

## Good practices in tourism in the VUCA world

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### Abstract

The article emphasises the need for new best practices in tourism due to the current VUCA world that managers must navigate, characterised by volatility, uncertainty, complexity, and ambiguity. These best practices are provided by hotel managers, tour operator managers, and airline managers. The research methodology was based on in-depth interviews with senior managers from tour operators, hotels and airlines. The evidence suggests that a flexible and customer-focused approach is important when dealing with the VUCA world. Other key measures include adapting fares to fluctuating demand, using advanced technology to predict changes in customer preferences, responding to travel uncertainty and unexpected cancellations with flexible booking schedules, adapting menus to changing customer preferences and providing up-to-date information to all customers to avoid confusion.

### Keywords

VUCA, tourism, managers skills

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### Introduction

The business environment is changing rapidly and dragging the whole world with it. Nevertheless, tourism activities are constantly affected and under pressure (Shi et al., 2021).

The VUCA concept originated in the US military and was introduced in 1987 by Warren Bennis and Burt Nanus (Zhang-Zhang, 2022).

Tourism has been greatly impacted by uncertainty and rapid changes, such as those caused by COVID-19 and large-scale military conflicts. To address these challenges, it is important for the industry to adopt responsible action strategies, preferably through scenario planning, and to implement concepts that consider the consequences of such events. Additionally, it is crucial to support industry employees in understanding these changes.

The VUCA concept was adopted by business and management studies after the 2008-2009 financial crisis. This was due to companies, businesses, and organizations worldwide suddenly facing similar social and economic conditions and models (Uğur and Akbıyık, 2020).

The literature offers several definitions of VUCA. 'Volatility' refers to frequent and unpredictable changes in the environment. 'Uncertainty' arises from difficulties in interpreting events and situations, making it unclear whether an event will cause significant change. 'Complexity' refers to the need to analyse an infinite, interconnected and confusing amount of data. Finally, 'ambiguity' is the inability to understand cause and effect (Troise et al., 2022; Bennett and Lemoine, 2014).

The tourism industry is vulnerable to unforeseen and uncertain situations (Jayawardena, 2022). Natural disasters such as earthquakes, volcanic eruptions, and wildfires, as well as conflicts, economic downturns, and currency devaluation, can all have a significant impact on tourism demand and supply, particularly in the current climate.

The impact of the VUCA environment on tourism activity and the measures that can be taken to cope successfully in the medium and long term are important considerations (Jessica and Lockwood, 2006).

Through in-depth interviews, this paper aims to take stock of the best practices in the tourism industry for successfully navigating the VUCA world.

The paper starts by reviewing the literature on tourism and then describes the research methodology. The results are logically presented and discussed. A final section presents the conclusions.

## 1. Review of the scientific literature

In today's constantly evolving and unpredictable economic, political, social, and technological landscape, it is crucial for travel companies to have strong and stable leadership. This means that the management team should be highly educated and experienced, particularly in times of uncertainty. Therefore, tourism managers must possess exceptional qualities that set them apart from the average person. Tourism managers should possess ambition, curiosity, creativity, organizational skills, and a good sense of humour. Finding humour in difficult situations can motivate your team to push their limits and offer new solutions to previously unheard problems.

The COVID-19 outbreak has caused fear among travellers, resulting in cancelled travel plans, chaos in airlines, and near-zero occupancy in hotels. The tourism sector has been hit the hardest by the pandemic, with the shockwaves still being felt today.

According to the UNWTO (2023), there was a loss of 2.6 billion international arrivals in 2020, 2021, and 2022 combined. Export revenues from international tourism decreased by 62% in 2020 and 59% in 2021 compared to 2019 (in real terms). However, they recovered in 2022, but remained 34% below pre-pandemic levels. The total loss of export earnings from tourism amounts to USD 2.6 trillion over this three-year period. International tourist arrivals reached 87% of pre-pandemic levels in January-September 2023. The crisis in tourism was a major concern for tourism managers, who were forced to lay off staff, rethink budgets, and strategies.

The decision to travel, whether for business or pleasure, is based on the needs of the participants. In uncertain environments, it has been shown that tourists today choose their destination based on the level of safety and security they will experience.

Articles by experts in the field explain how top managers should act in the face of turbulence and how employees should engage in order to cope with unexpected changes in the VUCA world (Baran and Woznyj, 2021; Lubowiecki-Vikuk et al., 2023). Increasing organisational agility is crucial for successfully relaunching the business. This involves repositioning in the service market, observing the competition, reworking budgets, and recalculating rents for all locations. If a company has growing plans, it is important to consider them carefully. It can be risky to commit to business growth plans in a slow and turbulent environment. The organisation's cash flow is threatened by a lack of communication and bureaucratic processes between departments (Nhamo and Chikodzi, 2020).

Therefore, agility can be developed through effective team communication, transparency, clearly defined tasks for each employee, ongoing training, a strong focus on customer needs, effective management and also through pure managerial talent.

VUCA research typically focuses on management and marketing (Schick et al., 2017). It examines how managers confidently cope with challenges in the business environment and adapt their mindset to ensure the survival of their company (Waldeck et al., 2019). The term VUCA encompasses these important research areas. Strategic development in the context of VUCA is also an important research area (Wang et al., 2022).

The greatest burden on the organisation is the lack of financial resources. The digitisation of the company has been shown to reduce fixed costs such as heating, electricity, and rent on premises, while also providing a means to raise funds for the company budget. Naughton et al. (2020) found that supply chain relationships facilitate agility.

Artificial Intelligence (AI), Augmented Reality (AR) and Virtual Reality (VR) are all technologies that are playing a significant role in the digital transformation of the business sector (Bertoncelj, 2022). AR and VR, for instance, are being utilized to generate interest among travellers by enabling them to take virtual tours of destinations and tourism attractions.

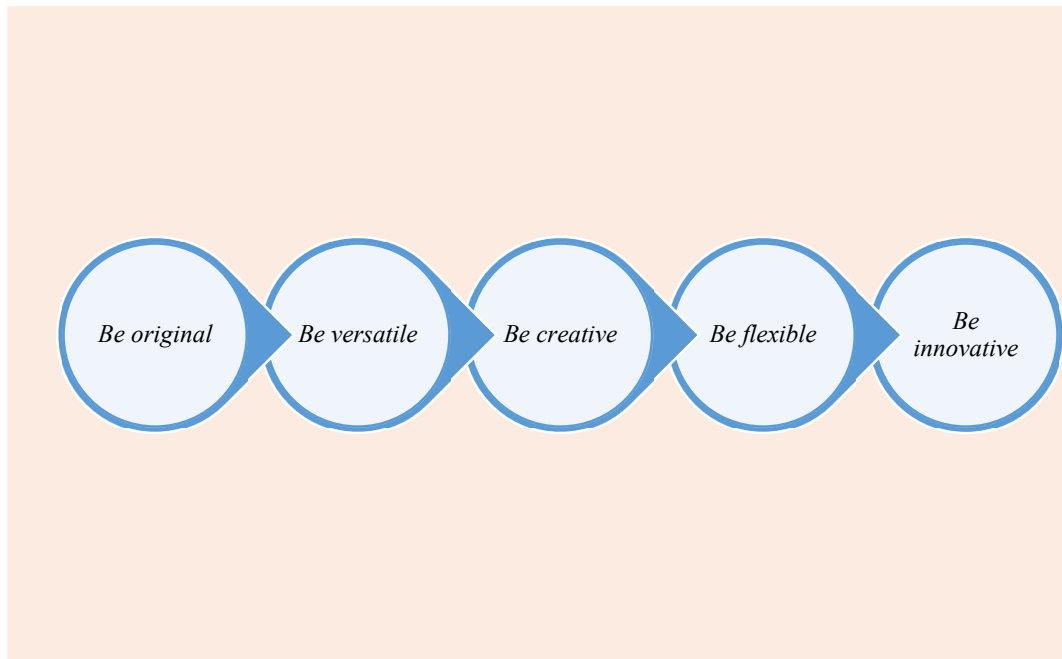
Tourism companies are increasingly using chatbots and virtual assistants online to enhance tourism customer service, optimize costs, and expedite response time.

However, let's not adopt a pessimistic outlook (Figure no.1). Volatility can present opportunities for profit. Uncertain situations can also create opportunities for the company. Streamlining IT procedures can increase the speed of product and service distribution, enabling faster delivery to consumers. Ambiguity is a chance, and leaders need to be able to recognise the unique challenges that ambiguity can bring.

Tourism management and marketing are based on the 7Ps: product, price, placement, promotion, physical evidence, processes, and personnel. Tourism services are intangible, which means that consumers often have expectations and imagine what they will experience at their holiday destination. However, their dream only becomes a reality once they arrive at the destination, despite having bought the holiday package well in advance.

During economic crises, growth opportunities may arise. High-performing leaders lead the company forward through life cycles with *experience, flair, ambition, determination, and hard work*.

Specialists in the field confirm that no company has a consistently excellent performance, and no sector of the economy always performs well (Kautish et al., 2022).



**Figure no. 1. How to deal with VUCA world**

*Source: created by the authors*

## 2. Research methodology

The research was of a qualitative nature and used online interviews. Based on online interviews with representatives of Romanian tourism companies, two research questions were formulated:

- (1) *What are the measures taken by tourism companies to cope with the VUCA world?*
- (2) *Have you experienced and felt that one of the four VUCA components is more present in your organisation?*

The respondents were asked to provide practical examples of measures implemented in their tourism companies to cope with the current environment of volatility, uncertainty, complexity and ambiguity.

The confidentiality of the tourism managers who responded will be maintained. Invitations were sent to the companies. To ensure the privacy of the companies involved, we will not disclose their names.

The interviews were carried out between the 22nd of November 2023 and the 10th of January 2024. The interview response rate was 40%. Although some companies did not respond to the invitation, it is important

to note that this was due to the need for confidentiality regarding their business techniques incorporated into their business strategies.

### 3. Results and discussion

We started by interviewing representatives from the airline industry. The pandemic turned the industry upside down (according to the International Civil Aviation Organization (ICAO, 2023), in 2020 there was a 70% reduction in passenger numbers, which equates to a total of 800 million. Between March and May 2020, 50 million airline tickets were cancelled).

There was a crisis in air handling services (companies that handle the transfer of passengers' luggage, the refuelling of ships during stopovers, etc.). The acute shortage of staff in air handling services was felt acutely at all the world's major airports. Chaos was the word used during the interview. One third of all ground handling staff were made redundant as a result of the COVID-19 pandemic. The chaos was fuelled by three factors: a boom in demand for air travel as restrictions were lifted, a shortage of ground handling staff and a shortage of flight crews.

It has been acknowledged that a combination of human labour, intelligent robots, and smart data software has played a crucial role in overcoming the crisis in the airline industry. Additionally, clear communication of fares, which have increased by 80% compared to 2019, is considered to be of utmost importance for the smooth running of the aviation industry.

The cost of jet fuel has been subject to significant fluctuations in the 21st century. In this unstable change (*volatility*) the airline management was led to implement cost-cutting measures. It could be argued that agility is an important factor in managing volatility. In volatile situations, it is essential to be spry, resourceful, and "on the ball". Resources have been reallocated to keep up with changes (e.g. for aircraft parking).

Secondly, interviews were conducted with travel agencies that organise package tours. The 70% drop in turnover in 2020 compared to 2019 for travel agencies in Romania (according to the National Agency for Fiscal Administration) created a cash flow gap for tour operators. They face great uncertainty as they depend on the entire interconnected value chain (airlines, charter flights, hotels, restaurants, cruise ships, entertainment companies, holiday villages, tourist destinations, tourists).

It is possible to offer off-season deals and adjust rates to meet fluctuating demand, during the off-season, based on company advanced technology that predicts changes in guest preferences.

At the centre, the hub of all the components, were the tour operators. The weapons against *uncertainty* were information and communication. Information and communication reduced uncertainty. Gathering information and communicating with stakeholders led to winning the battle in this area of activity, also for travel agents. Collaborative relationships, friendships and well implemented partnerships with transparent commercial returns to tourism service providers were key to the tour operators' success.

To mitigate travel uncertainty and potential cancellations, the tourism companies highly recommend the implementation of flexible booking schedules. Furthermore, it is imperative to establish a comprehensive continuity plan for emergency situations to ensure the safety and well-being of both staff and clients.

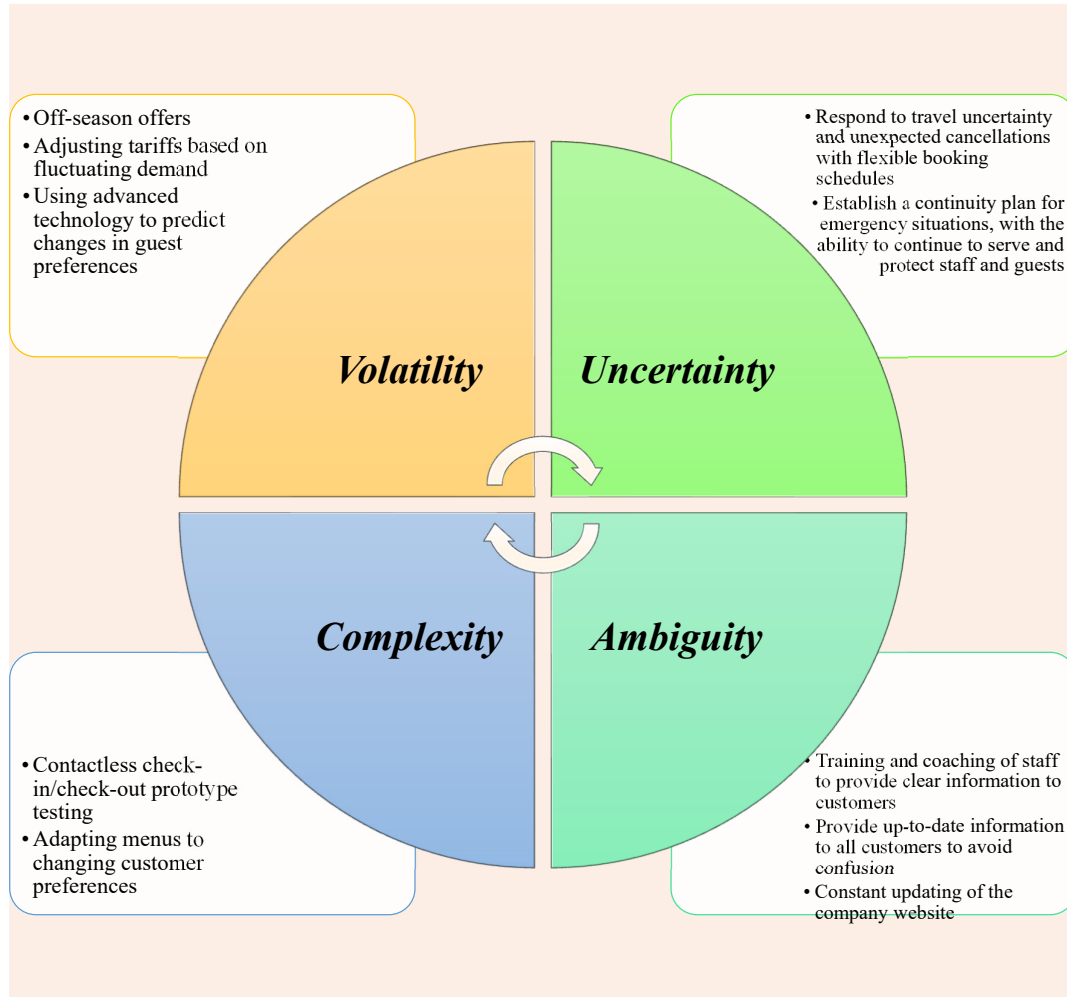
Interviews were conducted with representatives from the hotel and restaurant services. The main challenge they faced was *complexity*. The hospitality industry has managed to address this issue by establishing clear procedures. Management based on planning and control, using tools such as the Gantt chart, has helped to keep the complexity of hotel and restaurant operations under control.

Consumer focus was also a top priority for all hotel and restaurant activities. Various promotions and loyalty programmes have been implemented to foster consumer loyalty. One of the most effective ways to tackle the complexity was through internal restructuring of the company (for this purpose, the rents of the establishments were renegotiated, hygiene and safety measures have been implemented and in extreme cases, the organizational structure has been changed). Hotels have been conducting prototype testing for contactless check-in/check-out and restaurants are adjusting their menus to meet changing customer preferences.

Finally, we interviewed GDSs companies (global distribution systems) and found that *ambiguity* was their biggest challenge. To deal with it, they used experimentation. Experimentation was needed to reduce ambiguity. GDSs are still learning how customers will access and experience the data and services offered by new technologies. GDS companies in recovery may face financial constraints, while also requiring

highly qualified staff to efficiently revise software. It is important to ensure that these staff members possess the necessary skills to complete the task in a timely manner.

Tourism companies dealing with ambiguity have taken measures such as ongoing staff training and coaching to provide clear information to customers, ensuring up-to-date information is provided to all customers to avoid confusion, and constantly updating the company website (Figure no.2).



**Figure no. 2. Measures taken by tourism companies to cope with the VUCA world**

*Source: created by the authors based on research findings*

## Conclusions

Summarising, the following are recommended practices for tourism in the volatile, uncertain, complex, and ambiguous world (VUCA): The company should reallocate its resources to areas of strategic importance and manage its cash flow to ensure liquidity and solvency. It should also cut unnecessary expenses on advertising materials, renegotiate rents, and reserve funds for fixed expenses. Communication should be continuous, transparent, and informative, especially when setting commercial addition quotas. The company should aim for stable, friendly, and strategic partnerships. Planning and control should be based on Gantt charts. The company should plan to reorganise its organisational structure to better cope with transformations. Additionally, permanent staff training will be implemented to ensure that employees can learn on the fly when using new software. Collaboration between staff and smart machines will also be emphasised. The company will focus on customer satisfaction by implementing loyalty programmes, offering promotions and loyalty points, and providing services beyond customer expectations. Customer problems will be reviewed, analysed, and solved with maximum rigour, seriousness, and efficiency.

Each VUCA component is present to varying degrees in every tourism sector. According to our interviews, the volatility component appears to be particularly strong in the air services sector, while the uncertainty

component seems to be most prevalent in the travel agency sector, which organises package holidays. The hospitality sector, which comprises hotel and restaurant services, appears to be most affected by the complexity component. On the other hand, global distribution systems companies, which are responsible for creating and implementing new tourism technologies for end consumers, seem to experience the strongest impact of the ambiguity component. It is noteworthy how end consumers utilize the gadgets and IT devices developed by global distribution systems.

The travel industry is a complex and diverse sector that requires further investigation. It is recommended that future research focuses on predicting the potential impact of macroeconomic decisions on the tourism sector, including the possibility of a VUCA avalanche.

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