

1st

**International
Scientific
Conference**

2-4 June, 2016

Vrnjačka Banja, Serbia

2

0

1

6

**TOURISM
IN FUNCTION OF DEVELOPMENT
OF THE REPUBLIC OF SERBIA**

Spa Tourism in Serbia and Experiences of Other Countries



**THEMATIC
PROCEEDINGS**

II



**UNIVERSITY OF KRAGUJEVAC
FACULTY OF HOTEL MANAGEMENT
AND TOURISM IN VRNJAČKA BANJA**



SPECIFICS OF RISKS AND RISKS MANAGEMENT IN TOURISM

Dragan Stojanović¹; Dragana Ilić²;

Abstract

Risks management and the adoption of techniques of effective risks management can increase the safety and performance of the business operators of the tourism industry. The objective of risks management in tourism is ensuring continuous performing of the activity without any losses that might be caused by the realization of a risk. Risks management in tourism is not possible without knowing the specifics of risks, their interactions and measures that can prevent or mitigate the occurrence of risks. Specific risks in tourism result from the specificity of tourism as a phenomenon, the tourist offer and tourist demand. The aim of this paper is to emphasize the importance of management of risks to which representatives of the tourism industry are exposed. Effective and efficient risk management in the tourism industry is based on adequate identification and risks analysis, planning and implementation process – all aiming at preventing or mitigating the occurrence of risks.

Keywords: *risk, tourism, risks management*

Introduction

Defining a set of basic measures whose common goal is a stable and harmonious development of tourism is one of the most important requests when it comes to mass tourism. Such tourism development should be in the interest of those who travel (tourists), those providing services in tourism and in the interest of the local population at tourist destinations. Tourists are exposed to numerous risks in the course of tourist travel and stay in the tourist destination. The safety and security of tourists on a tourist trip and at a tourist destination is, therefore, an important criterion

1 Dragan Stojanović, M.Sc., Lecturer, Higher Business School of vocational studies Leskovac, Vlade Jovanovića 8, Leskovac, 016/254961, stojanovic.dragan@vpsle.edu.rs

2 Dragana Ilić, M.Sc., Teaching Assistant, Higher Business School of vocational studies Leskovac, Vlade Jovanovića 8, Leskovac, 016/254961, ilic.dragana@vpsle.edu.rs

for the choice of tourist destinations. In the modern world there is an increasing need to identify risks in tourism and to manage these risks. If we wish to have adequate protection of tourists, we should be familiarized with the specific risks in tourism and learn of the measures for reduction of these risks.

Modern trends in tourism

Tourism is an activity which has, in a relatively short time, become a global phenomenon and the number of its participants makes it one of the most widespread phenomenon on a world scale. A great number of (positive) development trends have made tourism one of the most dynamic and propulsive economic activity, with numerous multi-applicative effects. This in turn makes tourism a strong generator in a broad specter of activities. Development of tourism is becoming a priority in the economic development of many countries that have sufficient resources for the development of this activity (Ilić et al., 2014). Tourism is one of the fastest growing sectors of the economy in the world.

A growing number of destinations around the world invest in the tourism industry. In such destinations tourism becomes a key driver of socio-economic development as it brings own new jobs, increases revenue and leads to infrastructure development. In recent decades tourism has become one of the fastest growing sectors of the economy.

Table 1 shows the number of arrivals of foreign tourists (in millions) by region of the world according to the World Tourism Organization in the period from 1990 to 2014. Based on the data from Table 1, we can see that in the observed period the leading region is Europe. From 1990 to 2005 second place, according to the number of arrivals of foreign tourists goes to the region of America. From 2005, the situation has slightly changed as the Pacific region and that of Asia move up to the second and the region of America moves down to the third place, according to the number of arrivals of foreign tourists.

The number of arrivals of foreign tourists in the observed period is increasing. The total number of arrivals of foreign tourists in the world has, from 435 million in 1990 increased to 1 billion 133 million in 2014.

Table 1: Arrivals of foreign tourists (in millions) by region in the period from 1990 to 2014

Region according to UNWTO	Arrivals of foreign tourists (in millions)						
	1990	1995	2000	2005	2010	2013	2014
Europe	261.5	304.7	386.4	453.0	488.9	566.4	581.8
Asia and the Pacific	55.8	82.1	110.3	154.0	205.4	249.8	263.3
America	92.8	109.1	128.2	133.3	150.1	167.5	181.0
Africa	14.7	18.7	26.2	34.8	49.5	54.4	55.7
Middle East	9.6	12.7	22.4	33.7	54.7	48.4	51.0
World	435	527	674	809	949	1,087	1,133

Source: UNWTO Tourism Highlights, 2015 Edition, page 4, <http://www.e-unwto.org/doi/pdf/10.18111/9789284416899>

At the end of XX and beginning of XXI century, numerous changes have occurred in all spheres of life that had a significant impact on the tourism industry. These changes were caused by demographic, political, social, cultural, economic, technological and environmental factors. All of these factors can have a positive or negative impact on tourism - these changes can accelerate or hinder the development of tourism.

At times of growing competition, it is very important to maintain and improve the competitive position on the international tourism market. In order to achieve this it is necessary to constantly monitor the changes that occur in modern conditions when it comes to supply and demand in tourism (Djeri et al., 2015).

Bearing in mind the social, political, economic, environmental and technological factors that have influenced the development of tourism in the past and those factors that are expected to affect the tourism sector in the future, the World Tourism Organization has done long-term forecasts of tourism development (by 2030). Quantitative projections primarily relate to international tourist demand.

According to the World Tourism Organization, the number of international tourist arrivals will increase by an average of 3.3% annually in the period from 2010 to 2030. Over time, the rate of growth will gradually slowdown, from 3.8% at the beginning of the period to 2.9% in 2030. At the projected rate of growth, international tourist arrivals

worldwide are expected to reach 1.4 billion by 2020 and 1.8 billion by the year 2030 (Tourism Highlights Edition, 2015).

The importance of the implementation of process of risk management in tourism

Defining a set of basic measures whose common goal is a stable and harmonious development of tourism is one of the most important requests when it comes to mass tourism. Such tourism development should be in the interest of those who travel (tourists), those providing services in tourism and in the interest of the local population at tourist destinations. An important criterion for the choice of a tourist destination is the safety and security of tourists at a particular tourist destination. The vulnerability of people in traffic, the risk of terrorist attacks during a trip, the safety of tourists in a hotel, on a trip, fire hazard, the risk of food poisoning, infection and etc. influence the choice of a tourist destination, length of the tourists' stay on a destination, re-entry and recommendation to others.

Tourists are exposed to numerous risks in the course of a tourist travel and stay in a tourist destination. In order to adequately protect the tourists, we need to know what are the specific risks in tourism and which measures to take in order to suppress these risks. All subjects in the tourism industry should take specific measures to protect tourists - users of tourist services. One part of the risks will be assumed by insurance companies and they are indispensable factor in overcoming risks (Stojanović et al., 2013).

According to the World Tourism Organization, there are four main sources of risks (Popesku, 2011a):

- The human and institutional environment outside of the tourism sector;
- The tourism sector and related commercial sources;
- Individual sources (personal risk);
- Physical risks from environment (natural, climatic, epidemic)

The human and institutional environment outside of the tourism sector

- This type of risk exists when a tourist is a victim of:
 - delinquency (theft, fraud);
 - organized crime;
 - human trafficking;
 - war;

- social conflicts;
- terrorism.

The tourism sector and supporting activities (tourism, transport, sport, and trade) can threaten personal security, physical safety and economic security of visitors, through the:

- Lack of standards for fire protection, construction errors, earthquakes;
- Insufficient level of hygienic and sanitary protection;
- Disrespect of contracts;
- Deceit in commercial transactions;
- Employee strikes.

Individual travelers (personal risk) - Tourists and visitors can threaten personal safety and safety of the host, through the:

- Application of extreme sports, unsafe driving, consuming unsafe food and beverage;
- Poor health;
- Provoking conflicts with the local population, breaking the law;
- Criminal activities;
- Paying visits to dangerous places;
- Loss of documents, money, etc.

Physical risks from environment (natural, climatic, epidemics) are appearing:

- When tourists are not aware of the risks of the natural characteristics of the place;
- When visiting forbidden and dangerous areas;
- When tourists are exposed to the dangers of natural disasters and epidemics

The World Tourism Organization, through programs of sustainable tourism development helps in assessing and mitigating the risks related to tourism. Below are listed some of the most important programs and projects (Resilience of Tourism Development):

Measures to facilitate international travel. World Tourism Organization ensures the safety and efficient movement of travelers. This includes further development of standards, procedures and the exchange of information in order to deter threats, reduce costs and help ensure safe and efficient movement of travelers.

Supports members in identifying and mitigating global and local risks related to tourism. World Tourism Organization supports tourism crisis management efforts at national level, focusing on both the establishment of effective crisis management systems and improvement of existing.

Coordination with the United Nations system. This coordination should enable and ensure a consistent and common approach.

Improve capacity of members to develop, plan and implement crisis management systems in the tourism sector. A certain number of workshops is designed for the above mentioned purpose:

- Regional Capacity Building workshop;
- Regional Capacity building workshop on Emergency Planning for Tourism;
- Regional workshop on Tourism Risk Analysis, Early Warning and Mapping;
- Regional workshop on Crisis Coordination at the National and International Level;
- Regional workshop on Crisis Center;
- Regional workshop on Crisis Communications;
- Regional workshop on the development of tourism products in difficult conditions.

The following risks are especially important in tourism (Tourism & More – Risk Identity and Management, 2002):

- Physical / security risks in relation to tourists
- Physical/Security risks to the staff
- Risks due to issues of health, for example food and water safety, to staff and clients
- Risks to the environment, for example, will the event or tour damage the local ecology?
- Risks to the local culture, how much of a cultural impact does a large number of visitors have on a local culture?
- Risks to the business reputation of a company.

The risk is a source of potential damage for tourists, travel organizers, tourist companies or a tourist destination. The risk management process refers to planning, organization and implantation of activities that are directed towards effective risk management. It is necessary to align

business activities in line with this strategy using modern technology (Stojanović, 2011).

Risk management should provide (Robertson et al., 2006a):

- Security for visitors, tourists and employees in tourism;
- Safe systems of communication with all persons in the facility and within the destination;
- Security of object, plant and equipment from the effects of disasters;
- The contribution of trained staff;
- Procedures for return to normal business activities.

It is very important to have a standardized approach to risk management. The international community has developed a series of documents that are in some way connected with standardization of approaches to risk management.

Some of the most important standards of risk management are listed below (Avanesov, 2009):

**ISO/IEC – International Organization for Standardization/
International Electrotechnical Commission**

- ISO/FDIS 31000:2009 Risk management - Principles and guidelines;
- ISO/IEC Guide 73:2002 Risk Management - Vocabulary - Guidelines for use in standards;
- ISO/IEC Guide 51:1999 Safety aspects - Guidelines for their inclusion in standards;
- ISO 14971:2000 Medical devices - Application of risk management to medical devices;
- ISO 17776:2000 Petroleum and natural gas industries - Offshore production installation - Guidelines on tools and techniques for hazard identification and risk assessment;

CSA - Canadian Standards Association

- CSA Q 850:1997 Risk Management Guidelines for Decision Makers;

JSA - Japanese Standards Association

- JIS Q 2001:2001 Guidelines for development and implementation of risk management system;

AS/NZS

- AS/NZS 4360:2004 Risk management;

BSI - British Standard Institution

- PAS 56:2003 Guide to Business Continuity;
- BS 31100:2008 Code of practice for risk management;

- BS 6079-3 Project Management - Part 3: Guide to the management of business related project risk;
- PD 6668 Managing Risk for Corporate Governance;

ÖN

- ONR 49000 Risk management for organizations and systems - Terms and principles;
- ONR 49001 Risk management for organizations and systems - Elements of the risk management systems;
- ONR 49002-1 Risk management for organizations and systems-Part 1: Guidelines for risk management;
- ONR 49002-2 Risk management for organizations and systems-Part 2: Guidelines for the integration of risk management into the general management system;
- ONR 49003 Risk management for organizations and systems - Qualification of the risk manager;
- ONORM S 2300 Risk, security and crisis management - Concepts;
- ONORM S 2310 Risk, security and crisis management - Selection and verification criteria for persons appointed for crisis management.

Characteristics of process of risk management in tourism

There exists a difference between the concepts of danger and risk in tourism. Danger is a source of potential harm for the operators in tourism industry, tourists or for the community. Risk is defined as the possibility of something happening which may affect the achievement of objectives. All risks can, in certain situations, get out of control and turn into a crisis. In order to prevent this we need to manage risks appropriately.

In the modern world there is an increasing need to identify risks in tourism and to manage these risks. Before choosing a destination and going on a trip, tourists frequently ask questions, such as: Is there any risk in taking this journey? How much the risk is acceptable? Can I afford the insurance against the risk? What are the risks on which one is to concentrate?

Risk management is a rational approach to dealing with the risk. Risk management involves determining the level of exposure that is acceptable for tourism and tourists, identifying hazards to the tourist industry and tourists, risk assessment, selection of appropriate strategies,

implementation of these strategies and appropriate response to emergencies.

The main stages of the process of risk management are (Robertson et al., 2006b):

- Establish the context;
- Identify the risks;
- Risk analysis;
- Evaluate risks;
- Treatment of risks.

Establish the context – The first step in the process of risk management in tourism. In this stage one defines the parameters for risk management in the tourism and defines the key elements that will support or hinder the process of risk management in tourism. In the first phase of process of risk management in tourism it is important to choose an agency or organization that will have a leading role in this process. It is particularly important to identify all stakeholders and their problems and to define the criteria by which the risk assessment will be carried out.

Identify the risks – The second step in the process of risk management in tourism. At this stage one identifies the risks in the tourism industry which should be managed. One also identifies sensitivity and resistance to risks. The aim is to reduce the level of sensitivity and to increase the resistance to risks. This is a rather important phase in the process of risk management in tourism. If there is any risk and that very risk is not identified then this risk will not be analyzed and thus not managed although it exists.

Risk analysis – The third step in the process of risk management in tourism. At this stage we analyze the identified risks according to their impact on tourists, tourist destination or entities of tourism industry. The analysis is based on consideration of the probability of events and consequences of the identified risks.

Evaluate risks – The fourth step in the process of risk management in tourism. At this stage of process of risk management in tourism one carries out risk assessments and makes decisions about which risks are acceptable and which are not, which risks need to be managed and in which order.

Treatment of risks – The fifth phase in the process of risk management in tourism. Before making a decision about how to proceed with the risks, it is necessary to identify the options that are available, consider the advantages and disadvantages of each option and choose the best option for a specific situation. Based on this is necessary to define and implement a plan for dealing with risks.

When it comes to the ***plan of risk treatment***, the following steps should be monitored (Robertson et al., 2006c):

- Allocate responsibilities;
- Identify timeliness;
- Decide on methods of implementation;
- Establish expected outcomes;
- Define a budget;
- Identify key performance indicators and milestones;
- Establish monitoring and review processes.

Communication and consultation are essential to risk management in tourism and they must be present at every stage of the process. Two-way process of internal and external communication and consultation must be established and maintained between the decision-makers and all stakeholders. Stakeholders with their opinions, views and suggestions can have a significant contribution in the process of risk management in tourism.

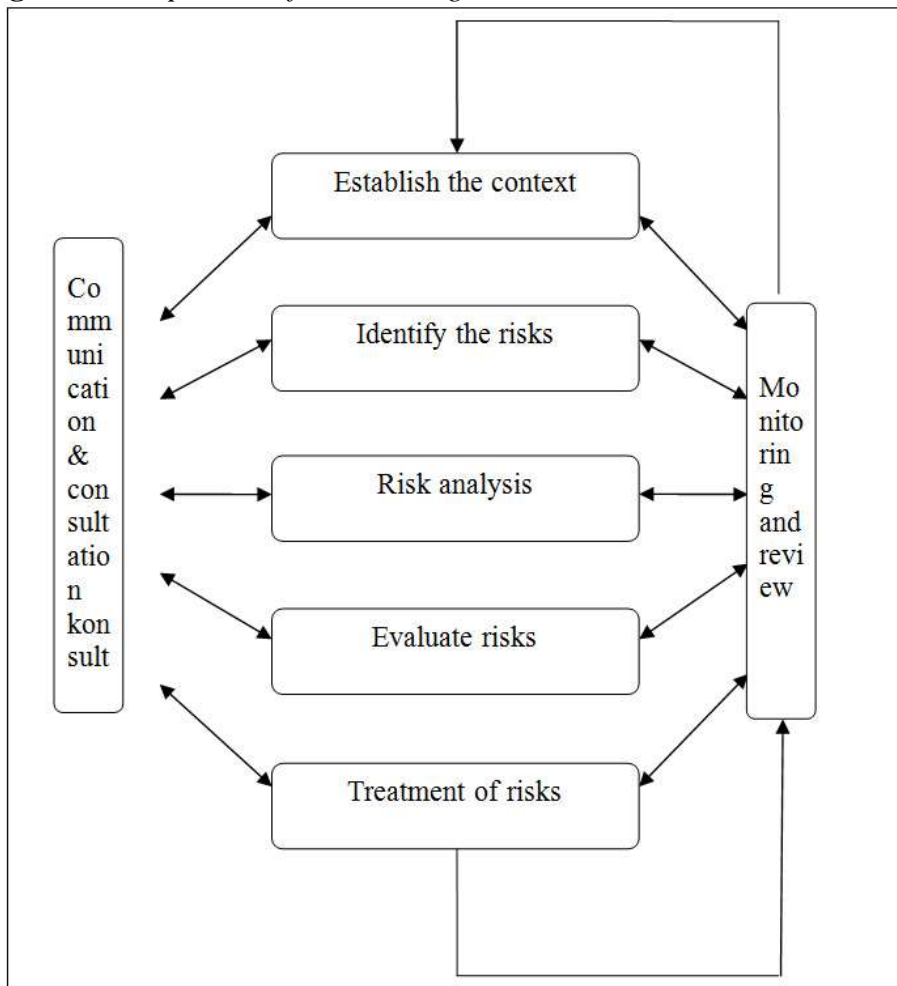
Monitoring and review are essential for a continual progress of the process of risk management in tourism. It is necessary to regularly monitor and review all risks, tourism subjects which are exposed to risks and results in the risk management process.

A successful implementation of the risks management process bring about the following benefits (Ministarstvo turizma Republike Hrvatske, 2014):

- ***Better decision making*** – risk management helps managers to align their decisions with real assessment of planned and unplanned final result;
- ***Improvement of performance*** – acceptance of a model which is based on risk management leads to making better decisions on how to improve the system, allocate resources and achieve a balance between an acceptable level of risk and control costs;

- **Better forecasting and optimization of available resources** – Better prioritization in determining projects and determining the resources for dealing with identified risks;
- **Strengthening confidence in the management system** – risk management is an essential part of the management process and it improves the planning process;
- **The development of a positive organizational culture** – development of a positive organizational culture eliminates an aversion to risk.

Figure 1: *The process of risks management in tourism*



Source: *Robertson et al. (2006) Tourism Risk Management – An Authoritative Guide to Managing Crises in Tourism, APEC International Centre for Sustainable Tourism*

The following are common ways of dealing with risk (Popesku, 2011b):

- **Risk acceptance** – in cases where the frequency and size of a risk are small, the risk can be accepted. In this case, it is necessary to make a plan for dealing with a particular risk in relation to the consequences of such decisions;
- **Reducing the risk** – the chances for occurrence of consequences can be reduced via modification of risk. The other way to reduce the chances for occurrence of consequences of an event is to modify the way of risk exposure;
- **Transfer of risk** – is used when the consequences of risk are a significant, so that a risk, completely or partially, is transferred onto other (for example, an insurance company);
- **Avoiding a risk** – applies if size and frequency of a risk are high, so that an activity is discontinued or being withdrawn from the market.

When choosing one of these options, one should bear in mind the following criteria (Popesku, 2011c):

- The possibility of implementation of options;
- Profitability;
- The probability of adoption by the government or public authority;
- Acceptance by stakeholders;
- Excessive complexity;
- Ensuring long-term benefits;
- Fast realization of benefits;
- Negative impact on a destination;
- Self-funding, state funding or any other organization funding;
- Will a chosen option create new risks for a destination or an economy?

The methods which are used for identification, assessment and evaluation of reliability of the risks management process are numerous. Some of them are the following (Drljača & Bešker, 2010):

- **Creative techniques method** - Brainstorming, Delphi- technique and Morphology;
- **Analysis of scenarios method** - Analysis of losses, Tree of errors and Analysis of Scenario;
- **Analysis of indicators method** - Reporting on critical events, Risk management based on changes;
- **Analysis of functions method** - FMEA, Analysis of vulnerability, HAZOP, HACCP;

- *Statistical methods* - Standard deviation, Confidence interval, Monte Carlo simulation.

No matter how efficient the process of risk management in tourism is, the risks will keep on existing and will affect the entities of the tourism industry. The use of modern information technology, which must provide timely and accurate information in order to ensure adequate risk assessment, is something that arises as a necessity in modern business (Stojanović, 2013). Due to the absence of an adequate concept of risk management, numerous entities of tourism industry in the world have suffered significant losses. A prerequisite for a stable and continuous business in the field of tourism is the management of risks that arise in this area. The problem of risk management exists as a global problem that requires global solutions. An adequate concept of risk management in tourism requires adequate solutions. As risk cannot be avoided, it is necessary to manage it. Risk in tourism should be accepted as a reality and once we do that we can make all the necessary steps in to get to the phase of risk management. Risk management in tourism contributes to sustainable success, based on the principles of quality, sustainable development, development of social responsibility and business ethics. This leads to continuous business success of enterprises and organizations in the field of tourism and satisfaction of tourists.

Conclusion

For destinations around the world tourism is a key element for socio-economic development as it leads to an increase in revenue, new jobs and enterprises, infrastructure development, etc. At the end of XX and beginning of XXI century, numerous changes have occurred in all spheres of life that had a significant impact on the tourism industry. These changes were caused by demographic, political, social, cultural, economic, technological and environmental factors. All of these factors can have a positive or negative impact on tourism. Respectively these changes can accelerate or hinder the development of tourism.

In the modern, ever changing world, all entities in tourism industry face some risk. This requires adequate risks management that should ensure the safety of visitors, tourists and employees in tourism. It is very important to emphasize the importance of safety and security in tourism activities and the importance of preventive work in creating safety and security for all entities in tourism. Bearing in mind the growing need for

safety and security in tourism (due to frequent terrorist attacks and many other risks), it is necessary to work on creating programs for safety and security in tourism. These programs should be composed of proactive and preventive measures whose aim should be to protect all entities in the tourism industry.

Such programs need to be involved in the planning and promotion of tourism as safety and security in tourism contribute to achieving the objectives of tourism and the establishment of international trust, respect and peace.

References

1. Avanesov, E. (2009): *Risk management in ISO 9000 series standards*, International Conference on Risks Assessment and Management, Geneva, http://www.fr.com/files/Uploads/attachments/RISC/Report_Avanesov.pdf (15.02.2016.)
2. Djeri, L., Ilić, D. & Stamenkovic, P. (2015): *Analysis of international tourist traffic and the importance of sustainable tourism development*, 2nd International conference "Higher Education in Function of Sustainable Development of Tourism in Serbia and Western Balkans, Užice, Papers Proceedings, ISBN 978-86-83573-58-5, 207-216.
3. Djukić, J. (2010): *Krizni menadžment događaja u turizmu*, Master rad, Univerzitet Singidunum, Fakultet za turistički i hotelijerski menadžment, Beograd.
4. Drljača, M. & Bešker, M. (2010): *Održivi uspeh i upravljanje rizicima poslovanja*, XIV savjetovanje SQM 2010, Centar za kvalitet Crne Gore i časopis Kvalitet, , Poslovna politika, Beograd, Tivat, Br. 7-8, 33-39. https://bib.irb.hr/datoteka/520678.9._Odrivi_uspjeh_i_upravljanje_rizici_ma_poslovanja.pdf (25.02.2016.)
5. Ilić, D., Stamenković, P. & Janačković, M. (2014): *Perspektive razvoja banjskog turizma Srbije*, Treća međunarodna poslovna konferencija, Celje, Slovenija.
6. Lalić, B. (2009): *Bezbednost u turizmu i krizno komuniciranje*, Master rad, Univerzitet Singidunum, Beograd.

7. Pešutić, A. (2008): *Specifične karakteristike turizma relevantne za zaštitu potrošača u turizmu*, Acta turistica, Vol 20(2008), No 1, 93-121.
8. Popesku, J. (2011): *Menadžment turističke destinacije*, Univerzitet Singidunum, Fakultet za turistički i hotelijerski menadžment, Beograd.
9. Resilience of Tourism Development, <http://rcm.unwto.org/content/about-us-7> (15.03.2016.)
10. Robertson, D., Kean, I. & Moore, St. (2006): *Tourism Risk Management – An Authoritative Guide to Managing Crises in Tourism*, APEC International Centre for Sustainable Tourism, http://www.sustainabletourisonline.com/awms/Upload/HOMEPAGE/A_ICST_Risk_management.pdf (15.03.2016.)
11. Stojanović, D., Andreeski, C. & Randelović, D. (2013): *Impact of IT technology on risk assessment in insurance companies*, FTU Ohrid
12. Stojanović, D. (2011): *Uloga novih IT tehnologija u transformaciji poslovnih procesa u uslovima globalizacije*, IX Simpozijum „Savremene tehnologije i privredni razvoj“, Tehnološki fakultet, Leskovac
13. Stojanović, D. (2013): *Informacione tehnologije u osiguravajućim kompanijama u savremenim uslovima poslovanja*, X Simpozijum „Savremene tehnologije i privredni razvoj“, Tehnološki fakultet, Leskovac.
14. Ministarstvo turizma Republike Hrvatske (2014): *Strategija upravljanja rizicima*, http://www.mint.hr/UserDocsImages/150909_STRATEGIJA-UPRAVLJANJA-RIZICIMA.PDF (02.03.2016.)
15. *Tourism & More – Risk Identity and Management*, <http://www.tourismandmore.com/tidbits/risk-identity-and-management/> (20.03.2016.)
16. *UNWTO Tourism Highlights 2015 Edition*, <http://www.e-unwto.org/doi/pdf/10.18111/9789284416899> (25.03.2016.)
17. World Tourism Organization, *Annual Report 2014*, http://cf.cdn.unwto.org/sites/all/files/pdf/unwto_annual_report_2014.pdf (15.03.2016.)

18. World Economic Forum, Committed to improving the state of the world, *The Travel & Tourism Competitiveness Report 2015*, http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf (29.03.2016.)