

# The Factors Affecting on the Risk Management of the Travel Agencies

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## Abstract

The present study seeks to examine the factors affecting the risk management of the travel agencies in Yazd province. Using random sampling, 71 questionnaires were distributed. This is an applied study using descriptive surveys. To identify the factors influencing on the risk management, exploratory factor analysis has been used in SPSS software. The findings reveal that the fundamental, economic, competitive and environmental factors, local risk, implicit risk, political risk and business risks impact the risk management of the travel agencies.

**Keywords:** Risk Management, Travel Agencies, Exploratory Factor Analysis.

## 1- Introduction

Developing tourism industry, known as the third economic phenomena documented to have the highest growth rate after oil and automobile industries, is considered as one of the main requirements of the countries. Therefore, it seems necessary to investigate the development barriers of this industry in different areas of the countries. The development of tourism industry depends on the development of underlying structures such as airports, roads, freeways, communication networks, and health network and so on. Consistent with the economic effects of the underlying structures, the hand crafts industry has also grown to create occupations and cause revenues to be earned by the local individuals. Hosseini and Taheri Ardakani (2007) argue that the market requirements should be considered to achieve the organizational objectives. This will enhance the customer's satisfaction and supply higher and more efficient operations in comparison with the competitors. Based on this philosophy, the organizations modify their products based on the requirements of the consumers and customers. By doing so, the customers' needs will be satisfied and profit will be earned. In other words, the firms seek for profits based on the customer satisfaction (Bharwani and

Mathews, 2012). Saghayi (2006) suggest some items which are highly considered by the tourists in different locations. These interests are the existence of the shrines, scientific agents, cultural and historical buildings, beautiful nature, entertainment places, communication facilities and various markets. However, the city tourism might not be only defined as the existence of the tourist attractions. The tourism is the result of different factors which have significant effects on the tourism. In addition, the recognition of tourism in terms of the city tourism becomes very essential (Chiang Lee and Chun-Ping, 2008). This study aims to examine the relationship between fundamental, economic, competitive, environmental, local risk, implicit risk, political risk and business risk with the risk management of travel agencies.

## **2. Theoretical Background and History**

Based on the capacities and potentials of Iran, only 5 percent of the tourists are being attracted. The annual revenue of Iran is 12.8 billion dollars, which is approximately the same as the revenue earned from the sale of the oil (Ashworth et al, 1990). Developing the business relationship between Iran and the other countries results in enhancing the political and cultural relationship which might help in increasing the rate of the tourists who come to Iran (Nayebzadeh et al, 2011). Moshabbaki and Malek Akhlagh (2003) argue that there should be tourism complex for developing the facilities of tourism and advertisement in different locations. The local tourism organization is formed as the smallest form of tourism organization. The establishment of this organization at the national or local levels contributes the officials to solve the problems and contributes in making decisions. The national tourism organization is not always established in the governmental agents; however, the local tourism organization often depends on the local states. The independent local organizations tend to engage in the governmental agents. The local organizations are able to reinforce the public participation and strength the required incentives for protecting the environmental sources. Tourism is the participative behavior of the human groups with different geographies and space dimensions. Tourism influences on the space and the characteristics of the geographical environment. This public behavior has been formed in terms of the political and administrative structures and it is directed and controlled based on these structures. In other words, the policy making, governmental decisions and proceedings might have different impacts on the geographical environment. In doing so, the comparative studies about the tourism policies and perspectives in different governments might help in perceiving the reflections of the ideologies and the nature of the political regimes and the geographical perspectives. On the other hand, it seems that the tourism industry plays a significant role in the national development of the countries. Any government or state tries to attract more tourists (Hennessey et al, 2012). Locating the products is related to the tourism objectives. The global competitiveness increases as a result of attracting customers and maintaining the challenging and significant issues by the tourism marketers at the global level (Momeni, 2010). Internet has been known as one of the significant ways to attract the tourists. Using the internet, the tourists might be directed about the travel points and sharing their business with the marketers (Nia Hafez and Ramezani Darabi, 2003). Improving and developing the business relationships with the other countries might result in reinforcing the political and cultural relationships with the other countries. This is an introduction for traveling to Iran. Establishing the facilities for entering into a country, reinforcing the information centers and equipping banks to the international credit cards, consolidating the currency rate and establishing the required executives, which are associated with the tourism industry,

developing the internal tourism for preventing from the abroad travels and establishing the training centers for the staffs are required by the tourism industry (Habibi and Abbasi-Nejad, 2003). The tourism risks are derived from two main sources: the lack of the knowledge about the tourism destination and the lack of knowledge about the future situations, including weather threats and strong natural or social risks (Morosan, 2012). Tourism is considered as one of the activities which are identified to be affected by the global risks. The historical samples include the political factors, instability and war, health threats and violence of tourism around the globe and the natural disasters (Momeni, 2010). The tourism industry has been emphasized in many settings. Its conversion to the target market is increasingly significant. The travel patterns are very different. The target markets work in different working contracts. They work regularly as seasonal staffs or work as the workers with temporary contracts. The attraction of the tourism entrepreneurship is a way to investigate the job and social strategy and also the cultural strategies of the minority groups. The findings of this study reveal that because of two reasons, the tourism is a significant topic for the new minorities. The first reason is that the tourism is an appropriate industry for developing the entrepreneurship of the minorities. The second one is associated with the fact that the tourism is an interesting section. The entrepreneurs of the new minority depend on the competitive ability of the minority members (Habibi and Abbasi-Nejad, 2003). Obviously, locating the related products and tourism destinations are significant. The development of the destination selection and increase of the global competitiveness for the visitors, customer attraction and the maintenance of the significant and challenging issues by the tourists have been introduced at the global level (Valhamdy and Firoze, 2010). The travel and residency in the abroad countries are the main objectives of entertainment and enjoyment. However, the globalization of the life patterns has been changing increasingly. By developing the international airlines and the health care services, it is found that there is a unity among the medical and tourism departments (Morosan, 2012).

Willimas and Balaz (2013) conducted a study about the abilities and capacities of risk taking in tourism. Their findings revealed that all factors impact the abilities and the capacities of tourism risk taking (Morosan, 2012). Sebra et al (2012) examined the heterogeneous in perceiving the risk and safety of the international tourists. They concluded that the international tourists might be divided into seven different categories in terms of the amount and the type of the risk (Bharwani and Mathews, 2012).

Mafi and Saghati (2009) investigated the model of MSSWOT to analyze the tourism management in Mashhad province. Based on the findings, the only organization with the positive performance is the municipality of Mashhad. However, the cultural heritage and tourism organization of Mashhad operated weakly and have been confronted with the external threats and challenges. Valmohammadi and Firoozeh (2010) used the balanced scorecard to evaluate the organizational performance. Their findings indicated that organizational achievement is defined in terms of achieving the predetermined objectives and perceiving these goals and indexes by the employees.

Madhoushi and Naser Pour (2003) used a questionnaire to evaluate the barriers of developing the tourism industry in Lorestan. They found that there is a direct relationship between the diversity of the decision making centers and non-development of the tourism industry in Lorestan. This relationship is also found between the weaknesses in the underlying facilities and tourism services and also the marketing weakness points.

### **3- Hypotheses Development**

- H1: There is a positive significant relationship between fundamental factors and risk management of the travel agencies.
- H2: There is a positive significant relationship between economic factors and risk management of the travel agencies.
- H3: There is a positive significant relationship between competitive factors and risk management of the travel agencies.
- H4: There is a positive significant relationship between environmental factors and risk management of the travel agencies.
- H5: There is a positive significant relationship between local risk and risk management of the travel agencies.
- H6: There is a positive significant relationship between implicit risk and risk management of the travel agencies.
- H7: There is a positive significant relationship between political factors and risk management of the travel agencies.
- H8: There is a positive significant relationship between business factors and risk management of the travel agencies.

#### **4- Population, Sample and Methodology**

The population of the study includes the travel agencies of Yazd province, which has been selected by using random sampling and 71 questionnaires distributed among the travel agencies. This is an applied study using exploratory factor analysis to identify the factors affecting the risk management of the travel agencies.

#### **5- Data Analysis**

##### *5-1- Exploratory Factor Analysis*

Generally, maximum likelihood method is used to ensure that these dimensions cover the variable. To identify the factors which will possibly form the fundamentals of a specific test and to determine its simple structure, varimax method is used. It is suggested that before the factor analysis, the coefficients between the variables and the significance of the matrix be guaranteed. The partial correlation coefficient is an appropriate index to determine the strength of the relationship between the variables. The studies used KMO test to test this relationship. The size of KMO is an index which compares the correlation level with the partial amounts. When this index is closer to 1, the data is appropriate for the factor analysis; in the other forms (the index, which is lower than 0.6), the results of the factor analysis are not appropriate for the data. To measure the significance of the correlation matrix, Bartlett test is used. When the significance level of the Bartlett test is lower than 5 percent, the factor analysis is suitable for identifying the structure (Valhamdy and firoze, 2010). The null hypothesis in this test states that the variables are only correlated to each other. The rejection of the null hypothesis indicates that the correlation matrix has significant information and the minimum requirements for the factor analysis are satisfied (Sarmad, 2013).

##### *5-2- Exploratory Factor Analysis of Risk Factors*

To determine the factors affecting on the risk management, exploratory factor analysis has been used.

As mentioned before, the first step of exploratory factor analysis is the sampling adequacy. The findings about the KMO-Bartlett test are shown in the table. Based on these results, the steps of exploratory factor analysis might be taken on the data. The KMO statistic which is higher than 0.6 confirms the adequacy of the sampling. The zero confidence level for the

Bartlett test shows that the used factor model is acceptable. The exploratory method of the factors is the principal component analysis with varimax rotation.

Table (1): KMO and Bartlett test

KMO		.642
Bartlett test	Approx. Chi-Square	531.852
	df	253
	Sig.	.000

5-3- Commonalities

In this section, the correlation between the variance of the variable and the variance of the other variables has been examined. The first column of this table (initial) shows the commonalities extracted from the primary data. On the other hand, the commonalities of the factors indicate that the values higher than 0.5, confirm the appropriateness of the data for the factor analysis. If this value is low for one or more variables, it is found that the variables are not appropriate for the factor analysis (Hooman, 2012).

Table (2): Commonalities of Risk Factor

Communalities	Initial	Extraction
Stress	1.000	.727
Crime in general	1.000	.779
Cost of transportation	1.000	.738
Air line safety	1.000	.881
Airport safety and security	1.000	.876
Decrease in disposable income	1.000	.718
Aging tourist markets	1.000	.802
Natural disasters	1.000	.685
Fire	1.000	.721
Increased competition, nationally	1.000	.770
Increased competition, internationally	1.000	.793
Carrying capacity e too many tourists/visitors	1.000	.748
Political instability in neighboring countries	1.000	.769
Lack of proper financial systems	1.000	.829
Theft/fraud in business by staff	1.000	.783
Too high prices in tourism industry	1.000	.667
Technological changes e.g.reservationsystems, new programs	1.000	.809
Amount of overtime worked by employees	1.000	.804
Number of temporary personnel vs the total number of personnel	1.000	.746
Customer complaints	1.000	.836
Repeat business vs new business	1.000	.863
Working point location (business)	1.000	.785
Prices of competitors	1.000	.781
Extraction Method: Principal Component Analysis.		

5-4- Total Variance Explained

This table shows the number of the exploited factors from the primary variables. The effective factors are known to be the ones which their eigenvalues are higher than 1. The last column of this table represents the percentage of the variability of the main variables which is shown by all factors.

For eight factors, the results indicate that the eigenvalues are higher than one. Therefore, the suggested factor analysis will have eight factors which involve more than 77.86 percent of the total variance. The first factor explains 16.88 percent of the total variance, the second factor explains 14.61 percent of the total variance, the third factor explains 10.25 percent of the total variance and the fourth factor explains 8.66 percent of the total variance. Furthermore, the respective factors explain less variance.

Table (3): Results of the Total Variance of the Risk Management Dimensions

Total Variance Explained											
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings				
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %		
1	6.254	27.193	27.193	6.254	27.193	27.193	3.883	16.883	16.883		
2	2.388	10.383	37.575	2.388	10.383	37.575	3.360	14.610	31.493		
3	2.156	9.374	46.950	2.156	9.374	46.950	2.357	10.246	41.739		
4	1.844	8.018	54.968	1.844	8.018	54.968	1.991	8.657	50.397		
5	1.664	7.235	62.202	1.664	7.235	62.202	1.852	8.053	58.449		
6	1.349	5.866	68.068	1.349	5.866	68.068	1.559	6.777	65.226		
7	1.156	5.025	73.093	1.156	5.025	73.093	1.496	6.503	71.729		
8	1.096	4.767	77.860	1.096	4.767	77.860	1.410	6.130	77.860		
9	.712	3.095	80.955								
10	.666	2.897	83.852								
11	.636	2.767	86.619								
12	.566	2.461	89.080								
13	.510	2.219	91.299								
14	.395	1.719	93.018								
15	.378	1.643	94.661								
16	.256	1.115	95.776								
17	.247	1.073	96.849								
18	.196	.853	97.702								
19	.145	.628	98.331								
20	.118	.512	98.842								
21	.107	.463	99.305								
22	.089	.388	99.694								
23	.070	.306	100.000								
Extraction Method: Principal Component Analysis.											

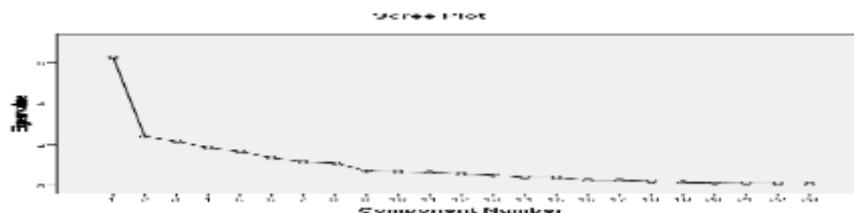


Figure (1): Scree plot for determining factors

By taking a closer look at the chart, it is found that only eight factors of the total factors are higher than the slope of the line and the other factors are approximately close to each other.

As a result, it is concluded that eight fundamental factors exist in 23 risk factors.

*5-5- Rotated Component Matrix*

The final factor structure is represented in the rotated matrix and includes the share of the explained variance by the factors. The results of this matrix are considered as the basis for grouping the variables and linked to the numerical factors with high factor loadings (at least 0.5). The varimax rotation is used to correct the composition of the factors. This is because one variable might have high loading in terms of one factor and this will make the interpretations, definitions and classifications of the variables difficult. In doing so, coordinate axes might make the interpretations more desirable, because the rotation of the axes of each variable will only be close to one factor. Any of the elements of this table shows the component correlation between the structure (row) and the rotated factor (column).

As shown in the final rotated matrix, the questions have high loadings on one factor.

Table (4): Rotated Component Matrix<sup>a</sup>

	Component							
	1	2	3	4	5	6	7	8
Working point location (business)	.828	.066	.002	.114	.181	.075	.206	.030
Lack of proper financial systems	.812	.274	.056	-.090	.081	.269	-.051	-.037
Technological changes e.g.reservationsystem s, new programs	.795	.244	.185	-.051	.076	-.111	.126	.215
Fire	.721	.267	-.141	.054	-.088	.083	-.077	-.294
Too high prices in tourism industry	.601	.307	.238	.284	.089	.138	.204	.076
Decrease in disposable income	.564	-.088	-.130	-.113	-.152	-.041	-.291	.303
Carrying capacity e too many tourists/visitors	.146	.778	.073	-.145	-.002	.159	8.233E-5	.263
Increased competition, nationally	.111	.765	.183	-.124	-.083	.325	-.089	.060
Amount of overtime worked by employees	.177	.761	-.117	.148	.255	-.245	.182	.031
Number of temporary personnel vs the	.382	.668	-.079	-.164	.295	-.019	-.011	-.182

totalnumber of personnel									
Increased competition, internationally	.369	.579	.297	.089	.066	.141	-.338	-.092	
Natural disasters	.330	.569	.111	.378	-.045	.196	.239	.017	
Air line safety	.148	.118	.914	-.009	-.047	-.049	.030	.072	
Airport safety and security	-.003	-.024	.908	-.076	-.063	.105	.051	-.165	
Cost of transportation	-.125	.135	.567	.297	.101	-.173	-.281	.318	
Crime in general	.116	.000	.183	.821	.129	.183	-.064	.054	
Stress	-.055	-.123	-.197	.803	-.092	-.060	-.020	.113	
Repeat business vs new business	.183	.146	-.042	.222	.854	.092	-.086	.113	
Prices of competitors	-.008	.028	-.031	-.140	.849	-.107	.152	-.056	
Aging tourist markets	.088	.123	-.045	.185	-.110	.850	-.090	-.013	
Political instability in neighboring countries	.350	.236	.086	-.130	.297	.585	.143	.339	
Customer complaints	.178	.047	.030	-.053	.082	-.046	.884	.090	
Theft/fraud in business by staff	-.027	.177	-.030	.314	.064	.157	.290	.734	
Extraction Method: Principal Component Analysis.									
Rotation Method: Varimax with Kaiser Normalization.									

### Conclusion and Discussion

Establishing a sustainable and comprehensive development and substituting the new sources to the oil reserves require that all facilities and capacities of the tourism industry be used. Tourism is the second significant industry after the oil and automobile industries. It has been considered as one of the main requirements of any country; that is why, it seems necessary to examine the risk management of the travel agencies. The tourism industry is known as the main source of revenue, occupation, growth of the private sectors and development of the fundamental structures. Accordingly, the improvement of the risk management becomes essential. The results of exploratory factor analysis show that the fundamental, economic, competitive and environmental factors, local risk, implicit risks and business and political risks affect the risk management of the travel agencies. As a consequence, reinforcing any of the above factors results in enhancing the quality and performance of the travel agencies.

### Suggestions

- Reinforcing the political relationship to mitigate the risk and improve the tourism and entrepreneurship.
- Investing and developing the entertainment facilities based on the global measures which reinforce the tourism attraction.
- Providing the financial facilities for the travel agencies with low interest

- Decreasing the inflation and increasing the economic developments have provided the opportunity for using the entertainment facilities. Therefore, it is suggested to reinforce the economic factors.
- Some of the special departments, such as the airlines and the transportation companies might be assigned to the private sector to provide a more competitive situation. By privatizing these departments, the tourism industry grows and the positive consequences emerge.

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