



# INSPIRES

## RESILIENT TOURISM

## Module 1, Session 2

# Risk Management Process and Tools



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# Contents



The aim of this session is to explore the process and tools of risk management and how it is applied in the tourism context from an SME perspective.

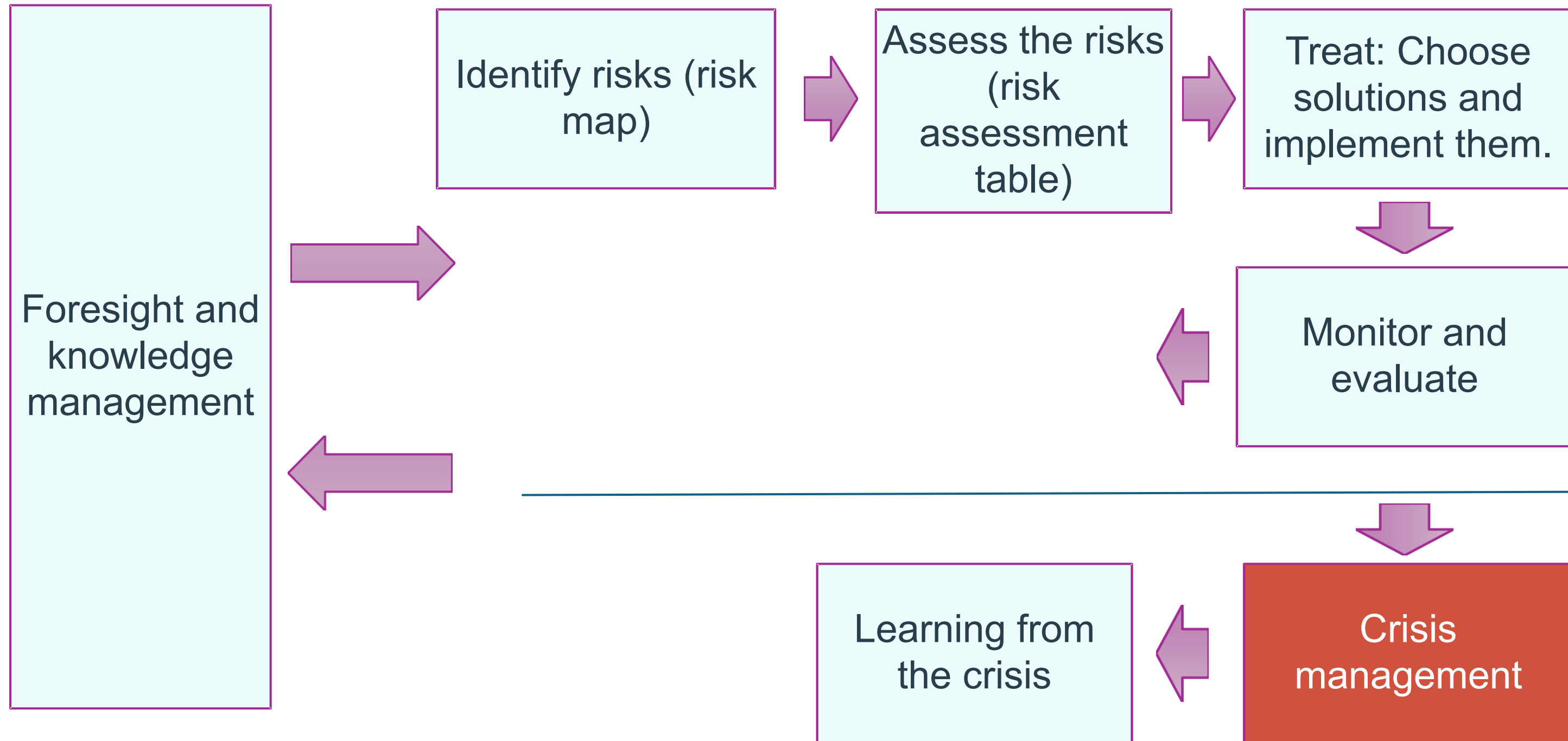
Keywords: Risk management process, tools, foresight

# Key Words



- Risk management process = Systematic and ongoing way to foresee and manage risks, both internal and external operating environment.
- Foresight = In a business context, foresight—often referred to as strategic foresight—is the disciplined ability to anticipate future trends, disruptions, and opportunities so that organizations can make informed decisions today that shape a more resilient and successful tomorrow.

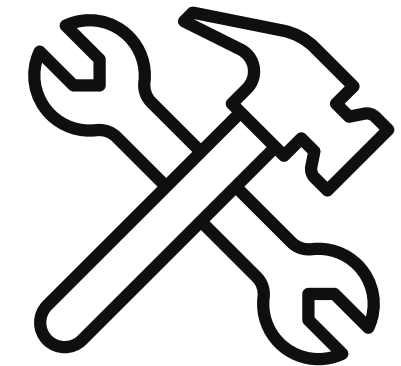
# Risk Management Process in Tourism Business



# Risk Classification Systems and Tools



- COSO ERM
- IRM Standard
- FIRM risk scorecard
- PESTLE analysis
- Bow-tie illustration of risk management
- Risk Map and risk assessment table (Lapland UAS)

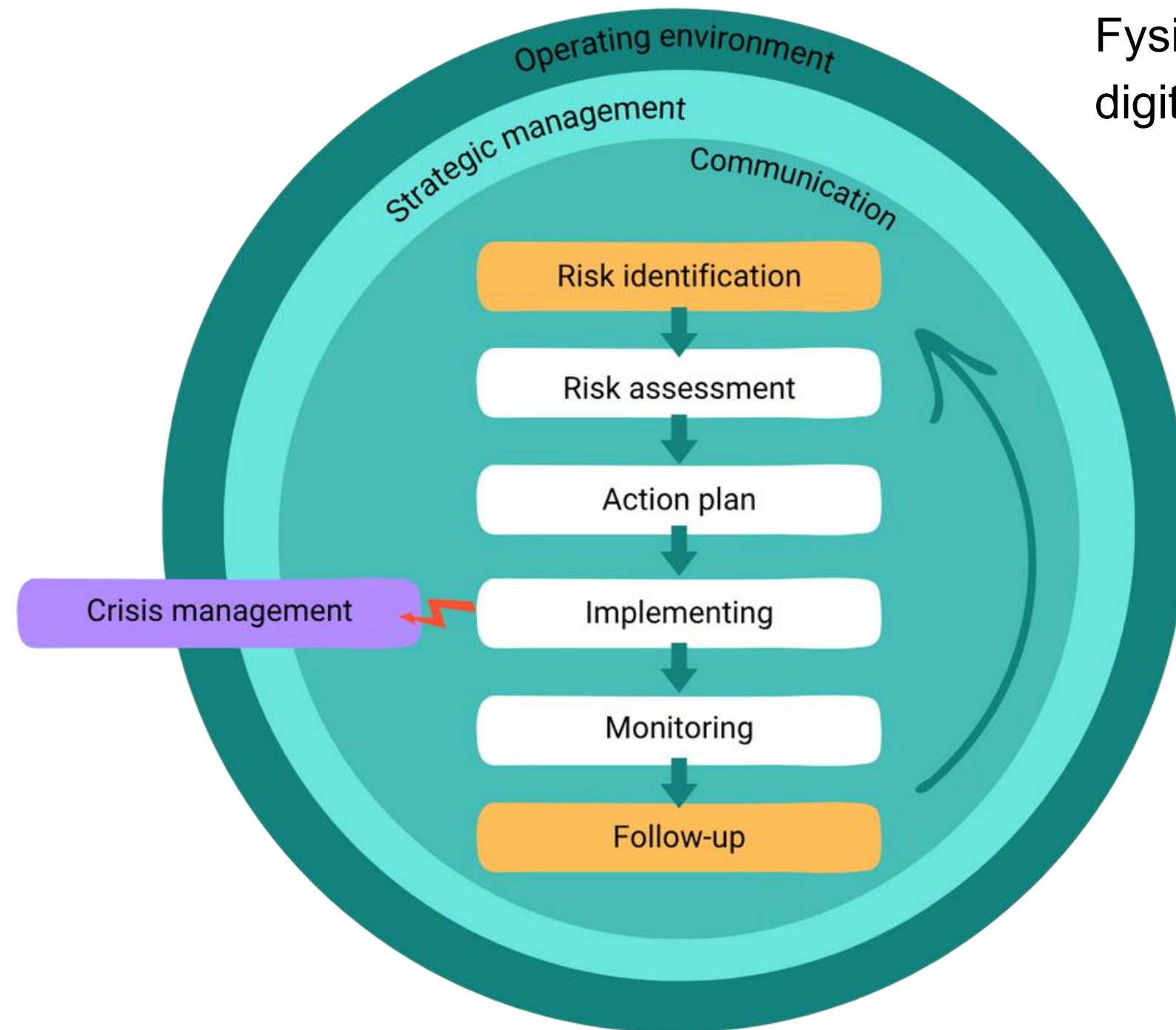


# Risk Management Process Step by Step



1. Risk identification
2. Risk assessment
3. Action plan
4. Implementing
5. Monitoring and review
6. Follow up

Fysical and digital operating enviro



# 1. Risk Identification

1. Risk identification
2. Risk assessment
3. Action plan
4. Implementing
5. Monitoring and review
6. Follow up

- Based on knowledge about the operating environment, being proactive and paying attention, having systems in place to use the data and information you get from your customers, personnel, networks etc
- **Find, recognize and describe**
- Categorizing risks according to a single risk classification system is not always helpful -> it may be too simple and offer too narrow a view
- All organisations need to find the risk classification system(s) that suits its particular needs and the nature of the risks

# Types of risks

1. Risk identification
2. Risk assessment
3. Action plan
4. Implementing
5. Monitoring and review
6. Follow up

- There are **many ways to categorize risks**: based on their origin, nature, impact, and other factors. One common classification is based on the source of the risk, distinguishing between external and internal risks.
- There is no standard risk classification system that can be used by all types of organizations. Still, ISO-standards suits many.

# Types of risk: timeframe of impact

1. Risk identification
2. Risk assessment
3. Action plan
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- One way is the classification of risks as **long-, medium- and short-term impact**
  - **Long term**= impact the ability of the organization to maintain the core processes, impact lasts for several years -> strategic decisions. E.g. launching a new product
  - **Medium term**=some time after the event occurs/decision is taken, months – year -> often associated with projects or programs of work (tactics). E.g. a new computer system for company
  - **Short term**=impact immediately after the event occurs -> cause immediate disruption to normal efficient operations and are probably the easiest types of risks to identify (operations), insurance often for these types of risks. E.g. fire, accident

# Types of risk: origin, internal & external

Definition: **Internal risks** are risks that originate from within the organization and are associated with its internal operations, processes, decisions, or culture. These risks are often influenced by internal factors and activities.

**Examples:** Operational failures, management errors, employee misconduct, financial mismanagement, technological deficiencies, supply chain disruptions, and organizational conflicts are examples of internal risks.

**Characteristics:** Internal risks are typically within the organization's control or sphere of influence

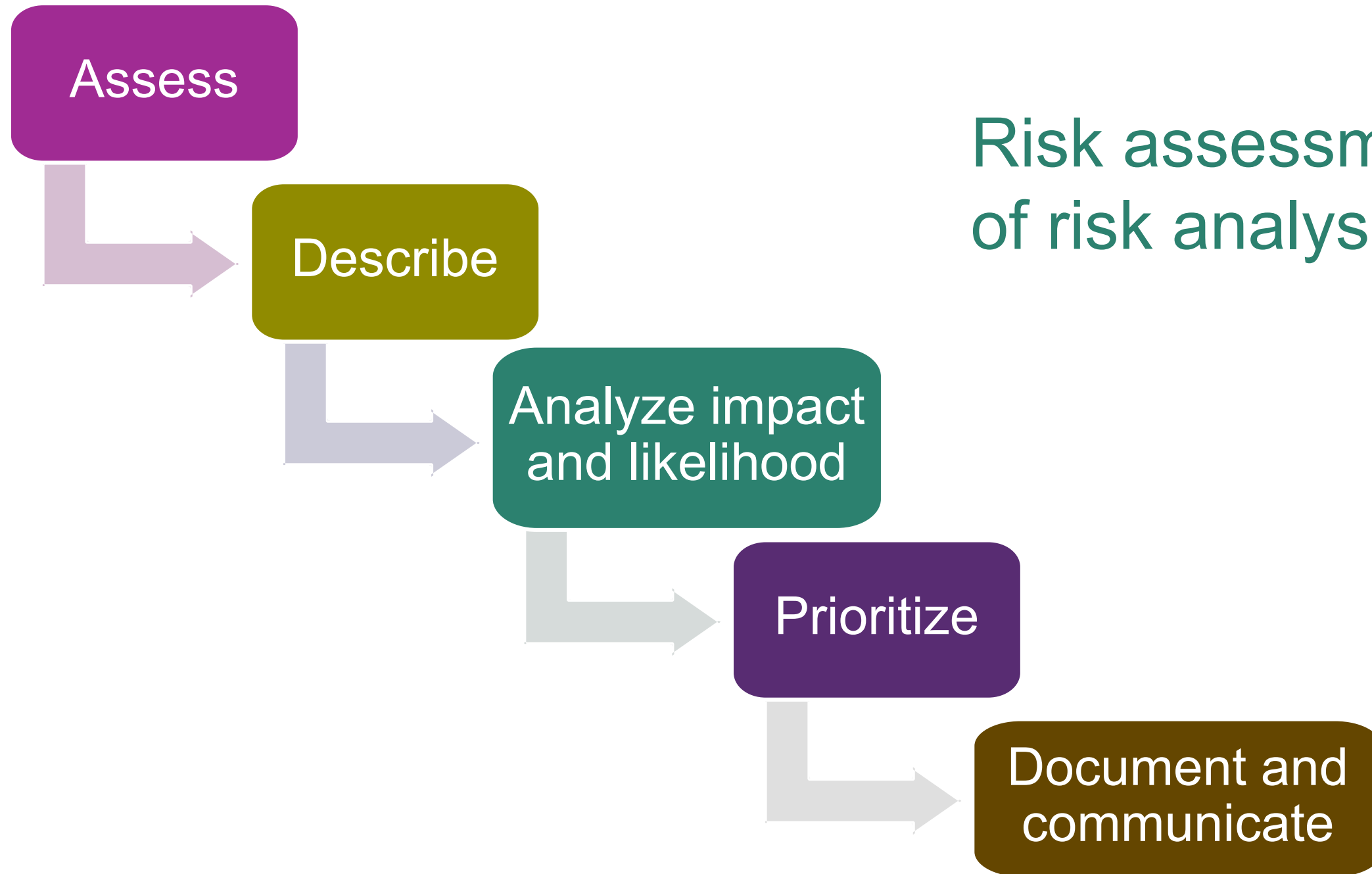
Definition: **External risks** are risks that originate from factors outside the organization and are beyond its direct control. These risks are often influenced by external events, conditions, or stakeholders.

**Examples:** Economic downturns, market volatility, changes in consumer preferences, technological disruptions, natural disasters, supply chain disruptions, geopolitical instability, regulatory changes, and competitive pressures are all examples of external risks.

**Characteristics:** External risks are typically unpredictable, uncertain, and influenced by factors beyond the organization's sphere of influence.

# 2. Risk Assessment

- 1. Risk identification
- 2. Risk assessment**
- 3. Action plan
- 4. Implementing
- 5. Monitoring and review
- 6. Follow up



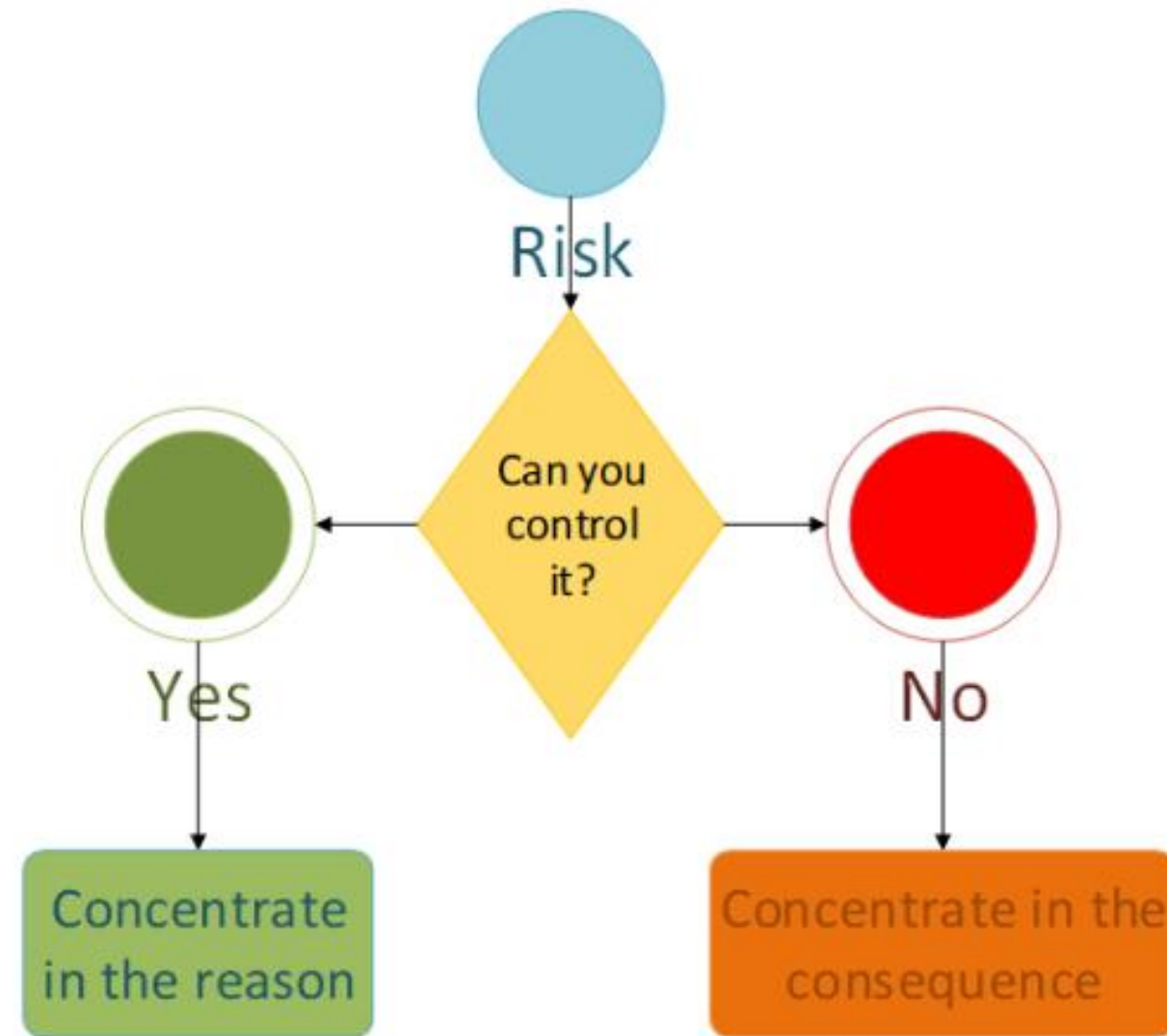
Risk assessment is the overall process of risk analysis and risk evaluation.

# Control

- 1. Risk identification
- 2. Risk assessment**
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- 6. Follow up

You can't control for example the weather

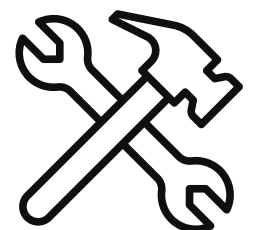
You can control how you use the company money (e.g. preparing for floods or forest fires)



# Tool: Risk Map and risk assessment table (Lapland UAS)

1. Risk identification
2. Risk assessment
3. Action plan
4. Implementing
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6. Follow up

- Developed in a project at Lapland UAS for tourism businesses
- A simple way to get started
- Divides risks into five categories:
  - **Strategic risks**
  - **Financial risks**
  - **Staff risks**
  - **Operational risks**
  - **Damage/accident risks**
- To help with identifying risks



# Risk Assessment Table



## Risk assessment table

Write down the risk you have identified here, for example "Inexperienced guests in an accident on a snowmobile safari".

**How to**  
does it seem likely that the risk will materialise?  
  
- Unlikely  
- Possible  
- Probable  
  
- Very likely

**Risk**  
the operational implications of implementation  
  
- Not affected  
- Minor impact  
- Affected by something - To be dealt with soon  
by  
- Significantly affected

**How soon to act is**  
take action to avoid the risk materialising?  
  
- Not urgent  
- Start preparing  
  
- Acute

**Risks can be, for example**  
point/distribute, move, delete or receive. Practical examples include e.g. expanding the customer base (decentralisation), providing customers with warm equipment in winter (removal), insuring (relocation) or deciding that financial

How can the development of risk and the follow-up of measures taken?

Does risk preparedness also include opportunities for development? For example, efficiency gains, new customer groups, safety improvements, image benefits, etc.?

the carrying capacity to withstand the realisation of the risk (reception).

Or whether the realisation of the risk involves also opportunities?

Identified risk	Probability	Impacts	Urgency	When will we come back? (date)	Measures: Who? What?	Monitoring: how? How often?	Opportunities related to risk?	Priority number
<b>Strategic risks</b>								
	Probable	Significant	Not urgent					5
	Possible	To some extent	To be dealt with soon					5
	Possible	To some extent	Start preparing					4
<b>Financial risks</b>								
	-	-	-					-
	-	-	-					-
	-	-	-					-
<b>Staff risks</b>								
	-	-	-					-
	-	-	-					-
	-	-	-					-
<b>Operational risks</b>								
	-	-	-					-
	-	-	-					-
	-	-	-					-
<b>Risks of damage</b>								
	-	-	-					-
	-	-	-					-
	-	-	-					-

## Category

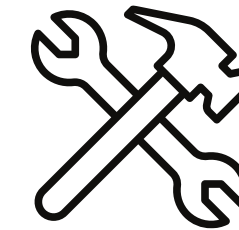
## Examples of risks

## Risks identified in the tourism sector

Strategic risks		
Business choices and their implementation	<ul style="list-style-type: none"> <li>- Choices in relation to market needs, potential and your own capabilities.</li> <li>-The ways, directions and goals of business development.</li> <li>-Executing and succeeding in elections</li> </ul>	Reliance on one market, no strategy in place
Global, national and regional environment and its changes	<ul style="list-style-type: none"> <li>-Global crises, changes in the political climate</li> <li>-EU or national laws and regulations</li> <li>-cultural changes,</li> <li>-climate change</li> <li>-competitor monitoring, cyclical fluctuations, internationalisation</li> </ul>	The war in Ukraine, climate change and fears, pandemics, inflation, local attitudes to tourism
Planning and decision-making	<ul style="list-style-type: none"> <li>-information and processes</li> <li>-legislation, provincial and municipal decisions and planning</li> <li>-identifying, refining and implementing new business opportunities</li> </ul>	no systematic risk management, lack of influence on local governance/planning
Sustainability and responsibility	Climate change and response, responsibilities and requirements	Climate change and the fear of it Social acceptability
Customers and suppliers	<ul style="list-style-type: none"> <li>-Accessibility</li> <li>-changes and trends in consumer behaviour</li> <li>-the acceptability of the tourism industry</li> <li>-meeting customer expectations/needs</li> </ul>	local attitudes to tourism, Lapland can be expensive in terms of price relative to quality
Organisational structure	<ul style="list-style-type: none"> <li>-The governance and management model supports, flexes and evolves with the vision, strategy and life cycle of the business,</li> <li>-organisational structure evolves with changes in activities and priorities</li> <li>-company has defined values and ethical principles and implemented them in the day-to-day activities, they genuinely guide decisions.</li> </ul>	concentration of skills and knowledge in one person, as part of a group, can lead to agility
Cooperation networks	<ul style="list-style-type: none"> <li>-Selection and monitoring of partners</li> <li>-systematic monitoring and control of partnerships</li> <li>-the company knows the market and alternative partners</li> <li>-described principles for outsourcing activities.</li> </ul>	the exact content of contracts with tour operators is often unknown, the quality of subcontractors, the responsibility of contractors the absence of

## Financial risks

# Tool: Risk Assessment Table



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- 2. Risk assessment**
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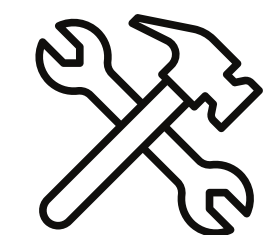
<p>Critical effect</p> <p>Significant effect</p> <p><b>Moderate effect</b></p> <p>Small effect</p> <p>Very small effect</p>	<p>Risk transfer (insurances etc.)</p>	<p>Avoiding the risk (or minimizing if avoiding is not possible)</p>			
	<p>Accepting the risk</p>	<p>Minimizing the risk</p>			
	Highly unlikely	Unlikely	<b>Possible</b>	Likely	Very likely



# Tool: Risk Matrix

1. Risk identification
2. Risk assessment
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		Consequence				
		Negligible 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
Likelihood	5 Almost certain	Moderate 5	High 10	Extreme 15	Extreme 20	Extreme 25
	4 Likely	Moderate 4	High 8	High 12	Extreme 16	Extreme 20
	3 Possible	Low 3	Moderate 6	High 9	High 12	Extreme 15
	2 Unlikely	Low 2	Moderate 4	Moderate 6	High 8	High 10
	1 Rare	Low 1	Low 2	Low 3	Moderate 4	Moderate 5



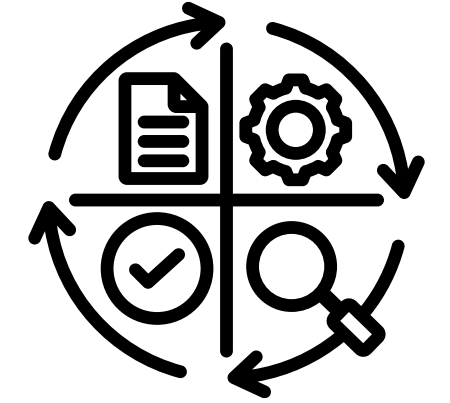
[https://www.researchgate.net/figure/A-standard-risk-matrix\\_fig7\\_323570642](https://www.researchgate.net/figure/A-standard-risk-matrix_fig7_323570642)

1. Risk identification
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# 3. Action Plan

- **Setting objectives and goals** for risk management.
  - Define clear objectives for risk management initiatives aligned with business goals.
  - Establish measurable goals to track progress and effectiveness of risk management efforts.
- Risk management objectives should directly support the organization's strategic priorities, mission, and values.
- Organizations should **prioritize** areas of risk that are most critical to achieving their strategic objectives -> part of risk assessment
- Objectives – what the organization **aims to achieve** through its risk management: enhancing resilience, protecting assets, improving decision-making, or maximizing opportunities.

# Action Plan



- Measurable goals provide clarity and accountability, allowing organizations to assess the impact of risk management efforts and make data-driven decisions.
- Key Performance Indicators (KPIs): Measurable goals are often tied to specific key performance indicators (KPIs) that reflect the outcomes or results expected from risk management activities. KPIs may include metrics related to risk exposure, risk appetite, risk tolerance, risk mitigation effectiveness, incident response time, compliance levels, and overall risk culture.

# 4. Implementation

1. Risk identification
2. Risk assessment
3. Action plan
- 4. Implementing**
5. Monitoring and review
6. Follow up

- Implementation should involve all internal stakeholders. At this stage, internal and external communication is highly important.
- The action plan should be implemented and communicated to employees and other stakeholders.



# 5. Monitoring and review

- 1.Risk identification
- 2.Risk assessment
- 3.Action plan
- 4.Implementing
- 5.Monitoring and review**
- 6.Follow up

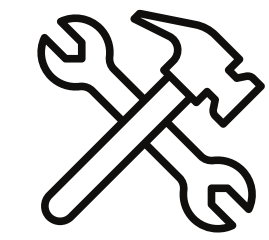
- The purpose of monitoring and review is to assure and improve the quality and effectiveness of process design, implementation and outcomes.



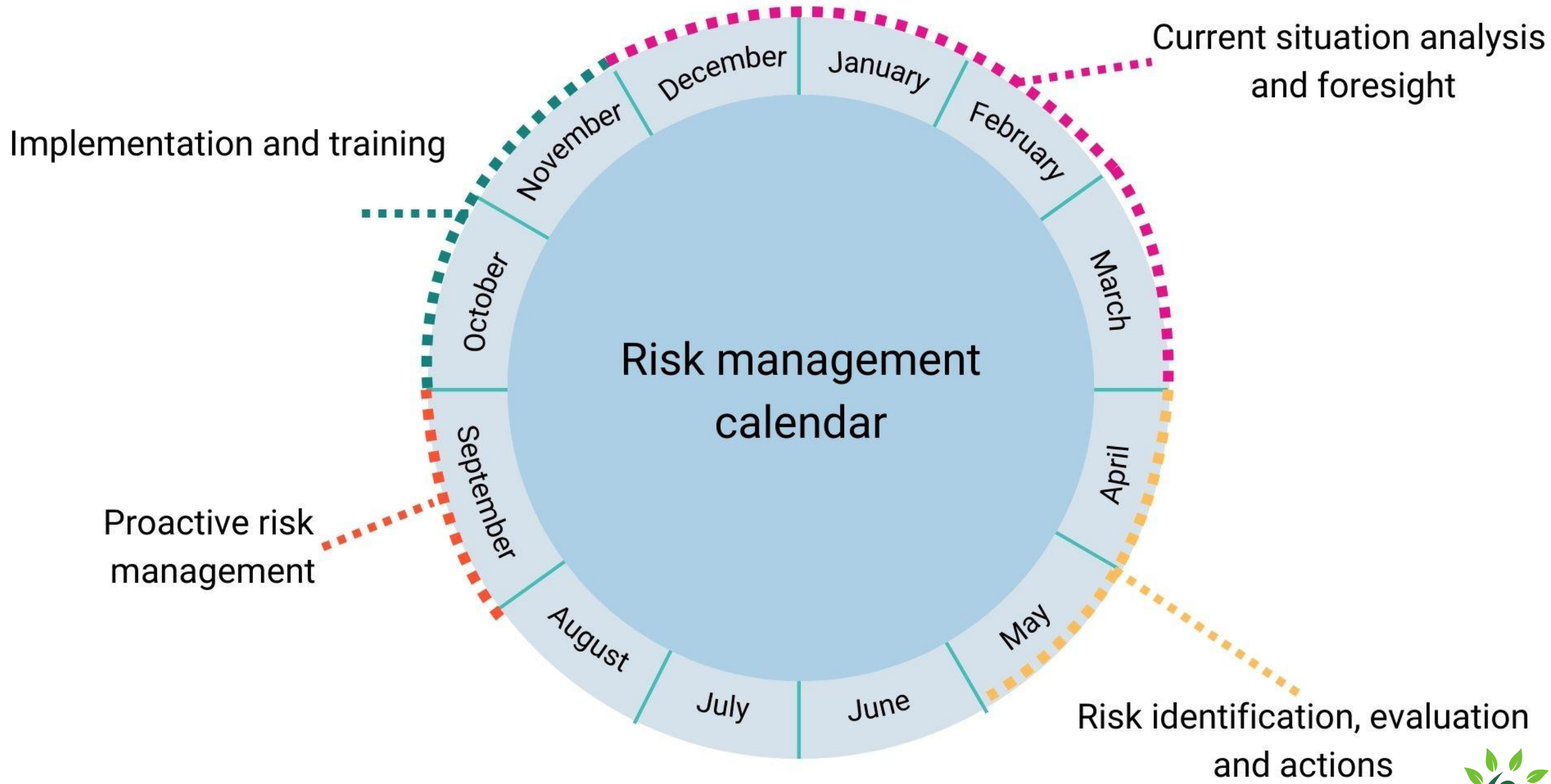
# 6. Follow-up

- Follow-ups should be systematically taken into company meetings and culture

# Case Lapland: Annual Planning



1. Risk identification
2. Risk assessment
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# Summary

- For a tourism company it is important to have established a clear risk management process with the following steps risk identification, risk assessment, action plan, implementing, monitoring and reviewing and follow-up
- There are many tools available. Start with a simple one.
- Foresight is an important part of risk management process

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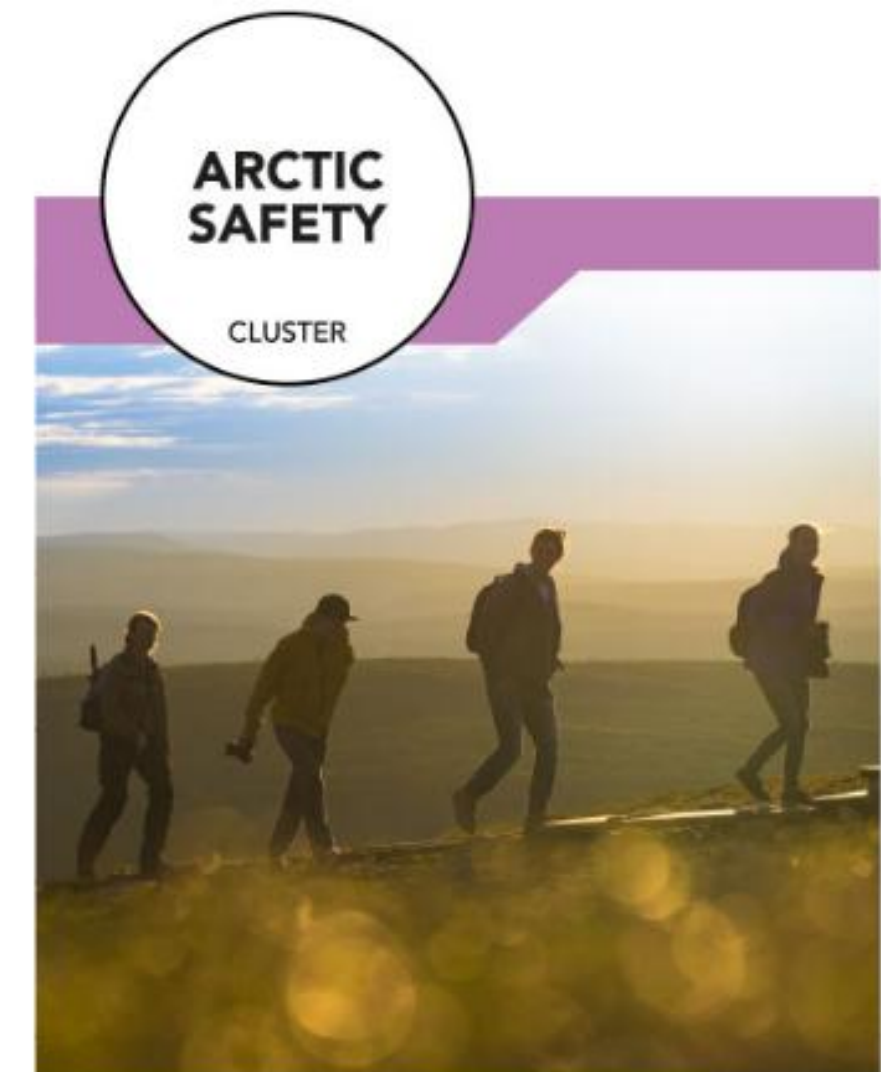


# Activities

# Case Study I

The goal of the **Arctic Safety Cluster** is to anticipate and ensure the smooth operating of business activities. Lapland's location, sparse population, natural conditions and large numbers of travellers require risk management expertise, Arctic expertise, and network competence.

Can you find a tourism safety cluster in your region in which you can join?

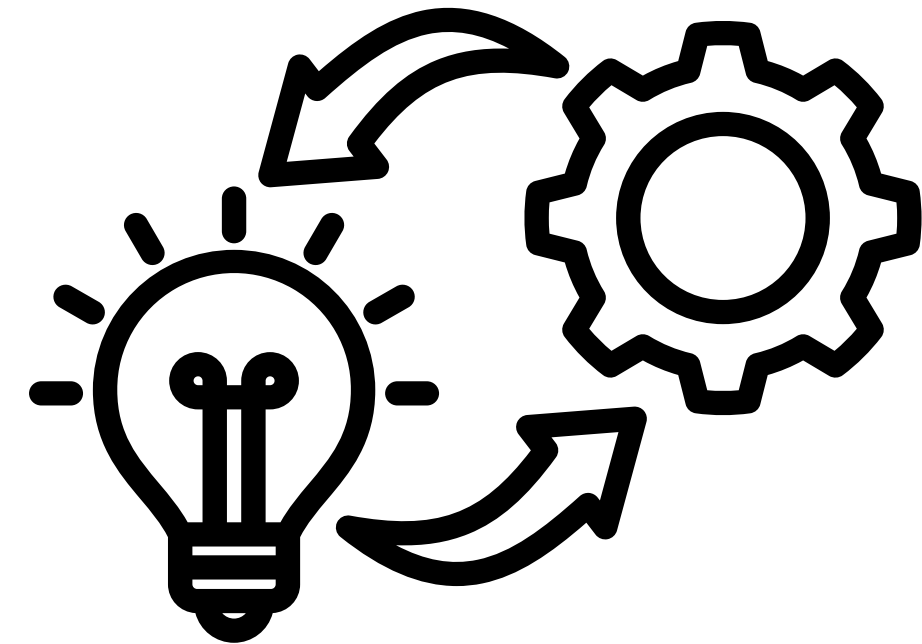
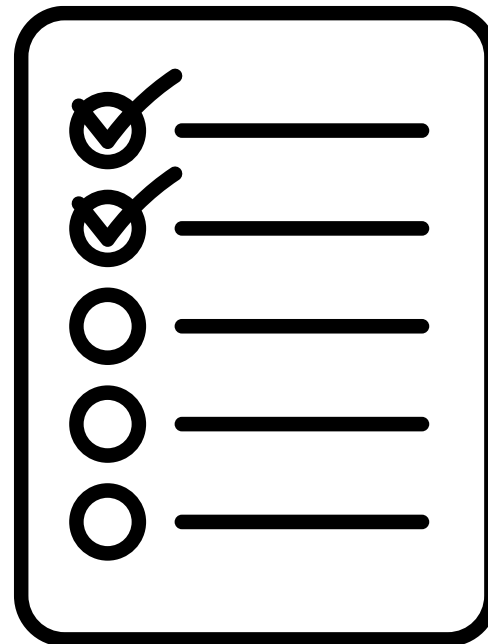
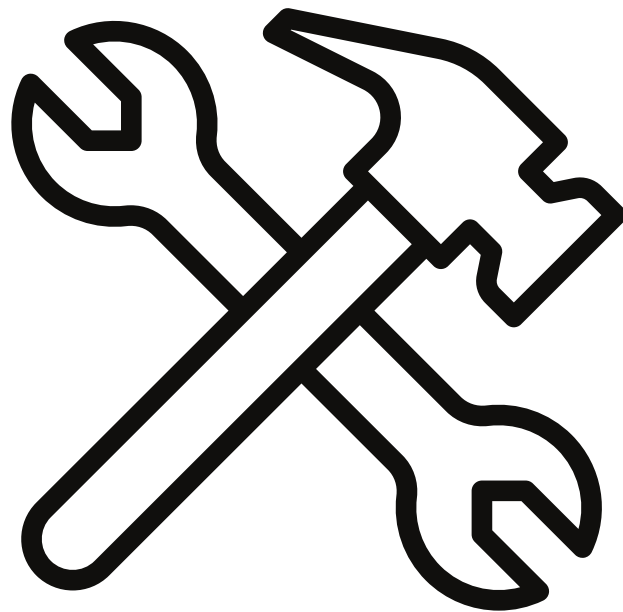


<https://blogi.eoppimispalvelut.fi/matrix2/>

# Activity I Risk management Tools



Get familiar with different risk classification tools. Compare and evaluate which suits best for your company. If you are using one specific at the moment, compare it with other's available.



# Activity II Building a Safety Plan



- **Objective:** Create a concrete safety plan for each business.
- **Activity:** Participants fill out a template covering:
  - Staff responsibilities
  - Safety instructions for customers
  - Emergency procedures
  - Insurance and documentation





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