

ANALYSIS OF ENVIRONMENTAL FACTORS THAT AFFECTS THE SUCCESS AND FAILURE OF THE SMALL AND MEDIUM SIZED TOURISM ENTERPRISES (SMETE) AND IMPLICATION OF A RATIONAL STRATEGIC MANAGEMENT MODEL

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Key Words:

Strategic management and implications, service related businesses (Tourism), environment, owner-managers, entrepreneur, small business

ABSTRACT

The accommodation and catering which people receive on holiday, for example are some important to them that if these two elements of the holiday are not satisfactory, the entire trip can be ruined. It is, therefore, obvious that the entire reasons for the existence of tourism related business is the satisfactions of the needs of these travellers. Success and failure of the business is, great extend, depend on the fulfilment of this duties. There are some factors that affect success of the business in the service. A strategy implication of the owner-manager is highly depending on data about these factors. The objective of the research is, therefore, to offer a suitable strategy to manager of these businesses. This study classified theses factors as internal and external or controllable and uncontrollable factors. Result of the study made in 1996 and 1999 were compared and discussed. Both study revealed that the internal and external environment of businesses can not be ignored in the assessment of factors relating to barriers to business growth. Managers do not implicate any efficient strategy without identifying these factors. Results of the study indicates that owner-manager must have at least 3 or 4 years of experience to improve their managerial skills which is very prime conditions to survive. Longitudinal studies with support of interviewed data collections method were more advisable to others researchers in the field, since theory and practices are not always match each other.

INTRODUCTION

Over the last century, environmental concern has periodically reared it's head as a significant issue on social, political and business agenda. Environment is a core feature of the tourism product. Tourist are consumers of the environment, travelling to the producer's location, the tourist's destination, in order to consume the product. Thus tourism is dependent upon the attractive power of a destination's environment, that is the primary resources of climate, scenery, wildlife, cultural and historic heritage. Access to the destination, necessitates an infrastructure for service, one of the most significant factors related to success of the tourism sectors.

Wakefield and Blodgen (1996: 45-55) identified three primary dimensions of the services. These are:

- ambient condition (i.e. whether, temperature, air quality, noise, music odours),
- spatial layout and functionality (i.e. the way in which equipment and furnishing are arranged, and ability of those to facilitate consumers enjoyment), and
- signs, symbols and artefacts (i.e. signage and decor used to communicate and enhance a certain image or mood, or to direct consumers to desire destination) (Wakefield and Blodgen 1996).

Organisations who provide the accommodation, food and beverage, and entertainment in the tourist's destination can be considered as another important factor (Goodall, 1993:73).

When people stay away from home, whether for leisure or business, they need somewhere that provides all the comforts of home. They need accommodation and they need food and drink. No country, or region within a country, can expect to attract large numbers of tourist unless it has an adequate stock of places providing accommodation and catering. Thus, it may be argued that, for the following reasons attention has been given to small firms in the service sector. *Firstly*, the major shift in the Turkish economy towards the service sector needs to be recognised more clearly in its implication for research into small firms. *Second*, what is especially important about the increased importance of the service sector in Turkey's economy is that most small firms are in this sector. As a result, it may be argued that the accommodation and catering sector are very important tools for tourism policy because of the contributions of SMETEs in these sectors and the economy of the Turkey as a developing country (Yuzbasioglu, 1997). Since, the recognition of the importance of the small business in the sector necessities accepts the role of *managers* and personnel who fulfil the needs of tourist as customer in host country. This study is, therefore, concentrate on the perception of owner- managers to environmental issues was making an impact on their managerial practices.

STRATEGIC MANAGEMENT IN THE BOUNDARY OF THE INTERACTION BETWEEN TOURISM RELATED BUSINESS AND ENVIRONMENT

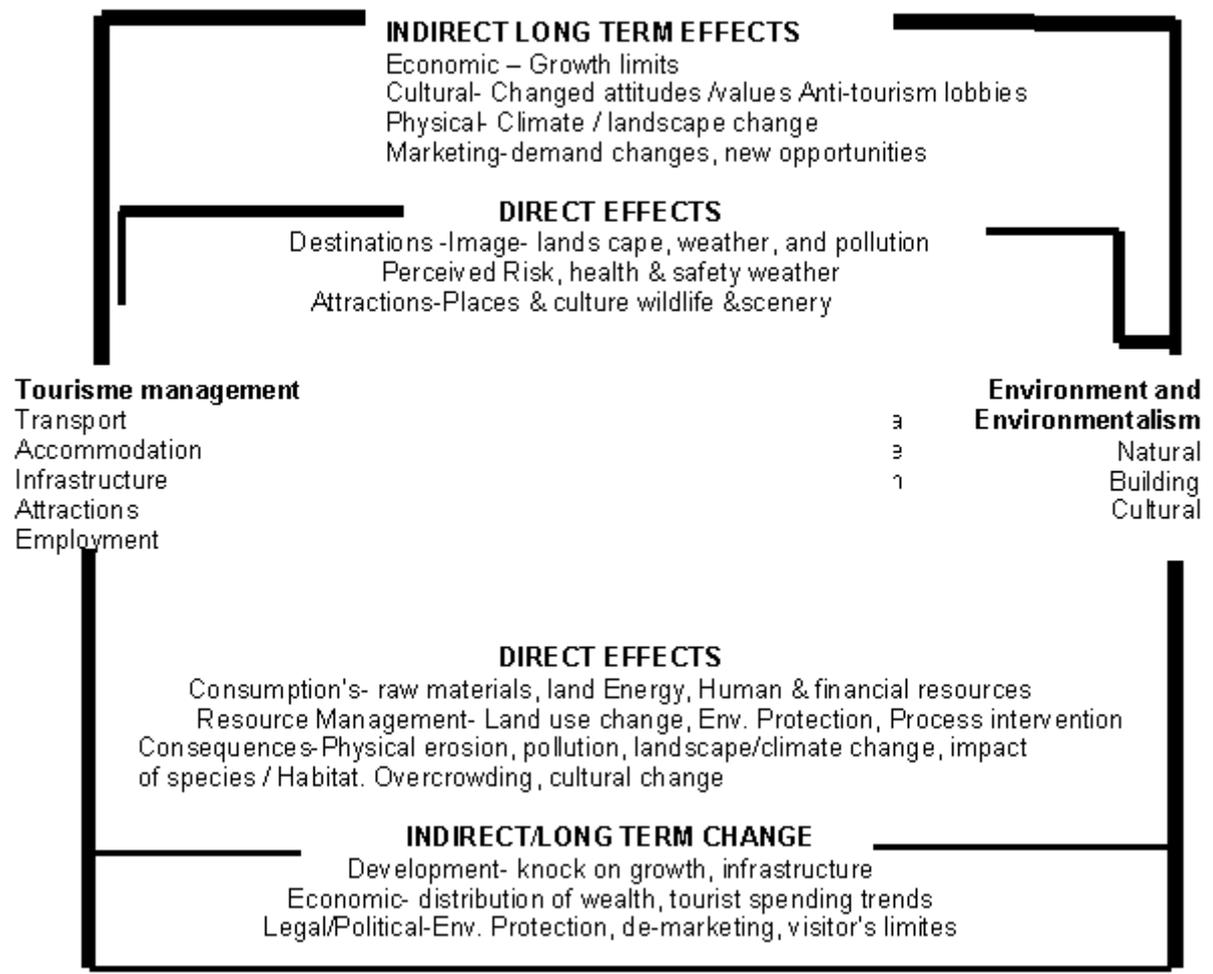
The Institute of Business Ethics, Environment and the Company points out that the new climate of heightened political and public awareness of environmental issues demands new responses from organisation (Burke and Hill, 1990). This development created new generations of consumer who has demanded new products from retailers, food producers and businesses, which serve these products to them. Tourism due to the size and its global scope and very direct impact on the natural environment, has become a particular focus of new customer who has green and perfect service orientation.

The publication of The Green Holiday Guide and rating of countries in terms of suitability of environment have raised consumer awareness about the environmental friendliness of their holiday decision. Environmental problems such as poisonous algae in the Mediterranean and acid rain damage in the black forest, terrorist activities in countries like Turkey have all helped to alert the tourism industry to the cost and dangers of ecosystem damage are caused a instability at tourist destinations.

Figure 1 shows that owner-manager must be able to follow environmental inter action around their business. There is a balancing managerial strategy necessary to reap the potential economic benefits of business and tourism development as well. On the other hand

owner-manager must take into consideration paradoxical structure of sector. According to Mountinho (1990) the tourism industry has a challenge which seems to be a paradox: to package attractions without destroying their attractiveness, to popularise destinations without running their popularity and to develop economic opportunities without limiting human opportunities.

Figure 1. ENVIRONMENT/TORISM INTERACTION



Source: (Adapted from Mountinho,1992)

The attitude of many consumers to the enjoyment of tourism sector is also paradoxical. On the one hand people want to get away from it all, on the other, they want to find a clean toilets, refreshment and litter bins when they get there.

Strategic Management Model

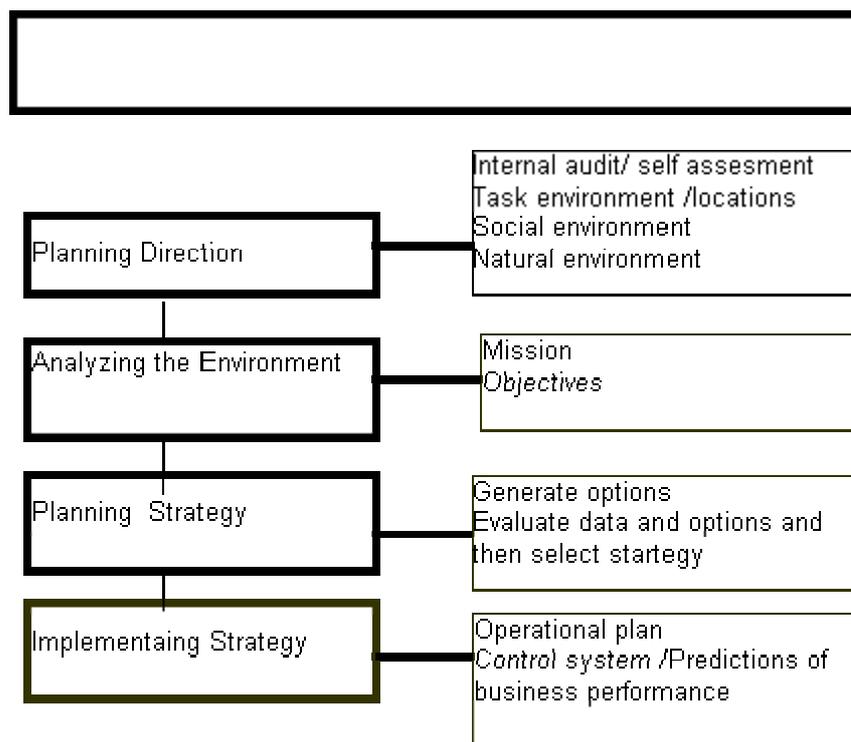
Management policy of owner-manager should, therefore, try to make a balance between these paradoxes and interaction between sectors and businesses. And, owner-manager bound to formulate a strategy in line with environmental changes. The foundation of

strategy formulation is the rational model, which calls for comprehensive analysis of data (internal and external) prior to decisions being made. Rationality implies that a strategist or decision maker:

- consider all available choices;
- identifies and evaluates all the consequences which would follow from the adoption of each choice, and
- select the choice that would be preferable in terms of the most valued ends (Meyerson, and Banfield,1995)

Rational model necessitate that strategy formulation would involve systematic environmental analysis, assessment of organisational strengths and weaknesses, formulations of goals, evaluation of alternative courses of action, and the development of a comprehensive plan to achieve the goal in the light of data from internal and external organisation. Organisationally this calls for the use of a *formal strategic planning system*. Firms need to make *strategic choices* if they are to survive. Some of the strategic choices include: choice of products or services to offer, choice of ways of competing, the choice of organisational structure and policies to define and co-ordinate work within the organisation *ibid*.

Figure 2 Strategic Management Model



Analysing the environment: This part of the strategic management process includes the task or market environment, and societal environment. The task environment of a firm includes governments, local competitors, suppliers, employees and other special interest group-associations). These forces directly affect the firm and in turn affected by it. The societal environment influences the long-term operation of the firm e.g. the capital goods, all types of

infra structure and opportunities. The internal capabilities of the company – organisational strengths and weaknesses – should be assessed (internal audit). Managers should make an assessment of either of their business or destinations and locations area of the business.

Planning direction: This is a toll of strategic management is concerned with the future direction of the organisation. It means that determination of the overall direction for the company: its mission) and, formulating objectives to achieve the mission are part of this exercise.

Planning strategy: This part of the process deals with identifying ways of achieving the objectives. Often numbers of alternative strategies are considered. Decision making tolls- for example, simulation, game theory linear programming and statistics are most often used to select the optimal strategy.

Implementing strategy: Once the strategy is selected, each of the operations such as marketing, manufacturing, and human resources is aligned in such a way as to be able to contribute to the efficient implementation of the strategy. Information and control system are set up to monitor performance and to take corrective actions when necessary.

METHODOLOGY OF THE RESEARCH

Using a statistical method known as logistic regression it is possible to make predictions about a categorical dependent variable from independent variables. Due to the nominal characteristics of the data multivariate analysis took the form of a Logistic Regression as the implications of strategic management model, which were, necessitate prediction of business performance. And, exploratory characteristics of this study made necessary to reveal the dispersion of the data. Logistic regression is an extension of multiple regressions in which the dependent variable is not a continuous variable. In logistic regression, the dependent variable may have only two values. Research made in 1999 used interview methods in order to understand what owner-managers was thinking and how they were evaluating any kind of development in their business environment. Turning the conversations in to the statistical language made it possible to discover the factors were not being able to include to previous study. It cans, therefore, possible to say that combinations of both studies turned into longitudinal study were more affective in this kind of social research.

Sampling methodology

The latest research made in 1999 were try to reach the business again in order to measure whether was there any differences in their managerial skills and perceptions of owner-managers to environmental issues in compare to previous one. The study-generated data from 200 businesses registered before 1997 and were fitted to the following definition of small businesses. Those businesses employing less than 9 employees were classed as very small businesses, between 9 and 50 as small businesses, and between 51 and 100 employees were classed as medium sized businesses.

Variables in the Equation

This table displays a summary of the effects of the variables in the regression equation. The *Constant* variable indicates the constant B_0 term in the equation.

Logistic Regression Model

Using a statistical method known as logistic regression it is possible to make predictions about a categorical dependent variable from independent variables. Logistic regression is an extension of multiple regressions in which the dependent variable is not a continuous variable. In logistic regression, the dependent variable may have only two values. The probability estimates will always be between 0 and 1, regardless of the value of Z.

Logistic regression analysis was performed on the following categories of variables. The categories were external and internal variables were combined and included in to final run and reached the logistic regression final environmental model (Simsek and Yuzbasioglu, 1999)

ENVIRONMENTAL INTERACTION AND STRENGTHS/WEAKNESSES ANALYSIS OF RESPONDENT BUSINESSES

In order to discover the particular internal problems of a business, a strengths and weaknesses analysis was used. A weakness of the business can be considered as a specific problem of the business. This weakness may not, however, be a problem for another business. Buhalis (1992) argued that the strengths and weaknesses of a business indicated the competitive position of the business. In the study of 1995 majority of the small business were prone to problems of marketing, accountancy, financial problems and being dependent on the mediator and images of being small business. On the other hand, owner-managers were happy of being an owner of a family business, facilities they are providing to their customer and they reckon that inventory control was not a problem to them.

Table 1 revealed that accountancy is not seen as a problem any more, but financial related problems are still being considered as an important problem. Majority of owner-managers stressed that provisions of qualified employees is considered as a problem while smallness is not considered as a problem to owner managers.

Table 1 Possible internal problem areas for respondents 1999

Internal barriers (problem) to growth 1999	Frequency		%	
	Yes	No	Yes	No
Marketing related problems	145	55	72.5	27.5
Financial related problem (sources)	160	40	0.80	0.20
Controlling the whole business activities	65	135	32.5	67.5
Qualified employees*	142	58	0.71	0.29
Family ownership	96	104	0.48	0.42
Small business images*	91	109	45.5	54.5
Facilities provided	51	149	25.5	74.5

Another, changes on perception of owner-managers is that they were not mentioning about inventory control while they were always stressing the controlling the whole business activities. This may be an indication of owner-managers getting learned to see the organisations as a system and service sector were very different than others. Being different to others, personal relation with customer, characteristics of business premises and service quality were seen as strength in the study of 1995 while locations of business and flexible product design were weakness.

Table 2 Strengths and weaknesses of respondent SMETEs in 1999

Strengths and Weaknesses of business	Frequency		%	
	Strength	Weakness	Strength	Weakness
Being different to other business	125	75	62.5	37.5
Locations of Business	72	128	0.36	0.64
Personal Relation with Customer	121	79	60.5	39.5
Characteristics of business premises	145	55	72.5	27.5
Service quality	128	72	0.64	0.36
Flexible product design	118	82	0.59	0.41
Cleanliness	121	79	60.5	39.5
Friendliness	133	67	66.5	33.5

Table 2 shows that personal relationships with customers were the main strength of the SMETE, with 84% of the owner-managers gave importance to this item. The location of the business is seen as a weakness of the business by (65.5%)of respondents. This may indicate that owner-manager had not examine the where they were going to set up their Research of 1999 indicates that flexible product design is not considered as weakness any more. And, owner-manager frequently mentioned about cleanliness and friendliness to customer. Table 2.1 indicated that majority of owner-manager’s perception of the factors that might affect the business survival are still same as the research made in 1995.

External barriers to growth of SMETE’s

The majority of the entrepreneurs consider inflation and lack of financial resources as the most important external problems to the growth of their businesses. Competition was not surprisingly, the second most important problem area. The availability of suitable employees was considered to be a problem for SMETEs. Due to the career expectancy of the graduate or more skilled employee small-sized businesses may not be preferred. They may consider that large businesses are more capable of meting their expectancy.

Table 3 External barriers to growth (1999)

External Barriers to Growth to growth 1999	Frequency		%	
	Yes	No	Yes	No
Competition	97	103	48.5	51.5
Inflation and lack of inflation based accounting	142	58	0.71	0.29
Changing consumer behaviour	88	112	0.44	0.56
Images of the country	156	44	0.78	0.22
Government policies	144	56	0.72	0.28

The above table indicates those owner-managers were not seeing either competitions or changing consumer behaviour as barriers to growth of business. It may be suggested that owner-managers learned to cope with changing consumer’s needs and manage their business in a highly competitive environment. Majority of them considers that image of the county affect the performance of their businesses. Interviewed owner-manager frequently mentioned that implementation of inflation based accounting will help to survival of their businesses.

Table 4 Strength and weaknesses analysis of Turkish tourism sector (external environment of SMETEs 1999)

Strength and weakness analysis of Turkish tourism sectors (external) 1999	Strength		Weakness	
	Yes	No	Yes	No
Entrepreneurial activity	77	123	38.5	61.5
Transportation system-accessibility	112	88	0.56	0.44
Environmentalism awareness	91	109	45.5	54.5
Natural environment of regions (protected)	95	105	47.5	52.5
Migration from east and south east of the country	30	170	0.15	0.85
Mafia and Commissioners (hanutculuk)	31	169	15.5	84.5

Previous study shows the problems and strengths / weaknesses of the tourism sector. According to the research entrepreneurial activity in the Turkish tourism sectors is weak. 59.3% of the respondents are not happy with entrepreneurial activity in their sectors while 40.7% of the respondents expressed that it was strength of the sector.

The transportation system and accessibility of the region was not considered a problem for SMETE in Alanya where the field study was conducted. The locations or natural environment of the region was considered strength, 69.5% of the respondents indicating that the characteristics of the regions were strength for their business. Development of environmentalism in Turkey was seen as another strength for their businesses (60.0 %).

Both studies indicate that only entrepreneurial activity is seen as a weakness of the region. The consequence of this is that entrepreneurial activity may not improve due to the bureaucratic system or uncertainty of the tourism sector. It may not; therefore, either as a client or as prospective owner-manager attracts people. Alternatively, point may be made potential entrepreneurs might be considering that this particular tourist region has already saturated, will not enough opportunities for them to survive or even find a place. The study of 1999 made clear that environmental awareness and protection of environment was seen as a weakness for businesses. It may, therefore, possible to say that in three years time regions one way or another polluted or spoiled. Another interesting point have always been made by owner manager is that the migrations of populations from east of the country to the regions of Antalya made negative impact on businesses. Finally, increased pressures of Mafiotic relations and commission (Hanutculuk) which business should pay in returns of customers were being brought by people work for another businesses as another problem on which owner-managers have been suffering from.

The logistic regression model of 1995 the following internal and external variables were found to be the best predictors of the distribution of the dependent variable.

- Owner manager who following the changes in environment and being different than others
- Inventory control (no), (owner manager who considers inventory) controls were not barriers to growth of SMETE
- Flexible Product design, businesses, which were able, offer product according to desire of customers, and produce a product or services flexibly more likely to be improved.
- Family ownership (no). Owner- manager who considers the family ownership were not barriers to growth of SMETE

- Characteristics of the business premises (Strength). Owner-manager who considers the characteristics of the businesses premises were strength of the business SMETE.
- Entrepreneurial activity (Strength). Owner-manager who considers the entrepreneurial activity were strength of the businesses
- Transportation system (Strength). Owner-managers consider as transportation system of the region and the businesses were strength.
- Facilities provided (Strength). Owner-manager who considers he /she has a strength of facilities provided to customers.

Only two of the above variables were found to be negative, “Inventory control”, and “Family ownership”.

Table 5 Logistic Regression of final model of external and internal study 1999

-2 Log Likelihood	201.106		
Goodness of Fit	215.711		
	Chi-Square	Df	Significance
Model Chi-Square	90.120	7	.0000
Improvement	4.123	1	.1401

Classification Table for STATUS

	Declining	Improving	Percent Correct
Declining	55	16	77.47 %
Improving	20	109	84.50 %
Overall			80.51 %

Variables in Equation	B	S.E	Wald	Df	Sig	R	Exp(b)
Competitions (2)	.7891	.1767	17.5415	1	.0014	.1921	1.1915
Changing consumer behaviour (2)	.9167	.2021	30.1141	1	.0000	.2968	2.5881
Service quality	.4671	.1849	8.10041	1	.0054	.1359	1.4568
Flexible Product design	.6572	.2167	7.1503	1	.0034	.1517	1.8115
Following the changes*	.5961	.2212	8.5118	1	.0015	.1458	1.7523
Natural environment	-.7863	.23101	13.0625	1	.0004	-.1869	.5632
Government policies(2)	-.8781	.3054	5.43651	1	.0111	-.1310	.4210
Constant	0.715	.3878	.0298	1	.7715		

The data collected in 1999 processed in the model of logistic regression was able to predict the distribution of 80.51% of the observed values of the dependent variable, with a -2 Log Likelihood value of 201.106.

- Competition (2) considered as not a barriers to businesses growth
- Changing consumers behaviour (2)
- Service quality 1 (Strength)
- Flexible Product design 1 (Strength)

- Following changes in environments 1 (Strength).
- Natural environment (2) weakness
- Government policies (1) problem

The above variables were found to have a significant impact upon the dependent variable. “Natural environment and Government policies” makes a negative affects on business survival while the other variables that can be controllable by managers are making a positive affects.

CONCLUSION

The tourism sector is one of the most rapidly developing sectors and makes an important contribution to the economy of a country. It has been argued in this study that small firms in most developing countries like Turkey should be analysed in a manner different from most mainstream theoretical approaches. Owner-managers of the small firms in the sectors, therefore, must follow rational strategic model in order to understand both their business and their environment. Implementations a strategic management model necessitates a predictions of the most significant factors that affects health of any business. The result of the research indicated that competitions are not a problem for the manager any more. It may be, therefore, concluded that owner-manager have learned that how to cope with changing consumers behaviour, service quality, flexible product design and following the changes in the environments. Experience gained during the last three or four years of very hard competitions might have thought them how to deal with the problems and how to survive in the environment there was no mercy to any businesses. In the light of the result of the study, owner-manager may be in positions to determine missions and objectives and then generate options to select a strategy. However, manager of the service related businesses must, *firstly*, meet the needs of new consumers. *Secondly*, create a harmony with their environment. *Thirdly*, increase the changing capacities of business in order to full adoption to environment. And, *finally*, managers can be a position to plan their operations and control the systems in order find out whether he or she on the right tract or not.

Any policies or assistance must use the systems approach rather than concentrating on trying to isolate any particular factor. Further studies can predict the multiple factor that affects the business survival by using a case study approach. Author recommends to the researches case study and face-to-face interview data collections methods may give a chance to researchers to observe the business and behaviour of managers. Managers may touch another aspects of the problems with the help of very well controlled open-ended questions. Authors, in his PhD thesis recommended to further researcher to make a longitudinal study to follow the any divergence from the findings of the study for the time being. The variables in the author’s PhD thesis were compared with the variables in the study (Yuzbasioglu, 1997). The result of the research, therefore, might have provided five years of followed up data to other researcher in the field.

I owe my gratitude to those owner-manager in Alanya they were very patience to me during the field study of both PhD thesis and this research.

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