UNDERSTANDING THE PERFORMANCE IN TRAVEL AGENCIES, A LITERATURE REVIEW APPROACH

Diin Fitri

TANRI ABENG UNIVERSITY
Email: diin.fitri@tau.ac.id

Accepted: April 22, 2024
Approved: May 20, 2024

Abstract

Organizational performance is one of the main factors in determining organizational success. Previous research used several dimensions to measure performance. There are three organizational performance results, namely financial performance, product market results and shareholder return. Many measurements can be used in calculating performance measures. This is due to the influence of different stakeholders and the needs of each organization. In this research the author takes a different perspective by analyzing organizational performance through the travel agency industry. It's just that this research focuses on travel agents in Spain. That's why this research aims to find out more about measuring travel agency performance.

Keywords: Travel Agencies, Performance Travel Agencies

Introduction

Organizational performance has become an essential factor in determining organizational success. Previous studies used several dimensions to measure performance. In general, Richard et al., 2009 stated three organizational performance outcomes. First is financial performance, which includes profits, return on assets, or return on investment (Richard et al., 2009). Second, product market outcomes such as market share or sales (Richard et al., 2009). Third, shareholder return such as total shareholder return, and economic value-added.

On the other hand, Venkatraman & Ramanujam (Venkatraman; Ramanujam, 1986) divided performance into financial and operational performance. Financial performance reflects fulfilling the firm's economic goals, such as profitability, sales growth, or earnings per share. The operational performance or non-financial outcomes include market share, new product introduction, product quality, or marketing effectiveness.

It is worthwhile to understand that there are varied measures of performance. The study by Richard et al. (2009) reviewed 213 research papers, and it was found that there were 207 different performance indicators. Three factors influence those varied measures of performance: the stakeholders, the landscape, and the time frame (Richard et al., 2009). The stakeholders influence
the focus of performance measurement as the stakeholders have different motives and needs (Richard et al., 2009). For instance, managers in profit and non-profit organizations have different motives; one tends to value monetary matters, and the other focuses on contribution to society. The landscape heterogeneity or the uniqueness of each firm, such as its resources, environment, and strategic choices (Richard et al., 2009), also leads to different performance measures. For instance, small organizations might have a different performance measure than multinational organizations. The time frame of performance also differs, as it might describe the past, current, or future performance (Richard et al., 2009).

In addition to the measure of performance, as stated above, prior studies utilized a balanced scorecard to indicate the organization's performance (Franco-Santos et al., 2004; Huang, 2008; Khazaee Pool et al., 2017; Sainaghi et al., 2013). Balanced Scorecard (BSC) was introduced by Kaplan and Norton in 1996, and it aims to evaluate the performance of the organization in four aspects: financial, customers, internal process, and learning growth (Kaplan, 2010).

Previous studies have conducted meta-analyses regarding organizational performance, such as factors that influence the performance or the measurement used in the industry. For instance, the impact of women on boards on financial performance (Post and Byron, 2015), and the effect of ownership structure on firm performance in the tourism industry (Sainaghi et al., 2017). However, as the author understands, limited studies learn the performance of the travel agency industry. Sellers-Rubio and Nicolau-gonzálbez (2009) studied the performance of travel agencies. However, the study focused on travel agencies in Spain. Therefore, this study aims to explore the measurement and the antecedents of travel agencies' performance based on the literature review by elaborating two research questions as below:

RQ1: What are the performance indicators of travel agencies?
RQ2: What are the determinants of travel agencies' performance?

The structure of this study is as follows. After the introduction, the methodology section will be elaborated, followed by a discussion. The discussion section will be divided into two sections for each research question. Finally, the conclusion will be explained at the end of the article.

Research Methodology

In researching the performance of travel agencies, the literature searches are based on four reputable publishers: Taylor and Francis, Emerald, Science-Direct, Springer, and Sage. The keywords used are "religious tourism" and "performance," "performance" and "pilgrimage," "tourism," "performance," and "travel agencies." The article was published between 2008 and 2018 and indexed in Scopus, Chartered Association of Business School (ABS), Australia Business Dean Council (ABDC).

Results And Discussion

It is worthwhile to understand that there are two methods to determine performance when measuring performance: subjective and objective. The objective measures are independent and
detached from the unit of analysis (Andrew et al., 2006). In addition, it should involve precise performance dimensions and an external process to verify its accuracy (Andrew et al., 2006). For instance, a financial statement shows the organization's effectiveness, that the external parties do, and the data is available for everyone.

On the other hand, subjective measures also should refer to a dimension of performance. However, they are not detached by unit analysis (Andrew et al., 2006). The subjective judgment may be made by member organizations such as managers or employees or external parties such as customers or regulatory agencies (Andrew et al., 2006).

Historically, subjective performance is used when there are no objective measures due to confidentiality (Miller and Besser, 2005). To solve that problem, researchers suggest utilizing subjective measures as they are more flexible and constructive (Covin and Slevin, 2008). Prior studies by Dess and Robinson (1984) and Pearce et al. (2010) found that subjective assessment is strongly related to the objective measure. Having utilized the subjective measure was done by previous studies (Camisón et al., 2017; Leitner. and Guldeenberg, 2010; Parnell, 2010; Pearce et al., 2010; Walter et al., 2006; Zaiem, 2017; Zhu et al., 2014).

The Performance of Travel Agencies

Prior research on travel agency performance has utilized subjective and objective measures. In addition, in order to make it easier for the readers, the performance will be categorized into four groups: learning and growth, business process, customer perspective, and financial perspective, as stated in the balanced scorecard (Kaplan, 2010).

Learning and Growth.

The learning and growth perspective explains the goals for employees, information systems, and organizational alignment (Kaplan, 2010). Human capital, information capital, and organization capital are the three groups in this perspective (Kaplan, 2010). The performance in human capital utilized in travel agencies is reducing employee turnover (Liang and Bao, 2018; Madanoglu et al., 2014), employee satisfaction (Bagur-Femenías et al., 2016; Madanoglu et al., 2014), growth in Employee (Alonso-Almeida, 2013), increased workers' productivity (Bagur-Femenías et al., 2016), employee high work performance (Elbaz et al., 2018), employees tasks are accomplished quickly and efficiently (Elbaz et al., 2018), employees always set a high standard of task accomplishment (Elbaz et al., 2018), employees almost always achieving he targets (Elbaz et al., 2018), Job attitude and Intention such as Individual job performance, individual/organizational commitment, tenure, etc (Teng and Barrows, 2009), and employee core competence (Huang, 2008).

On the other hand, organizational capital such as culture, leadership, alignment, and teamwork. The measurements used were sales team cooperation performance (Huang, 2008), empowerment degree of employees (Huang, 2008), knowledge encloses items associated with knowledge, e.g., skills and competencies (including empowering of staff), enhanced knowledge of the markets, stimulation, and generation of ideas (Hallin and Marnburg, 2008; Thorburn, 2005) in (Foggia and Lazzarotti, 2014).
In learning and growth, travel agencies focus more on the performance of employees, such as their capabilities, productivity, and collaboration. The nature of the service industry, which is inseparable and has variability, makes the person who provides the services necessary. Thus, enhancing the capability of employees and knowledge management are the performances that travel agencies aimed.

Process perspective.

Process perspective defines how the organization would make and provide the differentiated value proposition and achieve financial objectives to enhance productivity (Kaplan, 2010). This perspective has four categories: operations management, customer management, and innovation processes.

Operation Management process included reduced Errors and reprocessing (Bagur-Femenías et al., 2016) efficiency (Sellers-rubio and Nicolau-gonzálbez, 2009) e-efficiency (Bigné et al., 2008), the degree of improvement in company internal–external communication (Alonso-almeida and Llach, 2013), the degree of improvement in intrafirm coordination, (Alonso-almeida and Llach, 2013), the streamlining of company processes (Alonso-almeida and Llach, 2013), service performance in term of Freedom from deficiencies, or service reliability in meeting customer specifications (Ku, 2014), service productivity (Tsiotsoou and Vlachopoulou, 2011), relationship development with suppliers (Bigné et al., 2008), collaborative performance (Tsaur and Wang, 2011; Yeh et al., 2016) specifically in term strong and harmonious relationship between the collaborating suppliers (Yeh et al., 2016), the company's competitive position has been enhanced due to the collaboration (Berné et al., 2015; Yeh et al., 2016), the company has been successful in learning some critical skills or capabilities from its collaboration (Yeh et al., 2016), transformation (the productivity of operations) (Tsaur and Wang, 2011).

Innovation Process comprised more innovative business (Bagur-Femenías et al., 2016; Ku et al., 2013) innovation (Camisón et al., 2017; Chen et al., 2017; Gomezelj, 2016). Customer management process involved the decrease in direct customer interaction (Alonso-almeida and Llach, 2013), the enhancement of accessibility to more detailed customer information (Alonso-almeida and Llach, 2013), ability to remain in the market during the crisis (Bagur-Femenias et al., 2016), degree of entry in new market segments (Alonso-almeida and Llach, 2013) in new market Roh et al. (2005) in (Ku and Fan, 2009), degree of entry in new foreign markets (Alonso-almeida and Llach, 2013), increase in new customer opportunities (Huang, 2013), number of customers (Berné et al., 2015).

As shown above, the performance primarily focuses on operation management or how the service is made and delivered to customers. Like other service industries, the process of making and delivering service is inseparable. Thus, performance in this area is pivotal for travel agencies.

Customer Perspective

Customer perspective involves the achievement in the area of customers, such as acquiring, satisfying, and retaining targeted customers, as well as building the share of their spending with
the company (Kaplan, 2010). In addition, it also includes the value proposition that the organization offers its customers, such as the availability, functionality, relationship, or service (Kaplan, 2010).

The performance in customers perspective comprised product prices (Tsaur and Wang, 2011), competitive advantages in term unique service offered, superior quality, and advanced products or service (Liu et al., 2018), company image (Bagur-Femenías et al., 2015, 2016; Madanoglu et al., 2014), reputation (Foggia and Lazzarotti, 2014), product and service quality (Foggia and Lazzarotti, 2014; Huang, 2013; Teng and Barrows, 2009; Tseng and Chiang, 2016; Tsiotso and Vlachopoulou, 2010; Tsiotso and Vlachopoulou, 2011), service variety, and customer service (Tsiotso, 2010), service Value (Teng and Barrows, 2009), market Share (Bagur-Femenías et al., 2013; Bagur-Femenías et al., 2015, 2016; Berné et al., 2015; Bowen and Chen, 2001; Bruni et al., 2017; Cheng and Krumwiede, 2012; Foggia and Lazzarotti, 2014; Madanoglu et al., 2014; Magno et al., 2015; Shah et al., 2015; Tzu-Ching and Brown, 2010), growth of market share (Huang, 2013; Ku et al., 2013; Lin, 2013), and online customers to total customers ratio (Huang, 2008).

Among other indicators of performance (learning and growth and process), performance in the customer perspective is relatively lower. This might be because of the challenge of gaining the data from customers.

**Financial perspective**

The financial perspective is the highest objective. The financial performance measured in travel agencies are profit (Bagur-Femenías et al., 2013; Bagur-Femenías et al., 2015; Berné et al., 2015; Cheng and Krumwiede, 2012; Ku et al., 2013; Liang and Bao, 2018; Lin, 2013; Madanoglu et al., 2014; Magno et al., 2017; Roxas and Chadee, 2013; Shah et al., 2015; Teng and Barrows, 2009; Tseng and Chiang, 2016; Tsiotso and Vlachopoulou, 2011; Tzu-Ching and Brown, 2010), profit margin (Berné et al., 2015), increase Expected profit (Huang, 2013), profit growth (Bagur-Femenías et al., 2016; Liang and Bao, 2018), revenue (Bruni et al., 2017; Ku and Fan, 2009; Tzu-Ching and Brown, 2010) Roh et al. (2005) in (Ku and Fan, 2009), contribution Margin (Bruni et al., 2017), , sales (Bagur-Femenías et al., 2013; Bagur-Femenías et al., 2015, 2016; Berné et al., 2015; Ku and Fan, 2009; Madanoglu et al., 2014; Shah et al., 2015) Roh et al. (2005) in (Ku and Fan, 2009), E-sales (Bigné et al., 2008; Kuo-Chien, 2015), growth of Sales (Alonso-Almeida, 2013; Huang, 2008, 2012; Lin, 2013; Magno et al., 2017; Roxas and Chadee, 2013; Shah et al., 2015; Zhu et al., 2014), sales per employee (Homburg et al., 2011; Kuo et al., 2016), sales per outlet (Sellers-rubio and Nicolau-gonzálbez, 2009), ROI (Cheng and Krumwiede, 2012; Huang, 2008; Lin, 2013; Sellers-rubio and Nicolau-gonzálbez, 2009; Shah et al., 2015; Tseng and Chiang, 2016; Zhu et al., 2014), ROE (Zhu et al., 2014), Return on Sales (Bruni et al., 2017; Lin, 2013; Zhu et al., 2014), ROA (Andreu et al., 2010; Sellers-rubio and Nicolau-gonzálbez, 2009), Return on Capital Employed (ROCE), (Sellers-rubio and Nicolau-gonzálbez, 2009), Output/input ratio (Bruni et al., 2017), Revenue to cost ratio (Huang, 2008), Price Cost Margin (Georgiadis and Pitelis, 2012), Stock Turn (Ooi et al., 2015), cost of the business (Tzu-Ching and Brown, 2010) (Madanoglu et al., 2014), Tobin-Q (Wang et al., 2014), reducing cost (Liang and Bao, 2018), online transaction to total revenue ratio (Huang, 2008), subjective perceptions of input (the cost efficiency of supplies) (Tsaur and Wang, 2011).
Based on the data above, financial performance is highly preferable in research on travel agencies' performance. The financial performance indicators range from profit to cost reduction. However, performance related to profit and sales was utilized the most.

**The Antecedents of Performance in Travel Agencies**

The antecedents of performance in travel agencies will be grouped into what the firms have or resources, such as human capital, the leaders, and their entrepreneur orientation, and what the firms do or their strategy, such as their strategy or organizational service orientation.

**Travel Agencies Resources.**

The antecedents in terms of what firms resources are the leadership (Liang and Bao, 2018), including their business skills (Liang and Bao, 2018), their entrepreneur orientation (Roxas and Chadee, 2013), their entrepreneur's education background (Georgiadis and Pitelis, 2012), the senior executives' social capital (Liu et al., 2018; Tsaur and Wang, 2011), diversity in board external ties (Ooi et al., 2015).

Another resource that influences performance is the area of human capital. It includes the increase in the proportion of qualified personnel in the firm, individual and team competence (Elbaz et al., 2018), the ability to evaluate/redefine or customize service in order to comply customers’ needs and wants (Foggia and Lazzarotti, 2014), the change competence (individual level) (Elbaz et al., 2018), certain individual (salesperson) characteristic (Kuo et al., 2016), the pursuit of common interest, goals, and mutual benefit (Tsaur and Wang, 2011).

Furthermore, other resources that are pivotal for travel agencies' performance are organizational capabilities in exploration and exploitation (Camisón et al., 2017), dynamic capabilities (Weigert, 2018), reputation (Zhu et al., 2014), and customer loyalty(Tzu-Ching and Brown, 2010). There are three main themes concerning resources that impact performance: leadership, employee capabilities, and organizational resources such as reputation and customer loyalty. Nevertheless, most research looked at the employee and leadership as the antecedents of travel agencies' performance.

**Travel Agencies’ Strategy.**

On the other hand, travel agencies have conducted some strategies regarding what firms do or their strategy. However, the strategy will be categorized into functional and organizational level strategies as explained below.

**Functional**

*Supply chain,* quality management practice (Bagur-Femenias et al., 2015, 2016), environmental management practice (Bagur-Femenias et al., 2013; Bagur-Femenías et al., 2015), supply chain flexibility (Yeh et al., 2016)

*Technology,* IT adoption (Online communication and procurement (Bigné et al., 2008) ICT adoption (Alonso-almeida and Llach, 2013) ICT-innovation( Gomezelj, 2016).

*Marketing,* relationship enhancement (Berné et al., 2015), marketing Orientation (Cheng and Krumwiede, 2012; Shah et al., 2015; Tsiotsou and Vlachopoulou, 2011), customer orientation

In sum, prior research focused on marketing strategy and understanding factors that influence travel agencies’ performance. It includes marketing orientation, customer orientation, and CRM. On the other hand, strategies related to technology are less utilized to impact performance.

Organizational Level

Some strategies at an organizational level are influencing travel agencies’ performance. They are good governance (Wang et al., 2014), knowledge management (Magno et al., 2017), organizational service orientation (Teng and Barrows, 2009), service standard communication (between airlines and Travel agencies) (Yeh et al., 2016), system support and system effective (Ku and Fan, 2009), service Quality (Lin, 2013), price (Foggia and Lazzarotti, 2014), cost leadership (Huang, 2008), differentiation strategy (Huang, 2012; Liu et al., 2018), prospector, Prospector-Analyze (AP), Analyze-Defender(AD), analyze strategy (Madanoglu et al., 2014). In addition, market-focused strategies (Ku, 2014; Ku et al., 2013), fits between type of diversification (related/unrelated) and entry mode (Andreu et al., 2010), barriers to imitate (market leadership, innovative products, brand loyalty, reputation), adaptive business model(Weigert, 2018), path (the knowledge of firms regarding their awareness of the path to follow in order to gain and maintain competitive advantage) (Foggia and Lazzarotti, 2014), Network and cluster (Malakauskaite and Navickas, 2010) in (Gomezelj, 2016) are also impacting the performance as well as institutional environment that covers rule of law, regulatory quality, and government policies(Roxas and Chadee, 2013).

In sum, at the organizational level, most of the previous studies learned about strategies adopted by travel agencies, such as the adaptation of generic strategies(Porter and Roach, 1996) or Miles and Snow’s organizational strategy.

Conclusion

Based on the literature review, this study aims to understand the measurement and the antecedent of performance in travel agencies. To explain the indicators of performance, a balanced scorecard framework is used for categorization. Financial performance is most utilized as a performance indicator, and profit and sales are the most adopted ones. On the other hand, the utilization of customers' perspectives is relatively lower than other perspectives. This might be because of the challenge of gaining data from the customers.
The antecedents of performance are grouped into resources and strategies. In relation to resources, most of the research looked at the capabilities of employees and leaders’ capabilities and characteristics. In addition, in regards to strategies, most of the studies learned the impact of strategies in marketing on performance. It includes marketing orientation, customer orientation, and CRM. On the other hand, strategies related to technology are less utilized.

References


