Tourism Risk Management

Adapted from EMA’s Emergency Risk Management Process

Key Points

• This is the start of a learning process
• Establish and maintain tourism risk management networks
• Share knowledge, lessons & experiences

Tourism

• Generates incomes
• Creates & sustains jobs
• Encourages investment
• Facilitates trade

Definition of Crisis

Any situation that has the potential to affect long-term confidence in an organisation or a product, or which may interfere with its ability to continue operating normally.

Definitions of Disaster

Common threads

.....disruption to the community.....responding organisations and resources overwhelmed.....inability to return to normal without external assistance......

Definition of Disaster

A serious disruption to community life which threatens or causes death or injury in that community and/or damage to property which is beyond the day-to-day capacity of the prescribed statutory authorities and which requires special mobilization and organisation of resources other than those normally available to those authorities.
Disasters

Have a significant impact upon PEOPLE & infrastructure & thus upon tourism facilities, operations and visitors.

They produce LONG-TERM problems of restoration & rehabilitation and will affect the return to normal of tourism activities. Businesses reliant upon tourism will also be impacted.

What is needed?

An integrated disaster management system with an active partnership between all agencies, government and the community.

The tourism industry participate where possible in the integrated system at local, regional and national levels.

Key Points

- Crisis affects an organisation or business
- A disaster affects a community
- Tourism will be affected by a community disaster
- Tourism operators are part of the disaster management community

The Risk Management Process

Provides a generic framework for organisations to identify, analyse, assess, treat and monitor risks to their organisations.

The Tourism Risk Management Process

A proactive process which enables tourism destinations and businesses/organisations to minimise losses and take advantage of opportunities.
The Tourism Risk Management Process

Risk Management............
Disaster Risk Management

- Risk Management – an organisational process
- Disaster Risk Management – a community based, multi-agency process.

Tourism destinations and operators should be involved in both processes.

Disaster Risk Management

In the Pacific – CHARM – Comprehensive Hazard & Risk Management
At ADPC – CBDRM – Community-based Disaster Risk Management

Tourism Risk Management

Tourism destinations and operators should undertake a tourism risk management process to identify, analyse, assess, treat and monitor risks to their tourism operations and business.

YOU share the responsibility for the safety and security of visitors.

Communication and Consultation

A two-way process of internal and external communication should be established and maintained with stakeholders so that different views and expertise are included.

Key Points

- Risk management provides a generic framework
- There is an organisational process and a community process
- Disaster risk management is a community, multi-agency process
- Tourism destinations and operators have a role to play in both processes
- Communication and consultation are critical
- Tourism destinations should participate in disaster management committees where possible.
1. Establish the context
2. Identify hazards, vulnerable elements & risks
3. Analyze & evaluate risks
4. Treat risks
5. Monitor & review
6. Communicate & Consult

The Tourism Risk Management Process

Step 1
Establish the Context

The Context

Establishes the stakeholders, policies, systems, procedures and relationships which are relevant to risk management for tourism organisations.

The Context

- Perceptions, values & interests of visitors
- Political & legal environment
- Social influences
- Competitors
- Financial/economic factors
- Key business drivers

Internal organisational factors

- Organisational culture
- Capabilities
- Economic constraints
- Goals & objectives
- Community support
- Organisational strengths, weaknesses, opportunities & threats

Risk Criteria

Simple, basic statements of what is unacceptable or will not be tolerated.
Examples of Tourism Risk Criteria

- Any preventable crisis which results in negative media reporting is unacceptable...
- Any preventable crisis which makes visitors reluctant to visit a destination or tourist facility is unacceptable...

Key Points

- The context establishes the parameters within which tourism risk management activities take place
- It establishes statements of what is unacceptable to tourism destinations or operators

Ways to Identify Risks to a Tourism Destination or Business/Organisation

- Brainstorming
- Checking historical records
- Consulting experts
- ‘What if it happened here?’

Elements at Risk

Which elements could be affected by a crisis impacting upon a tourist destination or business/organisation?

- Visitors
- Employees
- Services
- Facilities
- Reputation
- Economic viability

Example - Poor safety record.....

- Visitors
- Employees
- Reputation
- Facilities
- Economic viability

What elements would be affected if there was an epidemic?
Risk doesn’t remain STATIC

- New sources of risk (hazards) will occur to tourism destinations and businesses/organisations (e.g. Avian Flu).
- Sources of risk must be monitored and reviewed regularly.

Key Points

- You need to identify all sources of risk to your tourism destination or organisation
- Identifying the elements at risk from each of the sources of risk helps you identify priorities

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Step 3

Analyse Risk

Once you’ve identified the sources of risk to your tourism destination or business/organisation, you have to analyse their likelihood and consequences.

- You need to know which will have the most negative effects in order to prioritise your actions.

Determining Likelihood & Consequence

Qualitative and Quantitative Evaluation

Risk Rating Matrix

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<th>Likelihood</th>
<th>Insignificant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Catastrophic</th>
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<td>H</td>
<td>H</td>
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<tr>
<td>B (likely)</td>
<td>M</td>
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<td>E</td>
<td>E</td>
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<td>C (possible)</td>
<td>L</td>
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<tr>
<td>D (unlikely)</td>
<td>L</td>
<td>L</td>
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</tbody>
</table>

Note: The number of categories should reflect the needs of the study.

- Extreme risk; immediate action required
- High risk; senior management responsibility must be specified
- Moderate risk; management responsibility must be specified
- Low risk; manage by routine procedures
Tourism Risk Management

Key Points

• You need to understand sources of risk and their consequences
• You must decide which will have the most negative effects on your destination or business/organisation and operations and which to address as a priority

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Step 4
Evaluate Risk

Evaluate Existing Treatments

• Is the risk being managed by existing measures?
• What will happen if it’s not treated?
• Will it affect other destinations/businesses?
• Is it someone else’s responsibility?
• What else do we need to know?
• What are the values & expectations of visitors?

Always monitor & review those you decide not to treat.
Priorities and circumstances may change.

Key Points

• Evaluate effectiveness of existing control measure
• Identify partnerships with relevant agencies
• Know what visitors will and will not accept

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Step 5
Treat Risk
Steps to Treat Risk

- Consider risk treatment options
- Assessment criteria
- Select most appropriate options
- Prepare risk treatment plan

Standard Risk Treatment Options

- **Avoid** the risk
- **Reduce** (likelihood & consequences)
- **Transfer** the risk (share responsibility)
- **Retain** the risk and plan to manage the consequences.

Risk Treatment Options

**Prevention/mitigation examples:**
- Compliance programs
- Inspection & process controls
- Security devices, alarms and processes
- Preventive maintenance
- Training & education.

Risk Treatment Options

**Can the costs be shared between tourism destinations and operators, the community or government?**

Who will benefit if the risk is managed?

Selecting Risk Treatment Options

- Will it be acceptable to stakeholders (visitors)?
- Is it too complicated/difficult?
- Long-term benefits?
- How long will it take?
- Will it adversely affect tourism?
- Should others share the costs?
- Will it create new risks to tourism?

Risk Treatment Plans

- Allocate responsibilities
- Identify timelines
- Decide methods of implementation
- Establish expected outcomes
- Allocate budget
- Identify performance indicators & milestones
Residual Risk

Crisis will still occur, so you need to plan to respond to and recover from crises.

Key Points

• Identify the best risk treatment options
• Establish partnerships for risk treatment
• Develop plans to implement risk treatments
• Develop tourism crisis response and recovery plans for residual risk

The Tourism Risk Management Process

Monitor & Review

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Monitor & Review

Risk doesn't remain static.....nothing remains the same.....
Regular Monitoring & Review of:

- Decisions and processes
- Visitors’ expectations & attitudes
- New sources of risk
- Risk ratings/priorities
- Elements at risk
- Efficacy of existing risk treatment measures
- New/additional risk treatment measures

Key Points

- Regular monitoring & review is essential
- Tourism risk management is an on-going process
- Learn from others’ experiences
- Share your experiences with other tourism destinations and businesses/organisations

Tourism Risk Management

Summary

Key Points

- This is the start of a tourism risk management learning process
- We all need to share information and learn from the experiences of others
- The tourism industry is vital to the economic viability of all countries
- Tourism operators share the responsibility for the safety & security of visitors

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