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**Sustaining organisational viability in the Australian tourism industry at times of crisis**

In 2001, the almost simultaneous attacks on the World Trade Centre and the collapse of Australia's second airline, Ansett Airlines, required responses by an industry that was already grappling with the consequences of the collapse of the HIH Insurance Company. This paper presents the preliminary findings of a research project that investigated the manner in which tourism organisations, representing different sectors of the industry, responded to these events. Strategic responses and the organisational learning which has taken place are discussed.

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Key words: World Trade Centre; crisis management; organisational learning; organisational sustainability

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## Introduction

Many organisations in the tourism industry routinely face seasonal fluctuations in their businesses. Seasonality, the tendency of tourist flows to be concentrated into relatively short periods of time, has significant implications for employment and capital investment and potentially destabilizing effects on other sectors of the tourist-receiving economy (Lim & McAleer, 2001). Indeed, Borooah (1999) citing the work of other researchers indicated that the industries which would be most affected by a 10 per cent reduction in tourism demand were hotels (-7.3%), restaurants and bars (-8.3%) and transportation (-7.3%). In Australia, there are nearly 88 full-time employees per 100 accommodation rooms demonstrating tourism's ability to create direct employment opportunities (Kontogeorgopoulos, 1998).

Cassedy (1991) has observed that "given the travel industry's dependence on transportation, the exchange rate, the political situation, discretionary income and weather, this industry is highly susceptible to unexpected change" (p. 3). In addition, extraordinary events or 'shocks' in the external environment present challenges to which tourism operators must be able to respond quickly. While there is the potential to learn from such crises, it has been found that this rarely occurs (Kovoor-Misra & Nathan, 2000; Roux-Dufort, 2000).

## The Study

In 2001, the tourism industry in Australia experienced three 'shocks', namely the failure of the HIH Insurance Company, the World Trade Centre attacks and the collapse of Australia's second airline, Ansett Airlines. This paper presents the preliminary findings of a study, funded by the Co-operative Research Centre for Sustainable Tourism, carried out in 2002. Through a series of interviews with senior managers, the study sought to identify the manner in which organisations in a variety of tourism sectors, including accommodation, business tourism and transportation, in a number of locations in Australia, namely Adelaide, Alice Springs, Melbourne, Sydney, Cairns and the Gold Coast, responded to these events. The short term strategies adopted to cope with these events and the organisational learning which has taken place are discussed.

## Interview findings and discussion

The timing of any 'shock' in relation to the normal business cycle would seem to be a critical factor serving to moderate or exacerbate the impact that is felt. This concerns issues such as whether brochures for the following year have to be re-printed or their distribution delayed and the pattern of demand at the time of the 'shock'. For instance, the manager of a car hire firm in Cairns indicated that because the Ansett collapse had occurred in the school holiday period, he had lost 15-20% of the business.

The effects were often exacerbated due to the complexity of distribution relationships in the tourism industry and there was general agreement that the collapse of Ansett Airlines had the greatest impact, irrespective of location, business size and sector. As one interviewee in the transportation sector reported *the biggest impact for us was without question Ansett – it was a customer to us, but it was also ... a way for people to get to South Australia that's suddenly turned off*. Another interviewee in the business tourism sector in Adelaide, highlighted that

*Ansett was the convention airline ... that has this enormous connection with the Star Alliance which was feeding into the Ansett network and because we are working on a global basis as well that had a far bigger effect on us...than the September 11*. The failure of the HIH Insurance Company was considered to have had the least effect, reflected in comments

such as *HIH just raised costs for us... that's just something to adjust to and just another corporate collapse and they come, they go.*

Short-term responses revolved around intelligence gathering and the review of financial and marketing strategies. A manager on the Gold Coast reported *first one was, to rapidly ... increase our intelligence-gathering information, to ensure that the decisions we were making were based on fact, not on reaction.* With respect to financial and marketing issues, one tour operator in Melbourne indicated *like a lot of businesses, we battened down the hatches, we pulled out the budgets and looked at our costs ... we made reductions in budget in marketing domestically.* A tour operator in Sydney, which derived 40% of its business from the international market, recounted that *we had to do something quickly, so the first thing we did was produce this, which was an Australian product, we got this out in 8 weeks, which is incredible.*

There was widespread reluctance amongst interviewees to put off staff, as one tour operator in Sydney mentioned *the first thing that comes to mind is retrenchment which we wouldn't do... rather than flicking people, when the business comes back, you're then left with a. not enough staff or b. you have to retrain everybody, so the customer service goes down, consequently you lose more business.* A number of organisations also kept their staff regularly informed of what was happening within the market. A hotel manager in Adelaide suggested that *if you communicate well with your staff and they have an understanding of what's going on, they also understand what is required ... they feel comfortable about things that are happening around them.*

When asked whether organisations would do anything differently if a similar situation was to occur again, there were a variety of responses from the interviewees. A hotel manager in Adelaide suggested *I just think that what happened probably reinforced the way we went around doing our business.* An Adelaide transportation manager reported that *our yield management is more sophisticated now, ... but no, I wouldn't change much.* A tour operator in Sydney said *No, because we, we came through about as well as we could have come through it.*

## Conclusion

Although many respondents seemed to be resigned to the fact that there is little they can do in the face of unexpected events, insightful comments were made by those who were pleased about the way they survived the events of 2001. In combination, they represent a picture an ideal situation that indicates the type of factors that enhance the prospects for organisational viability. It was suggested that an organisation would require:

- adequate financial resources to withstand a period without income (up to three months)
- a management style that gathers information and keeps staff informed.
- the retention of staff wherever possible to reduce the loss of skills, expertise and loyalty.
- diversity in operations without dependence on a single market or supplier
- flexibility in terms of speed of response and the ability to develop new products

Other aspects of the study to be reported in future papers include the medium-term strategies implemented and the comparison of the impact of these events with other shocks experienced in the Australian tourism industry, for example, the national pilots' strike of 1989.

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