The Reactions of Hotels To Economic Environmental Changes: The Example Of Five-Star Hotels In Antalya

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Abstract

This study aims to understand how hotels, one of the main economic actors in the tourism sector, react to their environment to ensure sustainability in the face of environmental changes. Especially in Turkey, where tourism represents substantial revenue in the gross national product, it is important to ensure the sustainability of tourism. However, crises are the biggest obstacle to ensuring sustainability, because tourism is among the most vulnerable industries to crises such as an economic recession. Qualitative research methods were used in this study. To answer the research questions, senior managers of twenty-three hotels in the center of Antalya were interviewed. Findings show that when the environment changes, hotels rapidly reduce costs and downsize. They have a low potential to create an alternative in the face of potential changes, and have a lack of practices of cooperation and acting in unison. Also, findings show that the reactions of public authorities are insufficient.

Key words: Turkey, hotels, Turkish business system

JEL Code: Z32, L16, L22

1. Introduction

Economic sustainability of tourism is one of the important discussion topics in recent tourism literature. The issue of sustainability, which has become one of the fundamental problems of neoliberal economics, is often discussed in terms of theoretical approaches by the tourism industry. Unlike other economic activities, tourism has to bring new practical solutions for sustainability. Tourism activities do not have a structure comparable to industry-based production activities. A significant part of the resources used in the production processes of tourism services (for example, assets of the destination, such as culture, nature, history etc.) are

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immovable. Countries such as Turkey, who have these diverse assets, will show a more competitive structure in terms of economic growth (Chen, 2011). This specific situation has improved the importance of sustainability in tourism more than any other sectors. Especially in Turkey, it is important to ensure the sustainability of tourism. Crises pose a threat to sustainability. The tourism sector has a fragile structure in the face of political or economic crises (Okumuş and Karamustafa, 2005) and terrorism (Peter, Poulston and Losekoot, 2014). Therefore, businesses and the state need to take the necessary measures in order to minimize the impact of this fragile structure of tourism. During crisis periods in the country, the economic effect of tourism revenue can be the saviour role of this industry. In such cases, the tourism industry is seen as a potential solution. According to Turkey’s macro-economic data, tourism revenues have an important share in addressing foreign trade deficit. For instance, despite the crisis in the tourism sector in recent years, Turkey’s tourism revenues in 2018 had 17.5% share in export revenues (TÜRSAB, 2019). In line with the increase in tourism activities, it is predicted that this share will increase even more after 2019. Despite the vital importance of tourism, research on the sustainability of the tourism ecosystem and actors in Turkey is still insufficient. In this study, we will try to understand how accommodation businesses, one of the main economic actors in the tourism sector, react to their environment in order to ensure sustainability in the face of environmental changes.

In market economies, companies are considered among the most important actors in the market. Especially in the tourism ecosystem, accommodation businesses are among the main actors. The research on how businesses react to different environmental changes (Oliver, 1991; Clemens and Douglas, 2005) discusses the strategic responses of business to environmental pressures. This study aims to determine how business systems, which are the main determinants of market activities in a country, affect business strategies by using the national business systems approach. The main reason for choosing this conceptual framework is that the studies deal technically with the environment. However, recent research shows that the business system determines the capitalist activities in a given country and how the business acts (Hall, 2015; Hall and Thelen, 2009; Coates 2005; Whitley 1999). According to this new approach, businesses are both a part of and generator of the system. Due to the dynamics of tourism in Turkey in recent years and after periods of overlapping crises, there may be a sea change in hotel management strategies for survival. In this study, we assume that the business system will affect hotels’ reaction to the crises. Therefore, the study tries to treat the term environment not as a general definition, but as a more dynamic structure with different elements specific to its context, by using the national business systems approach. We hope to contribute to the discussion of how the responses of organizations to the economic environment changes. The study seeks the response to the following question: How do hotel businesses operate and respond to the rapidly changing economic environment in Turkey, where the state is the main actor?
2. Literature Review

Macro corporate overview of hotel businesses and their environment

Research on varieties of capitalism shows that the institutions create a market structure for the country unlike any other. In other words, capitalism does not have only one type, it varies from country to country (Whitley, 1999; Hall and Soskice, 2001). International mobility and globalization ensure that markets are similar to each other to a certain extent. However, the structures institutionalized in a country’s market will be organized mostly at the national level. This organization at the national level will form the business system of that country, namely its capitalism. In simple terms, a country's business system is a fabric of country-specific business methods. With this assumption, studies on business systems focus on the national level. This situation has two main reasons (Whitley, 2007). Firstly, the structure and activities of nation-states are the most important factors affecting the diversity of market economies. Secondly, most institutions that shape the structure and actions of economic actors are at the national level. Therefore, these studies are generally carried out at the national level. Laws, practices (procedures), political competition with other countries are organized nationally. Also, the structure and behaviour of the involved groups are at the national level, too. Granting and maintenance of individual rights are ensured at the national level. The responsibilities of managers or business owners and their relationships with the environment also remain at the national level. The organization and control of employment is generally carried out by institutions at the national level. Labour law and courts, some specific regulations, wage regulations, employee-employer relations, etc. supervision and control of practices, some specific training and certificates are also conducted by national institutions (Whitley, 2007).

Despite all this, diversification can be seen in sub-regions, such as in Italy and Germany. After all, one should not expect all business systems to be explained in a single structure that describes all sub-regions of the nation. The idea that some business systems are limited to the nation may not be possible. The nature, strategies, capabilities of companies can often be diversified across industries, technological regimes, within the region and country, and even across countries (Morgan, Whitley and Moen, 2005). However, when it is necessary to define business systems at a regional or international level other than the national level, it will be difficult to find examples. It may also not be appropriate to consider geographically embedded destinations such as the tourism sector according to the organization of regions at the supranational level. Yet, it is plausible to consider other sectors such as tourism as a sub-system of the business system and to approach it at the national level as an umbrella. Djelic and Quack (2003) argue that sectors’ business systems have sub-social areas, and international companies operating in these areas can affect national system changes. Studies show that companies operating in the sector with international extensions create an interaction between both the host country and the target country (Colling and Clark, 2002).
In this case, the resources required for tourism services are at national level and industries in the tourism service chain (transport, food, entertainment, etc.) are subject to national regulations. In fact, the tourism policies (taxes, incentives, supports, promotions, etc.) implemented by the country in which the destination is located are critical for tourism organizations. Huang et al. (2010) identified the tourism complements for a sustainable tourism activity. As Figure 1 shows, except for specific cases, the tourism industry is basically organized at national level. Within this chain, there are organizations with international extensions. Especially downstream organization types are affected by the developments at the national level where tourism activity takes place and by the developments in different countries. Although we may assume hotels are subjected to national regulations, this research mainly questions the interactions in the relevant literature.

Figure 1. Tourism supply chain


Capitalism and the State typologies in Turkey

Hall and Soskin (2001) assume that Turkey, France, Italy, Spain, Portugal and Greece have different capitalism structures peculiar to the Mediterranean countries. The structure of capitalism has become similar in these countries, where state intervention in the market is intense. Berkman and Özen (2007) emphasize that the state is the main actor in the business system and discuss whether the degree of market dependence on the state has changed with the spread of liberal economies. Dirlik (2016) responds to this debate by arguing that despite the neoliberal transformation efforts in the business system in Turkey, the state is still the rule maker. The state is legislator and ruler of capitalism in Turkey. As a result, the main actor that enables business systems to operate at the national level is the state.
can categorise the term state into four types: arm’s length state, dominant developmental state, business corporatist state, inclusive corporatist state.

Table 1. State types and complementary institutions

<table>
<thead>
<tr>
<th>Key characteristics</th>
<th>State types</th>
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<tbody>
<tr>
<td></td>
<td>Arm’s length</td>
</tr>
<tr>
<td>Active involvement in economic development</td>
<td>Low</td>
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<tr>
<td>Active encouragement of business associations</td>
<td>Limited</td>
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<tr>
<td>Active encouragement of labour associations and organization of representation</td>
<td>Limited</td>
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<tr>
<td>Complementary institutions</td>
<td></td>
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<tr>
<td>Prevalent norms governing subordination</td>
<td>Contractual</td>
</tr>
<tr>
<td>Reliability of legal system and formal institutions</td>
<td>Considerable</td>
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<tr>
<td>Strength of minority property rights</td>
<td>Considerable</td>
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<tr>
<td>Strength of arm’s length competition policies</td>
<td>Considerable</td>
</tr>
<tr>
<td>Market segmentation and entry constraints</td>
<td>Limited</td>
</tr>
<tr>
<td>Standardization of interest group representation</td>
<td>Low</td>
</tr>
<tr>
<td>Standardization of labour relations</td>
<td>Limited</td>
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<tr>
<td>Standardization of skill formation system</td>
<td>Low</td>
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Source: Morgan, Whitley and Moen, (2005)

Arm’s length states do not take on the management and coordination of economic development. Their incentives for cooperation and trade unions are limited and they are mostly driven by liberal market economies. Towards this, the strategic autonomy of large firms is high in the capital market context. The common norm is that management agreements are made on a contract basis. Trust in the legal system, government agency and the power of minority rights and arm’s length competition policy is quite high. Market segmentation and entry is limited. Such states follow a free policy against intermediary institutions, unions and firms and have autonomous institutions. The state shares power with other companies but this is a short-term and limited alliance.

In societies where the government’s market intervention is high, its role in development is also high. Trust in the legal system and official institutions may vary in these societies. Minority rights are limited. Market segmentation and market entry restrictions are significantly high. Competition policies are more limited.
There is no specific standard in skill development systems. In these states, industrial establishments operate more like state institutions rather than autonomous states. The state does not support the formation of independent higher organizations and takes an interventionist approach. The state limits the strategic autonomy of large firms. The state shares power with other firms, but this is limited, with the exception of alliances coordinated by the state.

In business corporatist states, economic participation and incentives for cooperation are significantly high and unionization is limited. The state supports intermediary organizations and these organizations are more autonomous. These types of states tend to work closely with large companies and organizations. The contribution of institutions and unions in policy development is relatively higher. Paternalist authority is involved in the management of common norms. There is high standardization in the representation of interest groups. Trust in the legal system and government institutions vary. The strategic autonomy of large firms is limited by business partners and the state, but it is relatively high. At the same time, the state shares power with large firms to a large extent, but this is limited for small firms.

In inclusive corporatist states, participation in economic development, encouragement in cooperation and unionization are significantly high. The participation of intermediary organizations and unions contributes to the growth targets of the state. Trust in the legal system and official institutions is high, but minority rights are limited. Common norms are managed with a more participatory approach. Standardization of employee-employer relations, skill development systems and representation of interest groups are significantly high. The strategic autonomy of large firms is constrained by business partners and employees, but it is quite common. The state shares power with firms to a large extent.

There is however limited research which is related to the Turkish business system for tourism in the current situation. Turkey has a dominant developmental state typology, therefore the tourism industry is affected by the state's development policy and plan. The state is the main actor of the institutional context in Turkey. Therefore, the reflection of capitalist relations on institutional environments cannot be considered independently from the role of politics (Buğra and Savaşkan, 2014). With this scope, we aim to explore how hotel managements respond to rapid environmental economic changes within a mechanism where the state acts as the protector.

**Relations of accommodation businesses with their environment**

Organizations are surrounded by an institutional environment shaped by the regulatory, normative and cognitive pressures of social actors (DiMaggio and Powell, 1983). In this environment, they try to behave efficiently in order to gain competitive advantage and legitimacy (Meyer and Rowan, 1977). Social pressures often conflict with productivity concerns; however, organizations respond to this pressure with a variety of responses in order to balance it (Oliver, 1991). To be
legitimate, these behaviours of tourism organizations affect the strategies they choose. This study will try to understand the reactions of hotel enterprises, especially in times of rapid environmental changes, increased uncertainty, recession and crisis.

The tourism sector, which has grown rapidly since the 1950s, has been considered as one of the three most important service sectors in the world today. Competition is mounting with the efforts of countries to increase their shares. As a sector, tourism contributes significantly to the economies of countries that have potential. Turkey’s tourism is contributing very positively in the development of the national economy and has played a leading role in the post-1980 period (Bahar, 2004). The quality of service in tourism requires all the businesses to work in coordination with each other. Accommodation businesses stand at a critical point as the place where the service is consumed, because tourism is not only composed of the purchase of goods but also requires the fulfilment of certain services, such as hosting.

In a study conducted on this subject, Okumuş and Karamustafa (2005) claimed that firms in times of crisis reveal some learning areas. Okumuş and Karamustafa (2005) found that crises create learning opportunities for companies. The first strand of this learning is in the political sphere. In addition to the political environment, researchers have noted that businesses learned that it is difficult to develop sustainable tourism unless there is a robust political and economic system. The second strand of learning corresponds to financial issues. Companies learned that if their financial situation is not strong, they feel the negative effects of the crisis more keenly and they need to think twice when making new investments. They also learned to manage organizations more flexibly, to be prepared for the worst-case scenario and to be more informed about it. This applies not only to hotels but also to the public authority. The authors reveal that before February 2001, the government did not have any contingency plans at the regional or national level for a potential crisis. Sönmez (1998) states that every crisis management plan should be included in a country’s overall tourism planning, marketing and management strategies. In Turkey, for example, it is emphasized that they lack a robust crisis plan and strategy. He argues that after the crisis, the tourism industry could not receive any support as it did not have a plan by any central authority, and this situation put the sector in a difficult position. It is worth noting that the industry has faced such a crisis (and a few earlier ones) but has not responded well to it due to massive problems in governance.

Despite very serious fluctuations in Turkey, tourism organizations and government officials are ignoring the need to use a proactive approach to crisis management. This is perhaps partly a reflection of national culture in Turkey’s business environment. As indicated by Kabasakal and Bodur (1998), a proactive approach to strategic planning and management, coordination and teamwork have not been common in the business culture of Turkey’s governments and private organizations. In short, when researching and evaluating specific crises, the
characteristics of the business culture in the sector, as well as the characteristics of a country's national culture, should be taken into account.

When a crisis occurs in a region with a high tourist attraction, the economic crisis in the destination may have a negative impact on incoming tourism and its revenues. Particularly for tourism companies, the negative effects of a crisis can be felt for a long time. To get results in crisis situations, organizations may need to invest more resources, otherwise, they may not be able to generate profit.

In Turkey, the government's role and policies are crucial in overcoming crises and recession. Correspondingly, tourism policies and the levels of support given to the tourism industry by governments can reveal the various effects of a crisis on a country's tourism industry. The link between tourism and sustainable development is clear for two reasons (Sharpley, 2000). First, tourism is one of the most powerful industries in the world, and the main "resources" are the world's most beautiful natural, cultural and historical sites. Therefore, tourism's part in global economic and business trends is considerable, as is its impact on the quality of life in local communities at tourism destinations. On the other hand, sustainable tourism balances economic development against the constraints imposed by the environment and the needs of local people. Respect for socio-cultural heritage, employment opportunities for local people, availability of tourists willing to revisit a tourist destination and an increase in revenues are the outcomes of the adequate and all-encompassing sustainable development principles.

3. Methodology

Qualitative research methods were used to seek responses to research questions. According to Lecompte and Goetz (1984), it is possible to collect data regarding the environment through qualitative research. Environmental data relates to the social, cultural, demographic and physical characteristics of the research. Interview technique is the most used tool to collect such data.

Qualitative research methods can be used in exploring complex macro-level relationships in sociological and economic phenomena. In this research, a semi-structured interview form was created drawing on the literature to understand the interaction of accommodation businesses with the market relations they are involved in. Qualitative content analysis technique was used to analyse the data.

Some important issues in the stages of the research following the design of qualitative research methods are as follows; a) Turkey’s business system is central and has a specific interaction with the environment, therefore the issues that play a central role in a business partnership in Turkey have been explored. In this context, questions about business organizations including central institutions, government and accommodation enterprises were included in the interview; b) The sample was created by purposeful sampling and we took into consideration certain criteria (Patton, 2002). The factors that are considered while choosing the sample are that the accommodation businesses should have a certain size and experience of intense
environmental factors. The interviews were interrupted when it was thought that it had reached saturation; c) during the analysis of the texts, themes, categories and codes are identified and quotes are presented under these; d) there was not the concern for statistical generalization. We aim to provide rich data with diverse materials which enabled us to make an analytical generalization (Silverman, 2016).

As for the trustworthiness of the study, we also paid attention to credibility, transferability, reliability and objectivity (Flick, 2009). The credibility of the study (Internal Validity) ensures that the processes specified in the data collection are followed. In this study, we have avoided any inferences such as distortion of the quotes. Direct quotations are used in order to avoid anything that may damage the meaning of the statements. The relevant literature was used to identify the categories and codes. Transferability (external validity) means the findings can be generalized to non-sample subjects or populations. This is an implicit quest for generalizability. It is thought that the findings will reflect the issues and debates in the relevant literature. The fieldwork took place in Antalya in Turkey, the most important tourism destination. It is beyond the scope and possibility of the study to include all tourism regions. The results of the research can be generalized for the tourism sector that has a similar system to Turkey. Reliability ensures that external factors are controlled and the data collection is processed as planned. The participants are informed about the processes of the data collection. The findings were presented without any bias. Objectivity is the assurance of neutrality throughout the research process. During the design of the research, selection and analysis of the data, the subject was free from individual and ideological concerns. In a qualitative study, the researcher cannot claim absolute objectivity, therefore it is important to avoid logical gaps and inconsistencies that may blur the process.

Sample

We identified and selected five-star hotels, which remain the most affected by the crisis, in Antalya. Included in the sample were employees who have a long-term tourism background, feel the effects of tourism, have a voice in the business, have a long experience in management, have worked as hotel general manager, deputy general manager or sales and marketing manager. We interviewed twenty-three senior hotel employees in the center of Antalya.

Data Collection

A qualitative research method was used for an in-depth understanding of the experiences of the rapid economic environment change process, while the study data was collected through semi-structured interviews. The interviewees were asked two questions:

What kind of strategies do you follow when there are very rapid changes in the economic environment?

What kind of operational measures does the company take in the face of rapid change? Each interview with the participants lasted around 35-40 minutes.
and all interviews were recorded with an audio-recorder. The interview notes were then transcribed.

4. Findings

The interviewees mentioned the political tensions that occurred between Russia and Turkey in 2016, the restriction of the Russian flights to Antalya, and thus the embargo imposed on Russian tourists after the Istanbul Sultan Ahmet square bombing attempts and substantial loss of tourist influx to Turkey from Russia and Europe. For participants, these were potential crises. The interviews showed how hotel businesses react to sudden changes in the environment; when the change is fast and how they coordinate with each other. Some of the dimensions are presented below:

The strategy of reducing costs and downsizing

The interviews showed that hotel enterprises, as expected, chose to cut their costs in the case of a potential crisis. The important point here is that hotels use this strategy not to increase profitability, but as a way to operate with limited resources. Hotel enterprises identify the budget areas to reduce costs when demand decreases or when there are extraordinary situations. At the same time, they stated that they tried to reduce input prices, rearrange the balance of payments in the financing, and overcome dead seasons by delaying future payments. It is possible to say that they partially shrank periodically. By revising the capacity planning, they leave some parts of the facilities in low capacity and use downsizing methods as a staff reduction strategy. The interviews also showed that the hotels do not tend to reduce personnel without necessity, they think this situation harms them in the long term, and the hotels that have reduced the turnover rate are very reluctant to decrease or change their personnel. However, it should be noted that they still decide to downsize in terms of personnel numbers or other areas when they have to.

Low potential to create an alternative in the face of potential changes

The interviews showed that hotel businesses do not have an alternative strategy to employ in a crisis. When hotel businesses are asked how they manage risk in times of crisis, the only alternative apart from reducing costs is to search for temporary new markets through agencies. It is very difficult for hotels to attract tourists from another market and they cannot make these transitions quickly; they are left to the initiative of the agencies. In the negotiations with the hotels, no one developed an alternative strategy other than trying to reduce costs, downsizing and making an agreement to bring tourists from different markets via the agencies. This situation shows that hotels follow a more passive path in their relations with their environment. Despite being one of the main actors in the tourism sector, they have little capacity to shape the sector as actors.

Practices of cooperation and acting like a union

The interviews showed that hotel businesses are coming together to form a union. However, again, in the interviews, it was determined that hotel enterprises have relatively weak networks among themselves. Although they define the
relationship between them as good, they do not act collectively to address the problems concerning the tourism sector. The hotel managers created more expectations through the union they are affiliated with, but they did not effectively use the union or their networks to create a solution. Relations between the hotels are distant. At the same time, the practices of increasing their power by acting together and using this power as an element of pressure against other actors, such as agencies or central institutions, are low. While some hotel managers stated that they were waiting for the center to find a solution to their problems, they thought that larger hotel groups should act on this issue and did not see themselves as such an element of pressure. In summary, hotel businesses prefer to wait to see the change in these factors and take positions accordingly, rather than trying to manage environmental factors in their relations with their environment. Meanwhile, they tend to act alone rather than cooperating.

The reactions of Public authorities

One of the most frequently mentioned issues by the hotels during the interviews is that the central authority has no plans for extraordinary situations. Hotel businesses clearly stated that the existing macro tourism plans were not enough to save the period, solve daily problems or provide a long-term sustainable response. Especially in fluctuations in the international environment, orientation towards local tourism is generally seen as a solution, but this affects sustainability in the long term. Tourism organizations state that they cannot get the support they expect from the state and that promises made are not kept. At the same time, hotels are unlikely to act together and put pressure on the center. In extraordinary situations, hotel businesses passively wait for the period to pass if they do not create their own solutions.

5. Conclusions

The findings show that hotels tend to act collectively in the face of the crisis. During the crisis, it was understood that the general strategy of hotels was to reduce costs and to wait for the crisis to come to an end by acting passively and introducing austerity measures to save costs. At the same time, hotel managers stated that especially tourism associations and the Ministry of Tourism did not take adequate measures due to the crisis. Another interesting finding is that hotel businesses have limited capacity to open their services to other markets in crises. Further, it was found that hotel businesses do not have any contingency plans or strategies for crisis periods. The cooperation between hotel enterprises and with the ministry and similar public institutions and associations is weak. The most important finding that speaks to the basic research question of the study is that hotel businesses as an actor have no intention or strategies to shape, intervene and change the market and that such improvement, development or changes are expected from the center.

For economically sustainable tourism activities, all actors operating in the tourism industry must work in coordination with an efficient governance structure (Liu, 2003). The research showed hotel businesses follow a passive strategy to
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overcome the effects of the economic crisis. One of the main reasons for this is the lack of coordination with other actors. At the same time, Turkey has a central business structure which limits the autonomy of the organization due to the nature of capitalism (Dirlik, 2016) and this leads hotel businesses to expect regulations from the state. This situation may cause the center to display a paternalistic behavior and not intervene quickly enough in such critical periods. Strengthening the coordination and co-planning between central and local actors is essential to create a good governance structure. As a result, the hotel business in Turkey, which exists within the context of the environmental impact of socio-economic institutions exhibits more passive strategies and remains vulnerable to change.

Zahra and Warkentin (1991) showed that in dynamic and uncertain environments, organizations become more entrepreneurial and enter new business ventures. However, this study shows that hotel businesses do not always follow an active strategy with the business system in which they operate and their institutionalized relations with the central authority; on the contrary, they follow a more passive strategy and expect difficult times to pass.

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