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**Challenges Regarding the Romanian SMTEs' Struggle to Excellence
through Innovation in a Global Economy**

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Abstract: The Internet and e-business adoption are the most important issues of this century for travel agencies. At the same time, e-Small and Medium Tourism Businesses do not receive the recognition they deserve in a world where success is mandatory. This is a strange fact, if one considers that 70% of the world business is represented by small and medium tourism businesses owned by visionary persons who take advantages of acting at a small scale and help create a more dynamic economy. With the current rapid transformation of markets, the first element which influences the strategy of the economic activity of travel agencies is the character of the innovation. In order to learn the current business processes and the requirements of travel agencies, interviews and questionnaires will be conducted, business processes will be observed and existing reports, forms and procedures will be reviewed. Competitive strength of Romanian Small and Medium-sized Tourism Enterprises (SMTEs) lies in competitive advantages and distinctive competencies that we possess in relation to other competitors. The paper also focuses on the question: what could the contribution of Romanian SMTEs to the development and competitiveness of tourism destination be?

Keywords: innovation; SMTEs; travel agencies

JEL Classification: O31; O33; L83

1 Introduction

The tourism phenomenon and the diversification of its forms have multiple consequences on the natural environment, the society and the economy. Meanwhile, the diffusion of the Internet usage to business environment has been tremendously increasing in the last few years. Thus, commercial introduction of the Internet has started a process of change in the travel product buying habits of both leisure and business users.

Small and Medium-sized Tourism Enterprises (SMTEs) must be able to present their products to target markets with the lowest cost distribution through access to economically tolerable electronic channels, which are known in the circles of the markets that interest them without having to become experts in computers and telecommunications. This approach requires reliable and accurate expert advice, to make the correct choice of material technology.

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During times of dramatic changes in the business environment or when SMEs exploited completely new opportunities, incremental innovations would not provide them sufficiently for rapid and large transformations. We refer to these large transitions over a short time period as radical innovations. They are also referred to with terms such as discontinuous or really-new innovate (Garcia & Calantone, 2002; McDermott & O'Connor, 2002).

The innovation capacity of an enterprise thus rests on the foundation of its resources, which have been accumulated as a result of previous activities. These resources have been shaped by the needs of the past and are subsequently applied in the current innovation process to respond to the needs of the future. The ability to come up with new solutions will therefore depend on an ability to adapt the resources in response to the new requirements of the innovation process (Eisenhardt & Martin, 2000; Pek-Hooi, Mahmood, & Mitchell, 2004; Teece, Pisano, & Shuen, 1997).

They need to support innovations that will be made to learn new tactics, improve the quality of services and strengthen their competitiveness. Network approaches are needed to enhance their relevance to the market, maintaining their autonomy. These approaches should take into account the different types suppliers (hotels, restaurants, and even organizers of cultural events), and different, perhaps conflicting interests.

The electronic alternatives' marketing is aiming at offering new or significantly improved services on the market. So, the virtual tourism may be seen as a revolutionary approach to the business attainment concept. We have to deal with some changes regarding the way in which the information is used or how the clients, the suppliers and the employees are contacted, regarding the marketing, the promotion method etc.

Currently, travel agents tend to market to local consumers, but the Internet gives travel agents the opportunity to market to non-local consumers who wish to travel to those agents' own vicinity.

Portable electronic communication devices such as cell phones, laptops, and personal digital assistants help people stay connected while away from home or office. In fact, large majorities of business travellers and pleasure travellers said that they brought cellular telephones with them on a trip taken in the past year.

The second element is the capability of the SMTEs to address those inherent challenges and also the capacity of the enterprise to muster resources and to act in a sufficiently dynamic way. Travel agencies also indicated the advantages of using the Internet as a marketing communication channel. The same results were observed in Romania with the reasons indicated previously.

With new technology and communication, operational costs are reduced, and flexibility, interactivity, efficiency, productivity and competitiveness are enhanced. Information technology has been responsible for leading the shift from product-orientated SMTEs organizations to more flexible and responsive market-orientated operation, where success depends on sensing and responding to rapidly changing customer needs. We can identify three basic types of networks used in Romanian SMTEs:

1. Internet facilitates the interactivity of the enterprise and individuals with the entire range of external world through multimedia representations;
2. Intranet consists of closed, secured or 'fire walled' networks within organizations, which harness the needs of internal business users, by using a single controlled, user-friendly interface to demonstrate all company data;

3. Extranet utilizes the same principle with external computer networks to enhance the interactivity and transparency between organizations and trusted partners.

This development facilitated (Internet and World Wide Web) an unprecedented opportunity for distribution of multimedia information and interactivity between principals and consumers. However, the information available on the Internet has introduced new practices and it is anticipated that the virtual home and enterprise will emerge. It also empowers the consumer through the provision of tailor-made products which meet their individual needs, therefore bridging the gap between the consumer and destination in a flexible and interactive way.

Background of marketing strategies in the new economy must take account of changes and progress of all environmental factors which influence action activities of financial institutions. The starting point is setting up a consumer strategy. It was shown that informed consumers in the financial markets are not only taken on a logical basis, the results of financial analysis and risk analysis, but often the psychological profile of investors, of their emotional reactions under the action of stress factors. The analysis of ordering emotional reactions of their psychological profile of investors is currently used in financial advisory work for investors.

Innovation, in general, means all those scientific, organizational, financial and commercial lead steps, intentionally or not, the implementation of new or improved products or processes. Innovation is based on the results of new technological developments, the combination of existing technologies and other knowledge acquired by a particular organization.

Smaller tourism firms tend to be more and more innovative, engaging step by step in efforts for research and development and innovation in fields related to commercialization of the existing technologies, creation of products and services and the implementation of the flexible working practices. The smaller tourism innovative firms have the agility to answer quickly to the technological changes and customer's needs. However, they can experience problems in acquiring the resources needed to answer to rapid changes; some of them solved this problem by joining to the cooperation networks in order to improve their innovative capabilities.

On the other hand, innovations may represent novelties in one or along several dimensions. They may provide new products or services to a market; they may introduce new technology to existing products; they may introduce new forms of organization of a SMEs or a value creation chain. The focus here is on innovation processes that are more than minor improvements of existing products or processes.

The aim of this paper is to investigate the current state of innovation in Romanian SMTEs and try to answer to the following question: what are the factors that influence the low level of innovation in Romanian SMEs? The research will also establish constituents which are essential for the successful strategies of development of an innovation framework for SMTEs.

2 The Contribution of Romanian SMTEs to the Competitiveness of Tourism Destination

In the 'Digital Economy', tourism businesses should use digital distribution channels for their product (in conjunction with traditional) to come into contact with consumers, which means investment in hardware and software products as well as ability to the skilful use of new media. The SMTEs do not normally have the required qualifications and financial ability to exploit the opportunities of the Digital Economy. We disseminate product information, knowing what distribution options are

available to them. These companies must be able to present their products to target markets with the lowest cost distribution through access to economically tolerable electronic channels, which are known in the circles of the markets that interest them without having to become experts in computers and telecommunications. This approach requires reliable and accurate expert advice, to make the correct choice of material technology.

The innovation provides an unprecedented opportunity to improve the competitiveness of SMTEs after bridging the gap with their customers, reduce the dependency and strengthen the channels using force. We also note that these benefits will last until the time and their competitors will emulate and set up systems similar to those in business.

Nevertheless it is clear that SMTEs, as well as remote areas are established, continually removed from the mainstream economy industry, since they cannot tolerate the cost. In addition, their independent and flexible nature creates serious obstacles to their integration in the rapid evolution.

We must not forget that ICT increases the levels of competition for all types of businesses. The ignorance of SMEs in the field of ICT and lack of infrastructure in the regions may cause additional disadvantages, because they are not only less likely than large corporations to exploit these opportunities, but also because they encounter fiercer competition from international organizations.

In this way, economy can be strengthened in these areas, since they will be able to evaluate and take advantage of improvements in infrastructure, and benefit from the incentives of their competitiveness. It will thus be able to offer the SMTEs a 'cut' in measures of customer commerce product, based on individual preferences. Despite these, however, the majority fails to understand evolution, because of lack of purchasing research and understanding of ICT. Therefore, SMTEs must take action to improve their products and distributing them.

In the same time, the economy distribution channel is arguably the most fundamental, but still on the market under investigation and management of economy. The variety and flexibility of use shows that the investigation should be extended to several levels, looking at distribution options and agencies promote equitable agreements between two members of the economy channel distribution.

The major technologies used by economy may create incentives for the beginning of an investigation on future developments in the economy industry.

The success of the innovation is largely dependent upon the accuracy and timeliness of the information it contains. This is a challenge because the commerce information is so specific and variable. Prices, plans, events are changing the days, weeks, months and seasons. Furthermore, commerce products require a complex thought to describe and illustrate the indefinite product to potential buyers. These two important characteristics to determine the design of electronic purchasing space creates a challenge for designers of these systems. If the service chosen is part of the information availability that is now changing even more, it will require more frequent updates from their suppliers.

Other specialists present the following paradigm shifts: from traditional advertising to interactive marketing and from developing and managing one-way information flows in electronic commerce.

The level of experience, knowledge and expertise of the Romanian SMEs already convinced some customers willing to pay for the extra value incorporated into the services and products they are looking for. In their role as information consultants, many agents now have access to a far wider audience than they have had traditionally.

At the same time, the Romanian SME is multi-dimensional content-marketing where we are expected to exploit the Internet in order to offer innovative interfaces for direct communication with consumers and support the emerging future trend to home shopping.

To become or to remain competitive, Romanian companies must continually develop ways of operating through more sophisticated strategies aimed at increasing research and innovation capacity and functioning in a business environment to the highest level. The competitive advantage of Romanian SMEs will depend on the state to create attractive conditions for such local or foreign companies to find ways most effective way to mobilize them. Creating a stimulating business environment for SME growth and their competitiveness is based on the national strategy and government policies to facilitate an incentive framework for foreign investment and development of commercial partnerships with small and medium firms in other countries. This should be stimulated along with the concentration of domestic private capital to help boost the sector's role the Romanian economy.

However, economic analysts are optimistic considering that previous experiences show that any difficult situation stimulates legal, fiscal or accounting creativity, and that management innovation helps companies quickly overcome the crisis by strengthening the administration of the competition for new customers and new markets. One of the leverage keys to increase competitiveness is management innovation. Still, Romania stands out through a low degree of innovation, but what is even more worrying, also through a highly reduced capacity to disseminate innovation. Economic analysts also state that this period provides Romanian companies with the opportunity of self-analysis and improvement, since the need for good strategies is particularly intense.

3 Methodology

The survey instrument used in this study was as a combination of a questionnaire survey and research interviews. The type of questionnaire is a self-administered postal one and it included a short glossary explaining the purpose of the survey. The questionnaire is divided into three parts and has a total of 35 questions. To collect data from interviewees a number of 207 Romanian SMTEs were contacted by phone between June 2014 and December 2014.

Research interviews will then deepen and expand the results of the questionnaire topics. The development and the design of the questionnaire and the research interviews will be obey and observe three maxims of scientific method: construct validity, internal validity and external validity.

A central role in both the questionnaire and interview surveys will be played by the construction of scoring variables. They will be the pivotal element in developing a typology classifying an innovation of Romanian SMTEs in strategies of development economic activity.

4 Results

This study analyses the quantitative and qualitative results of questionnaire and interview. Four hundred fifty representatives from different Romanian SMTEs that approved to participate in this survey were distributed the questionnaires as sample respondents for this study. Despite the repeated reminders, 170 filled-up questionnaires were received back in total. After elimination of received filled-up questionnaires in which item responses were missing, the final sample consisted of 148 responses. The usable response rate of 42,57% based on total number of respondents received the

questionnaires are within the range typically reported for research studies in social sciences. Based on the scoring results in the questionnaire and the interview cases presented in table 1, typology for the companies' innovation process was derived. The typology of Bayer and Gann is widely accepted as being useful to assess the organizational behaviour Romanian SMTEs.

Table 1. Frequencies of the Types of Innovation process

Type of innovation process	Questionnaire Results		Interview Results	
	Reactor	63	42,57%	10
Defender/Prospector	36	24,32%	5	22,27%
Analysar	40	27,03%	3	13,64%
Pattern not evaluated	9	6,08%	4	18,64%
Total	148	100%	22	100%

To validate the scoring approaches, the multivariate methods of factor and cluster analyses were applied. The constituents of the scoring variables are a factor of analysis, and the resulting factors would become input for a cluster analysis. The present analysis also had the aim to investigate the state of planning and how innovation process of Romanian SMTEs is linked with it. However, the investigation has also revealed that business planning for Romanian SMTEs is developed only in a rudimentary way. The results of the questionnaire and the research views have shown that firms having a controlling unit use to assign it implement an innovation process of the strategy of economic development. The results also showed that; only 47,5% of the customers had been using the web sites of Romania travel agencies. Others either did not know if the agency had a web site (34%) or indicated that the agency did not have a web site (25,37%).

Lack of security was still a valid problem for Travel agencies web site users 78.6 per cent of the users did not check the security checkbox as a property for the web site they used. Another deficiency indicated by half of the customers was that all of the products / opportunities of the travel agency were not included in the web site. Some of the respondents made comments about the deficiencies of the web sites. These included the need for a comparison page for the services and a better and easier design. The expectations of customers from the web sites of travel agencies were also asked to all of respondents. According to the results, it can be said that 82% of the customers wanted to learn the prices of the services offered, and this was the most common expectation. It was followed by the advertisements of tours with 74,3% and transport information with 67,2%. This information was also provided online by Travel agencies which had web sites. 64,6 % of the customers wanted to see the photos or maps of the region they were planning to go, but only half of the web sites provided this service. The other services that more than half of respondents wanted were contact information, information about regions, travel insurance, promotions, tour sales/ reservations and different types of payments. The paper concludes that the model goes a long way to explaining the behaviour of SMTEs with regard to e-commerce. The model appears to be viable and could be used to analyse and diagnose the situation regarding e-SMTEs.

4 Conclusions

The influence of innovation in the strategy of Romanian SMTEs' development economic is mixed: both negative, by the superior concurrence, the increase of the turbulence of the businesses environment, and positive, facilitating the access to new markets of provision and sale, the acceleration of the know-how transfer, the access to new technologies, partnerships and strategic

alliances at international level, etc. This innovation process is based on defining groups of companies having similar sets of scoring values and for validation there are applied types of risk management (reactor, defender/prospector and analyser) in contrast to the original four types of Bayer and Gann (2007). As justified by the scoring approach, this category led to merging of the two central types of Bayer and Gann into one. Empirical SME research in Romania faces several problems. Regarding size classes, the research object of Romanian SMEs has a very homogeneous structure. This study aims at covering the total range of SMEs including also the class of micro firms. So, for future studies it would be interesting to focus exclusively on the class of micro firms. Such a research project would require investing considerable time in collecting data. We certainly have many casualties among SMEs due to the incorrect application of innovation process, as we will have winners of the crisis, and the winners will be those who will be able to make accurate forecasts on medium and long term and manage the risks.

The results of questionnaire and interview deliver that the company size is an essential factor to distinguish the sophistication of Romanian innovation systems. Another factor for judging the innovation of SMEs is the personality of the owner or the Romanian managing director. Here the educational background and the interest business management topics play an important role, with owner-management showing more deficits than other managers. The interviews have revealed that some Romanian owner-managers have quite a fatalistic attitude towards innovation process. With increasing company size the problem becomes dramatic, but regulations for replacement and succession are generally established badly. In conclusion, the vision is the key to success of ICT in a highly competitive tourism industry. SMTEs are likely to use ICT to coordinate distance companies setting up branches and intra-organizational networks. Also, they have a fixed degree of endo-organizational electronic communication using technology to take deductions from employees and even to promote their products and unique offers. However, the use of ICT in the tourism distribution channel is very primal in relation to the capacity of emerging technologies and opportunities for streamlining and efficiency secured. The vast majority of small tourism businesses is hardly used the potential of ICTs and tend to use specialized applications to facilitate only some services such as accounting, payroll and deductions. So, once the business is small, they often feel that ICT cannot offer sufficient benefits to vindicate the required investment and should be used only by large enterprises. This is also shown by their inability to understand their future ICT needs, as opposed to big companies, which seem to have long-term plans for ICT. For this reason, we recommend a global participation so that customers can know precisely the availability and tourism businesses in turn to provide easy, cheap, efficient and reliable confirmation of booking.

The Romanian SMTEs should also find ways in which the use of ICT will make them able to achieve sustained prosperity satisfying their customers to offer them the best experience.

The use of the INTERNET, such as applications in the WWW, is another likely topic for investigation, having revolutionized the concepts of communication, and introduces unique opportunities for interaction with business customers.

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