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## Article

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Amfiteatru Economic Journal

## Provided in Cooperation with:

The Bucharest University of Economic Studies

*Suggested Citation:* Tuclea, Claudia E.; Vasile, Dragos C.; Schiopu, Andreea F.; Marin, Monica (2014) : Facets of Economic and Financial Crisis Impact on Strategic Planning of travel Agencies, Amfiteatru Economic Journal, ISSN 2247-9104, The Bucharest University of Economic Studies, Bucharest, Vol. 16, Iss. Special No. 8, pp. 1222-1237

This Version is available at:

<https://hdl.handle.net/10419/168888>

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## **FACETS OF ECONOMIC AND FINANCIAL CRISIS IMPACT ON STRATEGIC PLANNING OF TRAVEL AGENCIES**

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### **Abstract**

The purpose of this paper is to explore the strategic behavior of travel agencies in Romania and their strategy development process before and during the current economic crisis.

Using 88 in-depth interviews with Romanian managers of travel agencies of different sizes, we pursued the understanding the extent to which they use strategic management, the role of strategic management on leading travel agencies before and during the crisis, and the changes of their strategic planning process due to the crisis. The research also aims to identify how they perceive the impact of the crisis on the business environment and the behavior of competitors.

The findings suggest that, at first, travel agencies followed an informal strategic planning process, with a high emphasis on the short-term objectives given the turbulence of the environment affected by the economic crisis. This turned into a tougher emphasis put on financial and cutting costs measures. The crisis prolonged and the managers rediscovered the role of strategy, trying to find new ways of creating value for the customers, reconsidering the role of competitive advantage.

The paper offers an image of strategic management processes of travel agencies and the changes in their strategic direction and behavior as a result of the financial and economic crisis, approaching a well-defined theoretical and practical need.

**Keywords:** strategy, strategic planning, travel agency, competitive advantage, economic and financial crisis

**JEL Classification:** M10

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### **Introduction**

This paper reflects the results of a qualitative research that aims to explore the strategic behavior of travel agencies in Romania and the strategy development process they underwent in order to develop strategy before and during the present economic crisis.

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The main objectives of the paper focused on understanding the extent to which tourism agencies managers use strategic management, the role of strategic management in leading travel agencies before and during the crisis, and the changes of their strategic planning process due to the crisis.

One last objective of the research was to identify the way managers perceived the effects of the crisis on the business environment and competitors' behavioral change, and consequently, the alterations in terms of competition as a result of the crisis.

Our study starts with a review of the most relevant papers in connection with our research question. In a study assessing the extent to which the strategic management topic is represented in the academic literature of tourism, Harrington and Ottenbacher (2011) point out that there are numerous areas that are insufficiently covered and have to be addressed, especially the issue of uncertainty generated by the turbulence of the present life. In this respect, the impact of financial and economic crisis on the tourism industry must be researched carefully and from various perspectives, so our study addresses a well-defined theoretical and practical need.

### **1. Literature on the crises in the tourism industry**

Generally, a crisis in tourism involves disrupting events, with a significant impact on the organizations in the sector, such as unfavorable economic shifts, natural disasters, terrorist attacks, political instability and bio-security threats (Hall, 2010). The events can be categorized on the basis of their severity and frequency (Malhorta and Venkatesh, 2009). The latest economic and financial crisis that manifested more intensely in Europe since 2008 and in Romania since 2009 represents a severe unfavorable shift in the external environment, which affected almost all industries. It is presumed to have been caused by the mortgage problems in the United States in 2007 and then it spread through the global financial markets in almost all countries in the world (Chan, 2011). Some characteristics distinguish it from other crises: (1) serious liquidity problems of the banks that have become risk adverse when it came to lending money; (2) globalization of the international economy, with strong interdependencies among national economies; and (3) the impact on the public finance of the states, with negative effects on businesses and consumer demand for goods and services (Lowth, Prowle and Zhang, 2010). Other characteristics are detailed by Stiglitz (2009), who mentions the reduction in crediting, more price conscious consumers, reduction in consumers' expenses, increase in unemployment, and companies' tendency towards cost efficiency.

All those negative phenomena meant a reduction in the number of tourists and their expenses at global, as well as national level. The year 2009 was very difficult for the global tourism industry, when the United Nations World Travel Organisation recorded 880 million tourist arrivals, below the 920 million of 2008, and receipts of 852 billion USD in 2009, 5.2% below the level of 2008 (UNWTO World Tourism Barometer, 2010), which suggests that people spend less money on a trip, even if they continue to travel (World Travel & Tourism Council, 2012). Similar trends were registered in Romania, where arrivals of foreign visitors in Romania registered 7.57 million in 2009, below the level of 8.86 million from 2008 (National Institute of Statistics, 2010, p. 93), and the number of tourists accommodated in tourism facilities decreased from 7.12 million in 2008 to 6.14 million in 2009 (Jaliu, 2012). After the onset of the economic crisis, the number of travel agencies in

Romania diminished by 10% and the turnover of travel agencies decreased in 2009 (Iftime and Podina, 2013). However, travel agents industry seemed to be less affected compared to other sectors (Ispas, 2010).

Profound knowledge of their operating environment is necessary for any company as a first step in formulating a coherent strategy, and an effective response to a crisis is critical for the survival of organizations, including those in Romanian travel agents industry that had to make changes in their strategies in order to make sure they manage to survive.

The interest of scholars and practitioners in the impact of the crises on the tourism sector has increased in time, and many studies were elaborated years before the latest financial and economic crisis, such as those examining the impact of terrorist attacks – with an impetus by growing public awareness of global terrorist threats, particularly in the wake of the 9/11 attacks -, natural disasters, the influence of climate change, the implications for tourism of the severe acute respiratory syndrome and so on (Page, Song and Wu, 2012). In general, these studies used to examine the impact of a single crisis, in isolation, but certain researchers proposed the examination of two simultaneous events, for example Page, Song and Wu (2012), who deal with the effects on tourism demand in Great Britain, brought by both the global financial and economic crisis and the swine flu pandemic.

The substantial number of papers tackling with the impact of crises on tourism businesses is a positive aspect of the academic research. However, this field of study is still new, with relatively little systematic research on the responses of the industry, governmental agencies and organizations in order to cope with these impacts (Ghanderi and Mat Som, 2012). As Sheldon and Dwyer (2010, p.4) put it: “there remain large knowledge gaps about strategies of firms under financial stress”.

## **2. Strategic management and the crisis in the tourism industry**

Over time scholars have provided many definitions of the concept of strategic management. A recent definition was elaborated by Nag, et al. (2007) and it is quite comprehensive, including six elements “the field of strategic management deals with (a) the major intended and emergent initiatives (b) taken by general managers on behalf of owners, (c) involving utilization of resources (d) to enhance the performance (e) of firms (f) in their external environment” (Nag, et al., 2007 cited in Harrington and Ottenbacher, 2011, p. 441). An essential component of strategic management is strategic planning, which can be defined as deliberate means of including factors and techniques in a systemic way to achieve specified tasks, providing direction and ensuring that the appropriate resources are available at a suitable place and time for the pursuit of objectives (Aldehayyat, 2011). Furthermore, strategic planning fosters and sustains the making of strategic decisions on a continuous basis, which involves a process of strategic development (Dyson, et al., 2007).

Most organizations, regardless of the size and sector, adopt some business strategy, even if it is not based on formal procedures and documents (Lowth, Prowse and Zhang, 2010). In broad terms, they approach issues such as identifying relevant environmental factors, positioning the business on a medium and long term -time horizon, defining stakeholders' values and expectations, ensuring resources, determining means by which the business can perform better than that of the competition. Business strategy involves a deliberate process of formal planning, because organizations need to plan and think before acting, but finally the strategy

itself combines the intentional element with emerging strategic directions, which originate mostly in the interaction of the organization with its environment (Mintzberg, 1978).

Because of the fact that the travel agents industry is dominated by small and medium enterprises (SMEs), it is necessary to underline that strategic management practices are important not only for large businesses, but also for small ones, even if there is a perception that small businesses do not embark on strategic planning (Wang, Walker and Redmond, 2007). Indeed there are some barriers generally caused by lack of time, resources and expertise, by unpredictable external environment, but there are also considerable evidences that strategic planning leads to increased firm performance (Wang, Walker and Redmond, 2007). It was found that small and medium firms in the tourism industry that have been involved in formal strategic planning processes have improved their decision making activity (Baird, Lyles and Orris, 1994), and an explanation can be the fact that, even if such activities as monitoring the external environment, goal formulation, deploying resources, monitoring performance are not undertaken properly, through formal processes, they develop some specific competences. Finally, "it is the process of planning, not only the plan, that is important" (Baird, Lyles and Orris, 1994, p. 56).

During the recession caused by the latest financial and economic crisis, organizations had to take action and change their business strategy to cope with the impact of this negative phenomenon. The crisis made Romanian company managers change their business strategies. The literature on crises in the tourism industry developed two perspectives: (1) a management-oriented approach and (2) a consumer-oriented approach (Bronner and de Hoog, 2012). The first approach envisages the understanding of the crises so that the management could develop strategies to stop or to reduce the impact, and to adapt their organization to a changed environment. As per responses of the tourism industry to crises, certain themes have been tackled, such as: the implications of the crises and the risk management, forecasting, impact estimations, or public relations (Hall, 2010), defining crisis indicators and their monitoring (Sausmarez, 2007), marketing recovery strategies (Scott, Laws and Prideaux, 2008). The second perspective investigates the individual tourist behaviour in response to a crisis, for example the study by Bronner and de Hoog (2012) concluding that during the economic crisis the strategy of individual tourists is to reduce their expenses, but not to give up a holiday, that becoming a necessity for their very busy lives.

Organizations are required to respond promptly and appropriately to the pressures of the environment, and at the same time to pay attention to the goal of achieving a competitive advantage, consonant with the two main schools of thought about strategy. One school focuses on achieving a "strategic fit" between the organization and the external environment, by modeling and adapting the organization according to the changes at this level. The other, in the line with the works of C.K. Prahalad, pays attention to the competitive advantage generated by the resources at the disposal of the organization, to the core competencies that are an endless source for new business development (Prahalad and Hamel, 1990). The fact is that there is no particular strategy to guarantee the survival and success of organizations and their responses are varied.

SMEs in the tourism industry, as the most of travel agents can be categorized, have faced significant challenges during the financial and economic crisis, as documented by a survey carried out by the European Commission in 2009 after the crisis had been triggered. Among these challenges there are registered a decrease in tourist demand (especially for clients from other countries than a SME's own country), changes in consumption patterns

(e.g. more price conscious and/or quality conscious clients), difficulty of access to finance a.s.o. As a result, tour operators and travel agents could adopt retrenchment strategies, by cutting costs, divestment, etc. or, on the contrary, they could look upon the crisis as an opportunity to increase investment effort, innovation and market diversification, or, could achieve a combination of both previously mentioned approaches. Recent studies in the international literature highlight approaches combining retrenchment or investment strategies, defensive or proactive changes when organizations revise their strategies given the financial and economic crisis. Lowth, Prowse and Zhang (2010) found out that SMEs paid attention both to cutting fixed costs and improving operations efficiency as well as to innovation and new product development. The defensive strategic actions of the companies include reducing operational costs, layoffs or just stopping new hiring, reducing training costs; proactive changes are exemplified by the introduction of new products and services, expansion into new markets, changed pricing, investments into new capability, or the increase of the marketing budget (Wilson and Eilertsen, 2010).

Strategic planning can play a significant role in shaping the organizations' responses to the severe shock of the latest international financial and economic crisis. Companies that rely more on strategic planning principles and practices for decision making seemed to assume a more proactive position (Wilson and Eilertsen, 2010). This is a good prerequisite to perceiving crisis as an opportunity for growth rather than a threat. Because the implementation of the plans requires a steady effort of monitoring the achievement of the goals, the system of performance measurement is also extremely important (Kunc and Bhandari, 2011). As Dyson, et al. (2008) put it, the performance measurement can reveal the firm's strategic behavior.

### **3. Methodology and data**

The research in this paper has involved in-depth interviews with 88 Romanian managers from travel agencies of different sizes within the sector. After the initial designing and revision of the questions, the face-to-face interview was selected as a way of interaction with the respondents. We contacted by phone a number of 128 managers, out of which 88 accepted to participate in the study.

The interviews with the respective managers were conducted in Bucharest in the last quarter of 2012 and focused on their approach to strategic management and the changes they deemed necessary in order to deal with the crisis. Furthermore, the research aims to identify the managers' perceptions of the crisis effects on the business environment and on the competitors' behavior change.

First of all, a qualitative study requires a broader and less restrictive concept of design than the traditional research methods (Bickman and Rog, 2009)

This study was designed to collect data from representative companies within the tourism sector, so the researchers sought to involve people from agencies of different sizes, including some of the most important ones with respect to their position on the market, their turnover and financial results. In order to assess the crisis' effects on the strategic management, we asked the respondents to mention if they have changed their strategic direction and processes to reflect the changes in the business sector generated by the crisis. Since we included variables on their strategic approach, the respondents were guaranteed

full confidentiality. Even though the sample is small (88 respondents), the authors believe that the value of the respondents - managers responsible for strategic development processes - compensates for the small number of responses.

We believe that the sample is representative for the process of strategic response to the crisis in travel agencies for a number of reasons. First, the respondents were managers in the respective companies having first-hand knowledge about their firms' strategic processes and reaction to crisis. Second, given the fact that in Bucharest there are 1183 of the 3108 nationally- licensed travel agencies (Tourism National Agency, 2013) as well as the main offices of the most important players on the market, the executives' responses can reflect a good illustration of what has happened in the sector with respect to the strategic management and the changes made during or after the crisis. To support our judgment we can cite Bickman and Rog (2009) who admit that most sampling in qualitative research is neither probability sampling nor convenience sampling, but purposeful sampling in which "particular settings, persons, or events are deliberately selected for the important information they can provide that cannot be gotten as well from other choices"(p. 235). This sampling can be used to accomplish representativeness in qualitative studies by systematically selecting for typicality and homogeneity.

We opted for this research method based on the fact that it is richer in content than a survey and more flexible, providing the opportunity to ask for clarifications and further information at the end of the interview. The implicit mode of understanding in qualitative research involves alternative ideas concerning social knowledge, meaning, reality, and truth in social science research, the basic subject matter being no longer objective data to be quantified, but meaningful relations to be interpreted (Kvale, 1996). Moreover, within the business environment there is a greater desire for innovative results, which brings in new perspectives on established research methodologies. Cooper and Schindler (2014, p. 7) acknowledge: "Businesses are demonstrating a palpable hunger for breakthrough insights and more effective methods to get them. Businesses experiencing rapid technological and social change are looking for researchers who can help them keep not just current with the rapid pace of change but in front of it. Older tools and methodologies once limited to exploratory or qualitative research are gaining wider acceptance in dealing with a broader range of managerial problems."

Interviews are more flexible, whatever their structure, ranging from "listening in" and asking questions in a real-life setting to the standardized recording schedules used by the market researchers (Gillham, 2005). The relationship between the interviewer and the interviewee is interactive, allowing for a degree of adjustment and clarification. Moreover, the value of the interview data is that they are often compelling and illuminating (Gillham, 2005). Given the fact that we intended to understand the meaningful effects of the crisis on the strategic management of travel agencies, we concluded that the interview method was more advantageous. The key to effective research lies in its flexibility and disciplined approach (Wright, 1996). Therefore, in order to facilitate the collection of comparable data and the identification of themes and patterns, the interviewees received the same open questions, in the same order. The interviewers had a big role in the data collection to remove the possible bias from the study. The interviews were conducted by master students trained and prepared for this stage of the process in order to be able to respect the order and content of the questions, facilitate the interaction with the executives and support the

collection of high-quality data. They knew not only how to conduct the interview itself, but also why the study was important.

To find answers and achieve the research objectives, we asked managers about their strategic practices and processes, outlook and responses to crisis. There was a main interest in understanding the extent to which travel agencies and managers were prepared to deal with the crisis, the nature of their response, the driving factors for their model of response, the characteristics of their own behavior change and that of their competitors. Specifically, the questions were divided into two main parts. First, we asked managers to talk about their understanding regarding the strategy, the strategic planning process and the competitive advantage, and about their views on the necessity of a strategy to deal with the crisis or the need to change the strategy to respond to the crisis. Second, we asked them about their thoughts on the effects of the crisis on the business environment and the competitors' behavior, especially regarding their strategy, as well as on the Government's involvement in the market and their estimation of the extent of the grey economy before and after the crisis.

We expected the research to reveal the fact that the crisis put more pressure on managers to control the financials of the travel agencies and made them adjust their strategy.

#### **4. Findings and Discussion**

This section presents the results of the interviews, following the structure of the interview guide.

##### **4.1 Understanding the role of the strategy before the crisis**

In the beginning, we aimed to find out what significance the managers of travel agencies give to the concept of strategy. It is noteworthy that all the interviewed managers have tried to give a definition of strategy, although they were not particularly required to do this. The question was: "What do you mean by strategy?" The answer could be given as a sequence of elements considered to belong to the strategy. Most of the interviewed managers (58%) equate strategy with planning. We give below some of the answers with the highest rate of recurrence.

"... A clear long-term plan of measures, actions and deadlines." "...Plans and actions which lead us to achieving results for a specific period (2-5 years)." "...A very good plan through which we can pass over the obstacles and rise as much as possible in the market." "The strategy is aimed at achieving the objectives." "...Strategy is a battle plan that contains the main directions of action and concrete steps by which a company uses wisely its existing resources to ensure its success in not so favorable conditions, such as an economic crisis."

Other responses give strategy the following meanings: "all the measures and future decisions"; "the purpose and direction in which an organization wants to go"; "medium-term orientation".

A brief analysis of these responses leads us to the following conclusions: between strategy and plan there is no significant difference; the plan includes measures and actions and it must

be of good quality; the idea of time horizon (long term appears in 45% of the responses; definite period occurs in 37% of responses) is present; strategy aims to achieve concrete results: streamlining business activities (21% of responses), maximizing results (53% of responses) and getting profit (86% of responses); a significantly smaller number of responses (17%) referred to the resources involved, and to the deadlines of actions (13%). Only two respondents stated that the strategy is a means through which they can win the battle against other competitors. In an important number of responses (49%) the synonymous use of the concepts of strategy and tactics was observed. No manager has referred to the necessity to build the competitive advantage, neither explicitly, nor implicitly.

Although most managers understand the strategy as a plan, yet, only 25% of them said they had developed a written plan. They indicated a timeframe of 3 to 5 years. The other managers said they had not developed written plans, but they had pursued certain goals depending on the opportunities or threats from the environment. Out of these, three admitted that they had not actually followed a strategy, but rather some tactics adopted "on the way". The following statement appeared, in a similar form, in the majority of the negative answers: "We do not have clear written records of the strategies we have followed or will follow. Basically, the plans that we discussed are in the short term."

When the managers were asked if they had explicitly considered building up a competitive advantage, most of them answered 'yes'. Although they have not named this advantage, what most managers had in mind was the differentiation from the other competitors. The differentiation sources are diverse: in building serious partnerships with tourism service providers (44%), human resources have become increasingly important: well-trained guides chosen after a careful selection, and drivers who know how to communicate with the passengers in order to give them a state of psychological comfort (61%).

Another source of differentiation mentioned by managers is the provision of their own offers, even if it involves a higher risk for the agency (38%).

At the same time one can notice the concern for finding sources to reduce the tariffs. As the overall market trend has been to slightly reduce the prices, managers have sought sources to reduce the tariffs without losing too much profit. Thus special offers were designed, addressed to different social categories such as: students, retired persons or businesspeople. The fact that reservations are made for a larger number of people generates a decrease in the individual price; as a result, booking through travel agencies turns out to be a more advantageous offer for the clients, both financially and qualitatively. Each manager indicated several objectives as an answer to the question: "What kind of strategic objectives have you pursued before the crisis?". A total number of 500 responses was recorded, which means that each manager pointed out, on average, 5 or 6 objectives (see table no.1).

**Table no. 1: Objectives pursued before the crisis**

Types of objectives	Responses	
	Number	% of total respondents (88)
Increasing the number of customers	88	100
Growth of sales / turnover	88	100
Profit growth	88	100
Enhancing human resource development	57	65
Efficiency of the use of resources	53	60

Types of objectives	Responses	
	Number	% of total respondents (88)
Cost reduction	48	55
Diversifying the range of services	34	39
Increasing reputation / improving the image of the agency	26	30
Increasing competitiveness	18	20

*Source: own computations*

It can be observed that two out of the three objectives unanimously indicated are economic ones (growth of sales and profit growth).

As regards the way the pre-crisis strategy was elaborated, one third of the managers said they used to develop strategies together with other subordinate managers; 45% said they settled the strategy alone, and the remaining 22% said they developed the vision without help, but the details were set together with other reliable employees (not necessarily managers).

All these issues led us to conclude that, concerning the development of the pre-crisis strategy, we face a 'classical approach' towards the strategy, characterized rather by corporate planning, which preceded modern strategic thinking (Rowe, 2008).

**4.2 Strategy during the crisis**

The next objective of the interview was to find out how managers currently relate to strategy. Only 8 managers said that now their objective is to survive and it does not need sophisticated strategies. Survival is obtained by adjusting the activity to the new market conditions "on the way".

By contrast, most managers (80 out of 88) said they still develop strategies because these are very useful in times of crisis. We reproduce some of the mentioned arguments in favor of strategy development nowadays.

"We develop strategies related to the times we are living. It is not enough to survive, and during a crisis we can make the biggest progress. There must be a strategy that can be shaped by contextual factors in the market." "We will always develop strategies and certainly it is helpful in times of crisis. It helps us not only to survive, but also to grow, to develop our business." "My opinion is that strategies are helpful in times of crisis, so we do not cease to use them. Survival is not, in our view, the winning "strategy" in time of crisis."

The managers' answers led to the conclusion that something has changed in the way strategy is developed compared to the pre-crisis period. "Since the crisis began, our strategies have been developed differently and targeted different problems as compared to the previous years."

Managers have become more aware of the impact of macroeconomic indicators (inflation, exchange rates, etc.), of the reaction of the market and, especially, of the customer demand; the strategy began to be directed towards all the market segments in order to meet all the requirements of the client, to make them loyal and strengthen the relationship.

The managers of the travel agencies have understood that the adjustment is necessary and it can be successful. They rely on the fact that, despite the crisis, 'tourism is part of lifestyle and it cannot be left aside; the economic difficulties 'change the way people travel -they will try to find less expensive offers - but they will continue to travel'.

The managers of travel agencies believe that the effects of the crisis have not been so deeply felt in the tourism industry as it has been in other sectors. However, the crisis started to be felt two or three years ago (77% of respondents). Other 12 managers (approximately 14%) said they were affected by the crisis starting with 2012, and 8 managers (9%) declared they were not at all affected by the crisis.

Even if not all managers stated that their agency has been affected by the crisis, however, all managers have taken decisions to counter the crisis. The first actions taken, even prophylactically, are presented in table. no. 2.

**Table no. 2: The first measures taken to counteract the undesirable effects of economic crisis**

Types of measures	Responses	
	Number	% of total respondents (88)
Ceasing to pay the of end-of- the-year bonuses	88	100
Reducing the budgets for info- trips	86	98
Decreasing the employees' salaries and gratuities	86	98
General costs reduction	79	90
Diminishing promotion costs and finding less expensive methods	62	70
Reducing the number of employees	43	49
Renegotiating contracts with suppliers	39	44
Decreasing prices or keeping them at the previous year level	34	39

*Source: own computations*

What is remarkable is the prevailing economic nature of these decisions, which is consistent with the nature of the objectives envisaged before the crisis.

Regarding the effects of these measures, there are different views. Thus, around 20% of managers are dissatisfied with the results ('we have not saved enough. '); a third believes that the results were better than expected ('everything went as planned and sales have increased; people continued to appeal to our agency despite the crisis.').

About 47% of the managers believe that the results were as expected. For example, reducing budgets for info trips has brought about significant savings because these budgets were initially high. Other types of measures, other than those meant to reduce costs, generate the highest expectations: "Given that we focused on diversification, introducing new destinations and obtaining advantageous tariffs, we expect significant increases in the number of tourists, increases in revenue and, of course, as a result, to become one of the most competitive tour operators on the Romanian market."

Here we should notice the fact that, in some cases, the 'better than expected effect' did not last long, and subsequently other actions were necessary. 'These first steps were above

expectations at first, especially because the number of customers and sales decreased later. But then other much more complex and well set measures were needed.’

With regard to the employees’ performance, all managers stated that it has increased. The arguments are different: some believe that they succeeded to motivate them non-financially much better than before, when they relied almost exclusively on financial motivation. Those who have made redundancies attributed the improved performance to the fact that they kept the best employees, who could perform more numerous tasks than before, while others believe that employees were aware of the situation and tried harder than before.

It can be concluded that only cost cutting measures have had a limited effect, most managers understanding that they need to take more complex measures, in fact, more strategic ones. The second set of measures shows that managers have become more professional, understanding the strategy as a necessity. Only 10% of them (9 respondents) stated that: “The main action taken in 2009-2012 aimed at reducing costs. I believe that this measure was moderately efficient. “

The new set of actions included (the percentages between brackets indicate the frequency of each measure among the interviewed managers):

- introducing new programs and tourist destinations (80%) (for example, the medical tourism). At present, most foreigners come for dental care packages, aesthetic surgery and ophthalmic interventions. Romanian doctors’ loyal customers are the French, the Germans and the Italians, and the preferred period is between June and August.
- changing the target audience from those with high and average-income into those with average and low income (75%);
- increasing the area of responsibility of some employees (68%);
- advertising more aggressively than in the past (67%);
- outsourcing of certain services (41%);
- hiring new people to create and diversify tourism packages (36%);
- creating a strategic alliance with other tour operators in tourism (5%).

We can notice some trends regarding market repositioning, the firms’ preoccupation to distinguish themselves from other competitors (which may be a first step in building a competitive advantage based on differentiation), a new level of importance given to human resources.

#### **4.3 The effects of the crisis on the business environment, as perceived by managers**

When they were asked the following questions “What was the attitude of the competitors during the crisis? Do they seem to use strategies, or are they just struggling to survive?” the managers expressed the view that during the crisis, the number of competitors has decreased, but the competitiveness began to increase. The well-known agencies do not record any lack of customers, despite the fact that, overall, there was a decrease in revenue, while small travel agencies are facing a severe lack of customers. Thus, some of the smaller agencies have been deactivated, but the remaining players, especially the strong ones, are soundly competing using strategies to win and keep the customers, as well as offering

discounts or gratuities, and they have diversified their offers, including new destinations and itineraries.

The general opinion is that the big players are increasingly turning towards strategies, while small agencies that still activate are happy to survive on the “crumbs” that fall from the large agencies. A new phenomenon that occurred in small agencies is to negotiate the tariffs with each customer who requests it. This seems to be one of the valves of survival, although this is not a strategy in itself, and cannot ensure the long-term survival. The negative aspect that fiercer competition involves is that, in this time of crisis, most travel agents use price reduction as a main competitive instrument, which negatively affects profits and future business development.

On the whole, managers stated that rivalry has, maybe, diminished numerically, but has increased in terms of quality, the remaining competitors on the market trying to make the best decisions to attract the customers.

When they were asked to talk about the Government support given to travel firms order to overcome the economic crisis more easily, all managers, without exception, said that the State has not given any support. “I’m sorry to say this, but the Government’s low level of involvement or lack of involvement to support tourism is obvious. Fees and taxes are still high, the agencies are struggling to overcome this period on their own.” “This has not happened as many businesses have gone bankrupt and many entrepreneurs have left the country.”

The immediate consequence of a lack of Government support was - appreciate the interviewed managers – the fact that the hidden economy grew in magnitude because companies resort to undeclared or under-declared work to survive on the market.

The most frequently mentioned aspects of the hidden economy were: under-declared work, tax evasion, and undeclared work. Fourteen managers have indicated all three dimensions of the hidden economy, 52 indicated two dimensions and 22, only one. Overall, 168 choices were made (see table no.3).

**Table no. 3: Aspects of hidden economy, as they were perceived by managers**

Aspects of hidden economy	Total number of choices	Percentage of the total number of choices
Under-declared work	62	37
Tax evasion	60	36
Undeclared work	46	27

*Source: own computations*

The general belief is that, despite the measures taken by the Government, the hidden economy will increase, especially regarding under- or undeclared work. In a context where earning opportunities are low, companies will do their best to increase their profit.

### Conclusions

Broadly speaking, during a crisis, organizations may adopt retrenchment strategies, through cutting costs, divestment etc. or, on the contrary, they can look upon the crisis as an opportunity to increase investment effort, innovation and market diversification, or they can

achieve a combination of both. At the same time, organizations are required not only to respond promptly and appropriately to the pressures of the environment, but also to pursue the goal of achieving a competitive advantage.

Due to the fact that the tourism industry is dominated by small and medium enterprises, it is necessary to underline that strategic management practices are important not only for large businesses, but also for small ones, even if there is the perception that small businesses do not get involved in strategic planning (Wang, Walker and Redmond, 2007). The lack of time, resources and expertise, and the unpredictable external environment act as barriers, but there is also considerable evidence that strategic planning leads to increased firm performance (Wang, Walker and Redmond, 2007).

Based on the interviews, we found out that most travel agencies, regardless of size, adopted some business strategy, even if it was not based on formal procedures and documents. As regards the development of the strategy before the crisis, we faced a 'classical approach' to strategy, rather characterized by corporate planning, which preceded modern strategic thinking (Rowe, 2008). Though, the crisis changed something in the way strategy was perceived by managers. They still considered strategy useful, but they became more aware of the impact of macroeconomic pressures (inflation, exchange rate, etc.), the reaction of the market and, especially, of the customer demand; the strategy began to be directed to all market segments and to meet all the requirements, based on a stronger relationship with the client. The agencies' managers have understood that adaptation is necessary and it can be successful.

The managers of travel agencies believe that the effects of the crisis on the tourism industry and other sectors have not been felt equally strong. However, all managers have taken decisions to counter the crisis. The first actions taken were predominantly economic, but the cost cutting measures have had a limited effect, most managers understanding that they need to take more complex measures, in fact, more strategic ones, such as the introduction of new programs and tourism destinations, targeting at another client segment, increased advertising or empowering the employees. This made us conclude that, as the crisis prolonged, it urged managers to become more professional, to rediscover the role of the strategy, trying to find new ways to create value for the customers, and to reconsider the role of the competitive advantage.

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