

# ANALYSIS STRATEGIES OF EXTERNAL ENVIRONMENT INFLUENCE ON TOURISM COMPANIES IN ROMANIA ESTABLISHING THE INTEREST CLASSES IN TOURISM AND THE RELATION WITH TOURISM COMPANIES IN ROMANIA

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External environment of tourism company is composed from economic, technical, social-demographic, juridical, ecological and management factors that can influence directly or indirectly the company evolution. In the present, the target of strategic management of external environment investigation is to know and understand the context and competition forces that act upon the tourism company. Also, anticipates and administrates the changes that take place, and realize a relation between company vocation, strategic capability and forecasted evolution of external environment factors.

**Keywords:** *strategy, management, tourism, competition, capability*

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## **Introduction**

The external environment of the company is made up of several economic, social, demographical, management and ecologic factors. It can directly or indirectly influence the activity and the evolution of a tourism company. The analysis of the external environment can lead to the possible identification of future trends. The evolution analysis is based at a company or geographical level as it can become a strategic opportunity; it can prove to boost cost efficiency and can increase income. Taking advantage of such opportunities can consist in a better efficiency and productivity whilst the identification of opportunities depends on both, a close research of the environment and the capacity of the company to give a correct meaning to the collected information ahead of competition.

Employees play a significant role in identifying the opportunities thus reaching to the conclusion that environmental research will be not be enough as to create new opportunities. Success can only come as a result of a combination between the

environmental research and company resources as the external environment of a tourism company is a highly complex structure made up of several factors.

*Economic factors* include highly complex structures. They include external and internal markets, the pace of economic development, the purchasing power, economic potential, fiscal and credit policies, inflation, the currency rate etc. These factors can truly influence the company simply by having an impact on the demand and the income. Statistic data for some tourist regions of Romania are not that promising. There are several regions with a high tourist potential but the local economy seems to have a decisive negative impact. One of the most import areas that are subjected to such influences include the River Danube Delta and possibly the Black Sea Coast. Diminishing revenues is highly connected to the increasing prices in the tourism industry and basically leads to a decline in customers.

The high number of taxes is another crucial factor as Romania's tourism sector has one of the

highest taxes in Europe. Such direct or indirect taxes affect almost 70 % on incomes in the tourism sector. In addition, these taxes make it harder for the companies to have a substantial income. The low economic potential of the country but mostly the lack of interest on behalf of the authorities (government agencies) has had a negative influence on Romanian companies. Statistic information shows that tourist areas such as the Danube Delta, the Danube Gorge and even Bucovina – Maramures have seen little involvement from government agencies in developing the tourist sector.

This is why tourism has long been lacking competitiveness, mostly because of government induced constraints: the promoted strategy has favored competition on the low price sector that targeted low income tourists; the lack of strategies that focus on performance and quality; a poor coordination in developing and promoting tourist products that target the upper end of the market; limited information on more expensive tour packages; a poor infrastructure; the lack of a clear judicial framework and cooperation with other sectors of the economy.

Still there are positive aspects too, such as the interest rate which is starting to decrease thus offering a more relaxed credit policy that leads to higher investment. The currency rate and its fluctuation can also influence business. The expanded global market can bring opportunities and dangers. Economic factors and their influence fluctuate according to time and space, so that the tourism company must have a clear picture of the area's potential, the external influences and its role in the local economy.

**Management factors** include: the national strategy, the features of the national economy, the

coordination and control policy, the quality of studies, methods and techniques used in the management process. The most important project in the tourist sector is the National Strategic Tourism Development Plan that has been made up by the Tourism Minister.

The features of the economy clearly influence the company as well as the management process by introducing several decision making ranks, establishing structures and functions as well as ensuring that responsibilities and competences are clear. The privatization has led to a smaller number of structural links, but tourism privatization has been slow and poor management has been visible.

**Demographical factors** such as: the total number of inhabitants, the percentage of active population, the life expectancy, birth and death rates can influence tourism activities because they have a huge impact on the number of customers and the structure and quality of the work force. Tourism companies have been hit by the negative impact of a small, 37 % of 15 -40 age group among the total population. This has been clear when it came to demand and consumption.

**Social and cultural factors** include: the social environment, rural and urban population, healthcare, the educational level, cultural values, mentalities, customs and traditions etc. These factors have been known to influence attitudes towards tourism activities as well as the behavior of tourism sector employees. The lower occupation rate can consist in an opportunity for the labor market whilst the negative impact is seen on the company, through the influence it has on the income levels, the purchasing power and demand. Cultural values, traditions and mentalities are also present in the financial results of the company.

**Natural factors.** Romania has a very important tourist potential; several things add to this, the existence of the mountainside, the Danube Delta and floodplain, the seaside, lakes, hillside and varied natural resources, they all make up the much diversified natural potential of the country.

It must be said that the tourism activity does not only represent a receiver of external influences, it can also consist an influence for other activities. Such influences can be analyzed by identifying certain groups of interest among the different tourist areas.

### **Prahova Valley – the Most Important Tourist Area of Romania**

Prahova Valley exceed by:

- Stock holders very interested in obtaining profit;
- Banks and financial investors willing to recover their investments as soon as possible; investment in this area are by far the largest in Romanian tourism;
- Satisfied clients, good services, affordable prices;
- Acceptable salaries and relatively good salaries for tourism workers;
- Stable and justified prices for the offered services. Similar tourist areas offer higher prices for the same services. Prahova valley benefits from a good management of tourist activities that is quite obvious. The existence of bank investments as well as government investors is clearly visible and has created a powerful transformation. The management team is supposed to balance the powerful economic interest that is present here by including it in its own strategies. The quality and price relationship is obvious in what is the country's most important tourist area; this is caused by the very good

management skills. While analyzing the market, the future behavior and attitude of employees is a must. A skilled management supports the idea of a close collaboration between employee and employer, thus stimulating the first. A study on the Prahova Valley employees has showed that they seem to be quite satisfied.

### **The Romanian Seaside (Black Sea)**

Stock holders – the relationship with the tourist companies is different here in comparison with the Prahova Valley

- Share holders – represent a top priority for this area. They tend to follow their interest with a ferocious determination
- Banks and financial institutions – tend to lend large sums of money to investors, in order to obtain good bank interests
- Government – taxes – the seaside area represents an important income source for the government
- Clients – looking for more high quality services in hotels and additional tourist activities (trips, hood fairs, shows, nightlife etc.)
- Workers – looking for higher income and salaries
- Providers – looking to increase their earnings

The seaside tourism activities have suffered from the initial policies that were based on:

A strategy that focused on lower prices and targeted low income tourists

Strong competition from the neighboring states such a Bulgaria

The late and unorganized development and promotion of tourist products meant for a more sophisticated market

Limited information on market sectors that demanded tour packages and more expensive services

Poor infrastructure

The lack of a clear judicial framework and cooperation with other sectors of the economy.

### **Danube Delta – a Possible Tourist Paradise**

Stock holders – the interests are different here in comparison with Prahova Valley and the Black Sea seaside

- Share holders – stay on the first position, trying to develop the whole area and obtain even greater profit;

- Clients – looking for higher quality services offered by family accommodation and hotels;

- Workers – looking for higher incomes from salaries;

- Providers – looking to increase their revenues;

- Banks and financial institutions – the investments in this area are very poor.

The Danube Delta continues to be one of the areas that has a poor management. Tourism investments are just starting to appear. There is no larger offer, and services do not reach European standards. This comes as foreign investments are scarce and local opportunities are scarce. Statistic data shows that local stock holders are the most interested group in developing tourism activities, followed by their customers that are attracted by the Delta paradise; tourism employees and banks follow. Government agencies seem to have little interest in helping the Danube Delta tourism companies develop.

### **Maramures and Bukovina – Another Important Tourist Area of Romania**

Stock holders – there is another order for the interests than in Prahova Valley and Black Sea seaside

- Share holders – stay on the first position, trying to develop the whole area and obtain even greater profit.

- Clients – looking for higher quality services offered by family accommodation and hotels;

- Providers – looking to increase their revenues;

- Workers – looking for higher incomes from salaries;

- Banks and financial institutions – trying to increase the investments in the area;

The Maramures tourism accommodation seems to have two features: hotels and motels are present in larger towns and resorts while family run accommodation is very common in the countryside. All accommodation types are categorized by the national system starting with one star ones and going up to five stars.

Interest in investments in the area seems to fluctuate as time has confirmed that previous low ranking categories can reach the top in just a few years.

Another must do analysis is that of evaluating the responses of possible investors to the evolution of the company. This is due to the possible increase in profits by resizing and the attitude of future lay off workers as well as providers; still, such a move might satisfy stockholders and remaining staff.

The combination of powerful features and attitudes can help classify stockholders in four different categories. This also helps adapt their strategies and interests so as to lower opposition to each others plans and boost implementation.

### **Conclusions**

Romania has a great tourist potential but a poor management, due to the poorly skilled managers and little real interest in developing the tourist sector;

Personal interests are prevailing, doubled by the fact that most of the investors wish quick return of their investments, and not a long term business;

There is a tendency of concentrating the tourist activities in certain areas: Prahova Valley, Black Sea seaside, Bukovina and Maramures, while other areas, which have a varied tourist potential, tend to be left over;

Urgent need for major investment in tourism, and in developing infrastructure (mostly express roads, railways and national transport links);

A better tourism development policy in order to attract more foreign tourists as a source of higher levels of income for local tourist areas.

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