

## SUSTAINABLE DECISION MAKING UNDER THE CRISIS FOR TOURISM BUSINESSES: A SURVEY OF THE LITERATURE FOR EU MEMBER STATES

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### Abstract

*The last years have proven to be particular problematic for member states of UE because of the financial crisis. When we discuss about tourism businesses and the measures undertaken by managers to mitigate the effects of the crisis some of them were to reduce the part allocated for expenditures regarding innovation, technologic improvements and went for different types of approaches. An increased attention has been given to sustainable development, sustainable marketing and development in environmental accounting techniques and in our research we explore how they changed the course of the core of the business and how these initiatives are realistic. The overall finding is that sustainable actions exist and they are present in many strategies but they are poorly translated in real actions.*

**Key words:** *tourism, strategy, business, sustainable management*

**JEL Classification:** *M1, Q20, L83*

### I. INTRODUCTION

Tourism industry is an important contributor to the GDP of every year and the effects of the 2008 crisis came with a delay for this industry. The present economic crisis affected all branches of tourism and the activities associated with it. It has been pointed out that the global economic crisis that has affected the world from 2008 and after it is characterized by a credit constraint which lowers consume and ambushes liquidity (Martin&Soria, 2013). Even if at the beginning of 2009 the predictions regarding the international tourist arrivals were forecasted to decrease between 2% and 3% in the end because of the changes in the economic outlook the decrease was situated between 4% and 6% according to World Travel and Tourism Council (WTTC, 2010).

The downturn of the level of activity represented a serious concern for the businesses owners, public authorities and governances at EU level. Henderson (2007) argues that out of all the industries the tourism industry is at the front of the list regarding its vulnerability and exposure to the economic crisis. The Euromonitor International estimated in 2012 that out of 27 member states of EU 13 of them will be serious affected by the financial crisis and will fall in recession. The forecast was seen to be surprising at the beginning but which become true. As European Invested Bank noted in 2012: *“the recession started later in several relatively poor EU countries, it started earlier in several countries with a lot of very rich regions. Thus, rich regions in Ireland, Italy, Spain, Sweden and the UK moved closer to the mean”*. For Croatia, the newest member of the EU, the most affected part of tourism industry was the hotel sector. Tourist looked for alternatives in apartments and camps as CHEAPER methods of accommodation (Garcia-Hirschfeld and Gómez, 2011).

According to the World Bank Development Indicators for 2009 the GDP per capita for European Union-27 countries has decreased by 4.74% and the arrivals decreased by 4.9% (United Nations World Tourism Organization, 2011). The tourism industry has an enormous importance for the economic factor of Europe as the third largest sector after trade and construction and has over 10 million people workers (Demunter, Dimitrakopoulou, 2013).

In these turbulent times business managers have adopted several strategies that looked for a good outcome in order to diminish the effects of the crises. In the context of relative stagnation or erosion in some cases for the businesses, turn overs in other cases managers and owners are in position where they need to regain their control and to find solutions for all the crucial problems that have occurred because of the crisis. Should they focus on the commercial strategy, the marketing one, the product strategy, the development and training of the personnel or the control of the expenses?

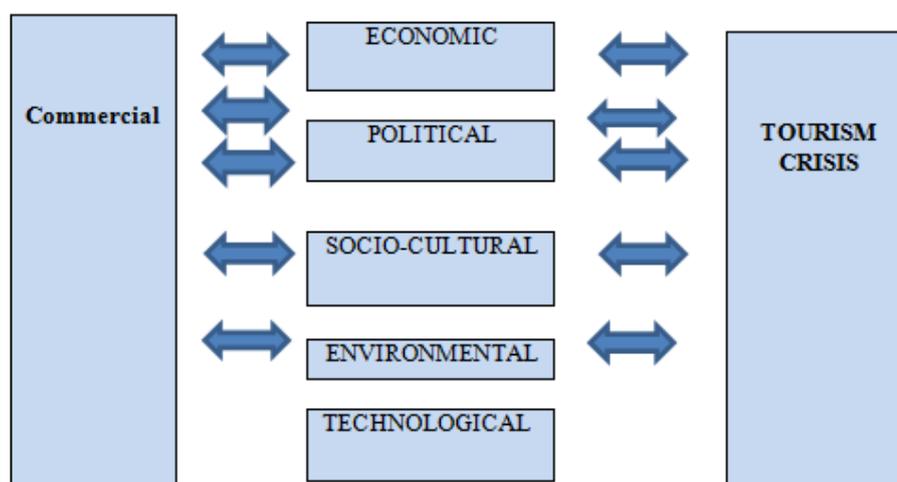
Rather than investing in new technologies and new excessive sites that could lead further to indebtedting the firms' managers have chosen those actions that are for medium term. A significant decrease came from the businesses tourism, which changed their behavior by adopting different comportments. Their new preferences were towards the choose of closer destinations, shorter stays with a lower number of participants.

This paper provides an overview of the literature existing for the crisis of 2007 in tourism by identifying the key themes, issues and those managerial decisions made in order to shift the direction of the businesses.

**II. THE IMPACT OF THE CRISIS ON THE TOURISM INDUSTRY**

Any economic crisis is characterized by some phases in the following order: the trigger that for the present crisis is the unscrupulous lending followed by a period in which the solutions come short and the incapacity of firms to cope with the problems (Keon-McMullan, 1997). McConnell (2003) argues that a crisis is a matter of judgement and perspective rather than something tangible. The study of the crisis in tourism is a relatively new topic and researchers Swarbook & Horner (2007) argue that on this subject very few studies have been conducted.

There are different typologies of crisis and according to Booth (1993) we can classify them into: gradual, periodic and sudden. Seymour and Moore (2000) classify crisis by taking in consideration the time of reaction, the one that occurs suddenly *the cobra* and the other one that needs more time to happen *python*. Henderson (2007) argues that the tourism crisis can be divided by the domain of origin and as it can be seen in Figure 1 they are: economic, political, socio-cultural, environmental and technological.



**Figure1. Domains of tourism crisis (Henderson 2007, pp. 4)**

Hall (2010), notes that tourism contributes to crises, not only it is affected by different effects of the crisis and an overdependence exists between the borrowing state system and the investments made in the ineffective tourism infrastructure.

According to the European Travel Commission (ETC) financial crisis and implications for tourism report (2008) the crisis in tourism affected among other the aviation performance mostly because of a combination of factors such as higher prices, declining wealth incomes and fewer routes for some destinations. The number of flight connections between Europe and Asia dropped with a 4% for 2008, and 6% for 2009. As well the travel agencies have reported regarding the beginning of 2008 a decrease of 20% for applications (IATA, 2010 in Oprea, 2010). Several other sectors of the industry were affected and according to Firoiu and Croitoru (2013) considering the Romanian tourism industry transport has suffered some shocks as well. It was appreciated by UNWTO Secretary-General, Taleb Riafi (2013) that through *its value chain, tourism creates businesses and jobs in many other sectors and produces significant export revenues which contribute favourably to the balance of payments in many countries*. The crisis has affected the EU countries in different sizes the tourism industry and according to Oprea (2010) United Kingdom encountered a large decrease in the number of passengers as well as Spain, Italy and Greece (Alegre et Sard, 2015). The negative effects of the crisis for many of the EU member states were seen in the high unemployment rate, lower allocations for spending and a feeling of uncertainty for the family assets (Alegre et Sard, 2015). Druțu (2011) states that some previous studies pointed out as consistent issues for the tourism industry: the impact of the euro and the European Union Travel Directive. Because of these two changes a part of the industry, more exact the local retailers were affected in promoting their products in the country of sale.

For France, despite a downturn in 2009, the tourism sector faced well the challenges because of a number of good resolutions: good decisions taken by the professionals, the importance of the local tourism at national level, where 2 thirds of the nights and consumption are provided by residents and the quality of supply.

In a study realized in 2010 there was pointed out that there were some differences regarding the accommodation the brand hotels suffered a decrease in visitors while those much cheaper received the difference, especially camping (Levy, 2011). The same study assessed that the category of tourism mostly affected by the crisis was the business tourism.

Accordingly to the Barometer realized by the World Tourism Organization (OMT) for 2011 the regions less affected in Europe were those from Central and Eastern Europe alongside the Southern part that borders with the Mediterranean. Taleb Rifai affirmed that for 2013 the countries that were the most affected by the crises received a higher number of tourists above the expectations pointing out the case of Spain which has output the second recession in five years in third quarter with 60.4 million tourists. The country emphasized its assets: sun and beach but also the interior of the country that has to offer great diversification.

The tourism industry came across with other consistent depreciations in activity for instance: the drop in the number of stays, the choice of a much closer destination to home, more unlikely to travel abroad, more short trips rather than a long traditional vacation and resorting to self-catering and camping (Demunter et Dimitrakopoulou; Smeral, 2009; Gheorghe et al, 2013; Kim, 2012; European Commission, 2013). In the same line Nicolau and Masiero (2013) state that there is unwillingness in travelling from the part of some tourists and they choose to save up the money that there were spent in general for external tourism products. Martin and Soria (2014) in a recent research focused in finding the reasons for cutting back on tourism expenditure with the help of an econometric model. It analyses the direction of choice made by tourists taking in consideration the GDP, GDP growth, and weather in their place of origin stating that the destination choice depends on all the above and also the travelers motivations in exploring different cultures.

**Table 1. Key strategies used by managers**

<b>Effects of the crisis</b>	<b>Business strategies</b>
Shift towards cheaper accommodation	Reinforcing promotion
Opting for fewer nights	Credit facilitation, free night for longer stays, Upgrading of packages, i.e. half board to full board or higher room standard
Decrease for the business tourism (decrease in the organization of smaller seminars and training courses)	Fiscal incentives
Giving up on optional activities	Free nautical activities, wider choice of free sport activities; more options for leisure activities
Smaller revenues for businesses	Lay off employees; diminished funds for training the staff in improving service delivery

*Source: author*

There was evidence that the domestic destinations and those not that very far away were not that much affected as long distance destinations (Smeral, 2009). Because of that, many tourism and hospitality businesses, in order to survive during the challenging times have tried to adapt by providing services for tourists with tighter budgets. Several tourist operators did not cope very well with the situation and chose to blame the external factors, which lead to exiting the market.

Jia and all (2012) pointed out that in order to be able to propose and to establish good strategies in a situation of crisis companies need professionals with experience who have encountered previously similar situations. As such the present crisis created uncontrolled situations and scenarios, that needed the input and knowledge of those managers that could have come up with actions for recovery and correction (Jia et al, 2012). Some winning strategies adopted by managers were to concentrate on new markets, propose programs for attracting domestic tourists, and put emphasis on sustainable development strategies so that they have not only profit but look after as well the social responsibility aspect and the environment. Transport which is one the most important aspect for the sustainable development offers plenty of options for tourist. Unfortunately the option that is environmental friendly is the train. Statistics show that only one out of twenty travelers chooses the train (Foundation for future studies, 2009). Following the path of implementing sustainable principles it is important to treat the environment as a capital asset.

Crises affect the perception of tourist making destinations become vulnerable. Effective answers are those in which managers and destination marketing specialists have incorporated in their strategic communication social media, blogging and tweeting. With the help of the digital world consumers of touristic products have access to information in an instance, to dialog as well they can offer feedback while everything is very transparent. In any type of crisis managers and the staff operate under pressure and the focal point it is to keep in mind that the crisis will pass and their business is for long term. One important aspect in times of crisis for tourism business is the cancelation policy. As such for this type of situations good managers have chosen for their business to do not ask for more than 10 per cent as a deposit out of the total cost of the holiday/trip and

which were not considered prepayments. Other managers opted to focus on the product strategy and carried out intensive marketing strategies outside their country: by direct mail, advertising exhibition and trade fairs, sponsorship and direct selling.

As Oprea (2010) appreciates that several airline companies were affected in a serious way in Romania as some of them decided to resume their flights: WizzAir, Carpatair, Blueair and Easy jet which preferred to leave the market for a period. Europe tourism industry confronts with serious challenges such as faulty VAT laws that create for the EU based inbound tour operators difficulties to compete.

### III. CRISIS MANAGEMENT IN TOURISM

A notable number of researches, articles and books have appeared on the subject of management crisis in tourism as a result of the economic crisis with the main themes approaches those that diminish the risks that were generated by the crisis itself. A good definition for crisis management in tourism is: the common efforts carry out by companies/firms/organizations with the defined scope of recognizing the possible problems, risks and their prevention; and those actions that find solutions for the occurred damages alongside with the exploit of the new opportunities (Wang and Ritchie, 2013).

As Coombs (1999) notes each crisis is different and as such different approaches are necessary from the part of managers. These tailored approaches need to take in consideration in their management strategy for crisis in tourism all the elements that surround them: commercial aspect, transport, socio-economic, environment.

One model for crisis management was proposed by Mitroff (1988) which includes 5 phases or mechanisms: the warning sign; preparation; repression (damage limitation); recovery; and the learning. As the business community became more complex the crisis management plans are flawed and not complete insufficient without a social media plan. One other solution picked by managers in order to prevent the effects of the crisis was to adopt any kind of support for tourists (Susilovic, Sertic, 2010). A research made by Kapiki (2012) on hotels of 5 stars in Thessaloniki, Greece showed that hotel managers and owners made little investments after the crises reducing their budgets and focusing on quality services and adopting and applying the best strategies such as revenue- and profit. With the help of revenue management strategy managers gain a greater visibility over all the transactions, can forecast the effects of trends and have control over the sales and pricing data.

Beirman(2009) appreciates that there a number of good strategies that can be used: a) the joint act, cooperation of all the major structures involved in tourism; b) the use of media, press public relations campaigns with a focused public targeted to the right audience that is receptive to the message and which filters the information in their own advantage and c) the recovery of the market with the help of marketing.

A good sustainable solution under the crisis for a specific company or destination to continue with its competitive advantage is to make use of networking and to develop partner relationships and to involve them in different stages of the value chain (Stanković and Đukić, 2009).

When is intended to put in application the sustainable development fundamental principles there are taken in consideration some important details such as the if the controlled development is made at a small scale or a large one and its economy, the effects and how they are distributed among the local population.

Experience confirms that it is essential to suggest joint structure where managers of tourism business collaborate and cooperate with the local decision makers in their projects, share opinions and responsibilities. Another research suggested that the strategy to be adopted in times of crises should be the vision strategy rather than strategic planning (Enea, 2009).

### IV. CONCLUSIONS

Europe is the world's most visited region and tourism represented during the crisis one of the engines of economic recovery. In periods of economic uncertainty, traditionally the budget allocated for tourism products becomes vulnerable and can fluctuate. Experience, good adjustments and the help of the state can represent options and solutions in challenged times. Researches showed that the higher are the spending for tourism promotions the higher is the activity in the specific region (Deskens, Seevers, 2011). Not all the decisions made by managers were the best: to cut back on investments, on expenditures, lay off employees and offering services of lower quality. Many variables change during a crisis such as the transportation, number of days/nights money allocated for extra options or services (Gheorghe et al, 2014). This way the research in the field of crisis which resulted in a significant body of literature it is rather fragmented in fields or disciplinary approaches and as such it is offered a multidisciplinary approach.

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