

MANAGEMENT OF STRATEGIC CHANGES AND RISKS IN THE DEVELOPMENT OF THE TOURISM INDUSTRY

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Abstract. The article explores the theoretical and practical aspects of managing strategic changes and risks in the development of the tourism industry. The tourism sector is currently facing a number of significant challenges, which can be attributed to the evolving nature of market demands, geopolitical instability, and economic disruptions. In order to ensure long-term sustainability, the tourism sector requires the implementation of effective strategies. The objective of the present study is to identify strategies and tools for managing strategic changes and mitigating risks in the development of the tourism industry. The objectives of the research include analysing the key drivers of strategic change within the tourism sector, examining the risks associated with these changes, and proposing a framework to ensure resilience and sustainable growth in the face of external and internal challenges. The research further investigates the impact of strategic risks on consumer behaviour, competitive positioning, and the ability of tourism enterprises to attract investments and international partnerships. These are all crucial for the recovery and growth of the industry. The methodological basis of the study incorporates a systematic approach that integrates both qualitative and quantitative methods, including case studies, expert interviews, and statistical analysis. These methodologies facilitate a comprehensive evaluation of the nature of strategic changes and risks in the tourism industry, thereby aiding in the development of actionable strategies for risk management. The findings emphasise the significance of adaptive risk management practices, including scenario planning, market diversification, and digital transformation, in ensuring the industry's competitiveness. The methodological basis of the study incorporates a systematic approach that integrates both qualitative and quantitative methods, including case studies, expert interviews, and statistical analysis. These methodologies facilitate a comprehensive evaluation of the nature of strategic changes and risks in the tourism industry, thereby aiding in the development of actionable strategies for risk management. The findings emphasise the significance of adaptive risk management practices, including scenario planning, market diversification, and digital transformation, in ensuring the industry's competitiveness.

Keywords: management, tourism, hotel industry, tourism industry, risk management.

JEL Classification: L83, M10, O21, R58

1. Introduction

The tourism industry is recognised as one of the most dynamic and vulnerable to external and internal changes in the economy. In the context of globalisation, economic fluctuations and socio-cultural transformations, strategic changes and risk management have become pivotal factors in ensuring the sustainable development of tourist enterprises. Given the susceptibility of the tourism industry to significant fluctuations, stemming from crises, changes

in demand, the development of new technologies and environmental challenges, the effective management of these processes is imperative to ensure competitiveness and economic stability. It is imperative to acknowledge that tourism enterprises are susceptible to a multitude of risks, which have the potential to impede the execution of strategic modifications and the formulation of developmental initiatives. In this context, the search for risk management methods that allow for the minimisation

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of the negative consequences of strategic changes and the assurance of adaptation of enterprises to rapidly changing market conditions is relevant.

The management of strategic changes and risks is one of the most urgent problems for the development of the tourism industry worldwide. Tourism, as one of the most dynamic branches of the economy, is subject to constant change, driven not only by economic, but also by social, political and technological factors. In recent years, the tourism industry has faced a number of challenges related to globalisation, technological innovation, changes in consumer preferences, environmental requirements and political instability, in particular military conflicts and crises.

The advent of the novel COVID-19 pandemic has served as a seminal catalyst for these changes, engendering a transformation in consumer behaviour, the emergence of novel economic risks, and the imperative for agile, adaptive strategies to ensure the resilience of tourism enterprises in the face of global crises. According to the World Tourism Organisation (UNWTO), global tourist flows in 2021 exhibited a 74% decrease compared to the previous year, representing the most significant decline since the Second World War. Furthermore, in the post-pandemic era, tourism faces a number of global challenges, including political instabilities, climate change, digital globalisation and demands for the industry to demonstrate resilience in the face of uncertainty.

A critical component of risk management for tourism enterprises pertains to their capacity to adapt their strategic approaches in response to evolving market dynamics. Research has indicated that over 60% of travel companies perceive the instability of the economic situation and political risks as the primary obstacles to their development. Concurrently, a mere 40% of enterprises have formulated risk management strategies that enable them to respond effectively to external threats. It is imperative that the tourism industry takes into consideration contemporary trends, including the increasing demand for environmentally sustainable tourism, the advancement of digital technologies, the personalisation of services, the heightened expectations for tourist safety and well-being, and the broadening of international relations. It is imperative that these factors are given due consideration in order to facilitate the effective management of strategic change and risk. The primary issue is thus the necessity to formulate efficacious change and risk management strategies that facilitate the sustainable development of the tourism industry, with consideration for novel challenges and opportunities for growth, in addition to the mitigation of the adverse impact of external factors on its functioning and advancement.

2. Literature Review

This review synthesises key findings and their profound impact on the global tourism industry, prompting researchers to explore the effects and propose strategies for risk and change management. This review synthesises recent academic contributions to the understanding of strategic transformations and risk mitigation in tourism, particularly in the context of the pandemic and its aftermath.

In their 2021 study, Gössling, Scott and Hall provided a comprehensive analysis of the pandemic's effects on tourism, emphasising its role as a driver of global change. Their work highlighted the interconnectedness of tourism with health crises and the need for sustainable tourism practices to mitigate future risks. In a similar vein, Hall, Scott, and Gössling (2020) explored how pandemics can catalyse structural transformations in the industry, calling upon stakeholders to reconsider their approaches to resilience and adaptability.

The concept of sustainability amidst disruption was central to Ateljevic's (2020) call for a "new normal" in tourism, advocating for transformative practices that prioritise long-term sustainability. Fennell (2021) explored the role of technological innovation in promoting sustainable tourism in times of disruption, highlighting its importance in adapting to the evolving landscape.

In their 2020 study, Sharma and Hassan examined the phenomenon of overtourism as a pre-existing risk that had been exacerbated by the pandemic. The proposed solutions are intended to achieve a balance between the development of tourism and the principles of environmental and social sustainability. In their 2021 study, Seabra, Reis and Abrantes examined the consequences of pandemics on travel behaviour, highlighting the necessity for effective risk management frameworks to ensure the resilience of the industry.

Li et al. (2022) concentrated on tourists' perceptions of health risks and the role of technological advancements in addressing these concerns. The findings emphasised the potential of innovation to transform tourism recovery processes, rendering the industry more adaptive to health-related crises.

Zenker and Kock (2020) proposed a critical perspective on the pandemic, positing it as a potential catalyst for the reformation of tourism research agendas. Brouder (2020) concurred with this sentiment, proposing evolutionary pathways for a transformed tourism industry that is aligned with sustainable development goals.

Baum and Hai (2020) highlighted the intersection of tourism, human rights and ethics during the pandemic. Their study emphasised the importance

of protecting the rights of workers and communities affected by tourism disruptions.

Prideaux, Thompson, and Pabel (2020) explored the potential for utilising insights from the pandemic to prepare the tourism sector for the economic transformations necessary to combat climate change. Theirs was a work that demonstrated the linkage between short-term pandemic responses and long-term strategic planning for global environmental challenges.

In their 2021 publication, Higgins-Desbiolles conducted a critical evaluation of the academic and policy challenges posed by the pandemic. They argued for a reevaluation of the industry's sustainability goals and practices. Sigala (2020) further elaborated on the implications of the pandemic for the resetting of research and the advancement of industry resilience.

The extant literature emphasises the necessity for strategic change and risk management in the tourism industry, especially in the face of global challenges such as pandemics and climate change. The following themes are of particular significance: the integration of sustainability, the adoption of technological innovations, and the development of robust risk management frameworks. Collectively, these elements provide a foundation for shaping a resilient and adaptive tourism industry, capable of navigating future uncertainties.

3. Results and Findings

The tourism industry is confronted with a multitude of challenges and risks that have the potential to exert a substantial impact on its development and sustainability. One of the primary challenges confronting the global economy is the issue of economic instability, encompassing inflation, exchange rate volatility, and a decline in the purchasing power of the population. In such conditions, travel companies are compelled to review their business models, offer flexible rates and adapt marketing strategies in accordance with changes in consumer behaviour.

The tourism industry of Ukraine is confronted with a number of significant challenges and risks that have a detrimental effect on its development and competitiveness. A primary factor impeding the expansion of tourism is the ongoing military conflict, which engenders considerable uncertainty, infrastructure destruction, and diminished security. This, in turn, has a direct impact on international tourism, as foreign visitors are reluctant to travel to regions deemed high-risk. Domestic tourism is also undergoing significant changes as people are compelled to alter their travel priorities due to security concerns and economic hardship.

Another significant challenge is that of economic risks. In the context of Ukraine, a confluence of factors,

including elevated inflation, a diminution in the purchasing power of the population, and the volatility of the exchange rate, has resulted in a restriction of opportunities for Ukrainians with respect to both domestic and international travel. Tourist enterprises are confronted with mounting operating costs, challenges in accessing investment and credit resources, and this in turn complicates their development. A considerable number of small and medium-sized tourism enterprises are at risk of insolvency due to a decline in demand and significant financial obligations.

Infrastructural deficiencies continue to represent a significant challenge for the tourism sector. The destruction of transport routes, the absence of modern hotel complexes, the limited development of regional airports and the inadequate level of tourist services in many regions act as significant deterrents to tourism. The reconstruction of the necessary infrastructure requires significant investments, and government programmes designed to support the tourism industry are still insufficient. Notwithstanding the challenges faced, digitalisation and innovation have the potential to serve as pivotal instruments in the process of surmounting crisis phenomena. The utilisation of online booking platforms, the advancement of virtual tourism, and the promotion of Ukraine as a prospective tourist destination in the post-war era are anticipated to contribute to a partial compensation for the industry's financial losses. The issues of ecological tourism, cultural heritage and regional development, which have the potential to serve as the foundation for the future revitalisation of Ukraine's tourism industry, continue to be of significance.

The development of the tourism industry in Ukraine in the war and post-war period is contingent upon a complex of economic, social, security and infrastructural factors. During periods of martial law, the primary conditions for the operation of the tourist industry are the safety of tourists, the stability of transport logistics, and the adaptation of tourist products to new realities. Notwithstanding the challenging circumstances, domestic tourism remains a pertinent phenomenon, particularly in relatively secure regions that proffer cultural, environmental and recreational opportunities for visitors.

The post-war period is poised to usher in a new era of potential for the resurgence of the tourism industry. However, the efficacy of this process is contingent upon the extent to which infrastructure is restored and the prevailing economic stability of the nation. A pivotal element in this regard is the role of state support for tourism, manifested through initiatives such as the reconstruction of cultural heritage sites, the establishment of investment incentives for the private sector, and the engagement of international partners in the development of Ukraine's tourism

sector. The restoration of transport communications, the modernisation of hotel infrastructure and the creation of new tourist routes are expected to contribute to the return of both domestic and foreign tourists (Figure 1).

The development of the tourism industry will be significantly influenced by social factors. The necessity for psychological recovery in Ukrainians following the war is likely to result in an increased demand for health, recreational, cultural and educational tourism. Initiatives related to visiting restored historical places, memorial complexes and nature reserves will gain popularity. In this context, the formation of new tourism brands of Ukraine that will be able to interest the international community will be of great importance.

Innovative technologies and digitisation are set to play a pivotal role in the resurgence of tourism. The utilisation of online booking platforms, the augmentation of virtual tourism opportunities, and the employment of contemporary marketing instruments will facilitate the expeditious resumption of operations by tourism enterprises. Furthermore, the significance of ecological tourism will be amplified, as the post-war period will see the emergence of programmes focused

on the restoration of the natural environment and the ecological sustainability of the regions.

The reduction of risks and enhancement of the competitiveness of tourism enterprises in Ukraine can be achieved through the implementation of an integrated approach encompassing strategic planning, innovative technologies and effective risk management. A pivotal instrument in this regard is the diversification of tourism products, a strategy that enables businesses to adapt to fluctuations in demand. The development of domestic tourism, ecological and cultural tourism, as well as the creation of new tourist routes in safe regions will contribute to attracting more visitors.

Another significant mechanism is the digitalisation of tourist services. The utilisation of contemporary technologies, including online booking systems, mobile applications, virtual tours and artificial intelligence to personalise offers, enhances the efficiency of enterprises and improves interaction with customers. The active utilisation of digital marketing, particularly SMM promotion, content marketing and influencers, has been demonstrated to play a pivotal role in attracting new tourists and fostering a positive image of tourism companies.

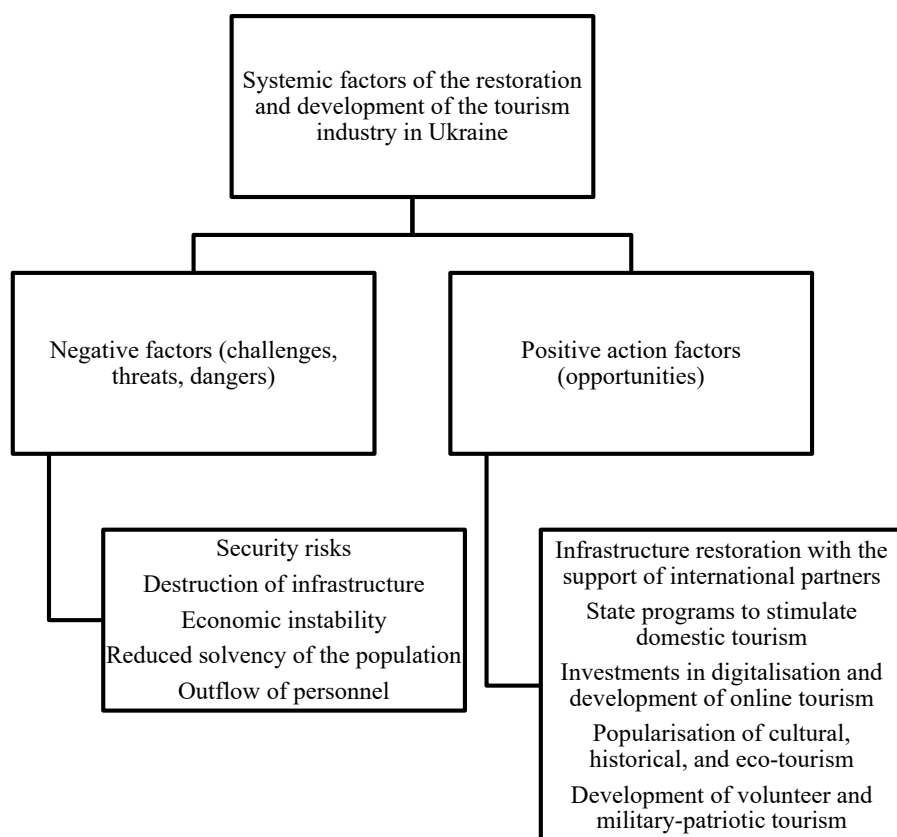


Figure 1. The system of conditions and factors for the development of the tourism industry in Ukraine during the war and in the post-war period

Source: developed by the author

The financial stability of tourism enterprises is also an important factor in the reduction of risk. The provision of access to credit resources, government grants, and international support programs for small and medium-sized businesses has been demonstrated to facilitate their resilience during crisis periods and enable the modernisation of their services. The establishment of partnerships with international organisations and tourism operators has been identified as a strategy to facilitate market expansion and enhance service quality. Another key area is that of security risk management. The development of crisis strategies, the provision of tourism business insurance, the implementation of modern security standards and the establishment of early warning systems will assist in the minimisation of threats. It is incumbent upon travel companies to adapt their services to wartime conditions, including the implementation of flexible cancellation policies and the establishment of safe travel routes.

In order to enhance the competitiveness of tourism enterprises in Ukraine, a multifaceted approach is required, encompassing the diversification of services, the implementation of digital technologies, the attainment of financial stability, and the development of effective risk management strategies. The utilisation of contemporary tools and mechanisms is instrumental in enabling enterprises to adapt to emergent challenges and ensure the sustainable development of the industry.

4. Conclusions

The article is devoted to the analysis of geopolitical risk management in the tourism sphere and the hospitality industry of Ukraine in conditions of political instability, armed conflict and economic upheavals. The study identifies key risks, their impact on industry enterprises, and also considers effective strategies to minimise these risks. The article emphasises that contemporary challenges are having a significantly deleterious effect on the functioning of the tourism sector, but simultaneously creating prerequisites for the development of innovative approaches to management, such as digitalisation, adaptation to domestic markets and international co-operation. The authors proposed a framework model of geopolitical risk management, which includes methods of threat assessment, strategic planning, and post-crisis recovery. A significant focus is placed on the necessity for collaboration between public and private entities, with the integration of international expertise and investments being recognised as a key factor in enhancing the sustainability of the industry. The article posits that the implementation of the aforementioned recommendations will assist in enhancing the competitiveness of the Ukrainian tourism industry and facilitating its integration into the global market. The study makes a significant contribution to the theoretical and practical understanding of geopolitical risk management, offering useful recommendations for public managers, business leaders and researchers.

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