstances. Some notable examples of tourism crises in the last decade are listed in Table 1.1, and this pattern seems set to continue in the years ahead.

A growing awareness of the threat of tourism crises and their potential to inflict harm is reflected in the number of academic publications devoted to the topic, including special editions of journals, many of which are referred to in the course of this book. More manuals and handbooks for practitioners are available and industry associations, official agencies and government bodies have been involved in their

Table 1.1: Selected tourism crises 1995–2005

Year	Event
1995	Earthquake in the Japanese city of Kobe killed over 5,500 and disrupted transport services throughout the prefecture.
1996	Indian Airlines plane hijacked on a flight from Nepal; 178 passengers released after eight days.
1997	Asian financial crisis and falling currency values depressed demand for intra-regional travel and investment in tourism.
1997	Terrorist attack on tourists visiting an historic site at Luxor in Egypt killed 58.
1998	Abduction of 16 tourists on an organized tour in Yemen, four of whom were killed.
1999	Industrial action by Cathay Pacific pilots over a labor dispute led to flight cancellations affecting thousands of passengers.
2000	Crash of a Concorde plane chartered by a German tour operator at Paris killed 113.
2001	Foot and mouth outbreak in the UK restricted access to the countryside and damaged destination images.
2002	Terrorist bombings at nightclubs on the Indonesian island of Bali killed 191 and injured 300.
2003	Severe Acute Respiratory Syndrome (SARS) virus epidemic in Asia and Canada impacted on tourist movements and air travel.
2004	Indian Ocean tsunami in which over 200,000 estimated to have died, including 2,000 tourists in Thailand.
2005	Suicide bombings at an Amman hotel in Jordan killed 57 and injured 120.

Sources: Assorted news reports.

production. It is also an increasingly popular conference theme for both business and academic communities; with a strong emphasis on understanding crises and being prepared to meet them. These themes are central to this book, which deals with causes of crises, their dynamics, consequences and approaches to management.

This first chapter provides an introduction to tourism crises and tourism crisis management. It discusses the features of such crises, their origins and evolution and recommended responses within the context of the wider literature on crisis management. Distinguishing characteristics of the tourism industry, comprising public and private actors, are outlined and shown to heighten its vulnerability to crisis, which assumes a variety of forms and is provoked by assorted catalysts. The overview stresses the significance of planning and management and sets the scene for the remainder of the book, which explores a multiplicity of tourism crises and the manner of their resolution.

Individual chapters cover tourism crises related to economic, political, socio-cultural, environmental and technological issues with additional separate chapters dedicated to questions of terrorism, health and commercial crises. The final chapter reviews the principal themes which emerge from the accounts and examines the lessons to be learned, highlighting examples of best practice and considering the

challenges of implementation in an era of rapid change when the future is unknown and unpredictable. It is hoped that the book will afford new insights into the important topic of managing tourism crises, which cannot be ignored by anyone with an interest in tourism.

Tourism Crises, Causes and Consequences

There is no universally accepted definition of what constitutes a crisis and different writers present their own interpretations. These do, however, frequently correspond and it appears that “three elements must be present: a triggering event causing significant change or having the potential to cause significant change; the perceived inability to cope with this change; and a threat to the existence of the foundation of the organization” (Keown-McMullan, 1997, p. 4).

A distinction can be drawn between disasters which owe their origins to factors such as extreme weather, yet impinge on industrial activity, and crises which are products of institutional stresses (Faulkner, 2001). The latter are more amenable to control, but the two have qualities in common and are connected when catastrophes outside an organization provoke a crisis within it. Emergency is another term sometimes employed interchangeably with crisis, but it refers to a less serious and therefore more easily managed event or threat. An associated concept is that of risk pertaining to latent, rather than actual, individual or sets of conditions which can become crises if realized and of sufficient gravity. Risk assessment is a key stage in planning for crisis, involving the anticipation of what might go wrong and identification of the reasons for divergences from expectations (van Waldbeek, 2005).

Every crisis is unique, yet characteristics generally cited include unexpectedness, urgency and danger (Hermann, 1972). They are precipitated by catalysts powerful enough to undermine structures and modes of operation, with repercussions for the profitability of commercial ventures which might even be destroyed (Shrivastava and Mitroff, 1987). Lives and company and individual reputations may be put in jeopardy, thereby eroding staff morale. Participants are taken by surprise and have little time to make difficult decisions in an atmosphere of tension and instability. Crises also reach a crucial point when change, for the better or worse, is unavoidable and the experience may prove beneficial for people and organizations (Prideaux et al., 2003).

Tourism crises usually share these attributes, although certain crisis situations can be predicted and lack immediacy such as those facing destinations suffering from rising sea levels due to global warming. They are also not restricted to the corporate arena and the phrase can be extended to describe circumstances in which tourists and members of the tourism industry individually or collectively, including destinations, are faced with change, which is potentially destructive for every, or certain, parties (a concept definition which is repeated at the end of the chapter). Generalizations may, however, be misleading and tourism crises display a remarkable range and variety, which it is the intention of this book to convey.

Existing typologies of corporate crises as a whole are founded on root causes (Shrivastava and Mitroff, 1987), time (Booth, 1993), gravity (Brecher, 1978) and facets of business operation (Meyers, 1986). Specific tourism crises can be classed in these ways and domain of origin or cause is a relatively straightforward method which permits comprehensive analysis. It represents the rationale for this book's organization and a conceptual framework is presented in Figure 1.1.

Causes of many tourism crises can be traced to developments in the economic, political, socio-cultural and environmental domains, which affect demand and supply in generating and destination countries. Economic downturn and recession, fluctuating exchange rates, loss of market confidence and withdrawal of investment funds can all engender a tourism crisis. Political events such as war, military coups, deteriorating international relations, the imposition of sanctions and terrorism will have a similar outcome. Civil unrest and growing crime and violence may act as triggers and natural disasters of earthquakes, typhoons, volcanic eruptions and flooding will almost inevitably do so. Deterioration in public hygiene and infectious disease also lead to tourism crises. Crises generated within the industry too can be analyzed under the headings of economic, socio-cultural and environmental when tourism has adverse impacts in these fields.

Technological is a fifth domain in which crises are initiated when technology in an assortment of manifestations fails to perform as expected and crises of competition and industrial relations are born of corporate affairs, the sixth domain. Human error is often a compounding factor, or even a principal cause, in these and all forms of tourism crises. Table 1.2 contains a list of threats of crisis by domain and whether they are external or internal to the tourism industry. There may be overlap across the domains and the demarcation between internal and external worlds is also not always clearly discernible. A crisis beyond the industry could be a rigorous test of management competence and the financial health of an organization, with corporate and industrial commercial crises ensuing if these are found to be deficient.

Figure 1.1: Domains of Tourism Crises

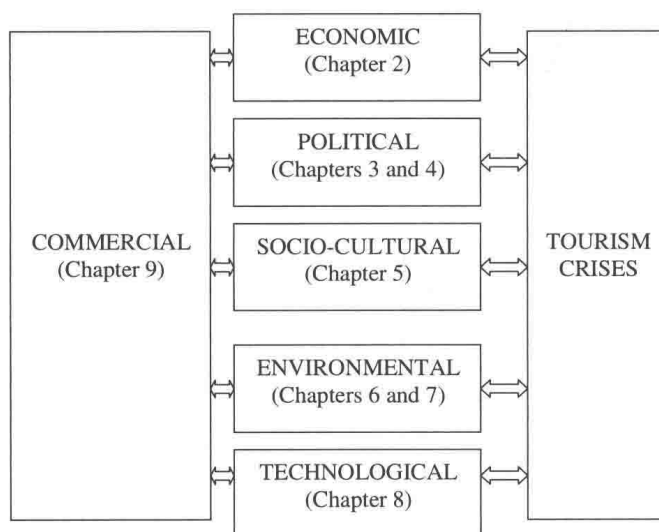


Table 1.2: External and internal threats of crisis

<i>Domain</i>	<i>External</i>	<i>Internal</i>
Economic	Recession Currency fluctuations Taxation	Rising costs Falling revenues Unprofitability
Political	Government policy International relations Instability Terrorism	
Socio-cultural	Unrest Crime	Staffing Cultural conflicts
Environmental	Natural phenomena Natural disasters Pollution	Overdevelopment Environmental degradation
Technological	Health scares Computer systems failure Mechanical failure Design faults Fire	Transport accidents
Commercial	Regulations Government intervention	Competition Labor disputes Management decisions Human error

The cause and source of a crisis will help to decide its consequences and severity can be assessed on a scale from major to minor, measured by items such as number of people implicated and costs incurred. Duration is a dimension of magnitude which embraces a short to long-term continuum, from a temporary computer systems collapse to a slowly mutating crisis linked to environmental degradation. Some crises have been likened to cobras when they erupt without warning and pythons if they reveal themselves more stealthily (Seymour and Moore, 2000). Spatial and industrial scope is another facet to take into account. The zone of crisis may be local, national, regional and international with regard to geographical area and corporate, industrial (domestic and overseas) and government (local, national and international) with regard to decision makers.

An isolated case of food poisoning at a restaurant principally concerns the manager and staff and, if managed well, will be quickly forgotten with limited financial damage. In comparison, the tourism industry and governments worldwide must respond to a pandemic of a deadly disease which could resonate for many months and have serious balance of payments implications. This range in crisis scope and, by implication, gravity is depicted in Figure 1.2.

Crises are thus rooted in a multiplicity of intrinsic and extrinsic causes originating in various domains. They occupy a spectrum, from short-lived situations confined to

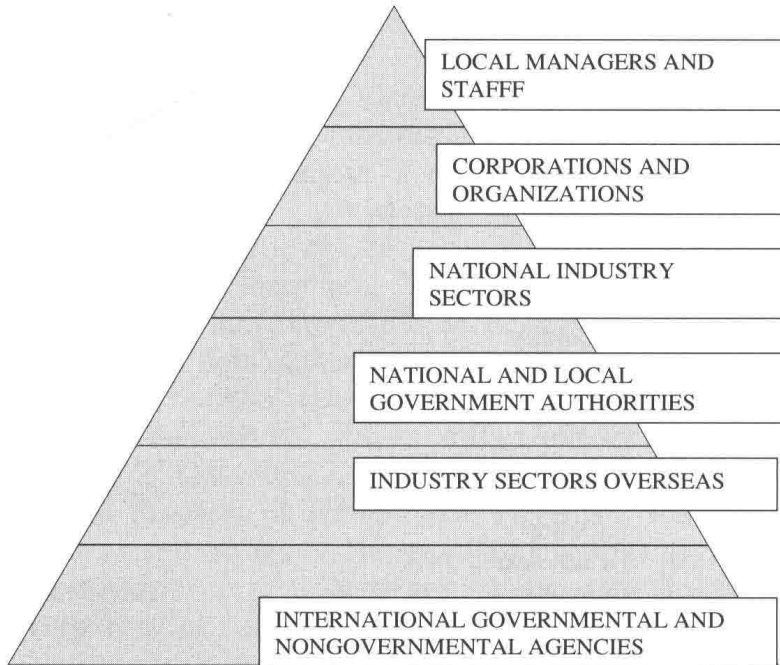


Figure 1.2: Scope of Tourism Crises

single enterprises to those which involve the global industry over a prolonged period, and the manner in which crises are handled can determine their extent and life. Such observations suggest a propensity to crisis in the tourism industry which is partly derived from its distinctive features, which are summarized below.

Characteristics of the Tourism Industry

First, the tourism industry's relative immaturity and dramatic expansion are noteworthy. Tourism has a long history, but modern mass tourism and the industry which supports it date from after the Second World War. International arrivals rose from 25 million in 1950 to 760 million by 2004, although geographical imbalances persist and most tourists and their spending circulate within the developed world (WTO, 2005). The World Tourism Organization (WTO) predicts that there will be 1.6 billion international tourists in 2020 (WTO, 1999) and domestic tourism, estimated to be 10 times greater in volume (Weaver and Lawton, 2002), must not be overlooked. Growth has been fueled by new product development, aggressive marketing and intense competition.

Looking to the future, the WTO is not alone in its optimistic forecasts and analysts concur that tourists demonstrate considerable resilience in the face of setbacks. Any downturns ahead for whatever reason, including crises, could therefore be quickly overcome. However, there is also an appreciation that tourists can be fickle

in their decision making and behavior. Leisure tourism demand is renowned for its elasticity, seasonality and volatility whereby a change in price will produce a disproportionate change in demand, movement is often heavily concentrated in certain months and flows can fluctuate wildly (Bull, 1998). It is driven by economics, subject to fashion trends and deterred by social and political upheaval. Tourists are unlikely to cease traveling in reaction to negative forces, but could shift their direction of travel and choice of destination. Business tourism is more stable, as perhaps is tourism for purposes of education and health care, but most markets are sensitive to uncertainties.

The tourism industry, which has grown to meet the needs of all these travelers, is unusual because of its size and structure, with a number of components playing a part. It consists of all the commercial and non-commercial enterprises and agencies which make tourism possible, encourage it and deal with the consequences. Collectively, they form a network made up of inputs from a series of individual industries, rather than a discrete and homogenous industry, and some of the participants may have customers who are not tourists such as excursionists and local residents.

Core industry sectors are tourism administration and development, passenger transportation, hospitality, attractions, tour operation and retail travel. The tourism administration segment determines the environment within which the overall industry works while transport, hospitality and attractions sell the services essential to the tourist experience. These may reach tourists directly or indirectly through intermediaries of tour operators, who combine separate ingredients into single products, and travel agents, who are the retailers in the distribution chain. An additional miscellaneous category includes providers of travel insurance, currency exchange and travelers' checks and travel literature.

Conventional structures and ways of doing business are, however, changing. Intermediaries are being challenged by new channels of distribution and especially Internet technology, which facilitates direct communications and transactions between customers and suppliers. This has resulted in the threat of disintermediation, raising questions about the prospects of "bricks and mortar" travel agents in particular. Vertically integrated giant travel groups are another power reshaping industry systems, especially in Europe where companies like TUI have their own hotels, airlines, travel agents and tour operators. Nevertheless, the various functional elements still depend on one or more of the others to a greater or lesser degree and are bound together by assorted ties, represented by alliances and partnerships. Any significant occurrence in one unit and country of tourist arrival or departure thus has implications for them all.

The tourism industry caters to nationals traveling within their country of residence (domestic tourists), residents crossing international borders (outbound tourists) and visitors entering from another country (inbound tourists). Transport, hospitality and attractions sectors supply domestic and inbound tourists, and tour operators and travel agents deal mainly with residents going overseas, with some sales of domestic products. However, outbound and inbound tourists travel by