



IMPACT OF AN ECONOMIC CRISIS Evidence from Turkey

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Abstract: This paper evaluates the impact of the 2001 economic crisis on the tourism industry in Turkey. The research findings reveal that neither the government nor private organizations had any plans for dealing with the crisis before or after the event. It had both negative and positive impacts although its benefits were often overlooked. The overall implication of the study is that national culture, the level of economic development of a country, the availability of financial resources, and the ability and knowledge of its government officials and managers of private firms have a direct impact on how such an event is responded to and managed. **Keywords:** economic, crisis, government, hotels, Turkey. © 2005 Elsevier Ltd. All rights reserved.

Résumé: L'impact d'une crise économique: témoignage de Turquie. Cet article examine l'impact de la crise économique de l'an 2000 sur l'industrie du tourisme en Turquie. Les résultats des recherches révèlent que ni le gouvernement ni les organisations ou les entreprises privées n'avaient aucun plan pour traiter avec la crise avant ou après l'événement. La crise a eu des impacts négatifs et positifs, bien que les bénéfiques aient souvent été oubliés. Le sous-entendu général de l'étude est que la culture nationale, le niveau de développement économique d'un pays, la disponibilité des ressources financières, et la capacité et les connaissances des fonctionnaires du gouvernement et des directeurs des entreprises privées ont tous un impact direct sur la façon de réagir à et gérer un tel événement. **Mots-clés:** économique, crise, gouvernement, hôtels, Turquie. © 2005 Elsevier Ltd. All rights reserved.

INTRODUCTION

In mid-February 2001, Turkey experienced one of the worst economic crises in its recent history and as a result, experienced a substantial fall in its Gross National Product from US\$201.4 billion in 2000 to \$148 billion in 2001. Although a disagreement between the President and the Prime Minister triggered it, a weak coalition government, structural deficiencies, heavy external and internal borrowing, and ongoing corruption were the main reasons behind its severity (Walker

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2002). In order to rescue the country from economic and political chaos, Kemal Dervis, a senior executive from the World Bank, was appointed the minister responsible for the economy. He developed the "Transition Toward a Strong Economy" program (Walker 2002), which introduced radical financial measures. In return, the International Monetary Fund provided loans of around \$15 billion to help Turkey overcome the crisis.

Nearly three years later, although there have been some positive changes in the Turkish economy, the impact of this crisis on many sectors is still strongly felt. However, there is little empirical evidence of how tourism in particular coped with and was affected by the event. The aim of this study is to investigate its impact on this Turkish tourism industry. In particular, it focuses on determining whether tourism organizations or enterprises were able to predict the crisis, and what measures were taken to deal with it before, during, and after the event. In addition, the study evaluates how the government responded to it during and after the event. The overall intention is to contribute to an increasing body of literature on this area by providing empirical evidence about the impact of an economic crisis on a country's tourism industry.

CRISIS MANAGEMENT

A crisis is referred to as an unplanned event emerging from the internal or external environment of an organization, region, or country which can disrupt operations, threaten people physically and mentally, and endanger the viability of entities no longer able to cope with the situation using normal managerial procedures (Fink 1986; Kash and Darling 1998). There has been some discussion on the difference between a crisis and a disaster, with a blurred distinction between them. For example, according to Sönmez (1998), the latter is an event which can cause loss of life, human suffering, property damage, and economic and social disruption. While the former appears to occur due to deficiencies in management, the other is triggered by sudden events over which people have little control and cause major suffering.

There are different categories of crises, including ecological, financial, regional, and global. Even if they are categorized under different names, important similarities exist among them, and one type can lead to other types (Kovoor-Misra, Clair and Bettenhausen 2001; Richardson 1994). For example, ecological disasters, wars, and terrorist attacks can lead to economic and political problems, which then may result in a tourism crisis. The Gulf War in 1991, the civil war in the former Yugoslavia in the early 90s, ongoing conflicts in the Middle East, the 1989 Tiananmen Square incident in China, political unrest in Fiji and Tibet, and the Iraq war in 2003 all had and have impacts on tourism in and around these countries. The September 11 terrorist attacks on America in 2001 and the Bali bombing in 2002 are examples of terrorism acts turning into tourism crises. The outbreaks of foot and mouth disease in the United Kingdom in 2001 and the spread of Severe Acute

Respiratory Syndrome (SARS) in the Asia-Pacific region in March 2003 are again epidemics that affected the industry. The Katherine Flood in Australia in 1998 and earthquakes in Montserrat, San Francisco, Italy and Turkey, and the tsunami in late 2004 are examples of natural disasters that become tourism crises.

The literature places much emphasis on preparation for crises, stating that the question is not whether or not such events will occur but when they occur, how one can respond to them, and how their negative impacts can be minimized (Kash and Darling 1998). Different models are proposed to respond to crises and disasters (Faulkner 2001; Fink 1986; Kash and Darling 1998). However, there are important similarities among them in terms of assumptions and recommendations. They recommend actions in four or five main stages: pre-crisis, acute crisis, chronic crisis, and resolution (Fink 1986; Kash and Darling 1998). In the first stage, there are important duties to carry out, such as analyzing the external environment as an ongoing process, collecting data, interpreting the signals, making plans, forming a team, and establishing communication channels. The second begins when the symptoms of the crisis become apparent (Fink 1986). At this stage, the extent of the event and its immediate and long-term effects should be assessed and appropriate measures should be taken immediately. During the third, the symptoms and impact of the event become more obvious than before, and it becomes essential to respond to them with appropriate actions. In the final stage, the symptoms of the crisis may gradually disappear and operations begin to return to normal. It is also possible that the actions to deal with the situation may not work, that further difficulties may be faced, and that the situation may worsen.

Crises often have negative consequences including a decrease in demand and revenues, rising costs, the disruption of normal operations, failings in decisionmaking and communication activities, staff lay-offs, the cancellation of investments, stressful living and working environments, and the closure of organizations (Kash and Darling 1998). At the same time, such events may also offer opportunities to introduce new products, management programs, new markets, and ways to reduce costs. Gaining experience and learning to handle the problems is seen as one of the key benefits for managers. According to Richardson (1994), there are two types of learning. The first is single loop learning, which involves simple and incremental changes to prepare for future developments. The second is double loop learning, which refers to making radical changes in the strategies followed and management approaches employed. It is suggested that the former type is common and easy but that the latter is difficult and, although often necessary, ignored in many cases. For example, Bohn (2000) states that many organizations rush from one problem to another, never actually solving problems, just stopping them from getting worse and often failing to uncover their real roots. Uncovering the real roots and introducing radical changes can certainly facilitate double-loop learning and prevent some future unexpected situations (Roux-Dufort and Metais 1999).

Tourism in Turkey

Turkey has experienced a rapid growth in tourism since the early 80s. In 2003, over 14 million tourists visited Turkey, the industry contributed \$9.6 billion to the country's GDP, and over two million people were employed in the industry (Tursab 2004). The main destinations are Bodrum, Antalya, Istanbul, Side, Kemer, Alanya, Marmaris, Nevsehir, and Fethiye. There are 2,240 accommodation establishments with operation licenses and 1,130 with an investment licenses, corresponding to 396,148 and 222,876 beds, respectively (Tursab 2004). In addition, there are 7,661 hotels registered with, and regulated by the municipalities, corresponding to 335,818 beds (Ministry of Tourism 2002).

Turkish tourism has been facing serious problems for many years. These include seasonality, low occupancy rates, a high dependency on tour operators, inadequate infrastructure, poor service quality, failures in promoting Turkey as a major destination, and negative impacts of economic and political crises in and near by Turkey (Dieke and Karamustafa 2000; Tosun 2001). Although all of these problems are important, the impact of national and global crises on the industry is particularly significant. These include the Gulf War in the early 90s, terrorism in Turkey in the 90s, the civil war in former Yugoslavia in the early 90s and an internal economic crisis in 1994, two earthquakes in the northwest region of Turkey in 1999, the February 2001 economic crisis, the attacks of September 11 on the United States, the war in Afghanistan against the Taliban and Al Qaeda, and the war on Iraq in 2003. These developments led to unexpected falls in demand and revenue in some years and an inability to maintain sustainable growth. On the other hand, governments have not been successful in responding to the above problems. As stated by Göymen (2000), all of the "Five-Year State Development Plans" have included a section for the industry, which identified key objectives related to the tourism development. However, the implementation process of these has not been really successful (Tosun 2001). Since its formation in 1963, the Ministry of Tourism has not been very effective in designing and implementing sound regional and national plans (Tosun and Timothy 2001). Although it operates offices in every city, its overall structure is centralized. Over 34 ministers were appointed between 1963 and 2003. In mid-2003, the Ministry of Tourism merged with the Ministry of Heritage, becoming the Ministry of Heritage and Tourism.

Study Design

The case study approach was chosen for this research, as it allows the issue to be investigated in some depth and helps in developing new insights in an area where limited knowledge is available (Yin 2003). The data collection methods chosen were the questionnaire and semistructured interviews. It was believed that with multiple techniques better and more reliable data could be collected and that the resulting data collected from each method would support each other and provide

more analytical explanations about the researched area. As suggested by Saunders, Lewis and Thornhill (2003) several steps were followed when designing the questionnaire. First, informed by the relevant literature, open-ended interviews were carried out with managers of various firms in Bodrum and Nevsehir. Based on the findings from these initial interviews, key areas were identified and specific statements were developed.

This draft questionnaire was sent to hotel managers in Bodrum and Nevsehir, as well as to some academics in Turkey. Based on the feedback, it was further enhanced by improving expressions, removing some items, and adding new ones. The instrument consisted of four main sections. The first included questions on whether the crisis was foreseen and what kinds of precautions were undertaken prior to it. The second included questions about the kind of actions undertaken after the event. The third included questions about its negative and positive impacts on the industry and on companies in the short (within one or two years) and long-term (from three to ten years). In this section, there was an open-ended question to allow respondents to express their views about the crisis and its impact. The final section contained questions about the company and the respondent's background, including whether the respondent could be contacted again for an interview.

The decision was made to collect empirical data from two main destinations: Bodrum and Nevsehir (Cappadocia). The former is estimated to have a capacity of around 100,000 beds, whereas the latter has around 13,000 beds but receives international and domestic tour groups on daytrips or short breaks. There were a number of reasons for choosing these two destinations. One, in terms of natural and cultural attractions, bed capacity, and fame they are the key destinations in Turkey. Two, important similarities exist between them and other destinations with regard to characteristics and potential; thus, they were considered to be appropriate representatives. Three, the authors lived and worked in these destinations for several years, having established good contacts with tourism organizations and officials at each.

It was decided that data should be collected mainly from the accommodation sector of the industry, consisting of hotels, motels, resorts, and holiday villages. These enterprises employ contemporary management techniques and follow recent trends and developments more closely than do other firms. A purposive/judgmental sampling strategy was employed for this study (Saunders et al 2003). In this technique, individuals or cases are selected by an experienced investigator based on some appropriate characteristics. The selected sample is expected to be the most representative of the population of interest as a whole, and should provide relevant and essential data for the research project.

There are three different types of accommodation establishments in Turkey: those with an operation license, those with an investment license, and those registered with municipalities. The latter are generally small firms and offer a lower-quality service mainly aimed at lower-income domestic tourists. At the end of 2001 in Bodrum, there were 117 firms with operation licenses, 176 with investment licenses, and

600 registered with the local municipalities (Mugla Tourist Office 2001). From the above sample, 177 were chosen, including all 117 with operation licenses, 30 out of 176 with investment licenses that had started operating in or before 2001 but that had yet to receive their operation license, and 30 out of 600 firms registered with the local municipalities, chosen on the basis of their higher quality and bed capacity. When selecting these 30 firms, the local municipality, tourism office, and hotel association in Bodrum were consulted. The developed questionnaire was mailed to over 177 hotels in Bodrum in late 2001 and early 2002. Each hotel was later contacted by telephone and the questionnaire was mailed again to some firms. A total of 70 questionnaires were received, of which 67 were useable. The actual response rate in Bodrum was around 38%.

At the end of 2001 in Nevsehir there were 46 hotels with operation licenses, and three with investment licenses which were also operating. A further 72 hotels were registered with the local municipalities (Nevsehir Tourist Office 2001). All 49 firms with operation licenses and investment licenses were included in this survey. Another 25 hotels were chosen from those registered with the local municipalities, based on their high-quality services and bed capacity. Similar to Bodrum, when choosing these 25 firms, the local municipality, tourist office, and hotel association were consulted. The questionnaire was personally distributed to a total of 74 firms in Nevsehir by one of the researchers in early 2002. Overall, 41 completed questionnaires were received, of which 39 were useable. The actual response rate was around 55% in Nevsehir. In total, data was collected from 106 firms in two key destinations in Turkey.

The collected data were analyzed using Statistical Package for the Social Science (SPSS) 11.0. The results provide a summary of the distribution of the various variables. Descriptive statistics were used to note the basic features of the data in the study. To check the differences between the two destinations, a *t-test* was employed when the data were considered to be parametric or normally distributed, otherwise the *Mann-Whitney-U test* was used. In order to understand whether there were any differences among the type of hotels, the Analysis of Variance (ANOVA) was used when the data were considered to be parametric or drawn from a normally distributed population. The *Kruskall-Wallis test* was applied when the data were considered to be nonparametric or not drawn from a normally distributed population.

After completing the survey, a total of 20 semistructured interviews were carried out (12 in Bodrum and 8 in Nevsehir) with managers of hotels and travel agents, as well as officials from tourist offices in each region. The respondents occupied senior positions and had worked in the industry for many years. The purpose of these interviews was to further explore various issues related to the impact of the crisis and how tourism firms and the government responded to it. The majority of the interviews—lasting from 30 min to 1.5 h—were face-to-face, with a few done by phone. After undertaking these interviews in Bodrum and Nevsehir, the responses were becoming similar. Thus, it was not necessary to carry out further interviews as the point of data saturation

seemed to have been reached. To analyze findings in detail, the interview notes were read by both researchers, emerging categories and sub-categories were defined, and important emerging themes arising were identified (Miles and Huberman 1994).

Study Results

The respondents were usually owners (34%) and general managers (41%), with a large majority of them males with university bachelor degrees (70%). The majority of these firms were independent, mainly family-run businesses (78%). The participating firms were categorized into three groups in order to determine whether there were any differences in their responses to survey questions. Based on the Ministry of Tourism's hotel grade criteria, four- and five-star hotels and first-class holiday villages formed group I ($n = 36$), two- and three-star hotels group II ($n = 31$), and one-star hotels and other types of hotels registered with the local municipalities group III ($n = 39$).

Of the 106 firms that participated in the study, 64 (60.4% of the sample) had not expected a crisis in Turkey before February 2001. Only 38 (35.8%) claimed to have predicted a possible crisis. Their preparation activities are presented in Table 1. According to the results of the *Mann-Whitney-U test*, there was no statistically significant difference between the hotels in Bodrum and those in Nevsehir in terms of preparation activities. The results from the *Kruskall-Wallis test* indicated that (except for one item, "reviewed our debts"), no statistically significant differences existed in preparation activities among the participant firms. The hotels in groups II and III seemed to have been

Table 1. Preparation Activities for the Crisis

Items	Destinations			Type of Firms			Test Statistics (<i>Kruskall-Wallis</i>)		
	Total	Bodrum	Nevsehir	Group I	Group II	Group III	χ^2	<i>d.f.</i>	<i>p</i>
Checked our business contracts	28	18	10	9	10	9	1.919	2	ns ^a
Reduced our costs	28	18	10	8	11	9	1.840	2	ns ^a
Reduced the number of staff	27	17	10	9	9	8	0.644	2	ns ^a
Increased our marketing efforts	23	15	8	8	9	6	2.293	2	ns ^a
Reviewed our debts	21	13	8	2	10	9	10.349	2	0.006
Reviewed our credit	20	14	6	4	6	10	4.600	2	ns ^a
Postponed future investment plans	20	13	7	5	8	7	3.186	2	ns ^a
Prepared crisis plans	15	11	4	4	6	5	1.436	2	ns ^a

^a Statistically not significant.

much more concerned about their debts than those in group I. The 38 properties appeared to have taken only financial precautions, and none seem to have formed any management plans or teams in advance.

These findings are perhaps not surprising because, reflecting the industry in general, the majority of the participants were small and mid-sized family-run businesses, which often lack the knowledge and resources to devote to formal training activities for learning and employing contemporary management practices. During the interviews, the respondents stated that they had failed to predict the crisis but they claimed that unexpected developments and disasters often broke out in and around Turkey; therefore, all of the firms in the industry were trying to survive. In their own mind, they were always trying to cut costs, improve quality, and be more cautious and conservative when deciding on new investments, believing this to be the true approach to crisis management. However, these activities were more reactive and tactical, and more like fighting a fire (Bohn 2000), than proactive.

Table 2 presents the findings on the actions taken by participating firms to deal with the crisis after it had broken out. The results from the *Mann-Whitney-U test* indicated that Bodrum and Nevsehir differed on four items: increased marketing and sales efforts; checked business agreements and contracts; spent more time on environmental scanning and prepared plans. On the other hand, when the *Kruskall-Wallis test* was applied, it was found that the three groups did not differ much from each other in terms of ranked scores, except on one item: spending more time on environmental scanning.

The results suggest that the crisis had both negative and positive impacts on tourism in Turkey. This is in line with studies in the generic management field such as those by Fink (1986) and Kovoov-Misra, Clair and Bettenhausen (2001). More than half of the respondents (54%) believed that it had resulted in more negative impacts, 38% agreed that it had resulted in both negative and positive impacts, and 8% believed that it had resulted in only positive impacts. Table 3 shows the main short-term negative effects. Because the results from the *t-test* indicated that there were no statistical differences between the two destinations concerning the items given in Table 3, the test results were ignored. However, the results of the ANOVA test indicated that only two items, "reduced budget for training" and "fixed and variable costs increased", differed among the three types of hotels. In particular, firms in groups II and III seemed to have reduced their budget for training and realized that their costs increased much more than firms in group I.

Among the main short-term positive effects, as presented in Table 4, the most important ones were being able to increase sales prices in Turkish Lira, being forced to reduce costs, and being able to introduce new management techniques. The results from the *t-test* indicated that there were no statistical differences between the two destinations concerning the items given in Table 4, excluding "realized our internal managerial inefficiencies". Firms in Bodrum seemed to have agreed with this item much more than those in Nevsehir. Similar to this,

Table 2. Actions Taken Against the Crisis after it Occurred

Items	Destinations			Test Statistics (<i>Mann-Whitney-U Test</i>)			
	Total	Bodrum	Neveshir	<i>Mann-Whitney-U</i>	Wilcoxon W	Z	P
Checked the company's credit	95	61	34	1037.000	2928.000	0.000	ns ^a
Checked the company's debts	94	59	35	1035.500	2808.500	0.000	ns ^a
Reduced costs	73	46	27	724.000	1159.000	-1.509	ns ^a
Increased our marketing efforts	70	43	27	678.500	1113.500	-1.734	0.008
Reduced the number of staff	65	39	26	651.000	1086.000	-2.154	ns ^a
Checked our business agreements and contracts	64	36	28	504.000	910.000	-2.635	0.031
Spent more time on environmental scanning	56	34	22	468.000	768.000	-3.056	0.002
Postponed new investments	53	31	22	542.000	777.000	-1.514	ns ^a
Prepared crisis plans	36	24	12	310.000	446.000	-2.421	0.015

Items	Type of Firms			Test Statistics (<i>Kruskall-Wallis</i>)		
	Group I	Group II	Group III	X^2	<i>d.f.</i>	<i>p</i>
Checked the company's credit	31	29	35	0.000	2	ns ^a
Checked the company's debts	30	29	35	0.000	2	ns ^a
Reduced costs	26	25	22	5.700	2	ns ^a
Increased our marketing efforts	26	24	20	3.143	2	ns ^a
Reduced the number of staff	20	18	27	0.393	2	ns ^a
Checked our business agreements and contracts	21	24	19	4.251	2	ns ^a
Spent more time on environmental scanning	22	18	16	10.290	2	0.006
Postponed new investments	16	18	19	1.401	2	ns ^a
Prepared crisis plans	12	11	13	1.461	2	ns ^a

^a Statistically not significant.

except for “realized our internal managerial inefficiencies”, the results of the ANOVA test did not reveal any significant differences among types of firms on the short-term positive impacts.

The long-term negative effects are presented in Table 5. There were no statistical differences between the two destinations concerning the items given in Table 5, except for “diminishing domestic demand” and “the loss of qualified staff to other sectors”. On the other hand, ANOVA indicated significant differences among the types of hotels

Table 3. The Short-term Negative Impacts of the Crisis

Items	Destinations								
	Total			Bodrum			Nevsehir		
	<i>n</i>	Mean	Std. Dev.	<i>n</i>	Mean	Std. Dev.	<i>n</i>	Mean	Std. Dev.
Domestic demand decreased	66	1.33	0.48	40	1.35	0.48	26	1.31	0.47
Faced difficulties in collecting loans	64	1.59	0.79	40	1.78	0.89	24	1.29	0.46
Postponed future investment projects	66	1.95	1.16	40	2.10	1.06	26	1.73	1.28
Experienced a stressful working environment	53	2.00	0.94	31	2.00	0.93	22	2.00	0.98
Delays in services from the local authorities	54	2.00	0.99	37	2.03	1.01	17	1.94	0.97
Faced difficulties paying our debts	63	2.08	1.14	39	2.18	1.21	24	1.92	1.02
Reduced our budget for training	52	2.48	1.26	33	2.67	1.29	19	2.16	1.17
Our costs increased	66	2.82	1.14	40	2.75	1.13	26	2.92	1.16

Items	Type of Firms									<i>f</i>	<i>p</i>
	Group I			Group II			Group III				
	<i>n</i>	Mean	Std. Dev.	<i>n</i>	Mean	Std. Dev.	<i>n</i>	Mean	Std. Dev.		
Domestic demand decreased	21	1.48	0.51	19	1.21	0.42	26	1.31	0.47	1.655	ns ^a
Faced difficulties in collecting loans	24	1.46	0.66	18	1.44	0.70	22	1.86	0.94	2.015	ns ^a
Postponed future investment projects	21	2.19	1.21	19	1.63	1.01	26	2.00	1.20	1.207	ns ^a
Experienced a stressful working environment	18	2.22	1.17	16	1.56	0.51	19	2.16	0.90	2.661	ns ^a
Delays in services from the local authorities	19	2.16	0.76	13	1.77	1.01	22	2.00	1.15	0.585	ns ^a
Faced difficulties paying our debts	21	2.48	1.33	17	1.65	0.70	25	2.04	1.14	2.641	ns ^a
Reduced our budget for training	19	3.11	1.10	14	1.71	1.07	19	2.42	1.26	5.893	0.005
Our costs increased	21	2.43	0.98	19	3.32	0.95	26	2.77	1.27	3.303	0.043

Scale values: 1 = Strongly agree, 5 = Strongly Disagree.

^a Statistically not significant.

in three items relating to the long-term negative impact: “diminishing domestic demand”, “the resultant image of Turkey as a cheap destination in international markets”, and “qualified employees leaving the industry”. Hotels in group II seemed to have stronger views on these items than those in groups I and III, whereas on the last item groups II and III seemed to have stronger views. The main long-term positive impacts are presented in Table 6. According to the results from the *t-test*, except for “more attention will be given to marketing”, there

Table 4. The Short-term Positive Impacts of the Crisis

Items	Destinations									t-value	p
	Total			Bodrum			Nevsehir				
	n	Mean	Std. Dev.	n	Mean	Std. Dev.	n	Mean	Std. Dev.		
Managed to increase our prices in Turkish Lira	47	1.98	0.87	34	2.00	0.85	13	1.92	0.95	-0.268	ns ^a
The crisis let us decrease our costs	47	2.09	1.18	33	2.21	1.32	14	1.79	0.70	-1.140	ns ^a
Introduced new management techniques	47	2.70	1.27	34	2.56	1.31	13	3.08	1.12	1.262	ns ^a
We recognized some of our operational problems	47	2.81	1.21	33	2.70	1.26	14	3.07	1.07	0.970	ns ^a
Introduced a restructuring process	47	2.83	1.11	33	2.76	1.20	14	3.00	0.88	0.681	ns ^a
The crisis helped us to build our self-confidence	46	2.89	1.27	32	3.00	1.37	14	2.64	1.01	-0.876	ns ^a
Foreign tourism demand has increased	45	2.93	1.18	31	2.87	1.20	14	3.07	1.14	0.525	ns ^a
Realized our internal managerial inefficiencies	45	3.02	1.16	31	2.77	1.15	14	3.57	1.02	2.233	0.031
Government support to the industry increased	47	3.28	1.48	33	3.21	1.56	14	3.43	1.34	0.453	ns ^a

Items	Type of Firms									f	p
	Group I			Group II			Group III				
	n	Mean	Std. Dev.	n	Mean	Std. Dev.	n	Mean	Std. Dev.		
Managed to increase our prices in Turkish Lira	19	1.79	0.85	18	2.11	0.68	10	2.10	1.20	0.743	ns ^a
The crisis let us decrease our costs	19	2.00	1.11	19	2.21	1.27	9	2.00	1.22	0.175	ns ^a
Introduced new management techniques	19	2.89	1.33	18	2.72	1.18	10	2.30	1.34	0.717	ns ^a
We recognized some of our operational problems	19	3.00	1.20	18	3.06	1.26	10	2.00	0.82	3.110	ns ^a
Introduced a restructuring process	19	3.05	1.18	18	2.78	1.00	10	2.50	1.18	0.839	ns ^a
The crisis helped us to build our self-confidence	18	2.67	1.14	18	3.11	1.32	10	2.90	1.45	0.541	ns ^a
Foreign tourism demand has increased	19	3.11	1.24	17	3.18	1.19	9	2.11	0.60	3.023	ns ^a
Realized our internal managerial inefficiencies	19	3.26	1.24	17	3.24	1.09	9	2.11	0.60	3.954	0.027
Government support to the industry increased	20	3.40	1.43	18	3.33	1.53	9	2.89	1.62	0.379	ns ^a

Scale values: 1 = Strongly agree, 5 = Strongly Disagree.

^a Statistically not significant.

were no differences between the two destinations regarding the items in Table 6. Similarly, because ANOVA indicated no significant differences on the long-term positive impacts among the types of hotels, the test results were omitted.

Table 5. Long-term Negative Impacts of the Crisis

Items	Destinations									t-value	p
	Total			Bodrum			Nevsehir				
	n	Mean	Std. Dev.	n	Mean	Std. Dev.	n	Mean	Std. Dev.		
Will result in further decreases in domestic demand	97	1.57	0.68	64	1.73	0.72	33	1.24	0.435	-3.604	0.001
Will result in establishing Turkey as a cheap destination	95	1.84	0.92	63	1.92	1.04	32	1.69	0.592	-1.177	ns ^a
Will result in delays in government support and investments in the industry	91	1.84	0.85	65	1.92	0.92	26	1.62	0.571	-1.579	ns ^a
Will result in delays in new investments by the private sector	96	1.83	0.90	67	1.91	0.97	29	1.66	0.721	-1.277	ns ^a
Will result in qualified employees leaving the industry	97	2.03	1.04	64	2.27	1.13	33	1.58	0.614	-3.261	0.002
Will negatively affect our marketing efforts	87	2.36	1.01	60	2.47	1.03	27	2.11	0.934	-1.529	ns ^a

Items	Type of Firms									f	p
	Group I			Group II			Group III				
	n	Mean	Std. Dev.	n	Mean	Std. Dev.	n	Mean	Std. Dev.		
Will result in further decreases in domestic demand	32	1.88	0.61	29	1.21	0.41	36	1.58	0.77	8.643	0.000
Will result in establishing Turkey as a cheap destination	33	1.94	0.70	27	1.48	0.51	35	2.03	1.22	3.151	0.047
Will result in delays in government support and investments in the industry	28	1.89	0.69	26	1.58	0.86	37	1.97	0.94	1.795	ns ^a
Will result in delays in new investments by the private sector	33	1.85	0.87	26	1.73	1.00	37	1.89	0.88	0.247	ns ^a
Will result in qualified employees leaving the industry	32	2.28	0.96	29	1.45	0.87	36	2.28	1.06	7.428	0.001
Will negatively affect our marketing efforts	29	2.41	1.09	26	2.12	0.91	32	2.50	1.02	1.111	ns ^a

Scale values: 1 = Strongly agree, 5 = Strongly Disagree.

^a Statistically not significant.

The study by [Taylor and Enz \(2002\)](#) reveals that the tragic events of September 11 in the United States affected hotel segments in different ways; for example, high-priced hotels experienced a greater decline in business than budget ones. Upscale hotels relied on marketing strategies to attract new customers, while budget ones offered discounts. As presented above, the results of the current study indicate some differences between the destinations and among the hotel types in some

Table 6. Long-term Positive Impacts of the Crisis

Items	Destinations									t-value	p
	Total			Bodrum			Nevsehir				
	n	Mean	Std. Dev.	n	Mean	Std. Dev.	n	Mean	Std. Dev.		
More attention will be given to marketing	95	1.63	0.685	58	1.76	0.709	37	1.43	0.603	-2.315	0.023
The crisis will lead us to expand into new markets	98	1.80	0.799	61	1.90	0.851	37	1.62	0.681	-1.698	ns ^a
Will employ more professional management techniques	96	1.81	0.921	58	1.86	0.981	38	1.74	0.828	-0.649	ns ^a
Service quality will become more important	91	1.90	1.001	53	1.94	1.027	38	1.84	0.973	-0.474	ns ^a
The crisis will force us to develop new products	92	1.91	0.847	56	1.93	0.912	36	1.89	0.747	-0.218	ns ^a
The crisis will facilitate mergers in the tourism industry	92	1.91	0.847	56	1.93	0.912	36	1.89	0.747	-0.218	ns ^a
We can put more pressure on the government for support	95	2.43	1.098	59	2.42	1.148	36	2.44	1.027	0.089	ns ^a

Items	Type of Firms								
	Group I			Group II			Group III		
	n	Mean	Std. Dev.	n	Mean	Std. Dev.	n	Mean	Std. Dev.
More attention will be given to marketing	32	1.63	0.49	29	1.52	0.74	34	1.74	0.79
The crisis will lead us to expand into new markets	33	1.76	0.66	30	1.87	1.11	35	1.77	0.60
Will employ more professional management techniques	32	1.88	0.79	30	1.87	1.04	34	1.71	0.94
Service quality will become more important	31	1.97	0.98	28	1.96	1.20	32	1.78	0.83
The crisis will force us to develop new products	32	1.87	0.66	24	2.04	1.04	36	1.86	0.87
The crisis will facilitate mergers in the tourism industry	32	1.87	0.66	24	2.04	1.04	36	1.86	0.87
We can put more pressure on the government for support	35	2.49	1.12	26	2.58	1.14	34	2.26	1.05

Scale values: 1 = Strongly agree, 5 = Strongly Disagree.

^a Statistically not significant.

items. However, there are more similarities than differences between the destinations and among types of firms in their responses to the event and their views of its short- and long-term positive and negative impacts. Although these two destinations are quite different in terms of product, market segment, and the customer profile, the similarities among the research results reveal that the impacts of the crisis did not differ much in relation to destination.

The research results indicate important similarities between the short- and long-term negative effects, whereas few similarities can be

seen between the short- and long-term positive impacts. When comparing both types of negative effects, it seems certain that these and their consequences are likely to be felt for several years. During the interviews, the respondents were asked how they could benefit from the crisis in the long term. It was understood that considering the negative effects of the crisis and the poor financial performance of firms over the years; it did not seem to be so easy for them to capitalize on positive effects. To capitalize on these, participating firms needed to undertake formal analyses and devote time, money, and human resources.

Although the crisis had some negative impacts, both short- and long-term, this was not the case for foreign tourist demand and revenues. The number of arrivals rose from 10.4 million in 2000, to 11.5 million in 2001, and to 13.2 million in 2002. In turn, tourism revenues increased from \$7.6 billion in 2000, to \$8 billion in 2001, and to \$8.5 in 2002 (Tursab 2004). It is perhaps the case that if a crisis occurs in a tourist-generating country, their receiving destinations may suffer. For example, Okumus, Altınay and Arasli (2005) investigated the impact of the 2001 economic crisis in Turkey on the tourism industry in Northern Cyprus. Their findings indicated that this event had dramatic negative impacts on incoming tourism, since tourists from Turkey comprised the main market in Northern Cyprus.

Response of the Government

The study findings reveal that prior to February 2001, the government did not have any plans on the regional or national levels to prepare for a possible crisis. Sönmez (1998) notes that every crisis management scheme should be incorporated into a country's overall tourism planning, marketing, and management strategies. In the case of Turkey, sound crisis preparation and strategies were all lacking. Therefore, the issue of incorporating them was unfortunately never raised. In terms of promoting Turkey, apart from routine and planned campaigns, no intensive marketing efforts were found to be organized in the main markets after the event. Concerning the impact of the crisis, the country perhaps did not need to promote itself as a safe place, but hosting a series of international special events could have promoted it as an attractive destination. Developing and maintaining good contacts with the international media, tour operators, travel agents, and the press would have been helpful. However, it is known that despite its unique and rich natural and historical attractions and relatively developed infrastructure, Turkey has failed to promote itself as an attractive destination both before and after the crisis.

There seem to be differences among countries in terms of how they respond to certain crises. For example, after September 11, the US government passed a \$15 billion relief package that helped its faltering tourism industry recover, and this saved many businesses from bankruptcy. Blake and Sinclair (2003) claim that if there had been no such relief package, the US industry would have suffered from the terrorist

attacks much more than it did. According to Mansfield (1999), the Israeli government often failed to give support to tourism organizations during and after several crises. Henderson (1999) also notes that the National Tourist Organization in Singapore failed to support the industry during and after the Asian financial crisis. By contrast, Coles (2003) reports that in the case of the Food and Mouth Disease in the United Kingdom, regional tourism offices in the southwestern part of England where the disease had broken out sponsored marketing strategies that helped the region overcome the negative impacts of the crises. Marketing strategies supported by the government of Malaysia, according to de Sausmarez (2003), helped to increase domestic and inbound tourism in the aftermath of the Asian financial turmoil. In the case of Turkey, the tourism industry did not receive any support from the government. It is worth noting that the industry faced this crisis (and several previous ones) but could not respond to it well because of major shortcomings in the governance.

Learning or Failing to Learn

The findings from the interviews revealed no positive changes and improvements at the national or regional levels in terms of preparing for and responding to possible future crises. In other words, it may be difficult to claim that any single or double loop learning has taken place at the regional and national levels. As the event did not lead to any decline in inbound tourism, it was not regarded as significant for the industry and thus no evaluations of potential learning outcomes have taken place. On the other hand, at the company level, the interview findings indicated three areas of learning: political environment, financial issues, and managing organizations. Comments in relation to the former were frequent, such as “we learned that developing sustainable tourism is difficult unless there is a sound political and economic system” and that “one will experience such crises again and again unless some structural economic and political reforms are introduced”. In terms of financial issues, “if your company’s financial situation is not so strong, you feel the negative impact of the crisis more” and “learned to think twice before deciding on making any new investments”. Finally in relation to managing organizations, the crisis “taught me to always consider and prepare for the worst scenario” and this “proved that those organizations that offer quality services can succeed even in difficult times”.

It emerged from the interview findings that the managers of participating firms all learned something. However, the lessons seemed to be closer to single loop learning. In addition, the respondents become more cautious and conservative. This can be considered rather hazardous for the future of the industry, since entrepreneurial behavior and new investments are essential to create and sustain a competitive edge in the long term. In a number of previous studies in the business strategy field, it is stated that in dynamic and uncertain environments, organizations become more entrepreneurial and enter into new business

ventures (Zahra 1991). However, the research findings of this study do not provide much support for this claim; rather they suggest the opposite.

CONCLUSION

The purpose of this study was to investigate and evaluate what impact the 2001 economic crisis in Turkey had on its tourism and how related organizations and the Ministry of Tourism responded to it before, during, and after its outbreak. This study results partially support previous studies and also provide further insights into the growing body of knowledge in the area. The findings indicate that neither tourism firms nor the government could foresee the event and therefore failed to make advance preparations. The crisis was responded to with reactive and *ad-hoc* measures at the organizational, regional, and national levels. Contrary to common belief that such events invariably have negative impacts, the crisis in Turkey also saw some positive consequences, although the negatives were greater and the positives were not much valued. The government did not support the industry with any means during and after the event. Learning from the experiences of the tourism enterprises and national levels did not seem to have taken place.

This study has both theoretical and pragmatic implications. The importance of following a proactive approach at the organizational, regional, and national levels is often emphasized in the literature. However, apart from observing that managers' lack of knowledge on crisis management, the literature is far from explaining why a proactive approach is not often followed. The study findings highlight the importance of employing proactive management and further indicate two reasons why such an approach is not followed. First, as stated by Kusluvan (2003), a very large majority of tourism firms are family-run small-to-medium sized enterprises that often employ *ad-hoc* managerial practices in running their organizations. Therefore, the lack of proactive and contemporary management practices in these organizations is perhaps a true reflection of the general business culture and managerial practices in the industry.

Second, the characteristics of a country's national culture (Hofstede 1980) may have implications for the way crises are prepared for and handled. It is often emphasized in the literature that organizations and destinations should follow a proactive approach and never adopt an "it can't happen to us" philosophy (Sönmez 1998:443). For Turkey, the situation is rather different. Despite experiencing so many severe disasters, both tourism organizations and government officials still ignore the need to employ a proactive approach to managing crises. This is perhaps a partial reflection of the national culture in Turkey's business environment. As stated by Kabasakal and Bodur (1998), strategic planning and a proactive approach to management, coordination, and teamwork are not common in the business culture of governments and private organizations in Turkey. In short, when investigating and evaluating specific crises, characteristics of the business

culture in the industry and also the characteristics of a country's national culture should be taken into account.

It is also crucial to identify the roots of crises and evaluate the approach taken to respond to them. The crisis occurred in Turkey because of inefficiencies in the country's economic and political system. It appears that there may be a correlation between a country's level of socioeconomic development and the effectiveness of the crisis management strategies it employs. Perhaps Porter's (1990) model of the competitive advantage of nations can also be used to evaluate a country's probability of success in managing and responding to such an event. The model consists of six interrelated areas: strategy, structure and rivalry in the industry, factor conditions, demand conditions, supporting industries, government, and luck.

For example, in the investigated case, problems and deficiencies in the areas of government, supporting industries, factor conditions, strategy, structure, and rivalry in the industry in Turkey made it difficult for the parties involved to respond to and manage the crisis. Given the number of national, regional, and global crises, it cannot be said that Turkish tourism industry has been lucky. Concerning demand conditions, the event had some positive impacts on inbound tourism and negative on domestic tourism. In short, managing such situations with adequate measures and overcoming their negative effects may relate to a country's economic and political development level.

Previous studies tend to focus on negative impacts of past crises, with few supplying empirical evidence about their positive impacts on tourism. This study provides findings that the crisis in Turkey had both short- and long-term negative and positive consequences. In particular, it had no negative impact on inbound tourism and revenues. This is rather important, since a number of previous studies (de Suasmarez 2003; Henderson 1999) note that an economic crisis in and around a destination results in declines inbound tourism in the short term. It is perhaps the case that if such an event occurs in a tourist-generating country, destinations receiving tourists from it can suffer, while an economic crisis in a destination may not have negative impacts on incoming tourism and revenues. The results further imply that for tourism firms in particular the negative effects of a crisis can be felt for a long period, but its positive impacts may not always be visible. In order to gain something from such an expected development, organizations may have to invest further resources toward this; otherwise there may be no gains from it.

From a practical standpoint, the research findings have several implications. There is clearly a need for a proactive approach, both at the company level and at the regional and country levels. With no proactive management strategies at the regional and national levels, company-level activities may be of limited value. However, in order to prepare all relevant parties to employ a proactive approach, ongoing management workshops should be organized for owners and managers of tourism firms as well as for relevant government officials. During these workshops, issues related to responding to possible future developments, the lessons learned from past events, and potential

impact of the national culture on managing such events can be addressed.

A further implication is that countries like Turkey need to first develop and implement sound regional and national tourism plans, to be integrated into the making of crisis management strategies. This is because most of the problems faced by Turkish tourism have been due to the lack of plans and their implementation for sustainable tourism development. Under such a situation, the negative impacts of such developments seem to be greater. Finding the financial resources to support tourism firms and establish marketing strategies seems to be as important as having plans and teams. Looking at the record of past crises, it is certain that other ones in and around Turkey will occur. Therefore, it would be sensible to set up a national tourism crisis fund. A certain percentage of tourism revenues can be allocated every year to this fund. When crises occur, it can be drawn upon to support destinations and firms by providing loans and funding intensive marketing activities.

The findings of this study should be useful to countries other than Turkey, in that it raises important issues and provides suggestions on how tourism business enterprises and governments can respond to and manage unexpected events. Future studies can provide added evidence to support the topic. For example, a comparative study can be undertaken on the short- and long-term negative and positive impact of a crisis on tourism in several countries. Such an investigation can reveal the extent to which national culture and the level of a country's economic development can have an impact on the crisis management activities of organizations in that country. Additional research can yield evidence and suggestions concerning the size, type, location, and ownership structure of organizations. Finally, future studies should also investigate how far the experiences of past crises are being reflected upon and used to prepare and respond to current and future ones. **A**

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