Coordinated change within the branch with the help of strategic alliances

I. Vajčnerová, K. Ryglová

Mendel University of Agriculture and Forestry, Brno, Czech Republic

Abstract: The paper focuses on the problematic issues of tourism, namely on the area of relationships among travel and tourist agencies and their clients. It analyses the current situation and defines key problems that emerge from the insufficient legislative adjustments in the area of tourism entrepreneurship regulated by the Act 159/1999 of the Collection that concerns some conditions of tourism business, as well as by the amendment of this law from year 2006. The ambiguous interpretation of the law concerning the conditions of entrepreneurship in tourism area and other facts that emerge from this, such as the rise of asymmetrical information, untransparency of the market as well as the insufficient protection of the consumer-client of travel agencies – all these issues represent key problems of the contemporary practice that this paper intends to react to and it also aims to suggest a potential solution to them. The theory of strategic alliances and the theory of signalling behaviour are used as a methodological basis for solving the problems mentioned above.

Key words: tourism, coordinated change, strategic alliance

Coordinated change within the branch with the help of strategic alliances

Tourism is a branch that can contribute significantly to national economy. For some countries, it is the main source of income and the crucial economic branch. Considering the perspectives offered by tourism, it is necessary to operate it conceptually and to invest in its development. Creating organizational structure and specifying clear competencies in the area of management, control and distribution of financial means are essential preconditions for the effective utilization of sources that are offered by this branch.

Despite these undisputable possibilities, the potential of tourism is not by far utilized.
Republic struggles with a whole range of problems which obstruct the development of tourism. In the revised Koncepce státní politiky cestovního ruchu v České republice na období 2002–2007 (The Conception of State Politics of Tourism in the Czech Republic for 2002–2007), the three following problematic areas were evaluated as the most consequential:

a) The legislation in tourism.

b) The coordination of activities in organizing and management on the national and regional levels.

c) Foreign and national promotion and marketing support of tourism.

The issues of consumer protection, problems in providing information as a certified public service in tourism and the control of recourse in the case of illegal business are connected with the area mentioned ad a). This concerns mainly the solution of relationships among travel and tourist agencies and their clients.

Nowadays, there are approximately 650 travel and tourist offices and about 7,000 travel agencies. The new legislation system also enables travel agencies from other countries of the EU and the EHP to conduct their business in our country. The competition in the market is rather strong, the supply exceeds the demand, and the entrance of new competitors into the branch is without any more weighty limits. At the same time, the threat of new substitutes in the form of virtual tourist operators and global distribution and reservation systems is growing stronger.

The Czech Republic has the densest network of travel agencies when the rate is 11,000 inhabitants per 1 travel agency. To see the comparison, in Germany the rate is 860,000 inhabitants per 1 travel agency, which represents the approximate average of the EU. In Austria, there are 160,000 potential customers per 1 travel agency. In Slovakia, there are about 250 travel agencies registered according to the data of the National Economic Development Office, which means more than 21,000 inhabitants per each. The reason of a lower number of travel agencies in the neighbouring countries is the distrust of people in small operators and especially long-term unsustainable small volumes of business. In case of lower number of reservations, hotel managers do not provide travel agencies with beneficial price reductions and so these are not able to keep their competitive prices on the market for long.

The situation in European tourism market clearly indicates the trends of development. Considering the changes in the conditions of external environment, such as the general globalization, the accessibility of information technologies and the growth of consumer demands on the quality and complexity of services, the change of non-transparent market of Czech travel offices and agencies is undoubtedly inevitable.

In the Czech Republic, there are two professional corporations – Asociace cestovních kanceláří České republiky – ACK ČR (The Association of Travel Agencies in the Czech Republic) and Asociace českých cestov-ních kanceláří a agentur – AČCKA (The Association of Czech Travel Offices and Agencies). The role of both of them is to represent and protect economic interests of their members, to support their awareness and to develop their activities and professional prestige. The associations are engaged in cultivating Czech tourism market, initiating the formation of related legislation and economic measures in the relation with tourism and they also support the good name and level of Czech tourism.

The activities of both professional organizations mentioned above are not primarily aimed at consumer protection. Probably their positive approach towards business ethics can be considered as distantly related to the interest in consumer protection. In spite of the fact that the goals of both organizations appear to be the same, their powers are weakened by the fragmentation of their operation and the duplicity of their negotiation activities.

The total number of legitimate members of both associations is 404 travel offices and agencies, which represents not more than 5% of all the Czech subjects operating in the market. The target of these professional organizations is not to deal with consumers, that is why their communication ways do not follow this direction and thus most consumers are not aware of their existence. The principle of signalling behaviour, as the membership of an organization in a certain professional association, is not utilized in this case in the direction to a consumer.

The goal of this paper is to define the problematic areas emerging as a result of insufficient determination in the legal norm concerning enterprise in the area of tourism and to underline the crucial factors that cause the occurrence of such problems. On the basis of analysing the identified factors, a methodological possibility of solution will be suggested, with the help of using the theory of a coordinated change applied on the change of relationships within the branch of tourism. Partial goals will be creating a plan for the strategic change, evaluating possible varieties of the solution and suggesting a form of a strategic partnership of travel offices and agencies. On the basis of the principles of signalling behaviour, a model of the strategic alliance will be created with the purpose to increase consumer protection and to make tourism market more transparent.
According to Rais (Rais, Drdla 2000) a coordinated change of a strategy is one of the most important changes that must be made by a manager in a company. The reason for such a change in the strategy is the inability of the company to reach set targets. The inevitability of the change of strategy emerges from so-called strategic analysis that makes the following questions to answer:

– Do the changes of the environment occur? Do these changes influence the company?
– What are the internal factors of the company? What are its strong and weak points, what are the opportunities and threats?
– What is the branch environment of the company like?

Tools such as SLEPT analysis, SWOT analysis and Porter five-factor model of competitive forces can be successfully used to answer these partial questions. The result of the strategic analysis must be the decision whether it is more beneficial to make the change of the strategy or to keep the original strategy of the company.

MATERIALS AND METHODS

The instability of external business environment is a typical feature of present times. Dynamic development and globalization changes cannot dispense with the continual analysis of current as well as future situation and also with the timely anticipation of changes with the goal to establish a harmony between company resources and changing external environment – especially market and customers. Strategic management appears to be a suitable tool for ensuring such needs of a company.

According to Veber (2000), strategic management is generally perceived as a summary of activities that include researching market conditions, customers’ needs and wishes, identifying strong and weak points, specifying social, political and legislation conditions and determining the availability of sources that can create opportunities or threats while the meaning of which is to obtain information that is essential for the formation of long-term goals or objectives of the company activities.

Strategic management enables organizations that are in the conditions of unstable social as well as economic environment for the time being to analyse the current and also the expected future situation and to find the most appropriate direction of the company’s development, as well as to determine the concept of the overall behaviour of the organization, the long-term programme of the conception of company activities and allocation of sources that are necessary for reaching the planned intentions. The change of a company strategy is an inseparable part of such strategic management.

The change of the strategic orientation of the company does not have to be just radical and transformational; it can also proceed gradually, as an incremental change. An immediate impact of these changes in the company does not have to be visible for an external observer but it is typical for managerial practice in successful companies which – through a whole range of minor changes – gradually meet the strategic target of the company which can be a radical change in the business strategy (Rais, Drdla 2000).

For managing the process of the change, it is possible to use so called Analysis of a Force Field (AFF) which helps to analyse the situation that is to change. AFF presumes that any situation in the organization is in balance at any moment. So, in the organization there is a dynamic tension among a whole range of mutually contrasting forces that maintain the status quo.

Then the change is possible only under at least one of the following conditions:

– the forces affecting against the change weaken;
– the forces supporting the change strengthen.

In this connection, it is important to note that if the balance of driving and limiting forces is broken, the change occurs either in the direction towards or away from the expected goals. If the second possibility happens, the situation can develop further in unexpected ways, so it either returns back to the previous status quo or reaches a goal that is entirely different from the planned one.

The procedure of applying the method of AFF can be divided into the following steps:

– Step 1: determining the problematic area: The problematic area broadly defines the borders of the situation for which there is a will to change.
– Step 2: defining the situation: The definition of the situation tangibly specifies and delimits the problem that is to be dealt with.
– Step 3: specifying the goal: Here it is essential to define the new situation that is to be reached – the new status quo. It is useful to express the goal in a quantified form so that it is possible to evaluate if the target has been reached.
– Step 4: analysing the forces: In this phase two lists have to be made and the driving and limiting forces have to be defined.
– Step 5: suggesting the strategy: It is generally recommended to strengthen those of driving forces that do not increase a resistance or to work on weakening
the forces affecting against the planned change. A dual strategy is usually effective – to weaken the limiting forces and to strengthen the driving ones. This strategy is suitable when it is not possible to determine the relative importance of individual determinants in the process of the change clearly.

– Step 6: developing the action plan: The action plan requires a detailed plan of activities for each of which it is necessary to determine needed sources, the time of the realization and responsible persons.

– Step 7: establishing the new balanced state: In this phase, it is essential to consolidate the original situation, to defrost it, to reach the new status quo and freeze it again.

The value of AFF depends on the quality and complex accomplishment of the analysis which supports it. Identifying all determinants of the change is an indispensably necessary precondition of a success – it is important to specify all the forces affecting against the change as well as those that support it.

The first step in the process of coordinated change is the decision if it is necessary to make the planned change or not. This decision has to emerge from analyses of the observed company. As a result, we can reach one of the three following statements:

– The current situation is convenient, it is not necessary to make any crucial changes or partial restructuring of the followed company process.

– The current situation is satisfactory, it is not necessary to initiate any change of the observed company process; partial problems can be solved by minor operational changes.

– The current situation is inconvenient, present weaknesses of the company and future threats are so significant that it is inevitable to initiate the process of radical changes with the aim to eliminate these negatives.

A certain risk of a mistake can be connected with this crucial decision and it can be eliminated by standard methods of decreasing risks (for instance by increasing the quality of the conducted analysis with the help of obtaining enough information and knowledge, a strategic analysis conducted independently by several experts and so on) (Drdla, Rais 2001).

One of the authors who devote themselves to elaborating the general methodology of a strategy creation is Vodáček (Vodáček, Vodáčková 2002). He mentions the following procedure:

– Creating the vision and the mission of the company.

– Analysing external environment while the attention is paid to the general as well as branch environment.

– Analysing internal environment of the company.

– Determining competitive strengths of the company.

– Analysing source possibilities of the company’s development.

– Assessing a set of strategic goals.

– Elaborating varieties of possible scenarios for reaching the set of strategic goals.

– Evaluating the scenarios and selecting the final one for elaborating the business strategy.

– Elaborating the final business strategy and its critical verification, possible corrections and reserve steps for the case of basic varieties of the possible changes in the enterprise environment.

If the final selected business strategy on the whole or partially presumes a purposeful utilization of strategic alliances, it is inevitable to define basic ideas of the potential partner’s or partners’ roles, while as a significant part of this, we can see the analysis describing how the possible cooperation with either a domestic or a foreign partner (or partners) could improve the competitive position of the organizational unit or some of its activities or partial structural sections.

As a suitable procedure for creating the scenarios supposing the possibility of establishing strategic alliances, Vodáček and Vodáčková (2004) mention elaborating a realistic “business plan” when at the same time it is essential for this plan to be in compliance with the preferred scenario of the business strategy of the organization’s development, or to be derived from it.

RESULTS AND DISCUSSION

As Vajčnerová (2007) states in her work, drawbacks in the legislative adjustments of enterprise have been proved on the basis of analysing the general environment of tourism in the Czech Republic, and these drawbacks noticeably influence consumer protection in this area.

Nowadays the following key problems can be identified:

– Ambiguous interpretation of some items of the Act 159/1999 of the Collection including its amendment. There are a lot of misinterpretations concerning individual issues of the amendment among business subjects, which very often leads to activities that are not in compliance with this legislation adjustment. Thus such ambiguous interpretation of the law significantly harms the balance on the market.

– Impossibility to insure the product that is not a tour by the course of law. When a client buys only
accommodation or another independent service in a foreign country for any price at an insured travel agency, this service is not insured as it is not classified as a tour.

– Insufficient protection of a consumer. The interpretation of the law is rather complicated for common consumers, and so they are not entirely aware of their rights to obtain information which follows from the amendment. Unawareness and inability in clients’ orientation in new statutes provide the space for breaching information obligations from the side of travel agencies and so the impossibility to check the protection of consumers’ financial means.

– Underinsurance of travel agencies. Some travel agencies provide insurance companies with inaccurate information about their turnover in tour selling and in this way they artificially decrease the minimal capital sum and so the insurance premium rate, too. In case of the bankruptcy of such an underinsured travel agency, the insurance company is not able to meet all financial requirements in case of an insurance event and many clients lose their financial means.

– The law lays for travel agencies the duty to be insured but at the same time it does not command insurance companies to create an insurance product for the purpose of insuring travel agencies against insolvency. On the market, the demand exceeds the supply, which leads to increasing insurance rates and stronger negotiating positions of insurance companies that can dictate their own conditions.

The situation on the Czech tourism market that is described above does not reflect either changes which are happening in the society or new trends in the area of the consumer behaviour of travel agencies’ clients. The market of travel offices and agencies is disorganized, the legislative frame for enterprise is not transparent and consumers are not protected properly. Competitive pressures from the side of foreign travel agencies and substitutes in the form of electronic reservation systems and virtual tour operators operate as a driving force for changes within this branch. The form of a strategic partnership forming a strong organization can be such a useful change for keeping the competitiveness of travel agencies; such an organization would offer an extended differentiated product in the form of services that would be extended by guarantees solving the actual imperfections. The contemporary situation is inconvenient and the threats are of such significance that it is inevitable to initiate a change.

### The plan of a strategic change

The vision is to establish a strategic alliance of travel agencies with a common label that will serve as a guarantee of quality and complexity of services for the clients of partner subjects; at the same time, it will serve as a source of information, consultation and legal services and protection of financial means spent on purchasing tourism services. This is the way how to make the market of travel agencies more transparent with the aim to differentiate subjects running their businesses in compliance with the set rules clearly and so to establish conditions ensuring consumer protection in full extent.

For selecting potential partners of a strategic alliance, it is expedient to conduct the analysis of the strategic group and to identify the group of organizations with identical strategic characteristics that can establish the form of a strategic partnership.

**The key strategic characteristics of potential partners:**

– A joint vision and mission

– Consistent observance of legislation conditions for the business of travel offices and agencies

– Interest in consumer protection

– Interest in the transparency of the market of travel agencies

However, the cooperation of subjects brings a range of elements of latent competition. Thus both terms have to be understood in a mutual interconnection as well as with the great sense of time dimension as the subject being my competitor at this moment might become my strategic partner tomorrow, and vice versa. For a qualified decision, it is essential to clarify the target orientation of the company. The range and quality of the information available that might be of a certain influence are very important for the manager’s decision as well. Many decisions are made with a minimum of information; the phenomenon of information asymmetry can also have an important role, when one of the subjects considering the cooperation or competition with another subject has a more relevant information for its decision than the other.

On the basis of the results of the accessible analyses, there follows a list of forces that are either positively or negatively oriented towards the planned change, and then a suggestion of measures is given with the help of which it is possible to reduce the force of the negative factors effect and on the contrary to encourage the force of the factors that are favourable to the planned change.

**Driving forces affecting for the change:**

– Increasing the competitiveness on the market.
– Increasing the market share by supplying an extended product
– Securing internal controlling mechanism within the branch
– Making the market more transparent
– Increasing consumer protection
– Reinforcing negotiating positions towards the organs of civil services
– Eliminating asymmetrical information

Limiting forces affecting against the change:
– Unwillingness of the partners to cooperate
– Distorting information within the association
– High costs of initiating promotion
– Unwillingness of the partners to make their activities more transparent and the fears of the internal information leak
– Human error.

In case these driving and limiting forces are in the balance, it is inevitable to break it to conduct the change. The limiting forces affecting against the change can be eliminated by a careful selection of partners that will meet the required criteria; at the same time by establishing clear methods for controlling activities within the strategic alliance and determining comprehensible rules conditioning the membership in the strategic alliance. Clearly defined processes within the frame of individual activities ought to prevent the individual members of the strategic alliance from distorting facts and provide all subjects involved with objective information. If the suggested measures are applied successfully I recommend the change of strategy to be implemented.

The principal goal of a strategic change is to gain competitive advantages for partner subjects in the form of the offer of a differentiated product that will be expanded by guarantee and information services. Being a member of a strategic partnership is a form of utilizing signalling behaviour which the subjects are identified by on the market.

One of the possible forms of a strategic partnership is a strategic alliance for which a medium intensity of interconnection between the individual subjects is typical. The label of the strategic alliance will be the guarantee of quality as well as of extended services for consumers.

Within the frame of the strategic alliance, an independent business unit will be established that will ensure the following activities:
– Independent inspections of member subjects’ activities
– Information services for consumers
– Legal department providing services to the members of the association as well as to consumers

Funding will be secured from members’ fees and the independency of workers will be an important condition – this means that they will not be involved in any other business subject that will be a member of the strategic alliance.

Strategic alliances can have various legal and organizational forms; one of the varieties is an interest group of juridical persons in compliance with the Civil Code §20f which has independent juridical subjectivity. According to the law of trademarks 441/2003 of the Collection, such an interest group of juridical persons can be an applicant of a collective trademark. A form of the citizen-action public according to §2 par.2 of the law 83/1990 of the Collection that concerns uniting citizens can be a similar variety which does not divest juridical persons of the possibility to gain a membership in these groups.

Variety A
Creating a strategic alliance by connecting minimally two strong partners. Increasing the number of partners gradually on the basis of personal contacts among the members of establishing organizations. Creating an independent business unit later at the moment when the membership is strong enough and is able to finance it. The first two partners will be the agents of the change then, i.e. e. the first two travel agencies will be the initiators of the change and they suggest the plan and rules of cooperation.

Variety B
The strategic change in the culture and mission of some of the contemporary associations of the Asociace cestovních kanceláří České republiky – ACK ČR (The Association of Travel Agencies in the Czech Republic) and the Asociace českých cestovních kanceláří a agentur – AČCKA (The Association of Czech Travel Offices and Agencies) and its transformation into an organization fulfilling the visions mentioned above.

Evaluating the varieties of solution
Variety A
Advantages:
– New business subject is not burdened with the conventional principles of cooperation
– The enthusiasm of founder members and new accessing members
Disadvantages:
– Unknown subject
– High costs of promotion and recruiting new partners
– Splitting powers and limiting negotiation abilities

Variety B
**Advantages:**
- The power of a well-known label
- Broad membership

**Disadvantages:**
- Conventional company culture
- Unwillingness to change from the side of current members

**Selecting the most convenient variety**

The combination of both suggested varieties appears to be the most convenient. This means establishing a new entrepreneurial subject – the strategic alliance of travel offices and agencies – whose partners would be recruited from the members of the ACK ČR and the AČCKA that would finish their existing activities then. The entrance into this new partnership would require respecting new statutes that would be in compliance with the vision of the strategic alliance.

As in this case not only one subject is deciding for the strategic change but the condition is a joint decision of more independent companies that have their own intercompany objectives, the selection of a suitable variety of solution is substantially more complicated. The decision whether to join the present competitor or to continue competitive fight is in the authority of individual firms’ managers and it depends on many internal factors that cannot be evaluated objectively.

For reaching the stated goals, this model assumes the correct action, the willingness to cooperate and the possibility of internal control within the alliance, so that the information and guarantees provided to consumers are respectable and sound. Increasing the transparency of activities and the fears of internal information leak among the individual subjects can be the factor blocking the entrance into strategic partnership. In spite of the fact that cooperation is one of the key conditions of success in this branch, the features that are quite typical for Czech businessmen are suspiciousness, incorrectness and unwillingness to cooperate.

Especially for some small travel agencies, for which this model is suitable, the characteristics mentioned above are rather typical. This situation can be caused by the fact that the branch of tourism is quite young in our country, the market is not divided and there are a lot of small travel agencies that are not run by professionals – but they are not that weak to leave the market due to the vague legislative frame of business which still enables a certain circumvention of the determined rules. This fact makes the market unclear and so risky for consumers.

It is a matter of each potential partner of the strategic alliance whether to choose the way of partnership and the joint vision that is offered by this strategic change or whether to continue his business independently. In case of creating such a strategic partnership and fulfilling its goals and joint mission, the companies that have not joined the cooperation will probably lose their marketing positions. When we use examples from abroad where tourism has been developing continually for decades and business subjects have a lot of experience, we can see that the creation of partner branch organizations is essential not only for the reason of consumer orientation but also for the cooperation among the individual members.

According to the theory of a coordinated change, the process of the change itself ought to follow at this stage, i.e. the implementation of the suggested model in the company. However, as the matter in hand concerns the change of partner relationships within that does not have any influence on internal changes in the company, it is not necessary to elaborate this partial process. In this case, a suitable selection of partners for strategic alliance can be assumed as the key moment.

**CONCLUSION**

It can be stated that there are minimal risks of failure in the process of establishing strategic alliances of travel offices and agencies. The only real risks appears to be a small number of members of the strategic alliance at the beginning of its existence and the lack of financial means for promotion and establishing and operating an individual operation unit for ensuring controlling and information services. This risk could be reduced if the strategic alliance is formed on the member basis of one or both existing professional associations (ACK ČR, AČCKA). As for a long time both of these associations have been considering the way of their possible fusion into one strong professional organization, this variant appears to be rather real.

Considering the contemporary activities of the associations, it would probably be suitable if one organization remained and changed only its name and statutes so that the new organizational structure was reflected. The other association would finish its existence by a voluntary fusion with the first association. In case of the failure of the suggested strategy the participating subjects can continue operating on the market as independent units.

**Utilizing the described procedures in practice**
- Companies can evaluate the profitability of establishing cooperative or competitive relationships according to the suggested steps, even in case of
incomplete or almost missing information. Cooperative relationships that are properly defined and strategically plotted for the future can be a significant competitive advantage. These relationships depend on the change of conditions that have to be evaluated repeatedly.

– Determining the relationship of competition and cooperation with other subjects on the market should be a part of all strategic considerations of the company. Not every random business relationship has to be analysed in detail but such analysis should be obvious when establishing strategic alliances and closer forms of cooperation.

– A strategic alliance of subjects is a bearer of synergy effects that would never be reached by an individual company.

The described theoretical procedure can be used in developing regions where small farmers cooperate in providing tourism services on agricultural farms in the form of agritourism, ecotourism and other forms of rural tourism.

The development of tourism, its international character and new trends in this area influence forming the relationships within the branch. Entrepreneurial subjects, especially travel offices and agencies, have to cope with the pressure from the side of not only the existing competitors in the branch but also substitutes in the form of global reservation systems and virtual tour-operators. Increasing consumer requirements on the quality and complexity of services is a driving force for the change in the strategy of small and petty travel agencies. Evaluating the situation and transiting from a competitive fight to a strategic partnership is a topical question of the present.

The results mentioned in the dissertation thesis are part of the research project, id. code VZ: 6215648904 “Czech economy in the process of integration and globalization and the development of agrarian sector and service sector in new conditions of the European integrated market”, thematic complex 03 “The development of business sphere relations in connection with the changes in lifestyle in the terms of purchasing behaviour of population and the changes of business environment in the processes of integration and globalization” that was realized with the financial support of public funds via the Ministry of Education, Youth and Sports – MŠMT. They are also a part of the grant project “Creating the model of cooperation of small and medium travel agencies” that was realized with the financial support of the Internal grantová agentura Mendelovy zemědělské a lesnické university v Brně (The Internal Grant Agency of Mendel University of Agriculture and Forestry).

REFERENCES


Asociace českých cestovních kanceláří a agentur. [Quoted 2006-11-05]. Available at http://www.acka.cz/

Contact address:

Ida Vajčnerová, Kateřina Ryglová, Mendel University of Agriculture and Forestry in Brno, Zemědělská 1, 613 00 Brno, Czech Republic
e-mail: vajcnero@mendelu.cz, katkag@mendelu.cz