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The perspectives of risk management in the Greek tourism industry: The case of the new services establishment

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Abstract

This study aims to highlight the meaning of the risk management sector and the importance of recognizing it as an essential field for the global economy. This study highlights the necessity of a new services risk management model to be established in the Greek tourism industry. Through an analysis of innovation and its impacts on economic growth, the study confirms the importance of accepting new services as a beneficial challenge which will create a new perspective for the tourism industry. Taking into consideration the limited literature sources about the topic, the contribution of this research is reflected on the recommended alteration of risk management model steps to new service management model. The literature gap is proposed to be covered through an analysis of innovation processes and their correlation with the importance of establishing new services and products into Greek tourism.

Keywords:

Risk management, innovation, Greek tourism, new services establishment

Introduction

In a continuously changing world, where technology shows rapid development and innovation is the key for global economic growth, the ability to identify, evaluate and assess risks is one of the most essential processes for all businesses in all sectors. Despite the first appearance of risk management in the early 1950s, the recognition of risk management as an important sector with its own department within businesses, was not established until the late 1990s with the creation of boards consisting of specialized risk management-oriented members. Risk management includes the process of identification, evaluation, monitoring of the risk and its assessment, and yields desirable results. Innovation is directly associated with a range of risks, as every new idea can be beneficial for a business but at the same time risky for potential losses until it is fully established.

Tourism is a huge industry, made up of individual sectors. For this reason, innovation is the basis for the improvement of the tourism industry by keeping a continuously competitive environment that makes tourism businesses put an constant effort to maintain a powerful presence within the arena. For success though, important components are the plan that a business follows for improvement and the strategies to deal with potential risks. The argument at the centre of this study is that in order for a sector to be successful, an individual risk management model should be created and followed step-by-step.

Below, information is presented about the connection of tourism with innovation through new services, focusing on Greece as one of the major tourism destinations globally. Despite that tourism is the strongest component for the Greek national GDP, there is still a need for strategies for development to deal with the establishment of new services. The recommendation for such a model is implemented in this study and the need for the creation of more efficient strategies is a clear step which will drive Greek tourism to success.

Background of risk management

The existence of the risk management sector dates back to some years after World War II. Despite the current theories which recognize risk management as a necessary established sector for the development of

the corporate world, the reason for its further analysis was due to its association with the use of market insurance to protect businesses from accidental losses (Dionne, 2013). During the gradual improvement and development of several market sectors, people realized that activities within the market were costly and they had to deal with more risks than were covered by that insurance. The further analysis of the sector contributed to the publication of academic texts that contained the explanation of pure risk and mentioned other types of risks that potentially influence business growth (Crockford, 1982).

The concept of risk management started to acquire high significance not only for companies but also for individuals. Self-protection activities affected the probabilities of losses or costs before they even arose and this contributed to the discovery of prevention activities that nowadays are part of the risk management process (Dionne, 2013). During the 1960s, the risk prevention process started to become more important for businesses and soon further studies were conducted about the ways that risk investigation should be directed to avoid potential damages. The continued market growth and the creation of more activities, resulted in the classification of risks into main categories such as financial risk, operational risk, compliance and regulatory risk and subcategories including the risk of reputation, organizational risk and credit risk (Hopkin, 2018). The recognition of risk types was an important risk measurement tool for that period, even if there was still lack of studies for the development of the risk management process.

Despite the progress of risk management between 1950-1990, it was only in the late 1990s when it started to get officially recognized as an important sector. In that period, boards of directors and specialists in risk management acquired their own departments within businesses and their role included the process of monitoring, examination and analysis of potential risks that a business's next decisions may encounter (Scaillet, 2003). The significant role and the success of those specialists created the position of Chief Risk Officer and in the early 2000s, the risk management department emerged in most businesses with the responsibility to take the final decision for new business strategies (Scaillet, 2003).