Management instruments in the process focused on improving the results of organizations functioning in economic crisis – based on the research of opinions presented by managers of tourist enterprises

1. Introduction

The most extensive, according to experts, economic crisis after the Second World War, which has affected the global economy in recent years, also exerted impact on, among others, the tourism sector. The decrease in the volume of tourist traffic, shrinking demand, lower expenditure on tourism and therefore revenues earned by this sector represent some of its numerous symptoms. These unfavourable phenomena result in worse financial and economic results obtained by enterprises operating in tourist sector. The majority of basic operational indicators dropped, e.g.: room occupancy rate, ADR¹, RevPar² and GOPPar³ in hospitality business,

¹ ADR (average daily rate) – average price per hotel night in the studied period.
² RevPar (revenue per available room) - average revenue per one available room in the studied period.
³ GOPPar (gross operating profit per available room) – gross average operating profit per one available room in the studied period.
ASK (ASM)⁴, RPKs (RPMs)⁵, CASM⁶ and TRASM⁷ in passenger transport, or gross and net margin ratio obtained by travel agencies. The deepest recession in tourism occurred in the period of 2008-2009, even though its consequences per unit (particular tourist enterprises, countries or regions) are still observed. It view of these negative phenomena and the need to survive this difficult period tourist entities started paying attention to tools adequate for crisis management. In the hereby context it is founded to define the impact of economic crisis on the functioning of Polish tourist enterprises both in the perspective of its effects and activities undertaken to overcome them.

The paper takes up an attempt to verify the hypothesis according to which in the opinion of tourist enterprises managers the more significant result of the current economic crisis takes the form of higher functioning costs rather than a drop in revenues or smaller number of clients. In spite of the above, among crisis management instruments the more important role, than cost reduction, is played by such activities as: promotion and its intensification, more intense online sales activity, offering discounts on services or winning new sales markets. The discussion presented in the paper is based on empirical research results carried out among entrepreneurs operating in tourism sector in the most popular tourist locations in The Karkonosze and The Izery mountains, i.e. Karpacz, Szklarska Poręba, Świeradów Zdrój and Jelenie Góra. In case of the first three cities tourism constitutes their basic economic function. This allows for an observation that the awareness of entrepreneurs regarding taking active position in case of crisis and resorting to crisis management operations should be relatively high. The empirical part of the paper was preceded by theoretical remarks referring to attitudes of crisis management in tourism.

2. The concept and instruments of crisis management in tourism

A crisis means a series if adverse changes (Nogalski, Marcinkiewicz 2004, p. 12), which result from different reasons: natural (e.g. flood, hurricane, avalanche

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⁴ ASKs (available seat kilometres)/ ASM (available seat miles) – measure of service capacity in transport as the product of available seats and the number of kilometres covered (or miles depending on the selected length unit).
⁵ RPKs (revenue passenger kilometres)/ RPMs (revenue passenger miles) – total number of covered kilometres (miles) by paying passengers.
⁶ CASM (cost per available seat miles)/ CASK (cost per available seat kilometres) – measure of unit cost in transport (mainly by air) obtained as the product of operational costs and ASKs (or ASMs).
⁷ TRASMs (total revenue per available seat miles)/ TRASKs (total revenue per available seat kilometres) – measure of unit revenue in transport (mainly by air) calculated as the product of total operational revenues and ASKs (or ASMs).
or “bird flu”), political (WCT terrorist attack on 11th September 2001, unrests in Egypt, Tunisia or Israel), financial (exchange rate fluctuations, increase in petrol prices), technological and technical (e.g. implementation of an ineffective innovation), as well as organizational ones (e.g. conflicts among staff, conflicts between an owner and a manager). A crisis may have its source both inside and outside an organization.

A crisis is most frequently an unexpected phenomenon which seriously disturbs tourism economy functioning in a country, region, location, as well as affects adversely the situation of tourist enterprises. It influences tourists’ trust towards a certain tourist destination and reduces their interest in the area which is affected by a crisis. It means lower demand for tourist arrivals in such location and, in consequence, disturbs the functioning of enterprises which operate in it and are involved directly or indirectly in tourism oriented services.

Professional literature on crisis management differentiates the following terms: a crisis and a crisis situation. It is accepted that a crisis refers to one of three crisis situation stages (Wróblewski 2010, pp. 49-66) and refers to the, so called, acute crisis stage manifesting itself in an extreme destabilization of business functions (e.g. an enterprise). Usually it does not last long. The research performed by Z. Kral and A. Zabłocka-Kluczka (2004, pp. 46-56) in Polish enterprises indicates that an acute crisis phase (i.e. crisis in its strict sense) lasts, on average, about eight months and is shorter in large enterprises (about 5 months), comparing to the remaining ones (about 10 months). On the other hand, a crisis situation (generally referred to as crisis) continues for about 1-1.5 year, while in small enterprises for about 2 years. Considering experts’ suggestions it may be assumed that a crisis situation is regarded as an organization life cycle during which the process of these functions’ destabilization is initiated, continued and unavoidably leads to its failure, however, if corrective actions are undertaken an organization destabilization functions may be stopped and its return to normal condition is possible. Therefore, there is a subtle difference between the concepts of crisis and crisis situation. Because if a crisis means disorganization of the existing status (situation, system, order) resulting in its structural changes, the phenomenon of such break up, persisting in time and initiated by the state of equilibrium through instability to stability in a new situation (usually different in quality), is defined as a crisis situation (Szymonik 2011, pp. 2-3). However, it has to be remembered that (Gryz, Kitler 2007, p. 15):

8 According to R. Wróblewski the full life cycle of a crisis situation in an enterprise covers three basic stages: inefficiency growth stage, crisis stage (in case of intervention – introducing changes), crisis overcoming stage (return to normality).
• a crisis is a component of crisis situation,
• every crisis is a crisis situation, however, not every crisis situation includes an element of crisis (acute stage of a crisis situation),
• the emergence of crisis symptoms does not have to result in changes in the organization itself, but constitutes a challenge for a subjective sense of its normal functioning.

In the hereby paper its Authors use both concepts interchangeably. It is considered a fact that both a crisis situation and a crisis itself require undertaking actions mitigating their effects, as well as eliminating the state of crisis in an area or an enterprise. These activities are referred to as crisis or anti-crisis management, or management in crisis situations. The suggested time spans indicate that crisis management has two dimensions, namely: current management in times of crisis and management aimed at reducing crisis occurrence (Lows, Prideaux, Chon 2007, p. 10; Rosenthal, Pijnenburg 1990, pp. 277-283). Additionally, crisis management in tourism refers to activities undertaken both in micro-scale (an enterprise) and mezzo-scale (regions), or macro-scale (countries). The hereby paper discusses only a micro-economic scale and the crisis resulting from external financial and economic reasons (recently experienced economic crisis). It is also worth indicating that economic problems experienced by tourist enterprises are also accompanied by other types of problems (crises). Not only do tourist enterprises (as well as tourist destinations) have to deal with the dropping demand and growing operating costs, but additionally have to face such circumstances as: unstable political situation in some tourist destinations (e.g. Egypt), the eruption of an Icelandic volcano called Eyjafjallajökull (its effects were experienced in 2010 by almost entire Europe) or AH1N1 flu epidemic (mainly Europe, Near East, South Asia).

Literature on management offers many definitions of crisis management concept (management in crisis situations). According to R. Wróblewski managing an enterprise in crisis situation means the coordination of activities in case of crisis and their control in line with strategic objectives of a given enterprise. They are generally associated with its reaction to negative environment impacts and internal processes and the need to regain capacity for conducting operations when crisis is in progress, or when it is over. Their objective is to mitigate negative factors influencing an enterprise functioning and restoring its abilities for performing normal business operations (Wróblewski 2010, pp. 49-66). Crisis management means the entire spectrum of activities of diagnostic or planning nature, as well as introducing changes of well established cognitive grounds and tested in practice, but also focused on regulatory mechanisms optimization,
restoring internal and external balance, or both (Wróblewski 2010, pp. 49-66). It covers functions and processes occurring in an organization which aim at identifying and predicting crisis events, defining methods for preventing them and dealing with their effects (Darling, Hann, Raimo 1996, pp. 12-25, Jaques 2009, pp. 280-286). I. I. Mitroff and C. Pearson (1998, p. 28) point out that it consists in proper management of an organization, in the course of five distinguished phases characteristic for all such situations, namely: detecting signals, preparing for crisis, taking preventive measures, reducing damages, return to the situation preceding crisis and lessons learnt from it. Professional literature emphasizes that crisis management is, on the one hand, focused on taking control over crisis and, on the other, on using the crisis for establishing competitive advantage in all possible areas which allow for that (Spillan, Hough 2003, pp. 398-407). It is also underlined that activities within the framework of crisis management are undertaken long before crisis occurrence (pre-crisis of management), when it is in progress (focal operational crisis) and after it (post-crisis and learning) (Elliott, Harris, Baron 2005, pp. 336-345). Management is both of strategic and operational nature. The basic operations undertaken within the framework of crisis strategic management are as follows (based on: Wróblewski 2010, pp. 49-66):

- preparing the system of early crisis situation detection,
- evaluation of external and internal factors defining current situation, company development potential, as well as opportunities and threats,
- the identification of crisis situation reasons,
- measurement of crisis situation symptoms intensity,
- financial risk assessment,
- crisis situation development analysis,
- defining the strategy for crisis situation management,
- appointing anti-crisis team,
- defining tasks to be performed by Public Relations staff during crisis,
- defining methods for coming out of crisis,
- implementation of post-crisis development activities.

The most frequently applied anti-crisis practices of a temporary (operational) nature are as follows (Israeli, Mohsin, Kumar 2011, pp. 367-374; Perl, Israeli 2011, pp. 115-125; Jaremen, Nawrocka 201, pp. 76-91; Zelek 2003, pp. 47-60):

- reduction of personnel costs (e.g. labour costs by staff dismissals or refraining from recruiting new employees, salaries freezing or reductions, offering unpaid leaves to staff, reduction of working hours, increased workload and scope of duties, substituting highly paid employees by new ones ready to perform the same duties for less money, limiting non-compulsory social security benefits,
cutting costs of salary derivatives by taking advantage of outsourcing, limiting staff participation in trainings),

- reduction of the remaining operational costs in an enterprise (e.g. reduction of promotional costs; renegotiation of delivery conditions; substituting the existing suppliers by those who offer goods and services at lower prices; replacing more expensive goods and servicers by their cheaper equivalents; reduction of stock; if possible shifting equipment inspection and maintenance in time; cutting costs resulting from the number and/or changes in offered benefits/services and also payment deferral or renegotiation of credit terms),

- intensification of marketing activities regarding all marketing-mix components (product, price, distribution, promotion and personnel) including mainly: limiting services range by resigning from some events or benefits less important for customer satisfaction, or vice versa extending the existing service packages in order to stimulate interest in an offer (e.g. by including additional events or benefits which were previously extra paid); launching new services or new service packages based on the existing service capacity (e.g. organizing reception offering rich artistic entertainment, providing catering services or offering cultural and entertainment events held in a hotel); investigation of new markets for the provided services; addressing offer to segments which, so far, have not been in the centre of attention of a given tourist enterprise; promotion and distribution intensification by applying their cheaper forms (online promotion and distribution) as well as atypical advertising and sales strategies or places (e.g. advertising tourist services in shopping centres or social media); activating sales department staff by applying adequate motivation systems and also activities focused on process diversification (e.g. cutting service prices, promotional prices offer, improvement of product price/quality relation, adjustment of services price level to demand size in a given time – so called yield management and the introduction of loyalty programmes).

The presented above and possible to perform operations prove that enterprises have many interesting strategies and tools at their disposition to fight negative crisis effects. However, a question should be asked which of the listed instruments, in the situation of currently experienced crisis are applied by tourist enterprises in Poland. In order to provide a reply to this question it was required to carry out empirical studies in a group of targeted tourist enterprises, which was performed in 2012. Research results constitute the basis for the pre-formulated hypothesis verification.
3. Crisis management instruments in tourist enterprises in the perspective of empirical studies

The Authors focused mainly on the identification of economic crisis impact level on the functioning of Polish tourist enterprises regarding its effects for business operations and tools, as well as activities undertaken in order to reduce crisis negative results. Questionnaires filled in by 99 managers/owners of tourist companies functioning in four attractive tourist destinations in Lower Silesia region, i.e. Jelenia Góra (21 questionnaires), Karpacz (36), Szkarska Poręba (21) and Świdradow Zdrój (21) allowed for collecting adequate information. Following the Authors’ focus on tourist enterprises the spatial scope of research covered selected locations of tourist attraction. The choice of research sample was based on the general population structure (i.e. tourist enterprises functioning in the territorial area covered by the study). In the analyzed space the company structure is dominated by hotels, followed by food and catering businesses, travel agencies and other entities functioning in tourism. For this reason accommodation objects dominated the research sample. Its choice was of non-random and targeted nature, i.e. subjective and based on the assumption facilitating the collection of the most extensive and complete information regarding tourist sector enterprises different in size, the covered market segment, length of their market presence and the standard of services provided. Among the interviewed entrepreneurs 44 respondents originated from hospitality business (44,4%), 30 from restaurant and food provision services (30,3%), 13 from travel agencies (13,1%). The remaining respondents were holding positions of managers/owners of sport and leisure centres (6%), or souvenir outlets (4%). Two respondents represented museums and spa centres each. By the number of employees, the vast majority of studied enterprises belonged to the group of micro- (79,8%) and small ones (17,2%) where the number of employees did not exceed 50 workers. Average size of employment was 7,3 persons. The studied group covered two representatives each of medium sized enterprises (more then 50 workers) and large ones (over 300 workers). Half of the researched companies have been operating on tourism market for at least 10 years, 13 of which have been present on this market even before 1990 and 37 appeared in the period of 1990-2004. Private sector entities are the dominating ones (98%). Having considered the organization and legal form almost 63% of entities covered by the study are functioning as natural persons running a business, 20,2% - as limited liability companies, 7,1% - as general partnerships, 6,1% - as civil partnerships and 3,0 – as joint stock companies.
Almost 1/5 of the analyzed enterprises assessed their current economic and financial situation as unfavourable (picture 1). The majority of enterprises were affected by the global economic crisis of recent years (72.7%) (picture 2).

**Picture 1. Current situation of an enterprise in the opinion of surveyed managers/owners**

*Source: own study*

**Picture 2. Was the enterprise affected by the results of current economic crisis in the opinion of surveyed managers/owners?**

*Source: own study*
According to respondents the most prone to negative effects of crisis tourist branches were hospitality and restaurant business, next travel agencies and transport providers. The worst period for enterprises functioning, according to respondents, was 2011 (32.3%). In the year of carrying out the surveys (i.e. 2012) the majority of respondents claimed that “the worst is yet to come” (46.5%) and expected the situation to deteriorate in the future (44.4%).

Survey results illustrate that according to respondents the most important negative consequences of the current economic crisis are as follows (picture 3):

![Economic crisis results in the analyzed tourist enterprises](image)

*Picture 3. Economic crisis results in the analyzed tourist enterprises (by the decreasing significance of these results)*

*Source: own study*
higher costs of running a business (3.8 points in the scale from 1 to 5, where 5 stands for a very important effect and 1 for an insignificant effect) and a drop in revenues (3.1) resulting from reduced demand for the studied companies’ services (3.1), fewer clients both Polish (3.0) and foreign (2.8), as well as reduced frequency in purchasing services (2.9). All the above unfavourable phenomena played a significant role in the analysed enterprises’ financial results worsening (3.0).

One can easily notice that economic crisis experienced in recent years influenced significantly the situation of surveyed enterprises, however, in many cases their

**Picture 4. Anti-crisis measures applied by the analysed tourist enterprises (by the decreasing significance of particular measures)**

*Source: own study*
owners/managers practically did not apply any tools to reduce its effects. Over 48% of respondents did not reply to the question about undertaking proper anti-crisis measures or the question referring to their subject. On the other hand, 1/3 of respondents claimed that they did not need such measures. Those who did apply instruments adequate for crisis situations most frequently decided to take advantage of the enterprise online offer promotion and distribution strengthening, which was considered the most important tool in counteracting the company deteriorating situation (3.3 points in the scale from 1 to 5, where 5 stands for very important significance and 1 insignificant importance of an instrument) and also activating advertising campaigns, price discrimination, investigating new sales markets and cutting business costs (picture 4).

4. Final remarks

Tourism branch, similarly to other sectors of economy, did suffer the adverse effects of prolonged economic recession. In response to the deteriorating economic and financial condition tourist companies have taken up mitigating steps to fight crisis negative impact. Depending on the needs and possibilities, as well as knowledge presented by owners/managers and also conditions in businesses’ environment, the tools for fighting crisis consequences were diversified. Many of them were related to marketing, mainly regarding product modifications, price manipulations and activating promotional and sales campaigns. The significant part of surveyed enterprises concentrated their efforts on reducing, wherever possible, their business costs. In some cases it resulted in downsizing employment and cutting salaries and also limiting non-wage costs, mainly delivery and credits/loans costs servicing. A few companies refrained from or halted the already in progress or planned investments.

Research results allow for presenting the following conclusions:
- instruments applied in the perspective of current crisis by tourist enterprises are of temporary and operational nature,
- these tools belong to the set of investment tools implemented during the crisis (focal operational crisis management), therefore it represents the type of crisis management similar to fire extinguishing (reaction to negative incentives, the need to defend one’s position),
- the activities focused on capturing clients and stimulating sales are more important, while cost reduction tools are of smaller significance.

Research results do confirm the correctly pre-formed hypothesis regarding attitudes presented by owners/managers in the conditions of crisis situations.
Summary

Management instruments in the process focused on improving the results of organizations functioning in economic crisis – based on the research of opinions presented by managers of tourist enterprises

The economic crisis, which has affected the global economy in recent years, also exerted impact on, among others, the tourism sector. It view of the worse financial and economic results obtained by enterprises operating in tourist sector and other negative phenomena tourist entities started paying attention to tools adequate for crisis management. The objective of article is to define the impact of economic crisis on the functioning of Polish tourist enterprises both in the perspective of its effects and activities undertaken to overcome them. The paper presents an attempt to verify the hypotheses, referring to the opinion of tourist companies’ managers, according to which an increase in operating costs represents the more important result of the current global crisis, rather than a drop in revenues or smaller number of clients. In spite of that, among crisis management instruments higher significance, than cost reduction, is associated with such activities and instruments as: promotion and its intensification, higher online sales intensity, offering discounts on services or winning new sale markets. It refers to hypothesis verification suggesting that these enterprises are not prepared for crisis situations and the activates undertaken are of temporary nature. The discussion presented in the paper is based on empirical research results carried out among entrepreneurs operating in tourism sector in the most popular tourist locations in The Karkonosze and The Izery mountains, i.e. Karpacz, Szklarska Poręba, Świeradów Zdrój and Jelenie Góra. The empirical part of the paper was preceded by theoretical remarks referring to attitudes of crisis management in tourism. The results of conducted research indicate that in the opinion of the majority of tourist companies’ managers/owners the crucial impact of the global crises was observed in higher functioning costs, while the most important instrument for its effects counteracting is the extension of promotion and offer distribution, mainly online, with the cost reduction to follow.

Key words: economic crisis, tourist enterprises, crisis management.
Streszczenie

Instrumenty zarządzania w procesie poprawy rezultatów działania organizacji w czasie kryzysu gospodarczego – w świetle badań opinii menedżerów przedsiębiorstw turystycznych

Kryzys ekonomiczny, który dotknął gospodarkę światową w ostatnich latach, nie pozostawił bez wpływu również na sektor turystyczny. W obliczu pogorszenia się wyników finansowo-ekonomicznych i innych negatywnych zjawisk podmioty gospodarcze działające w turystyce zwrócili uwagę na narzędzia zarządzania kryzysowego. Celem prezentowanego artykułu jest określenie wpływu kryzysu ekonomicznego na działalność polskich przedsiębiorstw turystycznych zarówno w wymiarze jego skutków, jak i działań podejmowanych dla ich przezwyciężania. W artykule podjęto próbę weryfikacji hipotezy o tym, że w opinii menedżerów firm turystycznych istotniejszym skutkiem obecnego kryzysu jest wzrost kosztów funkcjonowania niż spadek dochodów czy zmniejszenie liczby klientów. Pomimo, tego wśród instrumentów zarządzania kryzysowego większe znaczenie niż redukcja kosztów odgrywają takie działania i instrumenty jak: promocja i jej intensyfikacja, wzrost aktywności sprzedażowej w Internecie, stosowanie rabatów na usługi czy pozyskiwanie nowych rynków zbytu. Rozważania prezentowane w artykule oparto na wynikach badań empirycznych przeprowadzonych wśród przedsiębiorców działających w turystyce w najpopularniejszych miejscowościach turystycznych w Karkonoszach i Górach Izerskich, tj. Karpaczu, Szklarskiej Porębie, Świeradowie-Zdroju i Jeleniej Górze. Część empiryczną opracowania poprzedzono uwagami teoretycznymi dotyczącymi podstaw zarządzania kryzysowego w turystyce. Wyniki przeprowadzonych badań wskazują, że w opinii większości badanych menedżerów/właścicieli firm turystycznych, w największszym stopniu kryzys wpłynął na wzrost kosztów funkcjonowania, a najistotniejszym instrumentem przeciwdziałania jego skutkom jest poszerzanie promocji i dystrybucji oferty, głównie w Internecie, a w dalszej kolejności redukcja kosztów.

Słowa kluczowe: kryzys ekonomiczny, przedsiębiorstwa turystyczne, zarządzanie kryzysowe.
References


