

# THE IMPORTANCE OF BUSINESS PLAN, MANAGEMENT AND GLOBAL COORDINATION FOR ACHIEVING A VIABLE TOURISM PRODUCT

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## **Abstract:**

*This paper analyses the design of a viable tourism product and further the attention is focusing on the ways in which these products can be sustained, among different structures of coordination and mechanisms, so that the global tourism product for a destination to be both coherent and dynamic. This is relevant for any study of the development process of the product even since the beginning. No matter what type of product needs to be developed, there is a golden rule for all the tourism activities. They have to be planned carefully and very well created. This is a common approach for all kind of business, but it's especially important in the tourism sector where the attention is focused on the micro-firms.*

**Key words:** SMART method, viable tourism product, SWOT analysis, financial incentives, self-financing

**JEL classification:** MI

## **1. Introduction**

The small and medium enterprises depend on external factors like changing markets, financial support, personnel qualification etc. The stakes are very high, which makes the careful planning a *sine qua non* condition of any tourism initiative. An extremely useful tool for creating and managing a tourism product is the so called SMART method. This method helps in conceiving a project which should be:

**Specific:** when you know exactly what you want to happen.

**Measurable:** about certain targets, which are capable of being quantified and measured.

**Appropriate:** which reflects the available resources and which is oriented toward the client and on the relation with the local environment.

**Realistic:** which one has a greater chance of success in comparison to the required investment?

**Time limited:** in relation with a logical program which specifies the moment when each objective or activity shall be fulfilled.

The SMART method can be used in developing a business plan. Any action should begin by conceiving such a plan. This will help on using all the elements that need to be taken into consideration before launching a new initiative. It will also emphasize the possible difficulties that it will have to solve and to offer a mechanism for the planning of development and the next administration in a logical manner.

A business plan can be used, in the same time, for the determination of the necessary level of investments, for the creation of a profitable product and for obtaining external financing sources, or a bank loan, or the loaning capital of other stimulating organizations. Conceiving a business plan can be an action that needs time, but is not necessarily demanding any particular talent of managing a business. The only talent that is really needed is the ability of a logical thinking about what you want to develop and how.

In developing a business plan you will have to follow the next steps:

- **Establishing the business objective:** which is the final purpose, what do you want to obtain from developing such a tourism product.
- **Fulfilment of an external and internal research:** to insure that the business risk will be realistic and possible. The analysis of the situation, the surveillance of the market and the tourism strategy can help us decide if it is or it isn't a good market for this type of business. A careful analysis of the resources will determine if we have or not enough resources for being able to create a viable product. This is important when is about financing, because it can take many years until we can recover the initial investments and to start obtaining a profit. In this period we need a money transfer enough to pay all the expenses. Many businesses fail because they don't have enough funding or they are not properly administrated.
- **Preparing a SWOT analysis:** for determining the important strong points and weaknesses and possible opportunities and threats.
- **Planning what it has to be done and when,** concerning all the aspects, form the basic infrastructure to the personnel, equipment, promotional material etc.
- **Considering the ways by which we can make the product to correspond to the client's needs:** depending on the type of target-tourists, ex: quality, hospitality, fidelity services.
- **Finding the additional sources for financing and advising or training** while the idea is developed.
- **Developing a marketing strategy:** to determine the way we should make our product known, how to encourage revisiting, fidelity and interest during the years. For this we should keep in mind the 4 steps which make a marketing mix: product, price, promotion and placement.
- **Finalizing the business plan:** this is an honest and real reflection of what we talked about above. There is no reason to make a too brighter image of the possible results, because we will be the first to suffer if this turned out being non-realistic or much too ambitious.

Here are the key elements of the business plan:

**The market:**

What do you have for sale?

Who would like to buy?

How much are they willing to pay?

How do you find them?

How do you convince them to buy?

What's the cost for reaching them?

How long will it take until we will have enough customers?

**Competition:**

Who else can sell this product or a similar one?

What's their price?

Why is yours better ? How much can you ask for?

How will they react?

What are your advantages?

What are their advantages?

**Resources:**

What are the available resources?

How would you like to use these resources?

How much would you pay for the expenses, personnel, offices, equipment?

How long it would take to have enough clients to cover the expenses?

How big is your error margin?

What's left for you?

Do you need initial capital, for the beginning?

Can you obtain some additional capital? Loaning?

What do you pay for it ? Costs, time, control power decrease?

**Administration:**

What are your abilities?

What other abilities do you need?

How will you run the business, are you alone or you share the responsibility?

What personnel do you need?

Can you offer instruction or the perspective of the career development?

How will you approach seasonality? (loyalty program, end season promotion, personnel)?

How will you assimilate the progress?

**Financial Plan:**

The projected money transfer

The profit and loss declaration

Assets and liabilities

Balance

**2. The selection of the needed management organization for realizing a general management**

While the individual business will form the foundation of the tourism facilities and services, the global product of tourism still needs a coordination and general support for insuring that the destination as a whole remains attractive and competitive.

This can be done by naming a dedicated group or a management organization to be able to have a general view of progress in developing and administrating tourism and which should handle the control on the realization of a tourism strategy.

The management organization could have an essential role in:

- Stimulating the conception involving new speculations and products;
- The financial support of projects;
- Offering instruction and pieces of advice for the new involved;
- Coordinating the tourism product and consolidating the organizational design;
- Inventing a new global marketing strategy for the destination as a whole;
- Fulfilment of an additional research of the market;
- Keeping all who need information about progress and results;
- Verification of performance and adaptation of the tourism strategy and of a global product depending on the experience and the involvement and in collaboration with all the involved.

Considering that each process stage until now involved a vast dialog and the participation of all the groups, it should be clear where are the different strong points or eventual vulnerabilities. Maybe it's already a national management organization, in the public sector or in the private sector, or could be the best way for taking into consideration the establishing of a partnership between different groups. The most usual organization of management can include the legal authorities, groups of municipality, parks administrations or developing agencies. There is less frequent a non-governmental organization or a private investor (through cooperatives or business associations) in front of a strategy. The public-private associations have a great success.

An extremely efficient structure is one that combines the public sector power with the one of the private sector in an association independent from the tourism, in a public-private partnership. The advantage of these independent groups arises from the fact that they are equally efficient on planning, coordination and supplying like in

marketing and promotion. They are, at the same time, capable to hire professionals dedicated to tourism who can lead to a much more specialized work and which are responsible and transparent in their activities.

No matter which structure remains, its activity should be established from the beginning so that everybody could know how will the tourism strategy be administrated and achieved and each one for what will be responsible. For example: will the managing organization develop it's own reaction to act as developing elements for a region and to offer technical and financial assistance to the private sector's initiatives, for completing these attractions? Or it will be the duty of the private sector to develop attractions with the managing organization, working more with a supporting capacity, offering funding, instruction and coordination?

### **3. Strategic management - an important element to support tourism product**

In order to stimulate new tourist destinations, there are several helping mechanisms that can be taken into consideration:

- Provide a **consultancy service** – e.g. an office with dedicated staff - preferably tourism specialists, where people can go for advice on ideas that may have regarding the facilities or tourism services. In the first case, advice can be provided concerning the priorities of tourism strategy, the support, as the results of studies on potential markets. If the ideas are already in an advanced stage, the advice can be offered to develop an individual business plan and management of feasibility studies;
- Another important form of support is providing **financial incentives** to help start various projects and ease the initial financial burdens. This could include, for example, special loans without interest for the initial investment, or offer free grants for modernization or transformation of houses, stores, businesses etc. into attractive tourism products. It could even include rental of premises from local landowners to develop a viable tourism product, which could then be given back once the owners are in the circuit (e.g. after ten years). This is sometimes the only available option in those sectors where interest in starting a small business related to tourism is very low;
- **Training** is also very necessary to improve the professionalism of those involved in tourism. There are several obstacles in improving basic skills in the tourism sector, especially when involving SME: lack of available labour and a large restructuring plan, a weak image tourism industry as a job, lack of base skills and reduced competitiveness due to lack of projects for career development, especially in small companies. Skills are needed along the entire chain of tourism values, from skills of business management to customer relations and marketing. This is even more difficult when one deals with tourism addressed to a small segment of the population, concerning about the environment, quality products and services, human resources management, IT skills (Internet, websites etc..), as well as strategic alliances and partnerships.

To cope with this complexity, the measures taken in order to increase the proficiency for this kind of tourism should adhere to solutions based on knowledge of the demand and exchange of practical experience among all participants. The European Commission has invented a way to facilitate the learning process, not in natural areas, where someone goes to learn a special skill, but in an environment where learning and innovation are encouraged among all participants on all topics related to tourism. If well organized, this method will not only help to make micro tourism more professional and profitable but also more competitive and supported, because both the administration and

personnel gain a better understanding of the area and become more experienced and more innovative in their environment.

### **Types of needed training**

Types of training often required in travel destination:

- Entrepreneurship
- Business Administration
- Managing and supervising staff
- New technologies (internet, websites)
- Hospitality and customer care
- Communication skills
- Languages
- Marketing and promotion
- Quality
- Knowledge of the natural/ cultural heritage

The way training is organized is also very important. Managers often do not agree for their employees a departure from work for more than two days, thus spacing the days of training in a number of classes a day with all the elements incorporated would be easier for people. To increase the desire in accumulation of knowledge about issues related to tourism, is better that preparation for training to be presented as “information days”, rather than training. Managers might not feel that they need training in this area, but could be persuaded to assist, if training is provided in this form.

Finally, the managers can help **building associations** between different business sectors. That would not only improve the representation and the general strategy for tourism, but it would also incite them to work together on specific issues that might improve the overall performance of the tourism sector as a whole. For example, they could invent a quality mark for their products, by improving production techniques and global distribution channels, creating networks or arrangements between them to encourage tourists to visit more than one destination or attraction. Managers also play a role in keeping all participants informed of progress and the latest developments in the tourism sector. This information should be given to all those interested in a transparent manner and on a normal base. That will not only give to individual business a chance to take into consideration the latest findings about managing their facilities and services, but will also help maintain enthusiasm and general continuity of the process.

There are several ways to achieve this, for example, through a publication of news, promotion or distribution and publication of available studies, to incite future cooperation and partnership between different participants. Managers, at the destination or at national level, should seek strategic funding to help achieve various projects for tourism strategy. Resources will be needed for long-term support of the core organization such as management, monitoring work, or adaptable administration and also for high initial investment. Most appropriate place for this type of funds is locally and self-financing is the safest and most reliable way to produce a viable final product. Funds may come from a variety of sources, for example, pooling of resources among the tourism entrepreneurs, local sponsorship, or an allowance from the public expenditure.

External funds may also be required, but it should be taken into consideration that they tend to be only on short periods and are often variable. If we become dependent on this external source, in the emergence of unforeseen adverse events, it is possible that tourist destination to collapse. However, finding external sources of funding often allows starting the process and the payment of high prices for initial investment. For most non-traditional destinations, addressed to a smaller segment of tourists, the European Union funds are most frequently available. They can be used to co-finance a variety of planned investments, from major works to securities investment.

Finally, a tourism strategy is very useful for the development of tourism product, in a controlled and logical manner. It would be more effective to have a long-term vision of what should be done, and then create a detailed list of priorities for a long period of time.

This action plan should focus on developing key components of the global tourism destination so that they can function as a viable tourist attraction as soon as possible. However, these priorities should be chosen carefully, so they can leave a number of alternative options and attractions for the future. This will not only allow to strategy and product to be up to the operation, but will also provide elements intended to preserve dynamic and interesting in subsequent stages of development.

#### 4. Conclusions

Development of tourism product and transforming it into a successfully factor of destinations involves developing and especially practical implementation of appropriate strategies at both the macro and the micro level. Very strong competition from the tourism market and the increasingly high tourist demands require that the overall objective in the development of a tourism strategy to be more competitive for tourism in general and for products in particular.

Due to many interdependencies between tourism and other economical sectors, the tourism development strategy should be related with other sectorized strategies and regional development strategy to ensure all industries stimulating activity or activities to support tourism. First of all, this involves understanding the implications of tourism by the participants and, on the other hand, through the implemented strategies we must ensure the harmonization of all existing categories of interests. It means that planning and tourism development should be managed so it can ensure economic and social benefits to all actors involved directly or indirectly in the tourism product achieving. This involves national and local strategies development and providing some facilities to make the agents involve in this tourism field.

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