

# The Effects of Economic Crisis on the Global Travel Management Companies

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## Abstract

The worldwide economic crisis has strong effect on Romania, which has a developed market economy, but an economy based on consumption and credit. What can we expect from the tour can not meet anyone. The rich suffer less, unfortunately there are the vast majority of the population affected by the economic crisis, which will bear its costs: unemployment - due to bankruptcies in the private sector, leaving investors to other countries etc. In this paper I have proposed to address new dimensions of management in the economic crisis at the strategic and tactical levels, and in particular at the operational level. I have presented aspects of the economic crisis in our country, by characterize the impact of crisis on the main sectors of national economy.

**Keywords:** crisis economic, globalization, business travel

**JEL Code:** M20

The organizational environments uncertain, turbulent, specific to economic crisis involve new accents of management instruments in order to achieve managerial effectiveness and efficiency and to this sense we scale new management by objective and management by exception. We also put emphasis on total quality management method and the need for change management by reengineering. Globalization, high flexibility, continuous improvement, tolerance for uncertainty is the general attributes of the new organizations that require a new managerial process.

The worldwide economic crisis has strong effect on Romania, which has a developed market economy, but an economy based on consumption and credit. What can we expect from the tour can not meet anyone. The rich suffer less, unfortunately there are the vast majority of the population affected by the economic crisis, which will bear its costs: unemployment - due to bankruptcies in the private sector, leaving investors to other countries, etc. All of these are: to be vulnerable in financial terms, since Romania's economy performed 19 years after a model of so-called "market economy" that had the privatization of state enterprises in all fields of activity: industrial, mining, communications, agriculture, tourism etc.

After 1989, for industrial development, private sector, attracting foreign and Romanian investors, infrastructure development and agriculture and tourism should be done by providing tax credits and low interest bank, with a grace period of at least 5 years. If these facilities were granted, the Romanian economy grows over these 19 years that have passed and there was no need to borrow from the IMF. Although the current economic and financial crisis seems far from exhausted and be forces, some analysts speak of a further crisis, caused by oil shortages will occur in 2013.

Thus, experts say, the future uncertainty exceed the magnitude of its present instability. The problem is, experts say that major oil concerns and fell on the one hand, production, decreased demand on the fund, and cut on the other hand, investment programs. "When things start to return to their groove, world economies will face an acute shortage of oil, the deficit, according to our calculations, will be installed in 2013.

This implies an explosion of prices for "black gold", which experts estimate IEA could climb in numbers inconceivable today, when the barrel cost around 44 dollars, that is \$ 200. Same sources as oil could raise the price to 148 dollars in the year 2009. To prevent this scenario, oil concernée must also carry out the investment plans. Currently, major oil producers, especially Arab states, were frozen, at least two to three years, 35 of the 130 projects for the operation of new deposits. In addition, OPEC has decided, recently, declining rates of production by 2.2 million barrels per day, the largest decline in history. The IEA experts believe that 2010 will bring the first signs of certain relaunch the global economy and hence demand for oil. Results of a study conducted by the IEA shows that 800 major oil fields, 350 in volume production decreases continuously. If by 2008, tourism was a less influential, since January 2009, the crisis starts to become more painful, especially during periods of deseasonalization (eg, January and February are months weakest in terms of tourism mass), and now all the segments will be further affected.

After twenty years we face a new high amplitude process generated by the crisis triggered last year in the U.S. and which affects more strongly the whole global economy.

There were many considerations on the essence of this crisis and its causes. The first reaction in the U.S. and in European countries has been recourse to state aid. First turned to this intervention of the state, was even President Bush jr., proponent of economic liberalism and deregulation, which proposed a massive aid from the state, a position strengthened by Obama. Similar measures were taken by the european states - Britain, France and Germany. It is known radical feedback's of Nicolas Sarkozy, who spoke about bankruptcy of "invisible hand" of the market and the need of state intervention.

American sociologist Immanuel Wallerstein<sup>8</sup>, is convinced that the current crisis is not similar to other crisis. Through their effects, we can say/assert that is even more severe than in the years 1929-1933. He talks about the "great times" period in the history when are succeed systems that regulate human relationships with material environment. He says that today we are in the phase B of a Kondratiev cycle, which began since 30-35 years, after a long phase from 1945 to 1975. In phase A the profit is given by industrial production facilities, in phase B, in order to create the profit, capitalism must finance again and recourse to speculation. We are at the end of phase B, when the material decline becomes real and when the balloons crack one after another: bankruptcies are proliferating, increasing the concentration of capital, unemployment increase and the economy advancing in deflation.

"Capitalism is omnivorous"<sup>9</sup>, it collects the profit where is more important at a moment in time. It is no satisfied with no small profit margins, but it maximizes, favoring the monopolies, such as recently in biotechnology and information technologies. Therefore we witnessing a crisis that is not only economic because it subsequently generates a suite of other crises, such as social crisis and the system crisis. The economic crisis is more increasingly felt

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<sup>8</sup> Wallerstein I, The Depression: A Long Term View, în Monthly Review, tome 61, no.1, 2009

<sup>9</sup> Wallerstein I, The Depression: A Long Term View, în Monthly Review, tome 61, no.1, 2009

in the Romanian economy as a result of propagation of crisis effects facilitated by the globalization and worldwide markets. IMF has advanced a forecast of economic growth of -4% for 2009, and Minister of Finance used it to revise the GDP declining from 579 to 531 billion lei.

The last survey conducted among managers of the National Statistics Institute shows that for the period March to May 2009 are shaping a decreased activity in manufacturing, retail trade and services and a moderate reduction in the construction sector, compared with the previous three months. Preceding period (February-March 2009) in which managers have felt a worse economic situation compared to earlier months, from late 2008, when GDP growth slowed very strong. It finds that managers view working in the branches where they create 83% of GDP (Table no 1) coincides with the senior officials or foreign analysts and recession, if it is combined with available of personnel and price increases - resulting from the poll – seems like the stagflation.

Stagflation is a situation where, in an economy, inflation, recession or stagnation, and unemployment occur simultaneously. Mainly stagflation has structural causes, the result of wrong macroeconomic policies. Central banks can produce stagflation by increasing excessively broad money, and governments - through regulation of business and labor market.

A classic case is stagflation of global crisis in the world of 70s. It began with an unprecedented increase of oil price, but on the background of monetary policy and excessive tax "incentives", which sought to fight against the crisis degenerated into a spiral of prices - wages, same time with unemployment and the worsening recession.

**Table no.1**

**The share of main resources categories to GDP constitute (%)**

Categories of resources	2002	2003	2004	2005	2006	2007	2008
Services	46	46,9	45,9	48,6	48,6	50,2	49,5
Industry	27	24,7	24,9	24,8	24,5	23,9	22,9
Constructions	5,7	5,7	5,9	6,5	7,4	8,9	10,5
Agriculture	11,4	11,6	12,6	8,4	7,8	5,7	6,5
Net tax on product	9,9	11,1	10,7	11,7	11,7	11,3	10,6

*Source* : calculated on the basis of Eurostat data.

These data are pessimistic, confirmed by another survey/pool, on which Eurostat determines the confidence in the economy. According to data for March, the economic feeling indicator (economic feeling indicator - ESI) has reached the lowest level of all time (64,3 points). FSI is determined on the basis of trust in industry (40%), services (30%), construction (5%) in retail (5%) and consumer confidence (20%). And, in turn, confidence in the service and consumption shall be placed at historical minimum.

At the industry level<sup>10</sup>, the expectations on the production and orders are much weaker than in February. Equipment were used in proportion of 73,9% of capacity in the first quarter of this year, compared to 79.4% in the same period in 2008, and the number of months insured on orders decreased from 7,4 to 6,4.

<sup>10</sup> „The financial week” newspaper, 6 april ,2009, page 8,9.

The volume of goods expected to be exported is declining sharply. In terms of services, in March 2009 is notable the dramatic reduction in demand compared to last three months, and predicts an even weaker trend for the next 3 months. Confidence in consumption is particularly devalues due to fears on entry into unemployment, and also the appetite of people to buy a new car or a home is declining exponential/very fast. Finally, traders perceive the current situation to be much better than the last month of winter, but it sounds bad future for them.

And builders report in March fewer less orders than in February, although out of winter season expect to a certain improvement. The pessimistic and gloomy background of economic crisis it is evident that stress and crisis of management<sup>11</sup>, as a result of numerous failures of management practice, which ultimately lead to a basic change of management. Therefore, management in conditions of crisis, marked by turbulence, acquires new dimensions to tactical and strategic level, particularly at operational level. In the field office of forecasting, the priorities or succession of processing, regardless of field, are essential. They have a further calendar data plan or specific program activity. For this purpose, may be introduced a „ordomaster process”<sup>12</sup>.

It requires a shift from *strategic planning to strategic vision*. Such strategic planning is based on a realistic assessment of what can be done on the organization and on a detailed planning, in which the strategy must be applied. In this sense, the strategy contains many details, with a guarantee of achieving it.

Also, the final outcome of the strategy is a little known part of the largest employers. Hierarchical strategy undermines competitiveness, designing an elite management, which leads to a demobilization of a large part of employees who no longer recognize the organization's purposes and is not actively involved, constantly in achievement of those. The strategic vision, in turn, transfers the management to fix the organization's goals and at the same time, create networks and skills necessary to be achieved, but leaves the task of the various organizational levels to identify specific methods to achieve these objectives. It follows that the orientation, strategic vision, transfer management aims to the operating procedures using the most appropriate circumstances and not by successive derivation. In conclusion, as we move from type "car" to the "body"<sup>13</sup>, strategic planning changes. The axis efforts to define the strategy moves to develop the skills to enable effective exploitation of resources organization.

Approach of modern development strategy is based on the following aspects:

- ✚ the identification means to fight against competition - new alliances, new processing systems;
- ✚ clear guidance, on the operational levels, employees agree details;
- ✚ continuous learning by the organization<sup>14</sup> and progresses;
- ✚ understanding the difficulties of changing organizational behavior;
- ✚ organization is a whole that helps one part to another.

Management in condition of crisis, is given by the new characters of organizations, which are presented in the following table no. 2. The organizational turbulence zones, involve new

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<sup>11</sup> Nicolescu O., Verboncu I., Management methodologies, University Publishing House, Bucharest, 2008, page16

<sup>12</sup> Moldoveanu G. , Dobrin C., Turbulence and organizational flexibility, Economic Publishing House, Bucharest, 2007, page 109.

<sup>13</sup> Idem 5

<sup>14</sup> Idem 4

accents of management instruments in order to achieve effectiveness and efficiency. So, the management by objectives (MBO) of the two essential steps of the method, namely the derivation of the objectives of the fundamental individual and to harmonize the resource with asumed commitments, focused, emphasized the second step. At each level should be derived objectively to verify the existence of the harmonization with the purposes followed, using including the method of negotiating in all its forms.

**Tabel no.2**

<b>Main features</b>	
<ul style="list-style-type: none"> <li>- globalization/worldwide</li> <li>- high flexibility</li> <li>- continuous improvement, innovation</li> <li>- tolerance for uncertainty.</li> </ul>	
<b>Management</b>	<b>Design of jobs</b>
<ul style="list-style-type: none"> <li>- leadership without control ; less from straight and assesment; more from facility, communication, of network work.</li> <li>- tolerance of ambiguity, trust in individuals</li> </ul>	<ul style="list-style-type: none"> <li>- responsibility of persons and groups;</li> <li>- continuous learning;</li> <li>- work with large functions , on teams;</li> </ul>
<b>Structural features</b>	<b>Information operating</b>
<ul style="list-style-type: none"> <li>- plane structure;</li> <li>- decentralization;</li> <li>- network;</li> <li>- self organization;</li> <li>- the absence of internal borders;</li> <li>- consistency between structure and work processes;</li> </ul>	<ul style="list-style-type: none"> <li>- integration of tele-communication technologies;</li> <li>- „electronic” organization.</li> </ul>

Source: operating<sup>15</sup>

In the context of management by exception (MBE), the turbulent zones require "fall" the operations management at centers operators, to main makers at all functions, including control-evaluation, and not as the focus and approach of "exceptions", or benefic state of their existence. The methods presented and others from the management of other methodological device (MBP, MBB) make the first plan, the turbulence conditions, the decentralization as a way of strengthening the top management. It follows that the decision in an organization should be reconsidered on the road or circuit hierarchically, within the meaning of activities to attract centers operators, not to eliminate or reduce the excessive power of decision in the upper levels.

In the field of **organization** function is required to specify and redistribution of tasks at each hierarchical level. The old hierarchical organizational structure, with a large number of levels, is becoming more iron. In multi-hierarchical level structures, the problems are solved successively, decisions at the top pass through the entire network management, in order to get to the subject led. Management with many levels of hierarchical rule does not ensure effective control, by the peak management on the constantly changing situations, from the bottom level. Time to transmit orders and reports on their performance is relatively long. Length of changes is, in many cases, greater than the responses to change ( $d_s > d_r$ ).

**The coordination**, in the turbulent environments, of the crisis is resulting in dynamic and results accentuated by the degree of parallelism of operations. This requires intensifying

<sup>15</sup> Moldoveanu G. , Dobrin C., Turbulence and organizational flexibility, Economic Publishing House, Bucharest, 2007, page 109

horizontal links between departments of the same type or which ones meet the goals of which converged. In a limited time of diagnosis of the organizational system and indetermination, the preparing management decisions should be triggered at as low quality of the decision being determined by the degree of vertical coordination. Horizontal linkages allow deep analysis of organizational structures and elements of rationalizing them. Management decisions and performances are transmitted between performance levels, if and only if they affect the functionality. Horizontal links to information and facilitate groups on technical issues, consisting of members from several organizational subdivisions.

**Training and motivation**, as management function, is done based on priorities, based on prediction function. To control function level, the management processes are sum of TQM impact method. Total quality is a goal, an objective which must to mobilize all elements of establishment<sup>16</sup>. Total quality is a manner to approach an organization, a closing by working of elite, highlighting all forms of performance and relationship between industrial partners. It is a social revolution, both at working place, but an approximation, rigorously efficient, to the professionalism and success. It is not just related to a product or products, but to the entire activity of an organization, what it can or should make for a decisive influence not only the view of customers or intermediaries to final consumers, but also its reputation throughout.

In order to achieve the proposed objectives of total quality, the management company must follow a certain logic, which involves the following:

- ✚ nothing is perfect, so everything can be improved with the participation of the staff and all compartments;
- ✚ all the workers in an enterprise have equal importance in achieving total quality, each representing a "ring" that can strengthen or weaken the "quality chain".

Quality management attaches great importance to prevention activities in the broad sense, without forgetting the control of processes and outcomes and including the permanent improvements as a fundamental and defining item. A new approach against the continuous improving further is the rethinking. Michael Hamer and James Champy<sup>17</sup> introduced the concept of reengineering/rethinking and signifies rethinking fundamental, radical redesign of business processes in order to achieve spectacular improvements in critical indicators of performance such as quality, cost, service, and speed. Reengineering has the redesign to process the current activity of all those who contribute to creating value and has been invoked as a major means of streamlining and modernizing the economic processes of the firm by fundamental conceive and radical redesign of them.

## Conclusions

In the economic crisis conditions must rethink the process of management and in particular to begin the changes at the managerial functions.

On the basis of all the steps is the innovation process. Edmund Phelps<sup>18</sup> said that "innovation is one of the things you can do in order to revert the level of economic activity. If we apply large-scale innovation - we can not recreate the internet boom, but if we do something like this we see a revival of the activities from management to marketing"

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<sup>16</sup> Falniță E., Total quality management, MIRTON Publishing House, Timișoara, 2007, page 39.

<sup>17</sup> Hammer m., Champy J., Reengineering the Corporation : A Manifesto for Business Revolution , Harper collins, New York , 1993

<sup>18</sup> Nicolescu O., Verboncu I., Management methodologies, University Publishing House, Bucharest, 2008, page16

The economic crisis is a crisis that resembles the letter U. Now we're down, but at a given time will climb again. The period through we pass it is now difficult for an entrepreneur, but there is still room for new and good ideas. For example, Tourism will be affected in the coming years of global economic crisis, as all prices will increase and people will be more careful when they spend money.

"Tourism will be affected in the coming years of economic and financial crisis in the world, which began first in the United States. This, as everything will be more expensive and people will have to be careful how they spend money.

There will be financial restrictions and economic, and security, there will be a decline of tourism. However, climate change and the price of barrel of oil are other factors that will affect tourism in the world". From the data we have at this time, it can be concluded that the holidays will be a setback.

After crystallisation the economic crisis, domestic Romanian tourism seems to be more interesting at this moment for Romanian tourists, but the products of the holiday destinations of foreign-only now are for sale so that it is premature to express.

The fact is that, at least for the first half of 2009, tourism events will be heavily affected, and because corporations have drastically reduced budgets for travel. These issues have been asked since October, November, December 2008.

Although the current economic and financial crisis seems far from exhausted and be forces, some analysts speak of a further crisis, caused by oil shortages will occur in 2013. Thus, experts say, the future uncertainty exceed the magnitude of its present instability.

The problem is, experts say that major oil concerns and fell on the one hand, production, decreased demand on the fund, and cut on the other hand, investment programs. "When things start to return to their groove, world economies will face an acute shortage of oil, the deficit, according to our calculations, will be installed in 2013.

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To prevent this scenario, oil concernée must also carry out the investment plans. Currently, major oil producers, especially Arab states, were frozen, at least two to three years, 35 of the 130 projects for the operation of new deposits. In addition, OPEC has decided, recently, declining rates of production by 2.2 million barrels per day, the largest decline in history.

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Some people in industry or other sectors of the economy, argue that the Romanian tourism might benefit from this crisis to develop, attracting tourists from Europe to destinations nearby, such as Romania or Bulgaria. It is however to mention that if we managed to attract tourists so far, this will not happen during the crisis.

Indeed, it may be an opportunity for countries with traditional tourism, which can reduce rates, but keeping and quality services. We, Romanians, are increasing prices because employment declines. And extrapolate not provide any travel cheaper or better.

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