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**TOURISM COMPANIES PERFORMANCES  
AND MANAGERIAL SKILLS**

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The tourism could be one of the important sectors that create the GDP. That is why its evolution is important for any country. The transformation of the national economies from Eastern European countries caused major changes in tourism and its management requirements. Romanian experience during the last 16 years demonstrates that managerial skills are closely related to the tourism companies' performances. At the same time, there are different other factors that indirectly influence the evolution of this sector.

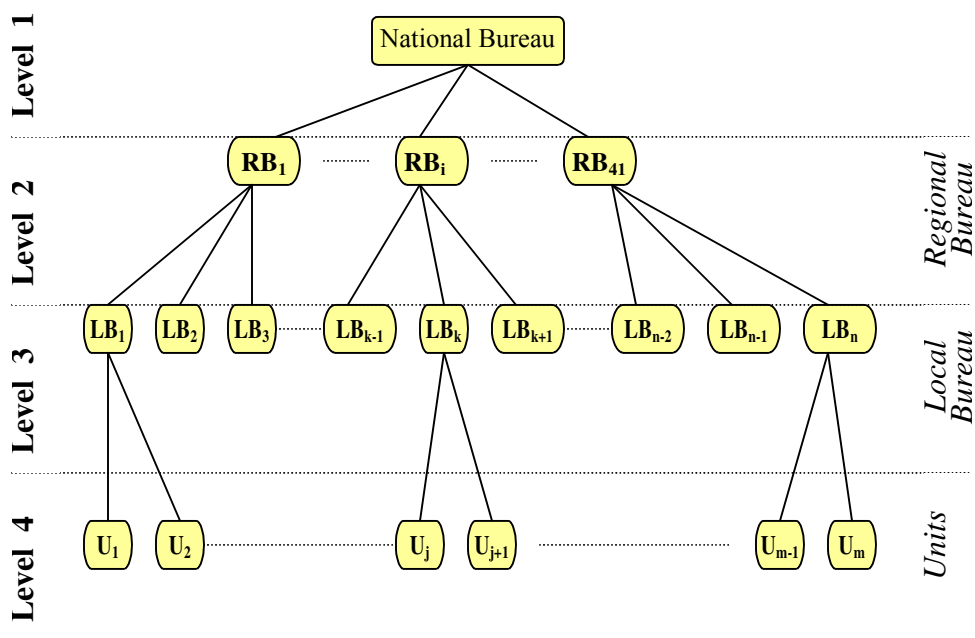
In our opinion, the managerial skills are dependent of the level of decision making as a result of the organization autonomy degree, the later one being directly influenced by the type of property.

**1. Autonomy – level of competence/decision making**

For a better understanding we will present the centralized structure of the Romanian tourism before 1989. At that time that were only 4 national structures for tourism:

- tourism for general national and international public – ONT (National Office of Tourism);
- tourism for national and international youth – BTT (Tourism for Youth Bureau);
- trade union tourism office;
- Tourism office for handicraft cooperatives union.

Each of these national offices had its own network around the country, including motels, hotels, restaurants, villas, cottages, spa facilities, other additional sports and entertainment facilities.



**Figure 1 Centralized System of Management**

According to the figure 1 the competence level of the unit management was very low. The policies and strategies were made at the central/national level and were implemented by the units. The regional (county) and local (town, village) had only the transmission role of the directives and control of the results.

This managerial system brings about unpersonalized services in tourism that generates a lack of attractiveness. The result, after the year 1990, was that an important part of Romanian tourists decided to spend time in other countries as Turkey, Greece,

Bulgaria, Croatia, Italy, and so on. On the other side, the foreign tourists, mainly belonging to former Eastern countries, also decided to go to more attractive destinations.

Starting with year 1990, the infrastructure of tourism reaches new aspects due to the private sector evolving. The development of private sector was caused through various ways as:

- new capacities and facilities built by domestic and foreign investors;
- privatization of part of the national infrastructure;
- rural and agro-tourism setting up.

Under the conditions of private sector in tourism the managerial system was dramatically changed. The decision making and all its components were transferred at the unit level. The results of these transformations were very soon visible and reflected first in the selection process of new managers and in the tourism companies' performances.

In table 1 shows some synthetic indicators concerning the tourism evolution between 1999-2005.

*Table 1 Dynamics of the tourism*

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004**</b>	<b>2005**</b>
Number of private companies	10053	10024	9871	10415	13502	15419	17336
Number of state-owned companies	94	103	58	49	33	40	40
GDP contribution of tourism (%)	2,5%	2,4%	2,1%	2,1%	2,1%	2,0%	2,0%

*\*\* authors' estimations*

*ource: Statistical Yearbook of Romania (2004)*

If before 1990 all the organizations in tourism were state owned in about a decade of Romania's transition to market economy, an exponential number of private companies has emerged. On this upward trend, till the analyzed period, the number of the private companies increased with more then 70%, while the state owned sector diminished to less then half the initial number.

This transfer from state to private did not influence significantly the sector contribution to GDP.

Taking into account each sector contribution to GDP, tourism ranks 10. For comparison of figures table 2 shows also industry (ranking 1) and trade (ranking 5) contributions.

*Table 2 Comparative ranking in GDP contribution of the significant sectors*

Economic Sectors	Rank	1999	2000	2001	2002	2003	2004**	2005**
Industry	1	6,3%	24,8%	27,3%	27,7%	28,1%	27,3%	28,1%
Trade	5	10,9%	11,2%	10,2%	9,1%	8,6%	8,6%	8,0%
Tourism	10	2,5%	2,5%	2,4%	2,1%	2,1%	2,1%	2,0%

*\*\* authors' estimations*

*Source: Statistical Yearbook of Romania (2004)*

Tourism ranking 10 as a contributor to GDP does not seem an important sector in our economy, but if we are looking at contribution per employee in euros, it becomes an important economic performer.

*Table 2 Comparative ranking in GDP per employee\**

Economic Sector	1998		2000		2003		2005**	
	euros	rank	euros	rank	euros	rank	euros	rank
Industry	4327	9	5872	9	7477	8	9329	8
Trade	6261	7	7266	7	7372	9	7955	9
Tourism	10118	3	11360	4	13308	6	16232	6
Transport, storage and communication	8083	6	10883	5	13488	4	17153	4

*\* processed data*

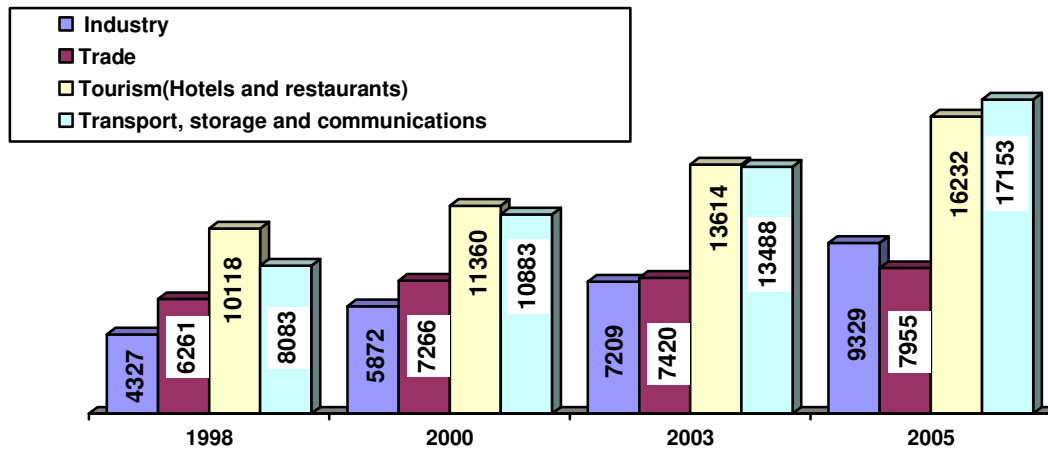
*\*\* authors' estimations*

*Source: Statistical Yearbook of Romania (2004)*

We can see from what the table shows that tourism proved to be a better performer of the economy ranking 3 and 4 at the beginning of the period and 6 at present in comparison with industry and trade. At the end of the period the evolution of a new performer (transport, storage and communication) placed the tourism to a lower position.

This evolution is natural according with the general trend of services development compared to industry and trade. The overtopping of tourism by transport, storage and communications is due to the communication area, the most dynamic component of this sector.

**Graph 1 SECTORAL GROSS DOMESTIC PRODUCT**  
(euros/employee)



The managerial system in private companies is based on the performance criteria of the company and therefore the selection of personnel and managers is more careful and according to the competence criteria.

## 2. Performances and evaluation criteria

The evaluation of the company performances could be made based on three methods:

- assets approach;
- income approach;
- transaction value.

The assets evaluation method estimates the values of the tangible and intangible assets. If the tangible assets are clearly mentioned and registered in the accountancy evidences, the intangible elements have to be valued. They could be identifiable (patterns, copy right, brand, trade name, franchise etc.) on intangible (goodwill). The goodwill of the company in tourism is a very important asset. The customers are attracted by the reputation of the company and services quality acquired in a certain time.

The patrimonial method gives more information about the size of the company and less about its activity, by the value of net assets calculated with the next formula:

Net assets = Total assets – Total debts

The income method gives more information about the business of the company and the activity it is performing. Future value of the company is given by the formula:

$$\text{Future value} = \text{Present value} (1 + a)^n$$

with: a = turnover of the capital in the forecasted time  
n = number of turns of the capital.

The cash-flow evaluation method points out better the main components of the business administration. The types of cash-flows used for estimating the company performances are:

- Cash flow from operations – CFO
- Cash flow from investments – CFI
- Financing Cash flow – CFF.

The value of the company is calculated based on the total cash-flow of the company with the formula:

$$V = \sum_{k=1}^n \frac{CF_k}{(1+a)^k} + V_r \times \frac{1}{(1+a)^n}$$

with:  $CF_k$  – total cash-flow for year k;  
a – turnover rate;  
n – predicted period (years);  
 $V_r$  – residual value.

The turnover rate is related with the inflation rate and risk rate. The most important risks that could appear in a tourism company are:

- country risk;
- financial risk;
- risk determined by the size of the company;
- risk brought about the unproper offer;

- risk of the customers portfolio;
- risk of key managers loss;
- imprecision forecast risk.

From the risks list, presented above, one could see that the first two risks depend on the macroeconomic stability the others are placed at the micro-level of the company.

All the risks at the company level, that influence its performances, are related with the management and managerial skills. Thus we can emphasize some correlation between the tourism company performances and managerial skills using as starting point the potential risks.

This approach is not valid in the case of centralized system of decision making it works only for the independent units with its own management.

The size company is determined by the development strategies designed, approved and implement by the top management. Development direction should be in accordance with the prediction of the sector at national level and the dynamics of international tourism. The ability of the top management to identify the best strategy of development that could be done with the available resources, reduce the risk of company collapse. It is obvious that a small or medium company shall use step by step strategies or shall look for a „bigger umbrella” in order to reach higher development targets. Some solutions for tourism companies are integration in international chains of hotels, contracts with big and well known tourism companies (tour operators, agencies etc.), franchise, sub-contracts etc.

The attractiveness of a tourism company is related with the offer. Simple said offer is not relevant – all tourism companies from a sea coast (Romania or Croatian seaside) offers specific tourism services. The offer shall be analyzed upon its characteristics: dimension, structure, target segments, flexibility, uniquely, adaptability etc. All these offer characteristics and their enforcement is a management attribute. For example, a wedding feast at the seaside should substantial differ from one at the mountain or in the town. These are synthesized in a proper personalized offer that makes the company identifiable and generates a higher attractiveness. Later on the customer satisfaction depends on the rate between expectation and reality. That means that the



offer works as a „promissory note” issue by the on the name of customer, in other words, the company promise to pay attention that he will get the expected services.

A performer management will develop a customers’ network able to assure a certain level of income. Too few customers are dangerous for the company, even if it is small or big, because of the income reduction in case of a customer dislocation.

There is an intrinsic link between a company performance level, its direct contribution to the sector development and the performances criteria of its managers.

According to the studies about human resources in tourism, general performance criteria for managers’ selection were settled as follows:

- leadership skills (good organizer, planer and commander);
- knowledge in tourism activities secrets, marketing and budgeting (previous experience in the sector it’s a plus);
- communication and interpersonal skills;
- good team player, creativity and perseverance;
- computer skills and at least one foreign language knowledge;
- customer focused and relationship building.

The skills and knowledge of managers in tourism cover such a large array of requirements because these carry the burden of keeping the company profitable and in a good position alongside its competitors.

The Romanian experience proves that the freedom of the private sector offers to the managers, at the unit level, more opportunities in identifying the ways of increasing the spending of their customers and more flexibility in innovative ideas achievement.

There is very important for the owners of the tourism companies that a important factor of success is the quality of management.

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