

## RISK MANAGEMENT AT THE ENTERPRISES OF THE HOSPITALITY INDUSTRY

### УПРАВЛІННЯ РИЗИКАМИ НА ПІДПРИЄМСТВАХ ІНДУСТРІЇ ГОСТИННОСТІ

*The article is devoted to the issues of risk management and safety, which are now becoming one of the reasons causing changes in the economic activities of enterprises in the hospitality industry. It is investigated that the hospitality industry is one of the largest, most dynamic and attractive sectors of economic development. In modern economic conditions, the activities of hospitality industry enterprises are constantly accompanied by risks. It is proved that the stable financial and economic situation of enterprises of the hospitality industry largely depends on how comprehensively all types of existing risks are taken into account in their activities. It is substantiated that a feature of the functioning of enterprises of the hospitality industry is that they are constantly under the influence of general economic and specific risks, especially in recent years. The global pandemic and military aggression of Russia had a very negative impact on the economic development of the hospitality industry in Ukraine. The general economic risks inherent in entrepreneurial activity in the hospitality industry are analysed. It is proved that in our time, security and risk management issues are important not only for the community, but have always been a prerequisite for the development of the hospitality industry. Risks in the hospitality industry are a very complex category in their management system. It is investigated that each individual enterprise of the hospitality industry is characterized by individual specificity of risk. Risk management of enterprises in the hospitality industry in the process of their economic growth is based on a flexible approach, characterized by conducting business operations and ensuring a balanced risk position of the enterprise. With this approach, only those operations are performed where the increase in risk is compensated by a corresponding increase in profitability. The article considers risk management as one of the most important elements of strategic management and internal control at the enterprises of the hospitality industry. This ensures the improvement of the quality of corporate governance, financial stability.*

**Key words:** risk management, insurance, hospitality industry, risk management, hotel and restaurant sector.

*Стаття присвячена питанням управління ризиками і безпеки, які зараз стають однією з причин, що викликають зміни в господарській діяльності підприємств індустрії гостинності. Досліджено, що індустрія гостинності є одним з найбільших, найдинамічніших і привабливих секторів економічного розвитку. У сучасних економічних умовах діяльність підприємств індустрії гостинності постійно супроводжується ризиками. Доведено, що стабільне фінансово-економічне становище підприємств індустрії гостинності багато в чому залежить від того, наскільки комплексно в їх діяльності враховуються всі види існуючих ризиків. Обґрунтовано, що особливістю функціонування підприємств індустрії гостинності є те, що вони постійно перебувають під впливом загальних економічних і специфічних ризиків, особливо в останні роки. Глобальна пандемія та військова агресія росії дуже негативно вплинули на економічний розвиток індустрії гостинності в Україні. Проаналізовано загальні економічні ризики, які притаманні підприємницькій діяльності в індустрії гостинності. Доведено, що в наш час питання безпеки та управління ризиками важливі не тільки для громади, але ї завжди були передумовою для розвитку індустрії гостинності. Ризики в індустрії гостинності є дуже складною категорією в їх системі управління. Досліджено, що кожне окреме підприємство індустрії гостинності характеризується індивідуальною специфікою ризику. Управління ризиками підприємств в індустрії гостинності в процесі їх економічного зростання базується на гнучкому підході, що характеризується проведенням бізнес-операцій та забезпеченням збалансованої ризикової позиції підприємства. При такому підході виконуються тільки ті операції, де підвищення ризику компенсується відповідним підвищенням рентабельності. В статті управління ризиками розглядається як один з найважливіших елементів стратегічного управління і внутрішнього контролю на підприємствах індустрії гостинності. Це забезпечує підвищення якості корпоративного управління, стабільність фінансової ситуації, підтримку стратегії розвитку готельно-ресторанного бізнесу та реалізацію місії підприємств.*

**Ключові слова:** ризик менеджмент, страхування, індустрія гостинності, управління ризиками, готельно-ресторанна сфера.

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**Formulation of the problem.** Risk management and safety issues are now becoming one of the reasons causing changes in the economic activities of hospitality industry enterprises. The hospitality industry is one of the largest, most dynamic and attractive sectors in economic development. In modern economic conditions, the activities of hospitality industry enterprises are constantly accompanied by risks. The stable financial and economic situation of the enterprises of the hospitality industry largely depends on how comprehensively all types of existing risks are taken into account in their activities.

The peculiarity of the functioning of hospitality industry enterprises is that they are constantly under

the influence of general economic and specific risks, especially in recent years. The global pandemic and military aggression of Russia had a very negative impact on the economic development of the hospitality industry in Ukraine. General economic risks are inherent in entrepreneurial activity in any environment, and specific ones are characteristic of the Ukrainian economy and specific enterprises of the hospitality industry.

Nowadays, safety and risk management issues are important not only for the community, but have always been a prerequisite for the development of the hospitality industry. Therefore, the research topic is quite relevant and needs to be studied.

**Setting objectives.** The article is aimed at scientific substantiation of the need for risk management at the enterprises of the hospitality industry, identification of key risk management factors.

**Analysis of the latest research and publications.**

The basic concepts of risk management at the enterprises of the hospitality industry, their essence, management methods, determination of the peculiarities of the emergence and impact of risks were studied by such well-known foreign and Ukrainian scientists: G.S. Gurina, R.R. Larina, K.D. Semenova, K.I. Tarasova, Yu.V. Lytyuga, N.V. Revutskaya, G.O. Shvydanenko, L.M. Prikhodko, A.V. Balakhinina, V.S. Ponomarenko, S.V. Kavun, V. Kravchenko, G.R. Rudenko, J. Schumpeter et al.

The study of the problems of risk management and prospects for the development of enterprises of the hospitality industry is given great attention to domestic scientists: A. Borisova, A. Golovko, G. Krul, M. Malskaya, I. Minich, L. Nechayuk, N. Pyatnitskaya, O. Shapovalova. However, not enough attention is paid to the issues of risk management at the enterprises of the hospitality industry and this important component of functioning requires additional research.

**Presentation of the main research material.**

Risks and their management are interrelated components of the economic system. Risks in the hospitality industry are a very complex category in their management system. As an economic category, risk is a phenomenon that may or may not occur. In general, the risk is understood as a possible danger of losses, which is due to the specifics of certain phenomena of nature and types of activities of society [8, p. 145].

Each individual enterprise of the hospitality industry is characterized by individual risk specificity. The nature, size and consequences of risks are

influenced by managers and managers, on which the consequences of probable, but not mandatory events significantly depend.

Risk management in the hospitality sector of enterprises in the process of their economic growth is based on a flexible approach, characterized by conducting medium-risk business operations and ensuring a balanced risk position of the enterprise. In this approach, only those operations are performed where the increase in risk is compensated by the corresponding increase in profitability [5, p. 18–20].

Risk management is considered as one of the most important elements of strategic management and internal control in the hospitality industry. This ensures the improvement of the quality of corporate governance, the stability of the financial situation [8, p. 145], the support of the development strategy of the hotel and restaurant business and the implementation of the mission of enterprises.

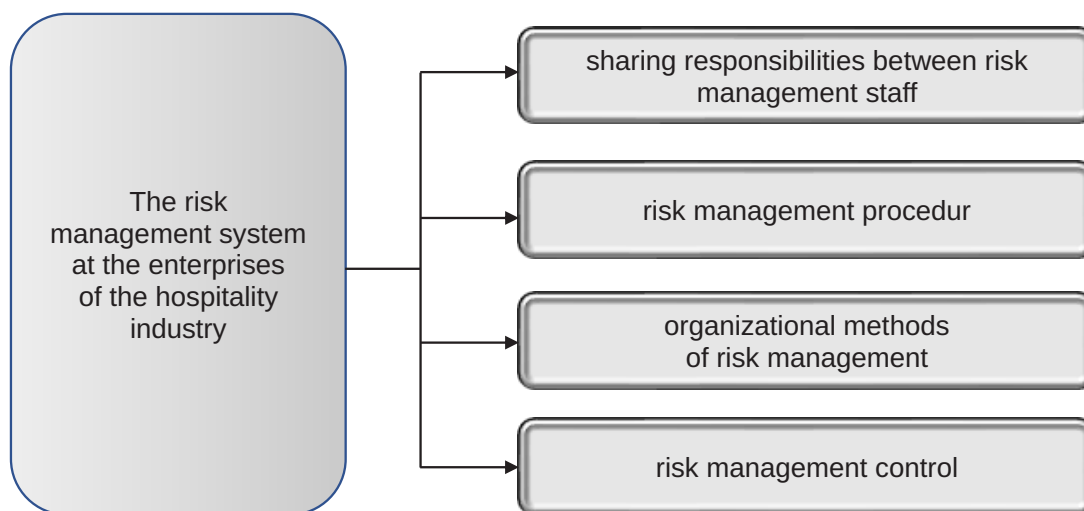
The purpose of the risk management system at the enterprises of the hospitality industry is to minimize the negative impact on the activities of external and internal factors in the service sector market [5, p. 18–20].

The risk management system at the enterprises of the hospitality industry includes (Fig. 1).

Risk management in the hospitality industry is based on the following general management principles:

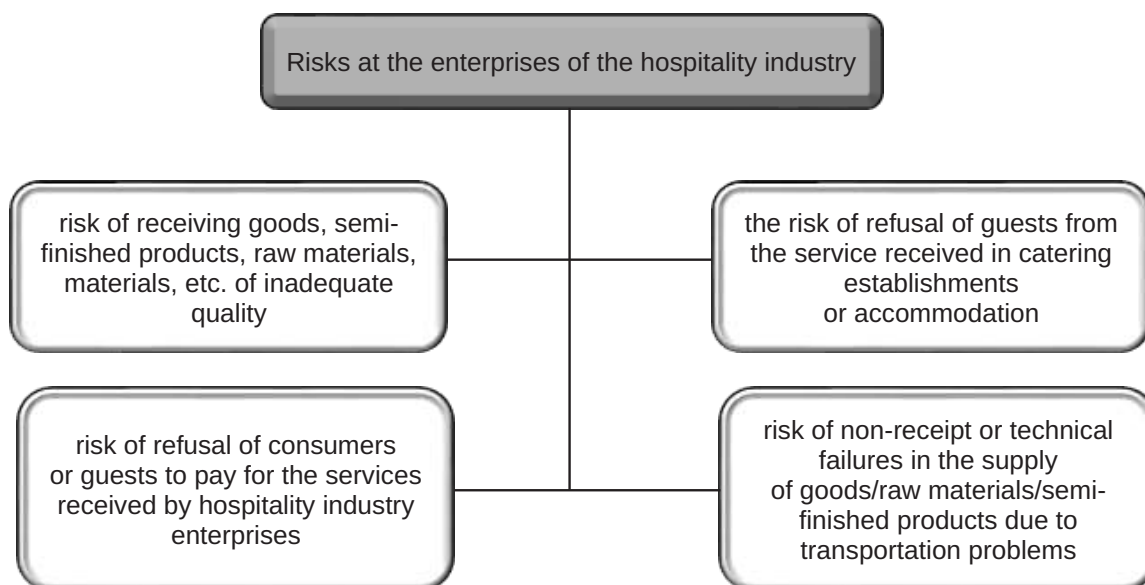
- management efficiency;
- management optimality [5, p. 18–20];
- system approach;
- regulation;
- formalization;
- material and moral stimulation.

Special principles of risk management in the hotel and restaurant industry include the principles



**Figure 1. The risk management system at the enterprises of the hospitality industry**

Source: created by the author based on literary sources



**Figure 2. Risks at the enterprises of the hospitality industry**

*Source: created by the author based on literary sources*

of information content, predictability, documentation, integration and the principle of loyal attitude to risks [7].

Risk management and safety at the enterprises of the hospitality industry is associated both with minimizing risks to the life and health of human life, and with ensuring the safety of the assets of guests and the catering and accommodation facilities themselves [8, p. 145]. So, the activities of the security service of institutions and risk management at the enterprises of the hotel and restaurant industry are focused on:

- safety of employees;
- safety of guests and visitors;
- integrity and preservation of property of hospitality industry enterprises [5, p. 18–20].

Risks at the enterprises of the hospitality industry can be divided conditionally into such types (Fig. 2).

Risk management at the enterprises of the hospitality industry is a constant and continuous process [1; 2]. In general, such management is not aimed at the following activities:

- to be used during the development and formation of the development strategy of hotel and restaurant enterprises;
- cover all structural parts of the hospitality industry [8, p. 145];
- provide the management of the hospitality industry with a guarantee of achieving the set goals;
- conducted at all levels and by all employees of the enterprise;
- provide for risk portfolio analysis at the enterprise level.

As a result of the studies, key risk management factors at the enterprises of the hospitality industry have been identified, taking into account the prospects for the development of their infrastructure provision:

1. Formation and implementation of risk management policy in enterprises.

2. Developing a risk management strategy in the service sector.

3. Creating a list of risks of hotel and restaurant facilities for effective management of them [6].

4. Miscalculation of expenses for risk financing and development of their hedging mechanism.

5. Formation of comprehensive monitoring of the risk management process and development of mechanisms for operational management.

#### **Conclusions from the conducted research.**

It is worth noting that the hospitality industry plays an important economic role in the country's economy. The results of the study suggest that the economic development of hospitality industry enterprises in Ukraine is constrained by factors associated with military aggression and difficult political situation. As a consequence of such situations, we have an economic crisis, a significant limitation of the solvency of the population, negative migration processes.

The experience of recent years (the world pandemic corona virus, a full-scale war on the territory of Ukraine) clearly demonstrates the unwillingness of the hospitality industry not only to plan risk situations, but also to respond quickly to their occurrence.

Therefore, in order to effectively manage risks at the enterprises of the hospitality industry, it is necessary to constantly monitor the external environment and diagnose the internal environment of the functioning of hotel and restaurant enterprises; develop a development plan for each individual enterprise, anticipate the risks that may arise in the process of making managerial decisions; have effective mechanisms for overcoming crisis situations. This will provide an opportunity to ensure the effective

functioning and safe development of hospitality industry enterprises not only in difficult periods of the crisis of the national economy.

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