

FEAR OF A CRISIS DOES NOT LEAD TO CRISIS PREPARATION IN THE TOURISM INDUSTRY

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1. How can a crisis in the tourism industry be defined?

The current study considers the perception of Madrid hotels to different types of crises and relates it to the reaction of the 2008 financial crisis. Tourism is a sector very vulnerable to critical events that initially had nothing to do with tourism. The terrorist attacks of 9/11, the Madrid or London metro bombings were not aimed at tourists but affected tourism subsequently. Thus, crisis preparation becomes necessary for the tourism sector both on a national and an individual company level. Literature on crisis planning and management has flourished during the recent years¹ and many studies have been conducted to research the effectiveness of crisis management.² It is evident that crisis management becomes necessary in the tourism sector in order to manage the critical event and recover from it faster. Still, there is scant research available on the importance of different types of crises to businesses and its impact on a company's reaction to other types of crises. Generally, a study focuses on one single critical event and measures its consequences. Few try to compare different sorts of crises.³

Literature often distinguishes between crisis and disaster which are actually very similar events and only differ in the root cause of the problem. Faulkner⁴ has analyzed the work of several authors and indicated that the key elements of a crisis are:

- “a triggering event, ...

- high threat, short decision time and an element of surprise and urgency;
- a perception of an inability to cope among those directly affected;
- a turning point, when decisive change, ..., is imminent. ...;
- characterized by ‘fluid, unstable, dynamic’ situations.”

He adds that whereas crises are internal to the organization (self-inflicted by incapable management), disasters are external (sudden catastrophic changes out of control of the organization). Although they cannot be stopped, their impacts can be limited by effective crisis management.⁵ Kash and Darling⁶ underline that it is no longer a question when a company will be hit by crisis but rather on how well prepared it is in order to deal with the crisis.

As indicated, crises come in different forms. Common causes during the last decade have been natural disasters (volcano eruption in Iceland and Chile, devastating tsunamis in Japan or Thailand), terrorist attacks (9/11, the bombing of the Madrid or London underground), epidemics (Avian flu, ebola) or economic crises (2008 global financial crisis, Euro crisis).

2. Why should hotels in the Madrid area prepare for a crisis?

Given the changing nature of events, several forms of crisis plans have to be prepared. Especially literature on economic crisis abounds, since it is a critical event that can frequently be observed regardless of the geographic location or of economic sector.⁷ Companies are aware of recessions

1 See Faulkner, B. (2001): Towards a framework for tourism disaster management. *Tourism Management*, 22, 135-147. Blake, A.; Sinclair, T. (2003): *Tourism Crisis Management: US response to September 11*. *Annals of Tourism Research*, 30(4), 813-832.

2 See Henderson, J. C. (1999): *Managing the Asian Financial Crisis: Tourist Attractions in Singapore*. *Journal of Travel Research*, 38, 177-18. Alonso-Almeida, M. d. M.; Bremser, K. (2013): Strategic responses of the Spanish hospitality sector to the financial crisis. *International Journal of Hospitality Management*, 32, 141-148.

3 See Henderson, J. C. (2007): *Tourism Crises: Causes, Consequences and Management*. Oxford: Butterworth-Heinemann.

4 Faulkner, B. (2001): op cit., p. 138.

5 See Ritchie, B. W. (2004): Chaos, crises and disasters: a strategic approach to crisis management in the tourism industry. *Tourism Management*, 25, 669-683.

6 See Kash, T. J.; Darling, J. R. (1998): Crisis management: prevention, diagnosis and intervention. *Leadership & Organization Development Journal*, 19(4), 179-186.

7 See Henderson, J. C. (1999): op cit. and Pearce, J. A.; Michael, S. C. (2006): Strategies to prevent economic recessions from causing business failure. *Business Horizons*, 49, 201-209.

because their financial advisors (banks, investors) demand provisions for “lean” years.

Natural disasters can destroy the tourist facilities of an entire region and thus render any business impossible for a long period of time.⁸ Even if the property itself remains undamaged, negative media coverage will hurt the business and make a swift recovery difficult.⁹ Thus, companies often engage in increased marketing activities to render their destination attractive. It is of vital importance to also engage in preventive marketing. According to González-Herrero and Pratt¹⁰ this is a common lesson that companies draw from previously experienced critical events. Compared to other critical events as i.e. recessions or terrorist attacks, for some cases of natural disasters, crisis prevention is even required by law (e.g. the display of a fire evacuation plan in each hotel room, the provision of protective shelter in the case of hurricanes). Thus, hotels are better accustomed to prevention measures.

3. Why would you not expect crisis preparation from hotels in the Madrid area?

Apart from economic crises, Madrid hoteliers have already experienced the impacts of terrorist attacks. The Metro bombings by Al Qaida on March 11, 2004¹¹ affected more than 80% of all Madrid hotels. They saw a fall in occupancy rates compared to the year before. However, recuperation was fast and lasted only a few weeks.¹² Enz et

al.¹³ report similar facts. The impact of the terrorist attacks from 9-11 was faster and more severe compared to the financial crisis of 2008; recovery was also swifter. Especially in the case of terrorist attacks, it has to be differentiated if those are directed at tourists (as i.e. in the case of the Bali bombings 2002 and 2005 that were directed at Australian tourists) or if tourism suffers as a side effect (9/11, 11-M). In the first case, tourism is likely to be more severely affected since the region as a whole is considered as insecure.¹⁴ Even in the case of very severe terrorist attacks, tourists will return fast to the destination and business will recover quickly if there is no indication of repetition.¹⁵ Generally, it is very difficult to prepare for a terrorist attack, since they occur in many different forms (snipers, suicidal attacks, plane hijacking ...) and are often not directed at the location.

Apart from economic crises and terrorist attacks, which are known to Madrid hotel businesses, epidemics as well as natural disasters can also pose a severe threat to companies. Fears of contagion as well as health warnings issued by the authorities will result in a declining readiness to travel and the avoidance of public or crowded spaces (cf. the ban on Asian exhibitors of the Baselworld jewelry exhibition by Swiss authorities in 2003) and thus subsequently hurt a hotel's business. Here again, it is very difficult to prepare for an epidemic, since marketing or promotion will not entice people to travel during the contagious time of the crisis.

8 See Huang, J. H.; Min, J. C. H. (2002): Earthquake devastation and recovery in tourism – The Taiwanese case. *Tourism Management*, (23), 145-154.

9 See Henderson, J. C. (2005): Responding to natural disasters: Managing an hotel in the aftermath of the Indian Ocean tsunami. *Tourism and Hospitality Research*, 6(1), 89-96.

10 See González-Herrero, A.; Pratt, C. (2007): Preventive Marketing for Crisis Communication in Tourism: Management strategies in the USA and Spain. *Journal of Communication Management*, 3(1).

11 See El Mundo (2004): Al Qaeda reivindica los atentados en un vídeo hallado en Madrid.

12 See Exceltur (2004). Valoración empresarial del 11-M en el sector turístico español.

13 Enz, C.; Kosová, R.; Lomanno, M. (2001): The impact of terrorism and economic shocks on U.S. hotels. *Cornell Hospitality Report*, February, 4-17.

14 See Henderson, J. C. (2007): op cit.

15 See Pizam, A.; Fleischer, A. (2002): Severity vs. frequency of acts of terrorism: Which has a larger impact on tourism demand. *Journal of Travel Research*, 40 (3), 337-339.

4. Actions undertaken by Madrid hoteliers

In order to test if Madrid hotels prepare for a crisis, a personal survey was conducted in 2009 across the entire population of Madrid hotels listed in the Tourspain guide. The total population included 198 hotels from the capital of Madrid, Spain. In all, 134 hotels, or 67.7%, provided information, which represents a high response rate for this type of study.¹⁶

This research was conducted as a descriptive analysis. Three different hypotheses were tested. To test hypothesis 1 (H1: Hotels, that fear an economic crisis most, are less worried about other forms of crisis) companies were asked to indicate which of four events (economic crisis, terrorist attacks, epidemics or natural disaster) they considered to be worst for their business. Most respondents judged recessions as most damaging for their business. Subsequently, a descriptive anal-

ysis using Pearson's correlation coefficient was conducted in order to see how the considerations about different critical events are related to each other. The results are displayed in *table 1*.

Table 1: Correlation between economic crisis and other critical events

CRITICAL EVENT	PEARSON'S CORRELATION COEFFICIENT	COVARIANCE
Terrorist Attack	-0.356**	-0.062
Epidemic	-0.294**	-0.037
Natural Disaster	-0.354**	-0.060

**Statistically significant at the 0.01 level

As can be seen from *table 1*, a statistically significant, negative correlation exists between economic crisis and other critical events. H1 (Hotels, that fear an economic crisis most, are less worried about other forms of crisis) is supported by the data. Literature has so far not researched this

Table 2: Actions of the hotels that fear natural disasters most

Group	Impact	Pearson's correlation coefficient	Covariance
SPECIFIC PREPARATION	We have emergency planning for crisis situations ready	0.049	0.034
	We lived through other financial crises and survived	0.050	0.038
	We prepared for the financial crisis taking internal measures	0.100	0.058
GENERAL PREPARATION	The economic situation will change during the next 12 months	0.183*	0.121
	We have learned from other critical situations and made adjustments	0.206*	0.142

*significant at the 0.05 level

¹⁶ See Malhotra, M.K.; Grover, V. (1998): An assessment of survey research in POM: From constructs to theory. *Journal of Operations Management* 16, 407-425.

phenomenon. However, the result is not surprising. Recessions are part of the economic cycle and recur frequently with varying intensity and duration. They only change in severity. Thus, companies are prepared to make adjustments. Other forms of crisis come suddenly as a singular event and occur with a lesser frequency.

Two hypotheses were formulated to test if other crises forms apart from economic crises influenced a hotel's crisis readiness. H2a (Hotels, that fear natural disasters most, are more likely to prepare for all types of crises than other hotels) and H2b (Hotels, that fear health threats most, are more likely to prepare for all types of crises than other hotels).

To test these hypotheses, hotels were asked on their opinion on certain actions they judged of importance in order to overcome the financial crisis. Answers were measured on a 5 point Likert scale.

Table 2 shows two groups of actions that the hotels – that fear natural disaster most – undertook: Hotels were asked about their **Specific Preparations** for the crisis. As can be seen from the results since no statistically significant correlation exists, no preparations were undertaken. However, the hotels did prepare for the crisis in a certain manner. They undertook **General Preparations**

and drew lessons from prior critical events. In this group the results showed statistical significance. A similar result can be observed for those hotels that fear epidemics most: Here again, hotels focused on general preparations and did not make specific preparations only for the case of a financial crisis.

Therefore, both hypotheses can be supported. These findings are in line with literature. Natural disasters tend to be recurrent; some regions are more likely to be hit by one than others. If hotel managers fear disaster, they are likely to prepare evacuation plans, reconstruction plans or the adjustment of staff levels. Those measures can then be implemented speedily. Moreover, general measures can be applied to different forms of critical events. Similar to natural disasters and terrorist attacks, the reaction of the authorities to health threats is of high importance. Due to fear of contagion, authorities often direct their warnings also at tourists. Thus, hotels as home of tourists are soon affected. If managers fear epidemics they will most likely make provisions. As a certain threat cannot be foreseen, those provisions will be of a more general nature and support the company also in other critical situations.

The last hypothesis (H3 “Hotels, that fear terrorist attacks most, will not make operational

Table 3: Actions of hotels that fear epidemics most

Group	Actions	Pearson's correlation coefficient	Covariance
SPECIFIC PREPARATION	We lived through other financial crises and survived	0.067	0.038
	We prepared for the financial crisis taking internal measures	0.100	0.037
	We have emergency planning for crisis situations ready	0.128	0.066
GENERAL PREPARATION	We have learned from other critical situations and made adjustments	0.209*	0.109

*statistically significant at the 0.05 level

changes to their business¹⁷) was tested by asking hotels for the impacts the 2009 crisis had on their business. *Table 4* shows the results.

As can be seen from the results, the hotels surveyed did not see a necessity for organizational change since the correlation coefficient is negative. The hypothesis is supported. Madrid hotels have experienced terrorist attacks before and noted that economic activity bounced back quickly. In addition, as **Pizam and Fleischer**¹⁷ note, destinations will not suffer from a decline in tourism if travelers consider the destination as safe and the response of the authorities as adequate. Therefore, companies do not see the necessity of making changes to their business since the threat will disappear quickly.

5. Conclusion

As can be seen from the research, from a hotel's point of view, crisis preparation only makes sense for certain types of crisis. In the case of natural disasters or health threats, hotels do make general provisions that are also useful to overcome other crisis types. For terrorist attacks on the contrary, no provisions are made. Here, hotels rely on an effective answer from the authorities.

For the economic crisis, which is feared most by the surveyed hotels, hotels did rely on measu-

res that promised immediate relief, as i.e. making better use of their loyalty programs or imitating successful strategies from the competition.

Thus, no formal crisis management with specific plans for different crisis types could be observed. This result comes as a surprise, since literature on crisis management in the tourism industry abounds and critical events have been frequent in recent history.

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Table 4: Impacts of the 2009 financial crisis on hotels that fear terrorist attacks most

Group	Measures	Pearson's correlation coefficient	Covariance
OPERATIONAL CHANGE	Direct services to the clients were reduced	-0.216*	-0.139
	Back-office services were eliminated	-0.171*	-0.106

*statistically significant at the 0.05 level

¹⁷ See Pizam, A.; Fleischer, A. (2002): op cit.