Boryskina Y.,
Yurchyshyna L.
National Technical University «Dnipro polytechnic»
Dnipro, Ukraine

PRACTICAL MODELS OF EFFECTIVE CRISIS MANAGEMENT AND BUSINESS IN TOURISM

A growing number of organisations is deliberately choosing to give the risk management process a formal position in their organisation. In the past the management of risks was split up into various risk types and organisational departments. It could happen that an organisation controlled its credit risk very tightly without realizing that this would make its customers turn to its competitors. Or the procurement department reduced the risk of price fluctuation by means of contracts while the R&D-department wanted to use a very different and more expensive quality of materials. For a particular risk type or organisational department this may have lead to an optimum risk level, for the organisation as a whole this result was suboptimal. That is why risk management is more and more applied on an entity-level. In this way the combined effect of all organisational risks on the objective is evaluated [2].

It is important to distinguish negative risks from problems. A problem is a real, existing, negative situation that has occurred as a result of an event and requires a solution. A problem is something that is certain and a risk something that is uncertain. One could therefore define a negative risk as a possible event that causes a problem. A problem is by definition not acceptable: when it would be acceptable it would not be a real problem. On the contrary, a risk can be acceptable. The probability that a problem will occur may be so low or the consequences for the objective so little that it will not cause a problem when the risk manifests itself.

There are several tools that can be helpful in the risk identification process and that can be used to ensure an allround approach, i.e. both internal and external risks are addressed. A helpful tool that assesses the internal and external environment is the SWOT-analysis; it provides a basis on which the company’s strategy can be formulated. The SWOT indicates what the strengths (S) and weaknesses (W) of the organisation are (the internal environment) and what its opportunities (O) and threats (T) are (the external environment). The organisation then selects a strategy which builds upon the strong points of the organisation to grasp the opportunities and to withstand the threats. A condition that needs to be met is that the weak points of the organisation do not stand in the way of the strategy [3].

In addition to the checklists shown above, various other models are used to analyse the internal and external environment. Contrary to checklists the order in which the angles in the models are being presented is very important. A model shows the relevant angles and their interrelationship. Models can be directed to the external environment (Porter five forces model) or the internal environment (Porter value chain model).

The value chain model shows all activities in an organisation that – together – have the objective to add value to a product or a service. Both activities in the primary processes and in the processes that have a supporting role have the objective of adding value. For each of these processes the following questions can be asked, ‘What can happen in this process so that the adding of value does not take place?’ and ‘What event causes the destruction of value in the process? This kind of risk identification delivers a list of internal risks. Risk management as such is also referred to as value management, as you can see at the firure 1.

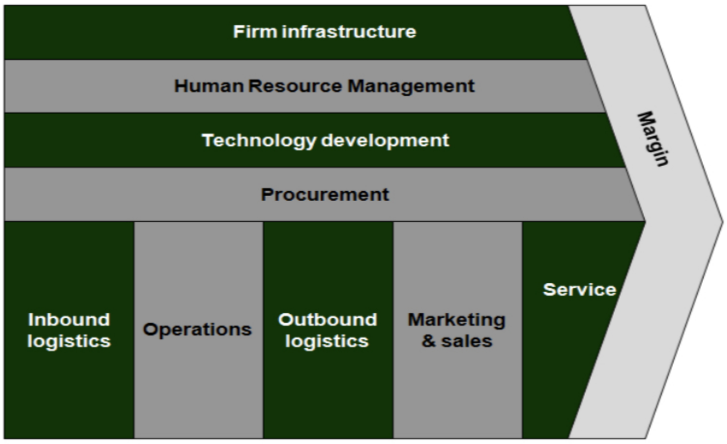

Fig. 1. – Porter value chain model

When risks are identified it is important that the organisation gets a good idea of the size of the risks. This can be realised by determining the likelihood of occurrence and impact of the risk followed by a ranking of the risks.

In the risk management process the logical step after identifying risks is to look at the size of the (negative) risks. However, the size of the resulting expected loss or exposure when the risk does happen, can be split up in two variables: the consequence of the risk on the objective (the impact) and the probability that a risk will materialize (the likelihood) [4].

At the Figure 2, we can follow the process of risk management that will help any tourism agency to identify the risks and accept them or do not. First of all we will identify if we do have external risks and internal, external risks unfortunately do not depend on us, so far internal depend, so we can control them and predict if we are able to resolve the issues.

For any tourism agency the main external risk as of right now is COVID-19, we can not control it, so far we can accept it and make some moves and actions to protect our business. Internal risks might be the suppliers’ contract determination. So what is the model that will help tourism agency? First of all external risk, you can treat it, so that it’s impact was minimized.We will get used to these new business frames and will offer new options to our customers, because of the situation. As you can see at the table number 1.

Fig. 2. – Risk management model

Table 1 – External risk likelihood

Risk 2								
		High					A	Before measures
Likelihood		Medium					B	After measures
		Low		B ←	A			
			Low	Medium	High			
			impact					

The 2nd risk that tourism agency will face will be internal one, loosing main suppliers. Tourism agency has to control this risk, in order not to receive much financial impact. They can minimize the risk by signing more strict contract, where mentioned that the company that supply our tourism agency do not have a right to cancel the contract without 8 month notice for example. At the table number 2, you can see the solution for the issue.

Table 2 – Internal risk likelihood

Risk 4								
		High					A	Before measures
Likelihood		Medium			A		B	After measures
		Low		B ←				
			Low	Medium	High			
			impact					

Based on the generalization of world and domestic experience, it is determined that in conditions of instability of the external and internal environment, the main problem in the context of crisis management is to prevent the tourist enterprise from crisis. This requires a shift in emphasis to the dynamic aspect of crisis phenomena in contrast to the prevailing approaches to the crisis in economics, which are declarative in nature [1]. Therefore, from the standpoint of managerial influence, the dynamic aspect of the development of crisis phenomena is becoming increasingly important as a consequence of the development of negative trends that can develop over time without creating crisis situations. The turning point in their development is to achieve a level at which the company moves from the quasi-equilibrium sphere to the state zone. When the balance between the elements of the enterprise as a socio-economic system and the enterprise and the socio-economic system of a higher level is disturbed, a crisis develops.

References:

1. Buryy S.A., Matsekha D.S. Antykryzove upravlinnya ta upravlins'ki rishennya – problemy pidpryyemstv maloho biznesu: monografiia [Bury S.A., Matekha D.S. Crisis management and management solutions are problems of small business enterprises : monograph] / S.A. Buryy, D.S. Matsekha. – Khmelnitsky: Triad-M, 2006. – 93 p.

2. Dubyns'ka O.S. Orhanizatsiya monitorynhu orhanizatsiyno-vyrobnychoyi sfery v antykryzovomu upravlinni pidpryyemstvom [Dubinskaya O.S Organization of monitoring the organizational and production sphere in the crisis management of the enterprise] / O.S. Dubyns'ka // Ekonomika promyslovosti [Economics of industry]. – 2010. – №2(50). – P.121–126.

3. Shapoval V. Assessment of the competitiveness of the tourist enterprise in the modern conditions / V.M. Shapoval, T.V. Herasymenko, L.I. Yurchishina // Ekonomika i rehion. Naukovyy visnyk. – Poltava: PNTU, 2020. – №.4(79). – P.35–42.

4. Yepifanova I.Yu., Orans'ka N.O. Sutnist' antykryzovoho upravlinnya pidpryyemstvom [The essence of crisis management enterprise] / I.Yu. Yepifanova, N.O. Orans'ka // Ekonomika promyslovosti [Economics of industry]. – 2016. – №2. – P.265–269.