

## **RISKS IN THE HOTEL BUSINESS AND WAYS TO REDUCE THEM**

### **Abstract**

In modern conditions, it is necessary and very important to have qualitative and quantitative development of hospitality sphere for Kazakhstan. Any hotel enterprise is exposed to risks related to its production, commercial, intermediary and other economic activities. The risk factor forces hotel executives to save financial and material resources, and to calculate the effectiveness of new projects. It determines the risk of loss of resources or income shortfalls compared to rational use of resources. Therefore, under the influence of threats and risks, the hotel company is forced to constantly improve its defense mechanisms. The risk in the activity of a hotel enterprise is the likelihood that an enterprise incurs losses or expenses in the case of a management decision being made, but not carried out, or if an error was made there. It is also necessary to take into account both force majeure circumstances or circumstances of undeterminable strength, as they differ from other types of risks by more serious and global consequences. In the article the authors give a classification of risks in the hotel and restaurant business. The main types of risks, negative consequences of their manifestation are considered. The analysis of risks of the enterprises of hotel business of Kazakhstan is carried out. Possible ways to minimize them are identified. Recommendations for localization and neutralization of hospitality risk factors have been developed.

Key words: risks, hotel business, hotel services, hospitality industry, hotel companies, external factors, defense mechanisms.

Risk is an integral part of any business, therefore in a market economy, business development is associated with the desire to reduce risk, the search for methods of protecting against the risk. The President's Addresses to the Nation of Kazakhstan and the Strategy on joining the top 30 of the World's most competitive countries have a strategic importance, their implementation requires the full realization of the entrepreneurial potential. In this regard, there is a need to study the problems of risks in entrepreneurship, which take a variety of forms and have different sources. To reduce uncertainty and risk, it is necessary to improve the efficiency of economic activity, as well as to develop new mechanisms of risk management.

To manage entrepreneurial risks, it is necessary to investigate the sources of risk that will allow to develop certain approaches to risk management.

The hotel business is a sphere of entrepreneurial activity in the provision of hotel services, construction and development of hotels.

Currently, the hotel business is the main component of the tourism industry. It is an actively developing branch of the country's economy.

The rate of growth in the number of hotels in the country is high (Figure 1, p. 200). Over the past ten years, the number of hotels in the country's market has grown almost five-fold.

Hotel business, as well as any other activity of commercial structures is subject to various kinds of risks. Risks taking place in hospitality are diverse, as a high probability of their manifestation. Thus, the issues of their identification and minimization with the purpose of timely prevention of possible consequences become urgent [1].

Russian scientists Glushchenko V.V. and Glushchenko I.I. define risk as «the possibility of a positive (chance) or negative deviation in the course of activity from expected or planned values». Accordingly, the analysis of sources is divided into two components. «The source of a positive deviation might be creativity, synergy, integration, accounting for specific features of the operation, system or service, a favorable combination of external factors» [2].

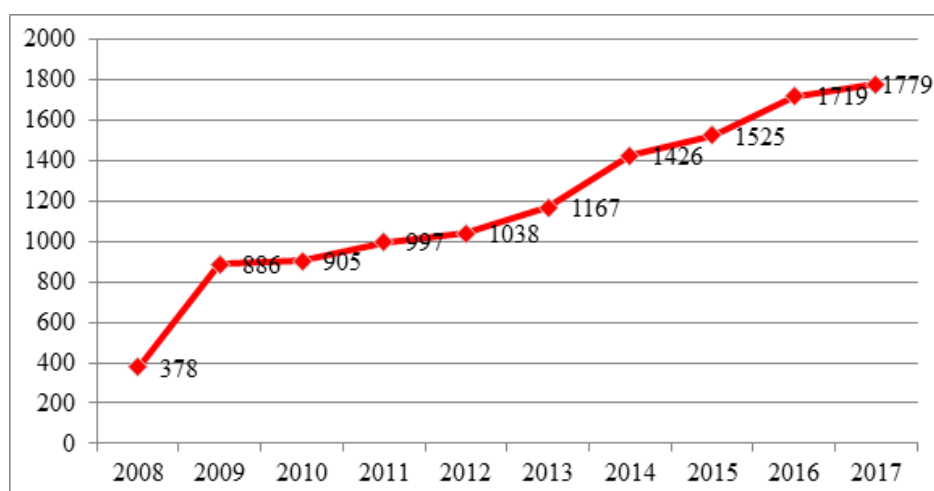


Figure 1 – Dynamics of growth in the number of hotels in Kazakhstan (units)

Note – Compiled by the authors according to the source: [www.stat.gov.kz](http://www.stat.gov.kz)

Investigating the negative consequences of risks, they identify the following sources of their occurrence:

- ♦ natural – these sources give rise to risks associated with the fact that during the performance of operations or the functioning of the system, external conditions go beyond the preset limits and cause a negative deviation;
- ♦ the unreliability of the elements of operations and systems, which include the structural features of mechanisms or materials (technical properties);
- ♦ the human factor – could be a source of risk due to the actions of competitors, secrecy, confidentiality, which can give rise to uncertainty about the object of management (the risk of learning) or the inaccurate actions of the manager (the risk of action).

In the process of research, we have studied the possible risks taking place in the sphere of hospitality. We divided them into the following areas [3]:

- ♦ by the nature of the hazard (man-caused, natural and mixed);
- ♦ depending on the type of activity (entrepreneurial, investment, professional, production);
- ♦ depending on the object at risk (risk associated with life and health, property risks).

Let's consider them in more detail Technogenic risks include possible negative consequences caused by people's activities. In the hotel business in this group of risks are: pollution of the environment, violation of ecosystems, etc. This category of risks should be approached with special attention, since the consequences for the environment, as well as for the enterprise itself, can be serious. So, nature can be damaged in the form of soil cover degradation, pollution of water bodies and adjacent to the organization of the territory. In this regard, service companies can incur serious financial costs associated with the restoration of the natural environment, pay penalties, as well as criminal liability [2].

To natural risks can be attributed risks independent of the human factor. We refer to them earthquake, flood, volcanic eruption and other natural disasters. The likelihood of their manifestation depends, first of all, on the location of the objects of the hotel business. For companies providing hotel services in Kazakhstan, this risk is low due to a low probability of natural disasters.

To the mixed type of risks should be attributed risks caused by manifestations of natural events, the reason of which was economic activity. In the hotel business, this type of risk can be attributed to landslide hazard risks associated with construction on landslides prone to landslides, etc. In general, the probability of occurrence of this type of risk in Kazakhstan is low.

For entrepreneurial (commercial) risks, we have attributed the risks associated with losses arising as a result of entrepreneurial activities. This group also includes financial and production risks. This is the most common and probable type of risk. Investment risk is the risk of a decrease in the profitability of financial investments in commercial activities as a result of ineffective management decisions, as well as deterioration of the economic situation in the state. In the hotel business, they include investing

in illiquid assets, an inefficient dividend policy of a service enterprise. Professional risks are risks associated with the performance of job duties, accompanied by injuries. For the hotel business this type of risk is minimal. The level of risk for tourism employees is quite high.

Having studied the structure of risks, we separately identified the risks of fire danger, the risks of thefts and theft of property, the risks of epidemiological danger and the risks of food poisoning. From our point of view, these types of risks are most relevant for the hotel industry, as they directly affect customers, and measures to prevent them must be carried out constantly in the process of providing hotel services.

The risk of fire hazards is related to the risk of fire. In the area of hotel services, this type of risk can be high in the case of the operation of faulty equipment, wiring, violation of the requirements of fire safety rules.

The risk of epidemiological danger is associated with the spread of infectious diseases. The flow of customers in the provision of hotel services is significant, so the risk of spread of infections can be high. The significance of this indicator is great, first of all, in the countries of Asia, the African continent, where the tourist sphere and the high level of the spread of infectious diseases are developed. For Kazakhstani enterprises that provide hotel services, the risk of epidemiological danger is insignificant and may have high rates in the autumn-winter period, when the level of the incidence of influenza is high.

The risks associated with the theft and embezzlement in the hotel business are common. Their indicators can be high or low, depending on the quality of the organization of measures to prevent them. Effective and well-coordinated work of hotel security services will reduce the risk of theft to a minimum.

The risks of poisoning the customers of hotels are quite high. They are associated with non-compliance with the timing of storage of food products, with the sale of products that do not meet the quality and safety requirements established by regulatory documents. To reduce the degree of risk, it is necessary to organize control over the supply, preparation and sale of food products in the hotel. For hotels in Kazakhstan the amount of risk is on average lower than for hotel business in tourist countries. This aspect is connected with the more stringent requirements of the legislation regarding the sale of food products.

The classification of risks proposed by B. Milner and F. Luis (Figure 2) seems to be more regulated.

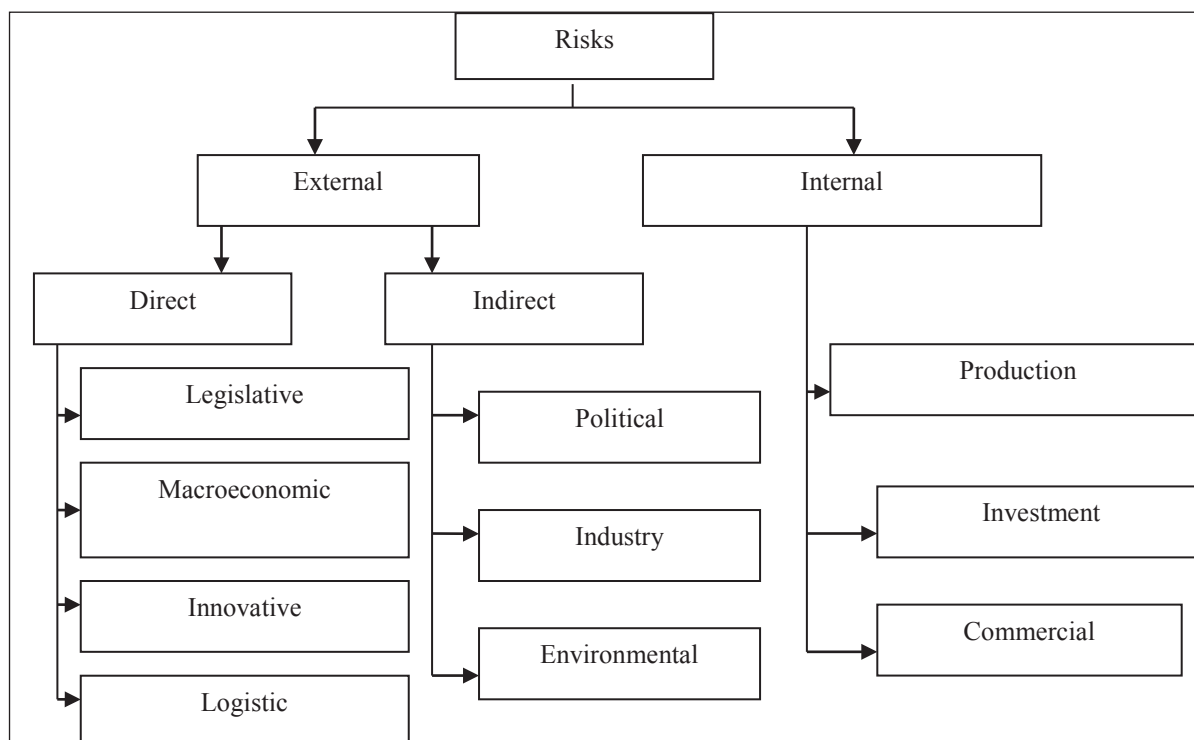


Figure 2 – Classification of risks proposed by B. Milner and F. Luis

They propose to divide the whole range of entrepreneurial risks into two main groups. The first group is formed by external risks arising in the external environment of the enterprise, which they, in turn, divide into direct and indirect. Internal risks include production, investment and commercial risks.

We have explored the types of risks, common to hospitality in Kazakhstan, and have identified ways to minimize them (Table 1). As a research method, a survey of employees in the hospitality industry was selected, an analysis of the results.

Table 1 – Analysis of risks of enterprises of the hotel business of the Republic of Kazakhstan

Name of risk	Type of negative effect typical for the region	The likelihood of occurrence (high $\geq 50\%$ , medium – 25–50% low $<25\%$ )	Ways to minimize
Technogenic	Pollution of the adjacent territory (soil, reservoirs), collapse of structures, failure of equipment	High	The use of effective treatment facilities, compliance with environmental legislation, application of administrative liability procedures for violation of requirements and standards for construction works, timely maintenance of equipment
Natural (climatic)	Natural (climatic)	Low	Minimization of damage associated with the prediction of natural disasters, insurance
Mixed	Landslides	Low	Compliance with the rules of construction, construction technology, the selection of sites with a low level of landslide hazard
Entrepreneurial	Downtime in work	High	Business planning, analysis of the formed financial reporting, fulfillment of contractual obligations, attraction of credit resources.
Investment	Decrease in yield on dividends	Medium	The formation of reliable reporting, reliable assessment of assets and economic situation in the enterprise and in the state
Professional	Traumatism of workers, accidents	Low	Compliance with safety regulations, job descriptions, recommendations, insurance
Risk of fire hazard	Fires at the enterprises of hotel business	Low	Compliance with fire safety rules, technical equipment with automated firefighting and warning systems, insurance
Epidemiological risks	Epidemics	Low	Implementation of recommendations of the relevant services for sanitary and anti-epidemiological measures, quarantine
The risks of theft (theft)	Theft from customers and staff, theft of property of the organization	Medium	Effective work of the hotel security service
Risk of poisoning	Poisoning with food	Medium	Work with proven suppliers of products, the correct technological processing of products, compliance with the storage period, the examination of products

Based on the study, we came to the following conclusions.

Risks related to the hotel industry are diverse, their number is quite high. In this respect, Kazakhstan has average indicators

The probability of risk depends on the geographical location of the hotel business, on the composition and effectiveness of measures aimed at minimizing it.

The most significant risks of the hotel business are: man-caused, entrepreneurial, investment, risks of theft, risks of food poisoning. The high probability of these risks is related to the peculiarities of doing business, with relatively low economic indicators for the development of the region and

individual enterprises in the sphere of hotel services, with insufficient quality of organizational arrangements.

Negative manifestations of these risks can be minimized through the implementation of appropriate measures to introduce modern technology, compliance with construction technologies, regulatory and technical documentation requirements; due to reliable assessment of assets and the formation of “transparent and useful” reporting, attracting additional financial resources; due to the effective organization of hotel security services; due to work with trusted food suppliers, etc.

#### LIST OF LITERATURE

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#### Аңдатпа

Қазіргі заманда қонақ үй бизнесінің саласын сапалы және сандық дамыту қажеттілігі Қазақстан үшін үлкен маңызы бар. Кез-келген қонақ үй кәсіпорны оның өндірістік, коммерциялық, делдалдық және басқа да шаруашылық әрекетпен байланысты қауіп-қатерлерін басынан кешіреді. Қауіп-қатер факторы қонақ үй кәсіпорындарының басшыларын қаржылық және материалдық қорларды үнемдеуге, жаңа жобалардың нәтижелігін есептеуге мәжбүрлейді. Ол қорлардың дұрыс қолданылуымен салыстыру бойынша қорларды жоғалту және кіріс алмау қауіпін анықтайды. Сондықтан қауіп-қатерлердің әсерімен қонақ үй кәсіпорны өзінің қорғаныс механизмдерін үнемі жетілдіруге мәжбүр. Қонақ үй кәсіпорнының қызметіндегі қауіп-қатерлер – ол басқару шешімін қабылдау, орындамау немесе қабылдау кезінде қателер жасалған жағдайындағы шығындар мен залалдарға ұшырауы. Сонымен қатар, форс-мажор жағдайларын немесе белгісіз күштегі жағдайларды есепке алу керек, өйткені олар қауіп-қатер түрлерінен ауыр және ғаламдық зардаптарымен ерекшеленеді. Мақалада автор қонақ үй бизнесіндегі қауіп-қатерлердің түрлерін атап өтті. Қауіп-қатерлердің негізгі түрлері, олардың жағымсыз зардаптары қарастырылған. Қазақстанның қонақ үй бизнесінің кәсіпорнындағы қауіп-қатерлердің талдауы келтірілген. Оларды азайтуға мүмкін жолдары анықталған. Қонақ үй бизнесінің қауіп-қатер факторын шектеу және бейтараптау бойынша ұсыныстар әзірленді.

Тірек сөздер: қауіп-қатерлер, қонақ үй бизнесі, қонақ үй қызметі, қонақ үй индустриясы, қонақ үй кәсіпорындары, сыртқы факторлар, қорғаныш тетігі.

#### Аннотация

В современных условиях необходимость качественного и количественного развития сферы гостиничного бизнеса имеет для Казахстана очень большое значение. Все гостиничные предприятия испытывают риски, связанные с производственной, коммерческой, посреднической и иной хозяйственной деятельностью. Фактор риска заставляет руководителей и менеджеров гостиничных предприятий экономить финансовые и материальные ресурсы, рассчитывать эффективность новых проектов. Риск определяет опасность потери ресурсов или недополучения доходов по сравнению с рациональным использованием ресурсов. Поэтому под влиянием угроз и рисков гостиничное предприятие вынуждено постоянно совершенствовать свои защитные механизмы. Риск в деятельности гостиничного предприятия – это вероятность того, что предприятие несет убытки или расходы в случае принятия управленческого решения, при котором были допущены ошибки. Нужно также учитывать и форс-мажорные обстоятельства или обстоятельства непреодолимой силы, поскольку они отличаются от других видов рисков более серьезными и глобальными последствиями. В статье авторами приведена классификация рисков в гостиничном бизнесе, рассмотрены основные виды рисков, негативные последствия их проявления, проведен анализ рисков предприятий гостиничного бизнеса в Республике Казахстан, выявлены возможные пути минимизации рисков, разработаны рекомендации по локализации и нейтрализации факторов риска гостиничного бизнеса.

Ключевые слова: риски, гостиничный бизнес, гостиничные услуги, гостиничная индустрия, гостиничные предприятия, внешние факторы, защитные механизмы.