Creating a sustainable tourism model in North Cyprus during the uncertainty of the Covid-19 pandemic

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Abstract

Purpose – This study aims to explore the strategies adopted by tourism and hospitality businesses in North Cyprus during the Covid-19 pandemic. The analysis also points to sustainable tourism approaches that could be adopted in the post-Covid-19 period.

Design/methodology/approach – Qualitative methodology was used to collect detailed information from 20 tourism and hospitality business owners operating in North Cyprus.

Findings – The findings illustrate the negative impacts of the Covid-19 pandemic on tourism and hospitality operations in North Cyprus and reveal how businesses have coped and responded to these challenges. Some operators have been able to adapt and their actions provide indicators for a sustainable tourism business model in North Cyprus.

Practical implications – The study draws on the experiences of business owners and reveals how they have sought to sustain their operations during the uncertain conditions of the Covid-19 pandemic.

Social implications – The findings of this study could assist government agencies in the construction of sector-specific support programs for tourism and hospitality businesses.

Originality/value – The adverse effect of Covid-19 on tourism and hospitality operations is a current topic that needs to be analyzed. This study draws on the experiences of practitioners to analyze the competitive strategies used by tourism and hospitality businesses in North Cyprus.

Keywords Uncertainty, Crisis management, North Cyprus, Covid-19 pandemic, Competitive strategies

Paper type Research paper

Introduction

This study discusses the strategies that businesses in hospitality and tourism could use to maintain their competitiveness during the uncertainty of the Covid-19 pandemic.

United Nations World Tourism Organization (UNWTO) statistics show that the hospitality and tourism industries employ some 200 million people and yield more than 10% of worldwide GDP. These industries span tour operators, accommodation providers, transport, food providers, recreation activities and entertainment, and it is estimated that one in eleven people worldwide are directly or indirectly employed in support of hospitality and tourism activity (UNWTO, 2018).

Sustainability and competitiveness are inseparable issues in hospitality and tourism, as businesses can enhance their competitiveness by using resources more efficiently, by
conserving biodiversity and reacting to climate change. Yet these are times of vulnerability and uncertainty and so business leaders must try to discern the impact of various unforeseen events on their operations and develop the methodologies required to deal with them. We can characterize uncertainty as a condition in which restricted information is available and where it is difficult to interpret the situation, a future outcome, or more than one conceivable outcomes (Gifford et al., 1979). Further to this, a rise in economic uncertainty can lead to higher unemployment and a reduction in investment and production (Choudhry et al., 2020).

Business uncertainty has been defined in relation to the instability of a situation that is not predictable from a managerial perspective (Jurado et al., 2015) and as a condition in which upcoming economic circumstances cannot be predicted with confidence (Baker et al., 2015; Bloom, 2009) and uncertainty is either real or perceived (Gifford et al., 1979). According to organizational theory, uncertainty is a core component, particularly in theories that relate to the interrelationships between organizations and their surroundings (Duncan, 1972) and it should be addressed by senior level managers (Massenot and Pettinicchi, 2018). Given the global impact of the Covid-19 pandemic, this study explores aspects of uncertainty relating to hospitality and tourism both locally and internationally.

The Covid-19 outbreak prompted a massive decline in international tourism due to health concerns, travel restrictions to control the spread of the virus, and the actions of governments such as lockdowns. Some early analysis suggests that even after the end of the pandemic, international tourism may decrease by 20%–30% (UNWTO, 2020a). In this context, we aim to analyze how small- and medium-sized tourism and hospitality businesses are attempting to overcome the negative effects of environmental uncertainty arising from the Covid-19 pandemic. We analyzed the tourism business situation in North Cyprus and sought to evaluate how they have tackled pandemic-related uncertainty to this point, together with a review of their post-Covid-19 strategies.

Literature review

Crisis management

The term “crisis” applies to circumstances that are undesirable, phenomenal and practically unmanageable (Boin et al., 2004). Koçel (1998) observes that crisis is a circumstance that cannot be identified ahead of time and is unforeseen. The word “crisis” is used widely by governments in relation to impacts on society and the economy, often with far reaching consequences (Boin and Lagadec, 2000). For businesses, managing through a crisis involves making organizational decisions during uncertainty and often when key information is missing and/or unknown (Seçilmiş and Sari, 2010).

A crisis prompts an abnormal state of vulnerability, which requires a business to focus on choices relating to its survival. In these circumstances, a business must gather and analyze whatever information is available and filter this in relation to what is known that is relevant and familiar (Karakaya, 2004). For example, terrorism-related crisis can arise from political instability and/or financial fragility and an appropriate corporate response could be guided by external research and expertise (Cushnahan, 2004). There are often indirect indicators of a pending crisis and so organizations need to be mindful of these in situations characterized by uncertainty (Alonso-Almeida and Bremser, 2013). This is the case in relation to Covid-19, where early indicators suggested that the initial impact would ripple outwards and impact tourism globally.

Uncertainty

We can characterize uncertainty as a condition of restricted knowledge where it is difficult to depict the current situation, a future result or more than one possible result. Further, it can
defined as an individual’s apparent powerlessness to accurately anticipate future activities (Colacito et al., 2018). External sources of environmental uncertainty can be categorized as “real” or “perceived” uncertainty (Gifford et al., 1979). Past research suggests that uncertainty is a critical component of crisis management in terms of discovering the connections between organizations and their surroundings (Duncan, 1972) and so uncertainty is an essential issue to which top-level management must adapt (Massenot and Pettinicchi, 2018).

Some prior work suggests that environmental uncertainty can be interpreted by intuition although the prevailing view is that environmental uncertainty should be analyzed in detail (Aldag and Storey, 1975; Tung, 1979). Further to this, Milliken (1987) suggests that there are three types of environmental uncertainty:

Environmental state instability: here, all organizations encounter the same level of instability in the business; hierarchical impact uncertainty: relates to the impact of any given natural state or occasion of an individual firm; Choice of reaction for uncertainty: refers to individual or corporate inability to foresee choice outcomes. This vulnerability relies on the characteristics of the leader and their tendency to favor a particular choice (Conrath, 1967). Clearly, uncertainty can take different forms, with diverse implications, and this further complicates the choice of an appropriate response (Miller and Shamsie, 1999).

**Competitive strategies**

Porter’s model recommends that organizations respond to vulnerability by either setting-up a cost leadership position or differentiating their offerings from rivals. Both cost leadership and differentiation tend to be associated with focusing on a specific industry niche. Further, Porter argues that a business that gives equal consideration to ideas could get itself “stuck in the centre” (Porter, 1980). Mo Koo et al. (2004) lend support to the notion that an organization can acquire a strategic advantage by concentrating on a market niche. That said, some studies have observed that organizations can find ways of incorporating both options by collaborating with others to remove the tradeoffs between the two options (see for example: Spillan et al., 2012).

D’Hauteserre (2000, p. 23) views the competitiveness of a location as “the destination’s ability to sustain or improve its market position and share during a period of time”. Hassan (2000, p. 239) offers a variation on this, suggesting that competitiveness is “the ability of a destination to create and integrate value-added products while sustaining its resources and market share against competitors”. In 1990, Porter (1990) provided a framework to assess the different qualities of nations so as to shape a country-specific notion of competitiveness based on comparative advantage. Poon (1993) offers a different approach to assessing the competitiveness of tourism derived from the concept of flexible specialization. In essence, a competitive tourism product should be “flexible, segmented, customized to the tourist’s needs and diagonally integrated.”

To adapt to sudden market changes, organizations need to be ready to respond (Bronner and de Hoog, 2014) in line with environmental indicators (Huhtala et al., 2014). More often than not, organizations are caught unprepared (Henderson, 1999) and so it is helpful to know what characterizes the organization’s typical stance in the marketplace. For example, Miles et al. (1978) offer a typology based on prospectors, defenders and analyzers/reactors. Businesses might also typically be proactive or reactive by nature and studies in Spain (Garrigós-Simón et al., 2005) and in the USA reveal that tourism and hospitality operators apply one or more typology strategies in both proactive and reactive ways (Williams and Tse, 1995). There are other market stances too. For example, a rapid development strategy tends to require a flatter, less hierarchical organizational structure (Sul and Khan, 2006) and
this can in part, be supported by a focused, niche approach that also facilitates cost-cutting measures as in the case of a Slovenian study of restaurants during a financial crisis (Kukanja and Planinc, 2013).

In general, prior studies suggest that proactive strategies are more productive than reactive strategies (Garrigós-Simón et al., 2005). This is because timely market promotions, analyzing the favorable and unfavorable issues clearly, and emphasizing the improvement of core business functions are helpful survival actions during a crisis (Pearce and Michael, 1997). Technological and other advances can also help to decrease costs by revitalizing procedures so that they are faster and simpler to implement (Alonso-Almeida and Bremser, 2013). Lowering costs is not the only outcome of system improvements because enhanced organizational responsiveness is a dynamic, on-going organizational capability (Helfat and Peteraf, 2009) that can be characterized as the ability of an organization to deliberately make, broaden and adjust its operations (Helfat et al., 2010). Further, Eisenhardt and Martin (2000) suggest that quick-paced situations are a vital pre-condition for capacity improvement. For example, this is reflected in the skill base of the organization that tends to evolve quickly in crisis periods (Radway et al., 2011) and so, contingent upon the technique used, a crisis may enhance or hinder capacity development (Zhan and Chen, 2013).

Global impact of the Covid-19 pandemic on tourism and hospitality operations
The UNWTO think that as many as 120 million jobs in tourism and related activities will be lost or be in danger because of the Covid-19 pandemic. Additionally, this unforeseen event may cause a loss of US$1.2tn in worldwide tourism revenue, as it was anticipated that international tourist arrivals would decline by around 850 million to 1.1 billion in 2020. (UNWTO, 2020b). Further, as a result of the pandemic, global logistic networks have been interrupted, and people are either not able to travel or are reluctant to do so. This is reflected in the fact that according to the OECD, international tourism revenues in 2020 are expected to decline by 60 to 80% (OECD, 2020). Given these events, tourism stakeholders had to try to survive by adopting proactive measures focused on their local markets and on domestic tourists rather than international tourists. The stark reality is that the pandemic created global uncertainty for businesses and policy makers too – neither can predict the near future in order to plan accordingly – all they can do is find ways to survive until the crisis diminishes.

Impact of the Covid-19 pandemic on tourism and hospitality in North Cyprus
Although North Cyprus has to cope with economic and political embargoes, including bans on direct flights, the country is highly dependent on tourism and tourism-related activity which generated 11.7% of cumulative GDP in 2019 (Statistics Office, 2020) In 2020 however, the picture is different – Covid-19 has severely disrupted the North Cyprus economy as the number of passenger arrivals dropped by 75.1% as of October 2020 compared to October 2019. In fact, in the first ten months of the year, the total number of passenger arrivals declined from 1,472,155 in 2019 to 366,003 in 2020 (TRNC Public Information Office, 2020). Further, if we compare figures for the seven months between April and October, the number of passenger arrivals dropped by 92.7% from 1,107,410 in 2019 to 80,930 in 2020 (TRNC Tourism Planning, 2020). This is normally the peak season period for tourism in North Cyprus, and so it is clear that the pandemic has had a devastating impact on tourism.

North Cyprus offers five-star luxury hotel services and casinos at beautiful seaside locations, and this combination normally helps to bypass the seasonality problem. Additionally, North Cyprus has numerous historical and religious sites and these support special interest heritage and religious tourism. Other forms of special interest tourism
include ecotourism, paragliding, bird watching and cultural tourism to sample the cuisine and observe the lives of Cypriots. An over-reliance on tourism has its disadvantages though because the impact of unforeseeable events such as the Covid-19 pandemic has meant that the entire economy is suffering. Policymakers have tried to support the sector with some national funding, but no international funds were available due to the economic and political embargos. In view of this, businesses must adopt strategies to survive in what is an uncertain environment and so we discussed these issues with small to medium size tourism enterprises (SMEs).

Methodology
We used an action theory qualitative approach in this study, and we collected detailed information about SME owners’ experiences and the challenges faced by SME owners in the tourism and hospitality sectors in North Cyprus. An in-depth interviewing technique was used to collect data and to discern what strategies they had applied to become more competitive and to survive during this crisis period due to the Covid-19 pandemic.

A purposive sampling technique was used and 20 business owners-managers who operate tourism and hospitality SMEs in different parts of North Cyprus were interviewed between October and November 2020. All of our interviews took place in the interviewees’ workplaces, where they could be relaxed in their own environments and feel free to share their experiences.

The interviews were conducted in line with standard ethical procedures. At the beginning of each interview, the study’s aim was clearly explained and that confidentiality would be respected and assured by the use of fictitious names in the transcripts. All interviews were audio-recorded, transcribed verbatim and thereafter, codes were developed and modified as the transcripts were repeatedly re-read. This has been described as an open and axial coding method (Strauss and Corbin, 1998), and it enables key categories to be identified that are based on the managers-owners’ narratives and the strategies they adopted. After this, we analyzed the strategies they applied to increase their competitiveness and develop a sustainable business model during the Covid-19 pandemic.

Participants
Seven of the participants have their businesses in Nicosia, five of them in Famagusta, two of them in Guzelyurt and the rest are operating in Kyrenia. A total of 70% of the participants are aged between 35 and 50 years old and 20% are aged 50 and over. The rest of the population consists of participants younger than 35 years old. All of them are both owners and the managers of their businesses. More than 50% of the businesses have been operating for more than 10 years and only 10% of businesses are newly established.

Results and findings
All tourism-related businesses including shops, transportation, restaurants, bars, cafes, hotels, casinos and alternative and special tourism activities have been severely affected by the absence of tourist arrivals due to the pandemic. In addition, some services such as public transport were shut down on March 14, 2020 as a precautionary measure.

This meant that almost all tourism-related businesses had to take some action and develop new strategies to sustain their operations. Most businesses had to downsize and reduce their number of employees to reduce their overheads. Rent is a major fixed cost item for many businesses, particularly small shop owners and most negotiated rent holidays and/or discounts with their landlords. While these efforts to reduce fixed costs were enough for some businesses and shops, they were not enough for many and a sizeable number of businesses were forced to close. On August 11, 2020, the Ministry of Labour and Social Security announced that 95
companies had closed permanently and 7,556 companies had closed temporarily. It is not yet clear how many of the companies who closed temporarily due to lack of capital, combined with Covid-19 related uncertainty will be able to re-open. The findings from our interviews help to explain the underlining issues.

For some, limited know-how and business skills are a cause for concern and we encountered this when interviewing a business owner in Lefkosa. Ahmet is a small shop owner in old town Nicosia, selling mostly replica textile products and other touristic souvenirs. Prior to Covid-19, most of his customers were tourists coming from the checkpoint in Nicosia. After Covid-19, the number of customers visiting his shop dropped considerably. Ahmet is keeping his shop open despite a massive decline in sales. He said: “Although rent on the shop is not much, with the money I collect it is not even possible to pay the rent. We received some support from the government, and we are trying to survive and keep our businesses running”. Ahmet added: “I do not have any other skills and I do not have any other choice”. He confessed to feeling stuck as a result of this crisis and he does not know what to do.

Some businesses applied a survival strategy that includes offering differentiated products and services. Ayse said her business has survived because she decided to change the target market. She has a boutique hotel in the walled city of Famagusta. She said that previously her customers were mainly tourists, but that after Covid-19 hit us, there were no tourists and we could not find customers to serve. We did not want to close our workplace, and we did our best to circumvent this process. We decided to offer a quarantine service and collaborate with government authorities to offer accommodation for people who must stay in quarantine. To provide this service, she needed to change the hotel system and adopt quarantine rules and regulations. As the owner and the manager of the hotel she said that the income from this service is not enough to pay their bills, and so she has started making hand crafted jewelry for online sale. She added that although this activity is not related to her normal business, she must do it as she needs the income.

Our data shows that cost-cutting and scaling down are applied as a survival strategy in an effort to overcome the crisis. Veli has been selling expensive evening dresses for many years to wealthy local people and tourists from two luxury boutiques located in Kyrenia and Nicosia. Locals mostly shop for special events such as weddings and engagement parties while tourists buy these evening dresses for parties and other special nights. Veli had to close his shop in Kyrenia because of the Covid-19 pandemic. He said: “We tried to keep both shops open but with no tourist in Kyrenia, we did not have any other option but to close the shop due to high rent. At the moment, our Nicosia shop is open but as government restrictions prevented weddings during the wedding season, we could not sell our products in the peak season. We are trying to survive, but it is not easy.”

Another strategy we observed is to go local. Changing the target market to local customers and offering special products to local customers was adopted by some businesses as a survival strategy. Serhat is a well-known restaurant owner in Guzelyurt and is one of the few fortunate business owners as his primary customers are locals. Serhat also serves tourists and students and so with almost no tourists, his sales have been affected by this and a decline in the number of university students studying in Guzelyurt because of the pandemic. However, Serhat has managed to maintain his operations due to his well-established local customer base and he has used this period to renovate his restaurants and add new items to his menu. Apart from a well-positioned restaurant, he is also selling good quality coffee which has enabled him to expand his customer base during peak hours.

Some businesses were not able to apply a survival strategy and have temporarily closed. For example, Cahit and Havva own a special interest tourism business that provides a tandem paragliding experience in Kyrenia. They have been running the business for about
20 years from a small office in Kyrenia old town, and their paragliding flights take place in the five finger mountains. The lack of tourists forced them to close their shop and completely halt their operations as they could not pay the rent. Havva said: “We were making our living from this business and I do not know how we are going to survive under these circumstances.”

Summary and conclusion

As John F. Kennedy said: “In the Chinese language, the word ‘crisis’ is composed of two characters, one representing danger and the other, opportunity” (Kennedy, 1959). At this point in time when almost all international tourist arrivals to North Cyprus have stopped, policymakers and other tourism stakeholders need to re-think to create a sustainable tourism model for the country. A structured plan in support of sustainable tourism initiatives such as ecotourism or other special interest tourism activities may help to increase domestic tourism and later, attract international travelers when the Covid-19 pandemic is over. Currently, North Cyprus does not budget for ecotourism or sustainable tourism, yet this is exactly the type of tourism business needed by local communities to create jobs, empower more disadvantaged groups (such as women) and enhance culture, heritage and environmental conservation.

A sustainable tourism model can be developed by involving all tourism stakeholders in a sustainable sector development plan that could include financial assistance for sustainable tourism enterprises, training programs to facilitate entrepreneurship and a stronger focus on the creation of social capital which is needed in a time of crisis. Further, this approach could be adopted by focusing on domestic tourists and concentrating on operating sustainably and competitively. In this, tourism enterprises can devise their own strategies and sustain competitiveness by being either the cost leader or offering differentiated services.

A summary of the suggested strategies based on the findings of this are listed below:

- Professional consultancy: As noted in the literature review, leadership is key to success. Our findings reveal a gap in the professional management skills of businesses operating in the tourism and hospitality sector in North Cyprus. To address this, businesses could use professional consulting services to discern the best options for survival during the pandemic and to establish a sustainable business model for adoption in the post Covid-19 period. This may seem costly at the beginning, but it will pay back in the medium to long term.

- Going local: The study suggests that where possible, businesses should focus on domestic customers and refine their services and products to cater to local demand. In this, it is also important to collaborate with local suppliers in support of the local economy and to avoid problems that may result from supply chain inconveniences due to the pandemic.

- Invest to re-build trust: By strengthening where necessary and maintaining health and safety standards in their workplace, businesses can re-build the trust of customers who are anxious about leaving their homes and spending time in public places.

- Cost-cutting: Although it is a bitter remedy for a business, scaling down business operations during the pandemic period is the obvious way to reduce costs and this includes reducing the number of employees. To prevent higher unemployment, government authorities could continue providing financial support to those who are unable to work.

- Product and service differentiation: the study shows that businesses should consider ways of differentiating their services and products to survive and/or retain competitiveness during the pandemic.
- Digitalization: Where possible, businesses should offer online services to customers, although this has implications for investment in technology and training that could take some time to put in place.
- Stress management: This is a period in which tourism and hospitality operations are stressful because of Covid-19 infection risk and where possible, businesses should be mindful of this and work to reduce the stress levels of their employees. In so doing, this will eventually help to enhance customer satisfaction, and therefore increase sales.
- Mergers: Two or more businesses that provide different sector services may merge or collaborate to increase their efficiency and competitiveness.

The competitive strategies which are discussed in this paper could be used by policymakers while organizing sector-based support programs in support of a sustainable tourism model for North Cyprus. Further, the study findings provide some insights and guidance for small- and medium-sized tourism enterprises in response to Covid-19 and in planning for post-pandemic scenarios.

References


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