

## **Effects of Armed Conflict on Hotel Performance and Resilience: Evidence from Star-Rated Hotels in Bahir Dar City, Ethiopia.**

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### **Abstract**

This study examines how armed conflict has affected the financial and nonfinancial performance of star-rated hotels in Bahir Dar City, Ethiopia, from 2022 to 2024. Employing a mixed-method approach with explanatory and descriptive designs, data were collected from 175 respondents through structured questionnaires and semi-structured interviews. Quantitative data were analyzed using descriptive and inferential statistics, including multiple linear regression, while qualitative data underwent thematic analysis. The results show that reduced customer income, limited mobility, conflict-related costs, infrastructure damage, and weak administrative coordination significantly harm hotel performance. Non-financial impacts include employee layoffs, reduced market segmentation, stagnated expansion, and declining customer satisfaction. Despite adopting adaptive strategies such as flexible pricing, cost reduction, and safety measures, hotels receive insufficient governmental support. The study emphasizes the need for peacebuilding, financial intervention, and robust crisis management frameworks to strengthen the resilience and sustainability of Ethiopia's hospitality industry in conflict-affected regions.

**Keywords:** *Armed Conflict, Hotel Performance, Star-Rated Hotels, Resilience Strategies, Bahir Dar City, Ethiopia.*

### **1. Introduction**

The hotel industry, though growing rapidly, remains vulnerable to crises such as political unrest and armed conflict. Serious risks may arise from unforeseen events such as terrorism, political unrest, armed conflicts, and pandemic diseases such as COVID-19 (Inyang and Arokoyo, 2020). Armed conflicts are particularly hazardous because they cause swift and wide-scale devastation. They disrupt physical infrastructure and social balance, and they have an enormous impact on tourism and hospitality (Harb, 2016). Recent crises, such as the Russia-Ukraine conflict in February 2022, have chilled the hotel industry's growth and revealed its exposure to geopolitical risk. The hotel sector is hit by declining demand, security concerns, and volatile economic conditions harmful to socioeconomic development (Nikoliuk, 2023). In 2019, the terrorist attack on the Dusit Hotel in Nairobi 2019 exemplified that regional instability and terrorism can harm the hotel business (Bryden and Bahra, 2019).

Political unrest directly impacts the hotel industry. Armed conflicts often lead to higher operating costs, lower utilization, and reduced investments due to increased security concerns. These problems can lead to a loss of employment and a decline in revenue. In response, hotels often strengthen security, expand their amenities, and change marketing techniques to attract new customers, or work with local authorities

to make their facilities safer (Chiriko, 2021). According to Hunegnaw (2020) and Mjongwana and Kamala (2018), financial indicators can capture important non-financial and industry-specific performance indicators. Non-financial performance measurement is information expressed in non-monetary units and ratios. Guest responses to surveys about customer satisfaction, staff helpfulness ratings by guests, design, maintenance, renovation of facilities, repeat business, complaints, and other advantages are signs of non-financial indicators in the hospitality industry. Financial indicators are the monetary values of a company. However, studies on hotel performance metrics within Bahir Dar city remain scarce. This study aims to investigate the impact of the ongoing armed conflict on the performance of these hotels. Much literature has confirmed that armed conflict affects hotel sectors both financially and non-financially (Shah & Mustafa, 2013; Okhrimenko, 2024; Uzunogullari, 2024; Inyang & Arokoyu, 2020; Hunegnaw, 2020; Omondi, 2015). Armed conflict can cause the downsizing of hotel performance as well as destroy the image of the conflicting region.

While the overall impacts of armed conflict, terrorism, and civil war on the tourism and hospitality industries have been researched extensively, little attention has been given to the unique challenges of armed conflict on the performance of star-rated hotels in Bahir Dar. Armed conflict poses serious issues to the tourism and hospitality industry, particularly to star-rated hotels that rely heavily on foreign tourists. The most influential factors affecting the performance of star-rated hotels have not been identified by the results of many studies that attempted to research problems during times of armed conflict. Furthermore, most of the past studies failed to indicate the most common methods used by hotels today to reduce the effects of conflict.

Therefore, this study fills these gaps by investigating the impact of armed conflict on hotels' financial and nonfinancial performance. It addressed the effect of fog/hazy conditions of war, ban/restriction of free movement, cost of conflict and infrastructural destruction, a shift in customers' income and behavior, and the prevalence of unknown chains of command on the financial performance, and assessed this conflicts impact on the non-financial performance of hotels. As well as identified the coping mechanism proposed by hotels. The main objective of this study is to investigate the impact of armed conflict on the performance of star-rated hotels in Bahir Dar city, Ethiopia (2022-2024).

## **2. Literature Review**

The term performance is used in the hotel industry because of hotel operations. Therefore, scholars argue that performance is a complex concept with no one, widely recognized definition in the literature. According to [Sainaghi \(2010\)](#), hotel performance is a state of the art that concentrates on the aspects that lead to the success of hotel businesses. According to Pnevmatikoudi & Stavrinoudis (2016), the performance of a hotel is measured using key performance indicators (KPIs) like room occupancy rate, average daily rate, revenue per available room, gross operating profit per available room, guest satisfaction, operational effectiveness, worker satisfaction, and work performance. These indicators monitor employee performance, operational effectiveness, and visitor satisfaction, and also help hotels understand their operations and spot areas for improvement.

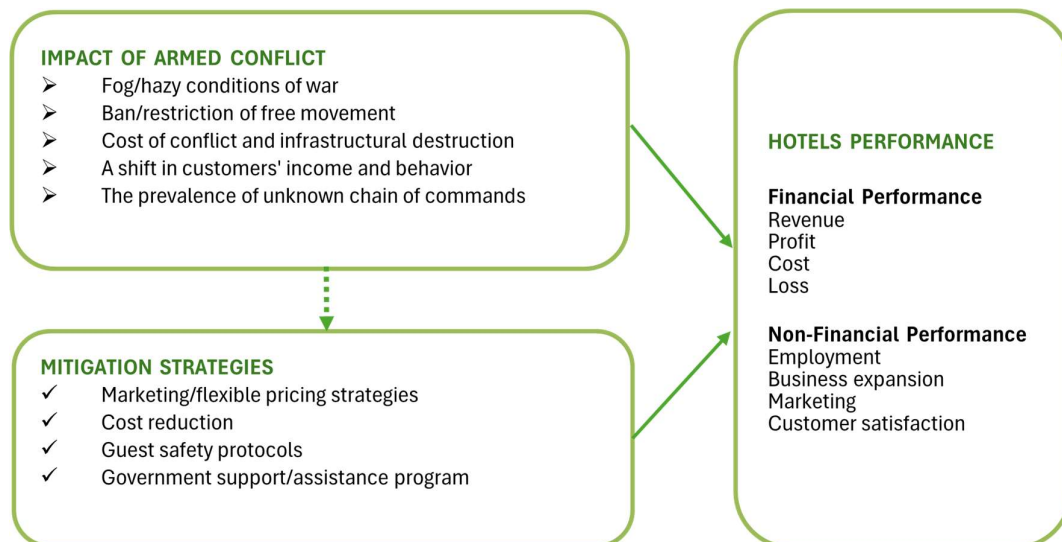
Hotel performance measurement can be classified as either internal or external, such as internal business performance focused on financial and non-financial performance, whereas external business performance focuses on the outside world, together with the outside influences on hotel performance (Sainaghi, 2011). A multifaceted notion, hotel performance necessitates considering both financial and non-financial variables (Corluka, 2019). According to the literature, the most hotels use financial indicators to measure their performance, whereas non-financial performance indicators are frequently neglected. Corluka (2019), found that financial performance measurements, such as business season length, income per available room, average room prices, and occupancy rate, are crucial for evaluating a hotel's success over time. According to Mjongwana & Kamala (2018), highlight non-financial indicators like customer

satisfaction, staff friendliness, design, facility upgrades, repeat business, complaints, and visitor perceptions of benefits like relaxation, exercise, and refreshment.

Hotel performance is influenced by both external and internal environmental factors. Kim (2013), said that the key internal elements determining hotels performance include hotel type, hotel size, hotel location, business model, and hotel market focus. (Corluka, 2019: Hunegnew, 2020), agreed that external factors includes macroeconomic cycles, market dynamics, political unrest, natural disasters, terrorist attacks, seasonality, customer behavior, malevolence, technology failure, and disease outbreaks like COVID-19 pandemic are some of the variables that affect the hotel performance. As a result, this thesis concentrated on the external environment, such as the effect of ongoing armed conflict on the performance of the star-rated hotels in Bahir Dar city. This ongoing conflict is between the current government and other armed groups, called FANO, a prominent Amhara militia and special force group in the region. This conflict began as soon as the war between the TPLF and the central government of Ethiopia ended following the disarmament proclamation issued in 2022 (Karr, 2024).

The precise timeframe and long-term effects of the violence in Amhara region remain unknown as of this thesis's writing. Consequently, conflict-related insecurity and restricted movement hinder the provision and utilization of services, such as health, education, transportation, tourism, and hotel services, which, at risk, lead to economic crises in both the region and the country. According to Dangalla and Prabuddha (2024); Harb (2016): Gebremeskel (2023), Hotel proposed a resilient mechanisms during armed conflict include staff training, stress management, equitable remuneration, pay rise, and policies. The hospitality sector employs strict security measures and crisis management practices, including furloughs, staff reductions, flexible cancellation policies, and customer responsiveness.

Drawing from these theoretical perspectives and the prevailing instability, it is essential to map how specific conflict variables drive the need for strategic interventions. The following conceptual framework (Figure 1) was developed to operationalise these relationships, demonstrating how the impact of armed conflict influences mitigation strategies and, ultimately, the overall performance of the hospitality sector.



**Figure 1:** Conceptual framework.

### 3. Methodology

#### 3.1. Study Design

This study uses explanatory and descriptive research designs to examine and describe the impact of armed conflicts on hotel performance. Descriptive research focuses on participant profiles, nonfinancial impacts,

and mitigation strategies. Explanatory research examines the effects of war conditions, restrictions on free movement, cost of conflict, customer behavior, and unknown chains of command on hotel financial performance.

### 3.2. Research Approach

This study uses a hybrid approach to capture quantitative data for statistical analysis and qualitative insights for deep contexts. The quantitative technique comprises on the impact of armed conflict on the financial performance of hotels, such conflict related factors are shift of customer income and behaviour, ban on free movement, unclear lines of control in war, fog of war, and cost of conflict as well as the resilient strategies proposed by hotels, whereas the qualitative technique concentrates on the impact of armed conflict on non-financial performance of hotels, such as employments, market segment, business expansion, and customer satisfaction.

### 3.3. Target Population of the Study

The target population of this study consists of travel agencies, the Amhara National Regional State culture and tourist bureau, the Bahir Dar city culture and tourism bureau, star-rated hotels found in Bahir Dar, and customers.

### 3.4. Sampling Techniques

The study was conducted in Bahir Dar city's star-rated hotels. For a quantitative approach, the study applied probability sampling techniques to reach statistical generalization. Probability sampling, such as stratified sampling, was applied. Hotel owners (stratum 1), general managers and departmental managers (stratum 2), and employees with more than 3 years' experience (stratum 3). Then the study took all owners, all general managers, all departmental managers, and employees with more than 3 years' experience through census methods. The census technique is advisable when the universe is small and controllable within the study area (Ross and Reeve, 2003). Their endurance implies greater dedication to the hotel's stability and prosperity (Plaskoff, 2017). Therefore, experienced staff are crucial for the survival of hotels during armed conflict.

Key respondents were chosen for the study's qualitative components using purposive sampling techniques from hotel managers and owners, the directors of the ANRS Culture and Tourism Bureau, the Bahir Dar City Culture and Tourism Bureau, and managers of travel agencies, as well as convenience sampling techniques for visitors available during data collection.

### 3.5. Sample Size Determination

**Table 1:** Sample size determination

Strata's	Number	Methods	Sample size
Hotel owners	14	Census	14
Managers (general and departmental managers)	98	Census	98
Regular employees	63 (more than 3 years)	Census	63
Total			175

Source: Own compilation (2025)

The aforementioned 175 respondents were chosen the reason to link the independent variables (fog/hazy conditions of war, ban/restriction of free movement, cost of conflict and infrastructural destructions, a shift in customers income and behavior, the prevalence of unknown chains of command) to the study's dependent variable (hotel performance). For the qualitative aspect, hotel managers, owners, higher officials of tourism bureaus, and travel agency managers were purposively selected, as well as available customers, to address the non-financial performance of hotels until data saturation was reached.

3.6. Source of Data and Analysis

Primary and secondary sources were employed to address the research questions and accomplish the study's goal. Both questionnaires and interviews were used for the current study's data gathering needs, as well as researcher observation also implemented. The study employed descriptive and inferential statistics. Descriptive statistics and multiple linear regression analyses were utilized for the quantitative approach. Descriptive statistics summarize the demographic factors of respondents, including sex, age, education, and work experience. To enhance understanding frequency and percentage were used to describe the participants' profiles. Additionally, the mean and standard deviations were employed to compare the methods that hotels have most frequently utilized to mitigate the adverse impact of armed conflict on their financial performance. The study utilized the Pearson correlation coefficient to show the correlation and the multiple linear regression coefficient to test the relationship and magnitude of the impacts of armed conflict (independent variable) on hotels' financial performance (dependent variables). The regression coefficient demonstrated how a unit change in one independent variable affects the dependent variable while the other independent variables remain constant. Version 25 of the SPSS software was used to run the study, and all tests were examined at a 95% confidence level. The qualitative data such as the non-financial performance of hotels was analyzed by using thematic analysis.

4. Results and Discussion

Before demonstrating how the independent variables individually affect the dependent variable, the assumptions of multiple linear regression analysis should be test.

4.1. Normality Test

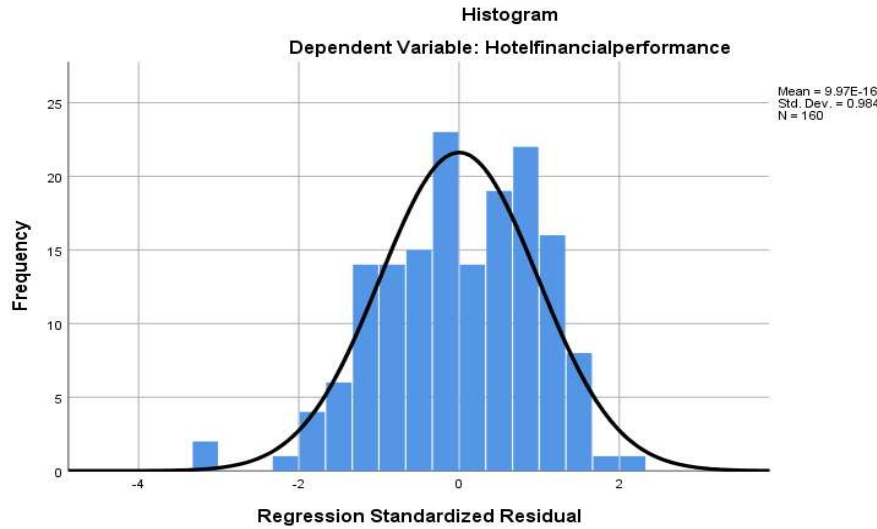
Normality is the form of the data distribution of a specific metric variable and how well it matches the benchmark for statistical methods' normally distributed data (Trompet et al., 2018). In social science research, it is common practice to use numerical tools (Kurtosis and Skewness) and graphic methods (Histogram) to verify that the sample chosen from the population is normally distributed (Hull et al., 2017). Therefore, the current study used kurtosis, skewness, and histograms to ascertain normal data. The distribution was more or less normally distributed and bell-shaped around the origin, as shown in Figure 2 histogram graph. A bell-shaped histogram would successfully imply that the data is normally distributed, i.e., values are symmetrically distributed around the mean. Descriptive statistics, described by skewness and kurtosis, are other common techniques used to confirm normality. Therefore, skewness is a measure of asymmetry that illustrates how the items are grouped around the average (Kumar, 2018). Ho & Yu (2015), state that data with skewness values between -2 and +2 is acceptable. Kurtosis, a metric that indicates whether a curve is flat-topped or humped, indicates the distribution of objects in the middle (Kumar, 2018). Blanca (2013), stated that Kurtosis reference findings with an upper threshold of between -3.29 and +3.29 are appropriate and accepted.

Table 2 shows that all variables have skewness values between -2 and +2, and their kurtosis values are between -3.29 and +3.29. Although the data were normally distributed, they fit with the assumption of normality and provided an excellent indication to begin the next analysis.

Table 2: Normality test

Items	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Fog/hazy conditions of war	.169	.192	-1.680	.381
Ban/restriction of free movement	.078	.192	-1.744	.381
Cost of conflict and infrastructural destruction	.117	.192	-1.667	.381
Shift in customers' income and behavior	.040	.192	-1.719	.381
The prevalence of an unknown chain of command	.082	.192	-1.840	.381

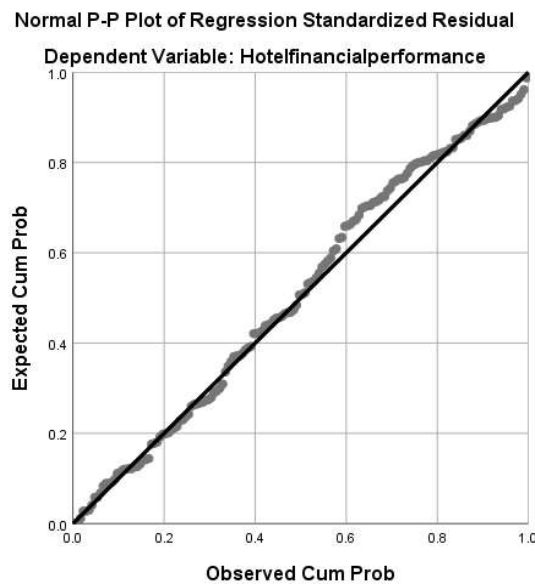
Source: Own survey (2025)



**Figure 2: Histogram**  
Source: Own survey (2025)

#### 4.2. Linearity Test

The linearity assumption represents a possibility that can be investigated before performing a multiple regression (Larson, 2015). The linearity assumption states that two variables (dependent and independent) have a straight-line relationship, even though one or both of the variables may be composites of several variables. Linearity, i.e., a straight line relationship between the residuals and the predicted dependent scores (Ho & Yu, 2015). Therefore, Figure 4 below shows that the dependent and independent variables are linearly related.



**Figure 3: Normality P-P Plot**  
Source: Own survey (2025)

#### 4.3. Multicollinearity Test

Multicollinearity is the term used to describe situations in which the independent variables are highly correlated with each other (Ho & Yu, 2015). In most cases, a tolerance value of less than 0.1 and a variance inflation factor (VIF) of more than 10 indicate a sign of the multicollinearity, which may produce false or

misleading results (Burns & Bush, 2014). According to Field (2009), if the variable is free from multicollinearity error, the independent variables should not be strongly correlated with each other. As depicted in Table 3, all of the VIF values are less than 10, and the tolerance values for each variable are more than 0.1. This suggests that there is no issue with the collinearity problem between the independent variables. Therefore, this indicates that the derived model is likely to fit and is unchanged by small effects in the variables.

**Table 3:** Multicollinearity test

Coefficients		Collinearity Statistics	
Model		Tolerance	VIF
1	Fog/hazy conditions of war	.101	9.892
	Ban/restriction of free movement	.111	9.034
	Cost of conflict & infrastructural destruction	.108	9.221
	Shift of customer income & behavior	.114	8.766
	The prevalence of an unknown chain of command	.163	6.128

Dependent Variable: Hotel financial performance

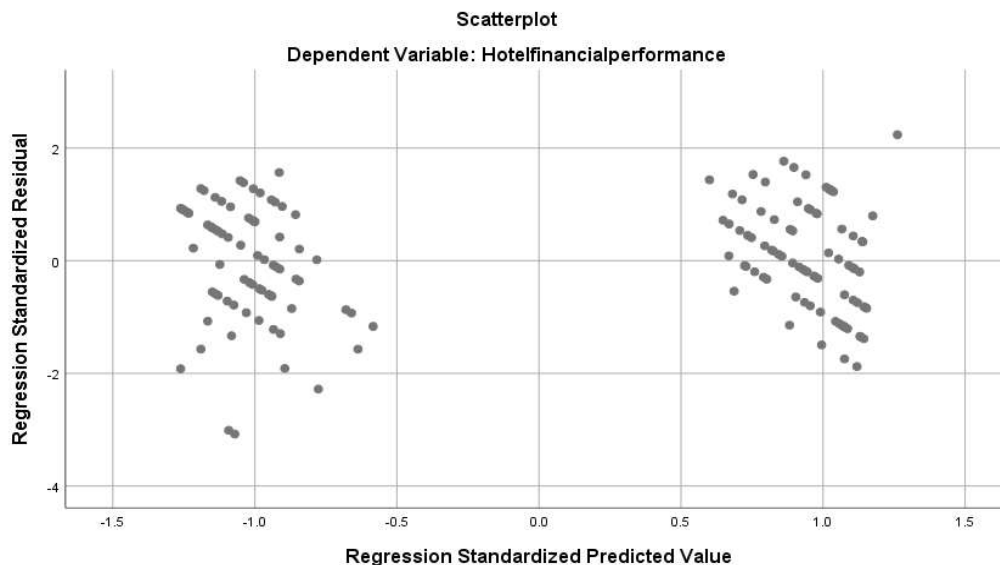
Source: Own survey (2025)

#### 4.4. Auto Correlation

As a test for serial correlation of adjacent error terms, SPSS offers the Durbin-Watson statistic, which, if significant, shows no error independence. It can range from 0 to 4, where a value of approximately 2 is ideal: a value below 2 denotes a positive correlation, and a value above 2 denotes a negative correlation (Ho & Yu, 2015). Therefore, the Durbin-Watson statistics value of this study is 1.768, approximately its value is 2 (see Table 4), indicating a positive correlation, confirming and fitting the assumption.

#### 4.5. Homoscedasticity Test

The assumption of normality and homoscedasticity are related because homoscedastic connections between variables occur when the assumption of multivariate normality is satisfied (Tabachnick & Fidell, 2013). Therefore, the scatter figure below illustrates this, with the expected variable values appearing as a random cluster of dots around zero.



**Figure 4:** Homoscedasticity scatterplot

Source: Own survey (2025)



#### 4.6. Regression

According to Miles and Banyard (2007), regression analysis was conducted to determine the extent to of individual independent variables effect on dependent variable.

**Table 4:** *Model summary*

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Durbin-Watson
1	.953 <sup>a</sup>	.908	.905	1.768

Source: Own survey (2025)

Based on the model summary (Table 4), the correlation coefficient (R-value) for this study is 0.953 (95.3%). This means that there is a strong relationship between the dependent variable and the independent variables, because R-value is a positive and 0.953 falls under the coefficient range to +1. This indicates a strong fit. The coefficient of determination ( $R^2=0.908$ ) indicates that the model explains 90.8% of the variation. As such, it explains the impact of the independent variables to the dependent variable. It indicates that 90.8% of the impact in the dependent variable can be explained by the combined influence of the five independent factors that were examined. The remaining 9.2% of the impact in a hotel's financial performance is due to other factors that were not examined in this study. (Adjusted  $R^2 = .905$ ) indicated that adjusting for the number of independent variables in the model decreased to 90.5% if and only if the independent data variables were collected from the total population. The minimal difference between  $R^2$  (0.908) and Adjusted  $R^2$  (0.905) suggests all five predictors are explaining the dependent variable well and that the model is not over-fitting the data.

**Table 5:** *Summarized coefficient of the regression model*

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.146	.533		11.533	.000
	Fog/hazy conditions of the war	-.133	.134	-.076	-.990	.324
	Ban/restriction of free movement	-.325	.114	-.209	-2.841	.005
	Cost of conflict and infrastructural destruction	-.254	.086	-.220	-2.967	.003
	Shift in customer income and behavior	-.495	.099	-.362	-5.012	.000
	Prevalence of an unknown chain of command	-.132	.064	-.124	-2.054	.042

a. Dependent Variable: Hotel financial performance

Source: Own survey (2025)

The relative significance of each independent variable in explaining the variance of the dependent variable can be explained by the beta coefficients (Burns & Bush, 2014). In Table 13, the unstandardized beta coefficient can be used to examine the degree to which each independent variable impacts on dependent variable. The independent variable with the higher beta coefficient value indicated a greater impact on the dependent variable.

#### 4.7. Summary of the Overall Outcomes of the Research Hypothesis

The regression standardized beta coefficients for the five independent variables, as indicated in Table 5, such as the shift of customer income & behavior, the cost of conflict and infrastructural destruction, ban/restriction of free movement, and the prevalence of unknown command which had beta coefficients of -.362, -.220, -.209 and -.124 and their significance levels are .000, .003, .005 and .042 respectively. This finding suggests a substantial correlation between the independent and dependent variables (the hotel's financial performance). The alternative hypothesis about the above four independent variables was



accepted since the independent variables' coefficients are statistically significant at less than 5 percent. Meanwhile, the fog/hazy conditions of war had beta coefficients of  $-.076$ , and their significance level was  $.324$ , say that do not significantly correlate. Therefore, alternative hypotheses were rejected since the predictor variables' coefficients are statistically insignificant at less than five percent. Based on the B-coefficient and P-value findings, the study's hypotheses are tested as follows:

**Table 6:** Hypothesis test

Hypotheses	Findings	Conclusions
H1 - There is a statistically significant relationship between a shift in customers' income and behavior and the hotel's financial performance.	$\beta = -.362$ ; $p < .05$ $P = .000$ ; negative & significant	Ho = rejected H1 = accepted
H2- There is a statistically significant relationship between the ban/restriction of free movement and the hotel's financial performance.	$\beta = -.209$ ; $p < .05$ $P = .005$ ; negative & significant	Ho = rejected H1 = accepted
H3- There is a statistically significant relationship between the cost of conflict and infrastructural destruction, and the hotel's financial performance.	$\beta = -.220$ ; $p < .05$ $P = .003$ ; negative & significant	Ho = rejected H1 = accepted
H4- There is a statistically significant relationship between the prevalence of unknown commands and the hotels' financial performance.	$\beta = -.124$ ; $p < .05$ $P = .042$ ; negative & significant	Ho = rejected H1 = accepted
H5- There is a statistically insignificant relationship between fog/hazy conditions of war and the financial performance of the hotel	$\beta = -.076$ ; $p > .05$ $P = .324$ ; negative & insignificant	Ho = accepted H1 = rejected

Source: Own survey (2025)

Table 5 illustrates the five multiple linear regression (beta coefficients) analysis independent variables and their significance levels. The principal objective of this study is to examine the impact of armed conflict on the financial performance of star-rated hotels. Finding the factors that had the greatest impact on the hotel's financial performance was one of the principal tasks of this study. Therefore, multiple linear regression was conducted to examine the impact of those independent variables on hotels' financial performance. According to the regression findings, the first variable that had a significant negative impact on the hotels financial performance was the shift of customer income & behavior (change of travel pattern) followed by ban/restriction of free movement, the cost of conflict and infrastructure destruction, and the prevalence of unknown chains of command, which had unstandardized beta coefficients of  $-.495$ ,  $-.325$ ,  $-.254$  and  $-.132$  respectively. Therefore, their impacts are discussed as follows:

#### ***The impact of a shift in customer income and behavior on hotels' financial performance***

Regression analysis proved that changes in customer behavior and revenue were statistically significant and hurt the performance of star-rated hotels ( $\beta = -0.495$ ,  $p = 0.000$ ). This shows that as the effect of such a change increase by a unit, hotel financial performance declines by 0.495 units. This is as proven by Hunegnew (2020), who also referred to a change in customer behavior as a measure of hotel financial performance. During armed conflict, the customer would typically adjust or change their trips, and this leads to canceled bookings and stay reduction (Araña & León, 2008). Decreased consumer incomes owing to financial uncertainty, unemployment, and reduced government support also limit disposable income and the frequency of visits (Pereira, 2022). Next, hotel demand falls, especially in conflict-stricken regions, as safety and security are the top concerns for tourists (Pizam & Smith, 2000). This was observed by the ANRS Culture and Tourism Bureau, where, *in contrast to some other developed countries, tourist activity levels are close to zero during periods of conflict in Ethiopia. Tourists will abandon their first choice and go for another safer one* (DTSP1, 2025). Therefore, at a 95% confidence level, regression outcomes ( $\beta = -0.495$ ;  $p =$

0.000) confirm that a shift in customer behavior and revenue has a statistically and practically significant adverse impact on hotel financial performance in a conflict area.

#### ***The impact of the ban/restriction of free movement on hotels' financial performance***

Regression analysis showed that restrictions or bans on free movement are statistically significant and hurt the performance of star-rated hotels ( $\beta = -0.325$ ,  $p = 0.005$ ). That is to say, the restriction of free movement increases by a unit, and the financial performance of hotels decreases by 0.325 units. These impacts align with Abeje (2025), who recorded a 90.5% reduction in revenue in a hotel in Bahir Dar due to a cancellation of over 270 confirmed bookings after the imposition of travel restrictions in 2021. In the war zone of Dessie, such cases of this impact are simply and briefly confirmed. As a result of the TPLF blockade, Golden Gate Hotel incurred over 39 million birrs in revenue loss, Lucy Hotel incurred over 11 million birrs in property damage, and an estimated 7 million birrs of revenue loss in terms of under-occupied rooms (Ahmed & Oumer, 2022). It is the direct effects of war and the resulting restrictions on free movement resulted in such enormous financial losses. A general manager of a hotel also gave evidence on the impact, *with movement control and lockdown orders having a significant impact on foreign and local tourists. The drop in visitation had a direct impact on not only room occupancy but also food and beverage sales, recreation sales, and MICE activities* (GM5, 2025). Therefore, at a 95% confidence level, regression outcomes ( $\beta = -0.325$ ;  $p = 0.005$ ) confirm that a ban/restriction of free movement has a statistically and practically significant adverse impact on hotel financial performance in a conflict area.

#### ***Impact of cost of conflict and infrastructure destruction on hotels' financial performance***

Regression analysis showed that cost of conflict and infrastructural damage are statistically significant and hurt the financial performance of star-rated hotels ( $\beta = -0.254$ ,  $p = 0.003$ ). That is, conflict cost and damage to infrastructure increase by a unit, and hotel financial performance reduces by 0.254 units. This finding is also consistent with Karr (2024), who state that government soldiers and Fano militiamen were often battling in the region, it adversely affected the hotel's financial performance. Tagi et al. (2025) stated that the approximated total losses are 2.5 billion birrs, and over 3,000 permanent hotel employees have lost their jobs via closure and income loss since the government fund flows into the military rather than the civil service. This is also confirmed by Addis Standard (2023) report even if physical integrity of the hotels is preserved, wear and tear of underlying infrastructure, such as roads, power, water, and telecommunication networks, is a very severe operational concern. So, disruption of service in the long term is generally a reason for temporary or permanent closure, with high monetary losses and jeopardizing business continuity.

One of the hotel managers testified to the extent asserting that:

*“The extortion by the government and other armed groups such as Fano, and violent application against investors, have hit the financial sustainability of the hotel severely* (GM1, 2025).”

This evidence indicates how concrete damage is only part, but fear, volatility, and focused intimidation also apply pressure to operate and on money. Overall, the regression result ( $\beta = -0.254$ ;  $p = 0.003$ ) confirms that the overall cost of conflict and infrastructural destruction heavily contributes negatively to the bottom line of the hotels. At a 95% confidence level, the findings emphasize the vulnerability of the hospitality sector to prolonged conflict in addition to infrastructural collapse.

#### ***The prevalence of unknown chains of command on hotels' financial performance***

Regression analysis showed that the intensity of unclear lines of control in war the prevalence of unknown chain of commands, has a statistically significant negative impact on star-rated hotel financial performance ( $\beta = -0.132$ ,  $p = 0.04$ ). That is, a unit increase in the ambiguous commands by government or leadership, military or other non-official authority, such as Fano, decreases the hotel's financial performance by 0.132 units. This is consistent with Abebe (2023), who found that during the time of internal conflict, hotels faced sudden disruption in terms of forced shutdown and in-mass cancellation of reservations, even high-

class events such as MICE. Such a disruption resulted in the loss of income as well as historic operational difficulties. In destinations such as Lalibela, the impact of the same uncertainty of command was devastating. As Dejen (2023) acknowledges, consumption by foreign tourists declined by 98%, and the consumption of local tourists decreased by 69% compared to 2020 levels. This translated into a fall in revenue from domestic visitors by 55% and an incredible 97% fall in revenue from overseas visitors. A general manager at a hotel explained the real effect of this uncertainty: *We were getting instructions from an unknown power for lockdowns in the city and suburbs. Therefore, we had to cancel bookings and delay supplies from suppliers and vendors* (GM2, 2025). This is proof of confusion and displacement brought about by the breakdown in robust, firm leadership, eventually paralyzing hotel operations and depleting financial performance. Overall, the regression result ( $\beta = -0.132$ ,  $p = 0.042$ ) is confirmed to exist in reality, that accepting imperfect or fragmented command structures in times of instability negatively affects the financial performance of hotels considerably. At a confidence level of 95%, it is confirmed that imprecision and inaccuracy in instructions lead to business disruption, revenue loss, and further economic uncertainty in the star-rated hotels' financial performance.

In general, the regression constant ( $B = 6.114$ ) is the estimate of the financial performance of the hotels when all of the independent variables are set equal to zero; it reflects how each factor impacts changes in financial performance.

#### ***Negative impact of armed conflict on the nonfinancial performance of hotels***

Another important finding of this study is the identification of the impacts of armed conflict on the nonfinancial performance of hotels. The ongoing hostilities in 2022 have significantly impacted the hospitality sector, presented challenges and affected the nonfinancial performance of hotels, as observed by interviewees.

#### ***Armed conflict's influence on the employee welfare of the hotel***

In the city, star-rated hotels were a major source of local jobs before the onset of the armed conflict. They employed full-time and part-time staff and were among the largest sources of employment. Disruptions of employment due to conflict caused direct and extensive disruption of hotel activities, and employment losses on a huge scale. As alleged by the Director of Verification and Supervision of Tourism Service ANRSCT bureau:

*"Star hotels employ and train many full-time and part-time workers to serve both foreign and domestic tourists. Post-commencement of the conflict, however, these hotels have experienced a huge decline in the number of clients due to security risks. This led the hotels to retrench workers, close departments, reduce wages, and reduce part-time and casual employees. As a result of this, the turnover rate has increased quite considerably* (DTSP1, 2025)."

Another hotel manager's support for the above evidence said that: *due to armed conflict, hotels have witnessed low business and a low number of visitors, leading to business disruptions. These disruptions have impacted staff in terms of job security, earnings levels, emotional stability, and access to labor benefits* (GM4, 2025). One manager also asserted that: *it has serious consequences for employees in the sector. Many are now subjected to cutbacks on working hours, cancellation of contracts, payment of wages in arrears, and withdrawal of benefits such as bonuses. Casual and part-time workers have been hardest hit and lost their jobs* (GM3, 2025).

These findings align with Shah & Mustafa (2013), who indicated that prolonged armed conflict increases unemployment and causes economic difficulty among communities that are reliant on tourism. Gebremeskel (2023) also showed that the interruption caused by war resulted in widespread staff layoffs and unemployment in tourism-dependent communities. Besides job loss, armed conflict has hurt the emotional, moral, and social welfare of employees. A hotel manager said that:

*"Emotional distress in the workplace has increased due to heightened security threats and uncertainty of income. Mobility restrictions and curfew have also impacted the transportation culture and work-life culture. This has led to low levels of morale, productivity, and dedication to the hospitality profession among the workers* (GM6, 2025)."

Such issues have extreme implications for employee turnover, job dissatisfaction, and service disqualify provision in the hospitality industry. This finding aligns with the government of Ethiopia, via the Jobs Creation Commission, introduced in 2019 a six-year plan to create 20 million jobs in areas such as agriculture, industry, tourism, and services by 2025. However, the ongoing armed conflicts have confused these activities of job creation, leading to unemployment and undermining national job creation programs (Ashenafi, 2021). In general, the armed conflict has imposed a multifaceted and enduring impact on employees' welfare in the hotel industry. Star-rated hotels in Bahir Dar city have experienced job lay-offs, income decrease, and psychological trauma among employees. Employee loss of experience, excessive turnover of staff, and low spirits threaten the survival of the industry in significantly.

#### ***Armed conflict influence on the market segment of hotel***

The aggravation of armed conflict in the region has profoundly altered the market segmentations of star-rated hotels in Bahir Dar city. Before the conflict outbreaks, these hotels had a diversified clientele from international travelers, local leisure visitors, business travelers, and conference attendants. However, this conflict has disrupted this market configuration, compelling hotels to alter their target segments. As one manager from a star-rated hotel explained:

*The city's star-rated hotel is seriously threatened by armed conflicts. The drastic shift in customer dynamics is the biggest obstacle to market segmentation. Foreign and leisure travelers disappear first, followed by a new market of humanitarian workers, the armed forces, civil service employees, and journalists. Therefore, hotels must begin to conform to advertising campaigns and service delivery to accommodate this new clientele (GM5, 2025).*

The hotel business is shifting from high-spending foreign tourists and corporate visitors to low-service providers, who are likely to demand low-rate accommodation. A hotel manager testified: *Conflict changes the conduct of hotel clients. Higher-spending international tourists vanish when there are travel restrictions and danger. Hotels then must re-base their prices, shift from profit maximization to maintaining occupancy, and accept lower-spending but consistent groups such as soldiers and humanitarian organizations (GM2, 2025).*

As international and leisure tourism declines, war zone hotels such as Bahir Dar have experienced a sharp drop in new and repeat foreign tourists. One general manager asserted as follows: *Local and international visitors used to visit the region for leisure and business activities. But this year, new and repeat visits have dramatically reduced as a result of armed conflict, which affected all visits to the region (GM3, 2025).* This decline in both local and foreign travel, historically the most lucrative segments, has had a major effect on hotel revenues, operating strategies, and long-term investment programs. Along with market segmentation and product scope, conflict negatively affects the destination image. One of the Bahir Dar city tourism and culture directors said that:

*Conflicts seriously undermine hotel marketing efforts by creating security problems and image threats, compelling to shift in marketing efforts away from foreign leisure travelers towards local travelers, NGOs, and humanitarians. The message is diverted from pleasure to safety and necessity (BCDTS1, 2025).*

The same pattern has been seen in other hotspots such as Syria, Yemen, and Ukraine, where tourist hotels were converted into temporary asylums for humanitarian staff and soldiers (Blanchard et al., 2014). Similarly, Kenyan tourism, post-2007 crisis, consciously shifted its marketing emphasis towards domestic tourism and heritage tourism (Kimani et al., 2021). According to the ANRS Bureau of Culture and Tourism, the director of verification and supervision of the tourism services provided:

*Star-rated hotels are the worse affected; with some hotels whose utilization is kept going through the support of aid workers and emergency responders. The market shifts from business and leisure travel to service demand due to needs based on security concerns, curfew, border closure, and fear of targeted attacks. MICE tourism gets the worst affected, with international events severely hit after 2022 (DTSP1, 2025).*

Hotel investment in new expansion and new services has become less important as business targets have shifted to cost control and maintaining security requirements. In general, armed conflict has effectively

impacted hotel market segmentation in the city. Hotels faced a robust shift away from high-revenue global and leisure travelers to lower-expenditure, necessity-driven segments of humanitarian organizations and government officials.

#### ***Armed conflict's influence on the business expansion of hotel***

The growth and expansion of the hotel business naturally rely on political stability, undamaged infrastructure, and the steady influx of local and international tourists. However, these are largely compromised during periods of armed conflict. One star-rated hotel general manager said that:

*“Hotel promotion is extremely complex, complicated in war conditions. Demand, supply chain, security, availability of manpower, and the psychology of travelers are all directly affected by war. When someone cannot travel freely, it's hard to expand their business under war conditions (GM1, 2025).”*

This evidence points towards the overall constraints under which war affects the viability of business and planning in the hospitality sector. The negative effect of war on hotels' non-financial performance has not been restored, despite government efforts to increase tourism through various event-related activities. The Director of Tourism Development and Promotion at ANRS alleges as follows:

*Wars haunt the country's tourism industry, particularly the star-rated hotels in the cities. Traveling for leisure has decreased significantly, and even if done, it is no longer as enjoyable. Most domestic tourists now are business or religious tourists, while conference, sports, and recreational tourists have just stopped touring altogether. Business traveling has also decreased. While our efforts in the form of cultural festivals, research seminars, and beauty contests as tourism promoters, hotels find it difficult to upscale their performance in such a scenario (DTSP1, 2025).*

Considering a protracted war situation, these tell us that while public sector actions are good, their potential is severely limited. Constraints in logistics and financial deficits are the easiest impacts of war on hotels. As alleged by one hotel manager: *Since the start of the conflict, the hotel business has been losing clients regularly and earning very little money. Development of the hospitality industry came crashing down. Shortages of materials and uncontrolled building costs occurred as a result of it, making the expansion of hotels impossible (GM6, 2025).* All of these are demonstrations of how armed conflict impacts consumer flow and limits access to resources that promote physical development and financial enhancement. Patterns among tourists also vary significantly in conflict areas. Clients are occupying their accommodations for shorter periods, reducing profitability. The tour and travel manager alleges as follows:

*Both domestic and foreign tourists drastically declined after the outbreak of armed conflict. The majority of visitors nowadays are business travelers who, fearing that they would be captured in a fight, travel back to their homes after duty. Leisure travel has essentially disappeared. Therefore, instead of pursuing expansion, we're struggling just to maintain current operations (TTM1, 2025).*

This shift in consumer behavior, particularly the shorter stay, poses a danger to the traditional hotel business model, which relies on lengthy stays and high guest return for profitability. This finding goes in line with (Ballentine & Nitzschke, 2004), conflict zones are usually characterized by political instability, weak rule of law, and ruined infrastructure, all of which discourage business sustainability and expansion. In addition, Slim (2012) confirms that conflict discourages business growth by disrupting supply chains, higher insurance and security costs, the displacement of employees, and the weakening of the justice system. Therefore, these issues discourage local and foreign investment, greatly lowering business growth and opportunities for expansion. Overall, the armed conflict has severely limited the possibilities for the hotel business expansion.

#### ***Armed conflict's influence on customer satisfaction of hotel***

Armed conflict compromises the availability of hotel staff, service quality, and customer experience, erodes loyalty and confidence, and distorts nightclub facilities and leisure activities, ultimately affecting tourist satisfaction and the overall tourism industry. According to a general manager of a star-rated hotel:

*Tourists are not happy because nearly all nightclubs in the city have shut down, and even if our hotel completely accommodates the guests, there is a limit to the number of hours they can spend outside their accommodations. Due to the war, hotels are unable to operate throughout all hours, which has disturbed visitors (GM4, 2025).*

War can decrease social and recreational amenities, leading to shorter stays due to necessity rather than want, fewer activities, and ultimately worse visitor pleasure. One visitor in the study area expressed her opinion as follows for the overall experience during their stay in the hotel.

*The hotel, despite facing challenges due to conflict, provided a positive experience with friendly employees and a calm environment. However, some services were outdated or closed due to financial or supply chain issues. Despite the beautiful lake view and clean rooms, the hospitality was genuine (V1, 2025).* Another interviewee alleged the following: *There was a shift once I decided to stay in Bahir Dar during this time; the hotel faces staff struggled due to conflict, resulting in scarce staff and the unavailability of services like the spa and airport shuttle. Despite these challenges, the natural beauty and resilience of the staff made the visit worthwhile (V2, 2025).*

One visitor in the study area expressed his opinion as follows regarding the friendliness and helpfulness of the hotel staff: *the hotel staff, despite stress, were amiable and dedicated. A front desk employee helped reschedule a canceled tour and suggested alternative options due to security issues. Despite a small staff, the hotel delivered warm and inviting service, possibly due to the recent conflict (V3, 2025).* Another interviewee alleged as follows: *the hotel staff was polite, but the service was subpar for a star-rated hotel. The staff was overwhelmed, causing long wait times during check-in. Despite the conflict, the restaurant staff went above and beyond to explain the menu. The quality of services may be affected by reduced seasoned employees (V4, 2025).*

One visitor in the study area expressed his opinion as follows regarding the hotel's design and cleanliness: *hotel's design, featuring traditional Ethiopian features in the lobby, rooms, and a calm garden area, is outstanding, though some areas, like the gym and poolside furniture, appear dilapidated (V5, 2025).* Another interviewee alleged as follows: *the hotel's cleanliness was satisfactory, but the facilities deteriorated compared to expectations. Hallway carpets were worn, the elevator broke, and repairs were delayed due to supply and budget issues. Maintenance has decreased recently (V6, 2025).*

These findings align with the international trends in conflict regions. Armed conflict not only demolishes individual hotel operations but also dismantles national plans for employment and tourism growth. For instance, the Ethiopian government's plan to generate 20 million new employment opportunities by 2025 by accelerating growth in agriculture, industry, tourism, and services has been greatly disrupted. The plan of the Job Creation Commission has been greatly jeopardized by ongoing conflicts, which have resulted in job loss, slowed delivery of services, and decreased customer satisfaction (Ashenafi, 2021). In general, despite the positive experience of visitors at Bahir Dar's star-rated hotels, the effects of regional conflict, including fewer staff, outdated facilities, and inconsistent service quality, affected visitors' satisfaction.

**4.8. Assessing the Mitigation Strategies Proposed by Hotels Mean Ratings**

*Mean rating of marketing practices*

**Table 7:** *Marketing Practice*

Items	Mean	SD	Scale
Provide a promotional package	4.52	.727	High
Discounting room rates	4.66	.662	High
Target domestic tourists	4.11	.660	High
Follow flexible pricing strategies	4.60	.771	High
Retain loyal customers	4.22	.557	High
Targeting a new market segment	4.12	.676	High
Group Mean	4.37		High
Group SD		.563	

Source: Own survey (2025)



Table 7 shows respondents' marketing strategies during armed conflict. Decreasing room rates was the most common strategy, as hotels countered decreased demand due to travel restrictions and disruptions. Flexible pricing strategies were used to adjust prices to fluctuating demand, filling in lost revenue and operational costs. Promotional packages were used to attract price-sensitive consumers, while customer retention was prioritized. Targeting domestic tourists and a new market segment was also essential due to slow international tourist flows.

#### *Mean rating of human resources*

**Table 8:** Human resources

Items	Mean	SD	Scale
Enhanced security measures for staff and guests	4.05	.632	High
Apply the employee's assistance programs	4.03	.648	High
Apply stress management for employees	3.89	.904	High
Hire additional security forces	3.04	1.027	Low
Reducing casual employees	4.57	.922	High
Reducing part-time employees	4.62	.889	High
Group Mean	4.03		High
Group SD		.837	

Source: Own survey (2025)

Hotels are proposing principal HR measures to mitigate the negative effects of armed conflict on the hotel industry. These include minimizing part-time and casual staff, firing staff repeatedly, implementing paid leave, reducing bonuses, social insurance, and allowance items, increasing security measures for employees and visitors, implementing stress management and employee assistance initiatives, and hiring additional security personnel. These measures aim to maintain a secure work environment and reduce recruitment and training expenses, demonstrating the importance of HR-related mitigating measures in the hotel industry.

#### *Mean Rating of Guest Safety Protocols*

**Table 9:** Guest safety protocols

Items	Mean	SD	Scale
Enhanced safety protocols for guests	4.43	.631	High
Transparent communication about safety measures	4.38	.592	High
Guest feedback mechanisms	4.42	.669	High
Communicate guest safety protocols to both staff & guests	4.42	.649	High
Training program to staff on implementing guest safety protocols	4.59	.657	High
Group Mean	4.448		High
Group SD		.6396	

Source: Own survey (2025)

The majority of respondents in Table 9 suggested that hotels prioritize employee training on guest safety procedures, maintaining customer trust, and enhancing practices. They also ranked communication protocols, guest feedback programs, and transparent safety measures as important. These high scores suggest that hotels have adequate and functional guest safety measures in place during conflict times.

#### *Mean rating of cost reduction practice*

**Table 10:** Cost reduction

Items	Mean	SD	Scale
Cost cuts by limiting hotel services	4.44	.902	High
Cost cuts by postponing maintenance activity	4.08	.931	High



Shutting down some departments	4.02	1.119	High
Renegotiating advertisement contracts	3.94	.806	High
Renegotiating agreements with suppliers	4.19	.675	High
Cancelling agreements with the vendor	4.08	.942	High
Group Mean	4.125		High
Group SD		.896	

Source: Own survey (2025)

Most hotels implemented cost-reduction strategies during armed conflict, focusing on limiting services, reducing unnecessary expenditures, and decreasing operating hours. They also renegotiated supplier contracts, delayed maintenance activities, and vendor contract cancellations. Departmental restructuring and renegotiation of advertisement contracts were also strategies used for financial sustainability. These strategies align with Hunegnaw (2020) recommendations for hotels in crisis zones.

#### *Mean rating of government assistance/support program*

**Table 11:** Government assistances program

Items	Mean	SD	Scale
The government is postponing scheduled payments	3.89	.821	High
Government reduction of tax	2.04	1.112	Low
The government allows an extended period for tax payments	2.01	1.031	Low
The government is providing wage subsidies	1.43	.962	Low
The government is providing credit guarantees for your hotels	1.54	.977	Low
Group Mean	2.182		Low
Group SD		.8164	

Source: Own survey (2025)

The respondents' views on government support for armed conflicts are reflected in Table 11. Postponing scheduled payments was identified as the most successful mitigation strategy. However, most hotels did not receive government attention in reducing the impact of armed conflict on their performance, unlike during wartime when governments provided support through tax reductions, extended payment periods, bank credit guarantees, and wage subsidies.

## **5. Conclusion**

The findings confirm that armed conflict has profoundly disrupted the operational and financial stability of star-rated hotels in Bahir Dar City. Financially, conflict-induced factors such as decreased customer income, restricted mobility, infrastructural destruction, and ambiguous governance significantly reduced revenue and profitability. Non-financially, hotels faced workforce instability, market reorientation, stagnated business expansion, and diminished customer satisfaction. Despite efforts to apply internal resilience mechanisms, such as flexible marketing strategies, cost containment, and guest safety measures, these efforts were insufficient in offsetting the losses due to the absence of systematic government support. Thus, the study concludes that the sustainability of Ethiopia's hospitality industry is closely tied to political stability, proactive crisis management, and the creation of adaptive institutional frameworks that can withstand socio-political shocks.

### **5.1. Recommendation**

For star-rated hotels: They offer services and menus more friendly to local tastes to substitute international leisure clients and increase occupancy. Follow a flexible Contracting with suppliers and vendors, and give top priority to postponements over cancellations. For Amhara National Regional State and Bahir Dar City Culture and Tourism Bureau: Collaborate with national security forces to ensure

peace, especially in major hotels and tourist areas. They assist hotels in accessing recovery loans, grants, and tax relief to ease financial stress. Follow up with impacted workers, such as allowing compensation and protection for hotel employees retrenched or furloughed. For the Ethiopian Tourism Ministry: Develop a crisis management plan and offer sub-market loans, tax relief, and grants to allow the hotels to stay open. As well as bring tourism development in line with community interest and sustainable regional peace.

## 5.2. Implications

Theoretically, this study enriches the literature on crisis and conflict management within hospitality contexts, particularly from a developing-country perspective. It extends the understanding of how socio-political instability influences both financial and non-financial hotel performance. Practically, the findings provide empirical evidence for policymakers and practitioners to design adaptive strategies, focusing on business resilience, staff welfare, and market diversification. For tourism planners, the study underscores the necessity of integrating peace and security dimensions into sustainable tourism frameworks. In managerial practice, it highlights the role of flexible pricing, HR adjustments, and safety measures in maintaining minimal operational continuity during crises.

## 5.3. Limitations and Future Studies

This study was limited to star-rated hotels in Bahir Dar City, which may restrict the generalizability of the findings to other hospitality establishments or regions. Its cross-sectional design captured a specific timeframe (2022–2024), limiting the analysis of long-term conflict impacts. Future research should adopt longitudinal or comparative designs to assess recovery trends across different Ethiopian cities and include non-star hotels, restaurants, and tour operators for broader sectoral insights. Moreover, future studies could employ quantitative modeling to evaluate customer satisfaction and resilience factors more comprehensively and explore the role of digital innovation and crisis communication in enhancing hotel adaptability during armed conflicts.

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