

## **TOURISM BUSINESS PREPAREDNESS AND RESILIENCE TO CRISIS: A STUDY OF SMALL TOURISM RESORT DESTINATIONS IN SABAH COASTAL, MALAYSIA**

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### **ABSTRACT**

This study examines small-scale tourism businesses preparedness and resilience to crisis among resort destination in the coastal area of Sabah. Limited efforts are taken by the small coastal tourism business operators in term of level of preparedness of measures in dealing with crisis faced. Although these small coastal tourism business operators have experienced crisis events, majority of them do not have crisis management plan. Therefore, this study presents empirical findings from structured interviews with 61 owner-managers of small resorts in coastal Sabah, about the level of preparedness and resilience towards crisis including natural disaster, technology failure and social threats, as well as factors influence or hinder the adoption of crisis preparedness measures into their premises. The results revealed that micro-sized resorts are less likely well-prepared and resilient to crisis, compared to medium size, specifically due to lack of operationalisation of crisis management practices and the management of human resources for crisis management. The study also found that regular security inspection on respondents' commercial properties area from police department and Department of Occupational Safety and Health as the most popular factor mentioned by respondents as to support the adoption of crisis preparedness measures in their premises. Meanwhile, financial constraint was mostly mentioned as the hindrance factor for not adopting the crisis preparedness measures. This study hopes to provide meaningful insights for tourism specific initiatives that complement to existing disaster management policy as well as to small resort operators to consider a formal crisis management plan for long term business sustainability.

**Keywords:** tourism destination, preparedness, resilience, crisis management.

### **1.0 BACKGROUND TO THE STUDY**

Crisis, either it is a man-made or natural disaster has been regarded by the Malaysian National Security Council Directive No.20 (2013) as 'an emergency situation of some complexity that will cause the loss of lives, damage of property and the environment, and harm local social and economic activities'. Parallel with this definition, this study describes business crisis as an extreme event with a natural, technological or social cause that has consequences in term of casualties, destruction, damage and disruption (Perry & Quarantelly, 2004) of the business activities and premises. Tourism industry in Malaysia, including Sabah has been regularly affected by a series of crises over the last decade, with the most prominent examples include the repeated kidnapping in 2000-2014 (Ayob & Masron, 2014), foreign militant intrusion in 2013 (Sinar Harian, 2014), crash and missing of Malaysian aircrafts in 2014, Ranau earthquakes in 2015, flash flooding and many other man-made or natural disaster that severely affected tourist destinations in Sabah. These incidents

are seen as crises to tourism businesses especially in terms of unpromising number of tourist or guest to tourism destination, including the small accommodations (Izyanti, Jennifer & Noor, 2016).

Tourism businesses represents a very broad spectrum of small to medium or larger enterprises, across different sectors. Logically, the small enterprises are likely to be most vulnerable to crisis, as they lack of resources and know-how to measure or prepare for impacts (Susanne & Kennet, 2013; Wang & Ritchie, 2012). Despite the vulnerability of small tourism business to crisis, they tend to be poorly prepared for emergency planning or disaster recovery (Ahmad & Ahmad, 2014). It is undoubtedly that the government, especially the Malaysian National Security Council has been playing its important role through country's risk reduction policy, but it is also extremely important to identify from other organisations, industry players and communities, their resilience and preparedness to crisis management activities. It is crucial to not only understand the crisis management planning of small tourism businesses but also the resilience, i.e. the 'capacity for an enterprise to survive, adapt, and grow in the face of turbulent change' (Dahles & Susilowati, 2015). Therefore, this study investigates from the perspectives of small resort owner-managers, the level of tourism business preparedness and resilience to crisis as well as the factors influence or hinder the adoption of crisis preparedness measures or procedure in their premises.

The precise research objectives of this paper are:-

- i. To identify the level of tourism business preparedness and resilience to crisis among small resort destination by size of business, micro, small and medium.
- ii. To explore the factors influence (and hindrance) the adoption of crisis preparedness measures by small resort owners/managers, by size of business.

This study involves small-scale structured interviews with 61 small resort owner-managers in nine districts in coastal area of Sabah, which populous with small resorts, including Beaufort, Kuala Penyu, Papar, Kudat, Kota Belud, Kota Kinabalu, Tuaran, Sandakan and Tawau.

## **2.0 SMALL TOURISM RESORT AND CRISIS**

Organizations of all shapes and sizes all must deal with change at some point in their lifecycle, and all destinations will have to deal with a disaster at some stage (Faulkner, 2001). Being equipped and organized to deal with disasters effectively can help to diminish their negative consequences. Most of research on disaster preparedness in the hospitality industry has been conducted in regions that have been affected by specific disasters (i.e., Thailand; Henderson, 2007) The chaos and havoc created by the 2004 tsunami provided a vivid environment for the observation of entrepreneurial response in action. The concept of micro/small resort operators are categorized under the leisure and recreational tourism activities in the coastal zone and offshore coastal waters. Izyanti, Jennifer & Noor (2016), include coastal tourism development with; accommodation, restaurants, food industry, and second homes, and the infrastructure supporting the coastal development (e.g. retail businesses, marinas, and activity suppliers). Besides the clear categorization, Thomas et al., (2011) stated that the number of employees is the most commonly acknowledged and used measurement. This has been verified by Cressy and Cowling (1996) that micro or small business operators have fewer than twenty employees. Clearly, adding to the definition of the micro/small resort owners is the operation of the resort as mentioned by Ahmad (2005), 59.5% of the operation must be managed by the owner and water/sea element is the main

asset and attraction to the area. In this research the term micro/small resort owners were based on number of employees; salaries and wages, capital, sales and revenues; number of rooms, facilities provided by the tourism operator.

The Tourism industry has experienced many disasters and crises varying from natural to human prompted incidents. The most destructive and unforgettable related to crisis is the tsunami from Indonesia which had caused severe damage to the tourism industry in several countries, including Malaysia, Thailand and Sri Lanka. Phuket, Thailand was badly hit by Tsunami. The Tourism authority of Thailand estimated that the damage caused to the resort owners was about 12.8 billion Baht (Bangkok Post, 2004). To stay indestructible, the tourist industry must proactively respond to disaster planning initiatives to ensure adequate levels of capacity in response. Sheaffer & Mano-Negrin (2003) defined disaster preparedness as "a state of corporate readiness to foresee and effectively address internal or exogenous adversary circumstances with the potential to inflict a multidimensional crisis, by consciously recognizing and proactively preparing for its inevitable occurrence" (p.575). Faulkner (2001) stated that natural disasters, security threats, terrorist attacks have swept global tourism industry which the condition can be named 'crisis' and a 'disaster' is inferable based on the degree of destruction. Early study by Parsons (1996) analyze the crisis management and able to classify the types of crisis and its effects. According to him, immediate crises came unwarned naturally no detailed plan prepared; emerging crises more of predictable one but difficult to identify and sustained crises the difficult condition prolongs. The implementation of crisis management plan is seen to reduce the calamity.

In effectively managing a small resort operation attention are required not only to day-to-day operation but also preparing for unforeseen situation that can seriously threaten the viability of the business. Therefore, being organized for a crisis or disaster will decrease significant businesses damages. Runyan (2006), conducted a study on how small business operators respond to disasters. He found out that restaurant owners supply chains were interrupted due to Hurricane Katrina. Undoubtedly, for restaurant owners according to Runyan, if they could find alternate suppliers they were able to mitigate negative effects of certain disasters (2006).

### **3.0 RESEARCH APPROACH**

The study was carried out in coastal area of Sabah, which involves face-to-face structured interviews with 61 owner-managers of small resorts in nine districts. The sample was drawn from various size of small resorts, i.e. from micro to small and medium size and were selected for interview based on the availability and approachability of the owner-manager to be involved in the study. The categories of size of business in this study was developed based on number of employees employed by the premises, as defined by National SME Development Council of Malaysia (2014) for service sector, i.e. micro business have employees less than 5, small business with 5 to 50 workers, and medium enterprise employed 50 to 150 employees in their premise. Figure 1 shows some of the resorts surveyed for this study, including micro, small and medium size.



**Figure 1: Examples of resorts surveyed, including micro, small and medium size.**

The interview aims to investigate the respondents' point of view, their perceptions and experience about crisis, the degree of implementation of crisis preparedness and resilient in their premise as well as to identify factors that influence or hinder the adoption of crisis preparedness measures into their premises. All 61 interviews were conducted at each respondent's preferred place and time, and they were contacted in advance in order to ask their permission and to obtain informed consent to be involved in the study. Ritchie and Lewis (2003) mention that it is important for an interviewer to provide respondents with information about the purpose of the study, the funder, the researcher, how the data will be used and what participation will require from them. Therefore, a cover letter stating the purposes of the interview together with the key topics to be discussed were also provided to the respondents prior to interview.

All responses from respondents were recorded on a hard copy questionnaire by the interviewer. The questions included dichotomous and attitudinal of 5-point Likert Scale ranging from 1 (strongly disagree/very unlikely) to 5 (strongly agree/very likely) as well as an open-ended question relating to respondents' experience and perceptions on crisis management measures. Attitudinal questions were used to ask respondents' perceptions on the likelihood and agreeableness on a particular statement about the impact of crisis to their business. The questionnaire contained seven sections, comprising 92 questions altogether: (i) Section A asked about respondents' demographic backgrounds, (ii) Section B collected data pertaining to respondents' business characteristics, (iii) Section C consisted of questions that asked respondents to indicate the likelihood impact of crisis to their business, (iv) Section D collected data relating to the frequency of respondents' crisis preparedness

measures, and (v) Section E asked about the agreeableness on statement relating to resilient measures.

The main analytical techniques used for this study are: -

- (i) ANOVA to explore the level of resilience and preparedness to crisis for different size of resort, i.e. micro, small and medium.
- (ii) Chi-square test to identify the significance differences between the three size of resort in terms of level of resilience and preparedness to crisis
- (iii) Qualitative analysis for the open-ended data to analyse the ideas, and views given by respondents in relating to factors that influence or hinder the adoption of crisis management measures, in which all of the answers then were sorted into categories based on concepts and theories from the literature related to the study.

## **4.0 KEY FINDINGS**

### **4.1 Business Profile and Experience towards Crisis**

A total of 61 respondents among the owner-managers of small resorts in selected districts in coastal area of Sabah involved in the study. Table 1 shows that more than half (54 percent) of the resort surveyed in this study offers wide range of activities and experiences (tourist attraction place and outdoor activities such as trekking, camping, diving, snorkelling, etc.), whereas 46 percent of them focus on accommodation only as their main business. Two-third of them (66 percent) have employed 5 to 50 workers in the premise, which can be regarded as small-sized business, followed by nearly one-quarter of them (24 percent) are considered as medium-size for having 50 and more employees. Only 10 percent of the surveyed resorts are micro, which employed less than 5 workers in their resort. In addition, in relating to size of market served by the resort surveyed, Table 2 depicts that almost two-third (62 to 64 percent) of resorts acquired only 10 percent and less of locals (Sabahan) and domestic (Malaysians) market. Surprisingly, more than half of the resorts surveyed (55.9 percent) serve more than 70 percent of the foreign market.

**Table 1: Business Profile of Resort Surveyed (n=61)**

<b>Business Profile</b>	<b>Frequency (n=61)</b>	<b>Percentage (%)</b>
<b><u>Types of Business</u></b>		
Accommodation	28	46
Attraction and Activities	33	54
<b><u>Number of Employees</u></b>		
Less than 5 (Micro)	6	10
5 to 50 (Small)	40	66
50 and more (Medium)	15	24

**Table 2: Size of Market Served by the Resort Surveyed, by Types of Market (n=61)**

PERCENTAGE OF MARKET SERVED	TYPES OF MARKET		
	Local	Domestic	Foreign
10% and less	39 (64%)	38 (62%)	5 (8.2%)
11% to 30%	12 (20%)	17 (28%)	3 (4.9%)
31% to 50%	4 (7%)	4 (6.6%)	8 (13%)
51 to 70%	4 (7%)	2 (3.4%)	11 (18%)
71% and more	2 (2%)	0	34 (55.9%)

The study reveals three main types of crises experienced by the small coastal resorts studied, as presented in Table 3 below. The type of crises was related to the natural disasters (flood, tsunami, storm, earthquake, sea level rising, pollution and degradation), technology failure (aircraft crashed, computer irregularity and power shutdown) and social threats (kidnapping, terrorism and epidemics). Interestingly, technology failure was experienced the most by resorts studied, with micro and medium size resorts were mainly affected, followed by natural disasters and social crisis. Conversation with some of the owner-managers reveals that unplanned power shutdown caused lost sales to their businesses. Some said their businesses suffered severely due Malaysian aircraft crashes when the guests and tourist arrival dropped in their resorts.

**Table 3: Experience to Crisis by Size of Business (n=61)**

Types of Crisis	Size of Business			Overall Mean
	Micro (n=6)	Small (n=40)	Medium (n=15)	
<b><u>Natural Disaster</u></b> (Flood, Tsunami, Storm, Earthquake, Sea Level Rising, Pollution, Degradation)	3.37	2.87	3.07	2.96
<b><u>Technology Failure</u></b> (Aircraft crash, computer irregularity, power shutdown)	4.00	3.15	2.53	3.08
<b><u>Social Crisis/Threat</u></b> (Kidnapping, terrorism, epidemics)	2.17	2.47	2.44	2.43

#### 4.2 Level of Business Preparedness Measures to Crises

This study involves six components of tourism business preparedness towards crisis management, including (i) strategic crisis management, (ii) organisational crisis management, (iii) operational crisis management, (iv) public relations, (v) communication and (vi) managing human resource. In order to understand their preparedness in dealing with crisis by the small coastal tourism businesses in coastal Sabah, a five-likert scaled rated as 'always', 'often', 'sometimes', 'rarely' and 'never' was used.

Table 4 depicts that 'communications' reports the highest overall mean among other preparedness measures (mean = 3.83). This shows that larger proportion of respondents are frequently communicate well about the crisis to their tourists, guests and staff, especially in terms of the importance of crisis preparedness and measures. In relating to size of business, micro-sized resorts are less likely/rarely well-prepared to crisis, especially in relating to operational and managing human resources. Medium-sized resorts are well-prepared to crisis, whereby mainly of the resort owners/managers mentioned they often prepared their staff and premises towards crisis facing their business, compared to small-sized resorts. This finding correspond well with the study by Spillan and Hough (2003) that crisis management planning receives little attention by the small businesses compared to larger size. Likewise, most of the small businesses experienced crisis events but they do not have crisis management and crisis management teams.

**Table 4: Level of Tourism Business Preparedness of Resorts, by Size of Business (n=61)**

<b><i>Business Preparedness</i></b>	<b><i>Mean</i></b>	<b><i>Micro</i></b>	<b><i>Small</i></b>	<b><i>Medium</i></b>
<i>Strategic Crisis Management</i>	3.43	2.08	3.40	4.04
<i>Organisational Crisis Management</i>	3.21	2.15	3.20	3.66
<i>Operational Crisis Management</i>	2.79	1.67	2.78	3.29
<i>Public Relations</i>	3.43	2.42	3.88	3.97
<i>Communications</i>	3.83	2.78	3.88	4.13
<i>Managing Human Resources</i>	2.96	2.06	2.88	3.53
<b><i>Overall Mean</i></b>	<b>3.28</b>	<b>2.19</b>	<b>3.25</b>	<b>3.77</b>

### **4.3 Business Resilience to Crises**

In relating to tourism business resilience measures towards crisis, this study involves eight components, including (i) political resources, (ii) physical capital, (iii) natural capital, (iv) social capital, (v) lifestyle values, (vi) financial capital, (vii) human capital and (viii) organisational capacity. Table 5 shows that 'lifestyle value' recorded the highest level of agreement by respondents, followed by 'organisational capacity', which indicates that passion in tourism-related business and having adequate resources to plan and monitor unexpected crisis as the most significant factors for resort operators to become resilient towards crisis. Interestingly 'lifestyle value' was highest rated by medium-sized resorts compared to micro and small resorts. It is also found that 'political resources' and 'physical resources' recorded the lowest level of agreement from the smaller enterprises, especially the micro sized (mean = 2.67), especially in terms of adequate infrastructure to support business survival, the ability of business to generate annual income in a crisis scenario and government support towards their business during crisis. This study also shows that some resilient businesses, especially the medium-sized, seems to effectively adjust its internal capacity (personal value, organisational capacity, social and human capital) rather than relying on external sources, which parallel to study done by Dahles and Susilowati (2015).

**Table 5: Level of Tourism Business Resilience of Resorts, by Size of Business (n=61)**

<b>Business Resilience</b>	<b>Mean</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
<i>Political Resources</i>	3.02	2.67	2.85	3.60
<i>Physical Capital</i>	3.33	2.56	3.36	3.58
<i>Natural Capital</i>	3.61	3.58	3.64	3.57
<i>Social Capital</i>	3.65	3.37	3.59	3.92
<i>Lifestyle Value</i>	4.71	4.44	4.71	4.80
<i>Economic Capital</i>	3.61	3.75	3.57	3.63
<i>Human Capital</i>	3.91	3.75	3.88	4.02
<i>Organisational Capacity</i>	4.13	3.08	4.12	4.58
<b>Overall Mean</b>	3.75	3.40	3.72	3.96

Overall, small coastal tourism businesses studied perceive their business resilience to crisis are higher relative to preparedness. Table 6 shows the overall mean for business preparedness and resilience to crises as perceived by owner-managers, which medium-sized business are more resilient and prepared towards crises compared to the micro-sized. This is supported by Susanne and Kennet (2013) who mentioned that the small enterprises are likely to be most vulnerable to crisis as compared to larger enterprise, as they lack of resources and know-how to measure or prepare for impacts. This study argues the study of Williams and Vorley (2014) who contended that small businesses are more responsive to exogenous crisis as they are more flexible, adaptable and innovative than large enterprises. There are reasons for adoption of crisis preparedness measures among small-scale businesses. The following section discusses these factors.

**Table 6: Overall Mean of Preparedness and Resilience to Crises, by Size of Business**

	<b>Overall Mean</b>	<b>Mean by Size of Business</b>		
		Micro	Small	Medium
PREPAREDNESS	3.28	2.19	3.25	3.77
RESILIENCE	3.75	3.40	3.72	3.96

#### **4.4 Factors for Adoption of Crisis Preparedness Measures in Premises**

Undoubtedly, there are various initiatives have been taken by Malaysian government to ensure preparation, prevention and mitigation of the impact of crises or disasters to their business or premises, for example through the establishment of the Special Malaysian Disaster Assistance and Rescue Team (SMART) and the Malaysia National Security Council (NSC). However, the practice of preparedness measures to crisis among small coastal tourism businesses was reported still low (e.g. Izyanti, Jennifer & Noor, 2016) that owner-managers did not include crisis management as part of the business organization statement of purpose, though they consider crisis management as part of strategic business management program. This study reveals some evidences form the open-ended questions relating to factors that influence or hinder the adoption of crisis preparedness measures among small resorts studied. Table 7 shows five elements influencing the adoption while three elements as the reasons for failure to adopt crisis preparedness measures in their premise. Regular inspection from local Police Department and Department of Occupational,

Safety and Health (DOSH), continuous commitment from top management of the company as well as positive support from the local communities were largely mentioned by respondents as one of the factors that influence the adoption of crisis preparedness measures in their premise. The result is congruent with study done by Hilliard, Scott and Palakurthi (2011) who found that the main reason for failure to practice crisis management plan in small business is due to lack of management and stakeholders' cooperation. In addition, most of the respondents who perceived having well-trained emergency response team (ERT) as the influential factor to adopt crisis preparedness measures are among the medium-sized resorts. In relating to factors that inhibit the implementation of crisis management plan, mostly micro and small sized resorts mentioned financial constraints as the hindrance.

**Table 7: Responses towards Factors Influence/Hinders the Adoption of Crisis Preparedness Measures in Premises**

<b>Factors Influence/Hinder the Adoption of Crisis Preparedness Measures</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Total Responses</b>
<b><u>Influences</u></b>				
Well-trained ERT Team	1	4	10	15
DOSH/Police regular inspection	4	7	9	20
Contingency Plan, e.g. backup facility, water tank, generator, etc	-	2	2	4
Positive support from community	1	7	7	16
Commitment from top management	3	9	5	17
<b><u>Hindrance</u></b>				
It is beyond control/capacity	1	1	-	2
Isolation – far from mainland	1	1	1	3
Financial Constraint	4	4	3	11

## **5.0 CONCLUSIONS**

It is important for small tourism business operators to act proactively in relating to crisis planning initiatives. Specifically, it is suggested that small business owners should ensure adequate preparation for emergencies, such as setting up a contingency plan and the strategies adopted to overcome post-disaster inertia in the recovering system. The results of this study indicated that there are three main types of crisis that have always been faced by small tourism business, namely, natural disasters (flood, earthquake, sea-level rising), technology failure (aircraft crash, power shutdown) and social threats (kidnapping, illegal intrusion). The results also indicated that there are some strong measures that can be adopted wisely whenever the crises arise, including well-trained emergency response team (ERT) and officials from Police Department and Department of Occupational, Safety and Health (DOSH). It is hoped that this study provides insights to small tourism business owners as well as to related agencies to understand and respond seriously in addressing such issues to ensure the sustainability of the tourism industry in coastal area.

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