

BUSINESS SIMULATION OF TOURISM COMPANIES USING THE LEVEL I EXERCISE FIRM MODEL

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***Abstract:** This paper follows up on our previous papers introducing an extension of the teaching-learning and evaluation model of Training Firms method. We now focus on the business simulation of tourism companies. Based on the Michael Porter's five forces model, our approach is to create a virtual business environment consisting of several mini-companies that interact directly (so-called Mini-Training Firms). The Mini-Training Firms enable immediate enactment of activities such as negotiation, contracting, invoicing, receivables and payables management, employee recruitment, etc. To support activities, a software application can be used by the teacher and student, thus improving their digital competences. Our proposed mini-training firm method targets any high school students in technological and services curricula, with diverse skills and theoretic background.*

***Keywords:** training firm, virtual business environment, Michael Porter's five forces model, business simulation, tourism, software application, teaching-learning model*

1. Introduction

Simulation of the economic activity has become one of the most used teaching methods whose purpose is to mitigate the reduced efficiency of internships performed by students at businesses because they do not provide students the necessary experience to integrate the activities taking place in the real economy.

On the other hand, the level I exercise firm model, which we have implemented and tested previously in trade domain, has been shown to have immediate benefits (Petrușel, 2014) (Curta, 2014):

- It meets the requirements of the European Parliament on key competences for lifelong learning (including digital competence and, respectively, sense of initiative and entrepreneurship) (European Commission, 2006);

- Remove disadvantages found over time in operation level II training firms (Petrușel, 2011);
- Make the transition from traditional methodology to the current methodology in teaching and learning entrepreneurship (Ciobotaru, 2013).

Applying the model we proposed to trade proved to be a success (it was accepted by students without problems), which led us to focus our efforts on expanding it to tourism.

The curriculum for tenth grade school, Tourism specialization includes the following specialized modules: Economic Management, Hotel and Quality hotel services. For the ninth grade, specialty modules are Restoration Basics, Organization of catering establishments and tourism, respectively Hygiene and safety in tourism and food. Therefore, we believe that the tenth grade students have minimal economic knowledge needed to be active within the simulation, without too many troubles.

2. The level I exercise firm

In essence, the level I exercise firm model is to create a virtual business environment in each class. It consists of mini-training firms, operating in 4-5 related fields, chosen from the class specialization. The purpose of creating these mini-training firms is to allow students to use the skills acquired during the theoretical classes.

Schematic representation of the class virtual business environment, consists of four mini-training firms A, B, C and D, coordinated by the teacher, as it was conceived by us, is found in Figure 1, together with a general configuration interactions that occur between these entities and the software application.

From the point of view of the teacher, classroom organization in mini-training firms actually means classroom organization in working groups, each group having in its composition a number of 4 students. To form groups of students, the teacher can use several methods that we presented in our previous work (Petrușel, 2014) (Curta, 2014). Also there we described the method of teaching and learning through level I exercise firm. In short, it includes the following elements:

- A mini-training firm consists of four departments;
- One student is assigned to each of the departments;
- A mini-training firm interacts both with other mini-training firms within the class and the teacher, as we illustrated in Figure 1;

- Interactions between companies occur when each of them playing the role of supplier or the customer, to each other;
- At the mini-company of exercise, students interact with each other for work tasks received from professor to solve the initiated learning situations;
- The software application simulates some of the entities in the external environment of the firm, thereby closing the model proposed by us, such as the Trade Register Office, banks, financial administration, etc. as we shown in Figure 1;
- Each mini-training firms interact with the software application at different times under the supervision and coordination of the teacher;
- On the other hand, the teacher can check the work done by students in mini-company via the software application;
- The software application facilitates the activities of the mini-company exercise.

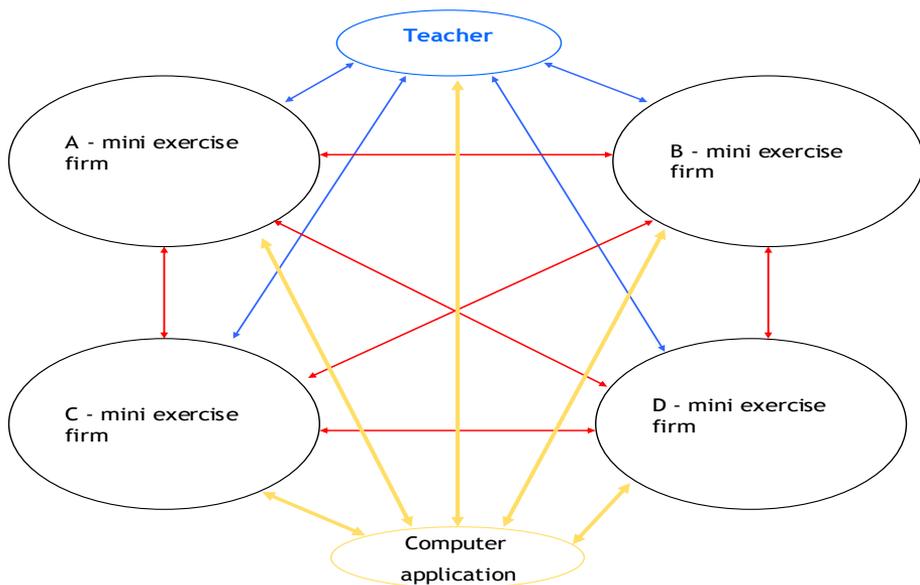


Fig. 1. Schematic representation of the virtual business environment of class (including the software application)

3. The Porter's five forces applied to the tourism industry

In one of the previous work, I tried to create a conceptual framework that allows treating tourism as an industry (Curta, 2013). To this end, I considered necessary and appropriate that a part of specific strategic management tools are adapted to the situation of tourism companies. One of these tools is the model of Michael Porter's five forces, which I have adapted to tourism (Curta, 2014b). I present it in Figure 2.

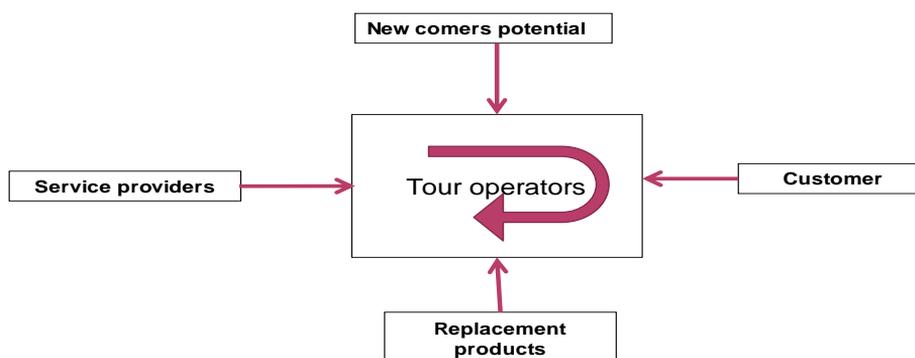


Fig. 2. Applying the five forces model to tourism industry

Under this new approach, the tourism industry is made up of tour operator companies. Service providers are trained in hotels, restaurants, transport companies, insurance companies. The potential newcomers include transportation companies, hotel chains, banks, even large networks stores. Customers can both travel agencies and tourists alike, if tour operators have an option for direct distribution of its products. Substitution products are formed from similar products with tourist packages offered on the market. On a smaller scale, we can discuss the case of travel agencies, when they have economic and financial power to act as tour operators at local, regional or local level. The difference arises when service providers. Other industries belonging to tourism, such as hospitality, tourism transport industry, entertainment, etc plays providers' role that offer "raw material" needed to achieve tourist packages.

New formulation that I gave the definition of the tourism industry, which the tourism industry is "the set of all tour operators and travel agencies because tourism product is a sum of tourist services that can not be purchased separately from other markets, but only from tourist market" (Curta, 2013: 25) has certain advantages, namely:

- Highlights the contribution of each component better than the tourist activity to achieve package tour, which is the final product;
- Allows streamline the flow of information necessary for decision making regarding the activity of tourism companies;
- Removes confusion over objects of them.

4. Extending the level I exercise firm model for tourism

Starting from the two models above, the company's level I firm of exercise (in general) and the tourism industry (formulated based on five forces model of Michael Porter), we proposed an extension of the level I exercise firm model for tourism domain, which can be represented schematically as follows (see Figure 3):

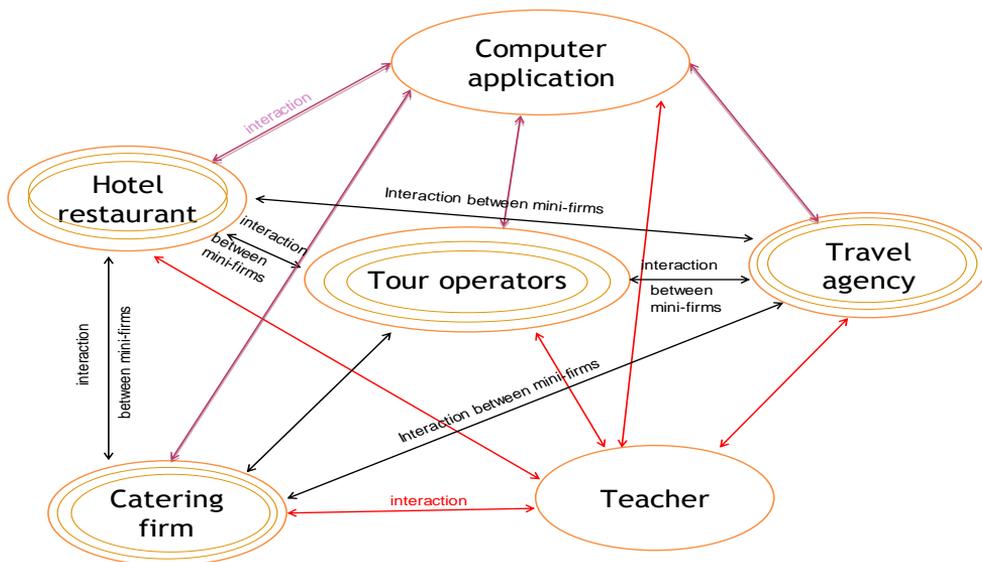


Fig. 3. Schematic representation of the model level I exercise firm expanded to tourism

Class virtual business environment (as we present in Figure 3) comprises the following companies (one or more from each category):

- Hotel and restaurant;
- Catering firm;
- Tour operator;
- Travel agency.

Each firm is composed of a group of 4 students who occupy positions in the relevant departments (see Table 1):

Table 1. Structure of mini-companies that make up the virtual business environment of class:

Nr. crt.	Name of the mini-exercise firm	Departments
1	Hotel & Restaurant	- Front-office; - Human resources; - Accounting; - Marketing;
2	Catering firm	- Supply; - Production; - Accounting; - Sales;
3	Tour operator	- Preparation of tourism products; - Administration of tourism products; - Marketing; - Sales;
4	Travel Agency	- Travel (internal and external); - Human resources; - Accounting; - Marketing;

All four companies interact in business class due to customer relations arising during their activity. They simultaneously interact with both the teacher and the software application.

The content for each customer-supplier relationship between mini-existing firms of exercise designed new model is identical to that we presented in the initial model (see Figure 4):

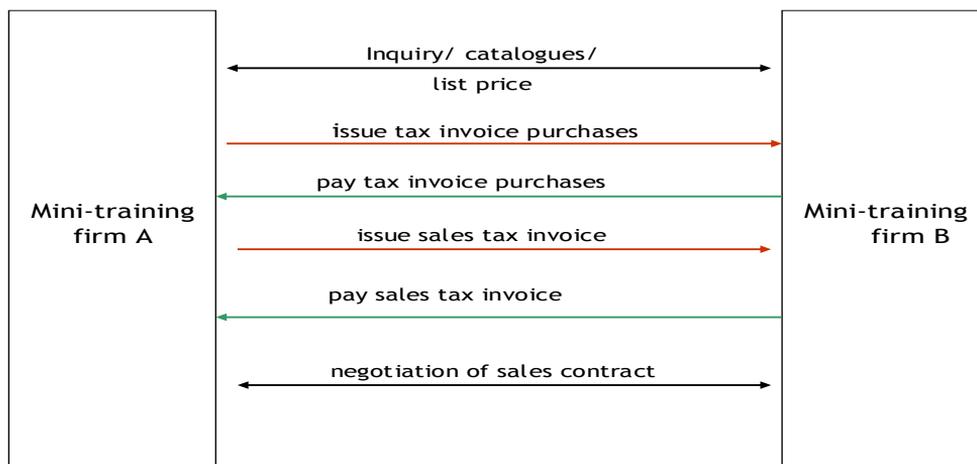


Fig. 4. Scheme interactions between two mini-training firms

Description of activities and documents used in the mini-training firms composing business class is shown below:

a). Travel Agency:

Activities	Documents
<ul style="list-style-type: none"> - Ticketing (reservation and ticket sales for plane and bus); - Sale of tourist services; - Complete travel insurance (medical, Green Card); - Sale of tourism products; - Rent a car; - Calculate the price of tourist products; - Evaluation of tourists' satisfaction; - Organization of optional tours; - Promoting tourism; - Preparation of accounting; - Negotiate contracts; - Organize and update customer file; - Records of employees; 	<ul style="list-style-type: none"> - Offers travel; - Flights and coach tickets; - Tickets for rest and treatment; - Vouchers; - Invoices, receipts, money orders, checks; - Analysis of price; - Questionnaires of opinion; - Tourist programs; - Promotional; - Travel insurance; - Deductions for excursions; - Accounting documents; - Tourist contracts; - Employment contracts, etc.

b). Tour operator:

Activities	Documents
<ul style="list-style-type: none"> - Request for the tourism service providers; - Analyze the offers received; - Conclusion of contracts with service providers; - Promoting the supply; - Negotiate tourist contracts; - Calculate the price of tourism products; - Organize and update customer file; - Preparation of accounting; - Records of employees; 	<ul style="list-style-type: none"> - Quotation; - Offers travel; - Promotional; - Tourist contracts; - Analysis of price; - Invoices, orders, checks; - Partner sheet (suppliers and customers); - Employment contracts, etc.

c). Hotel-restaurant:

Activities	Documents
<ul style="list-style-type: none"> - Making hotel supply; - Promoting the supply; - Registration and booking of tourist arrivals; - Preparation of rooms for guests; - Provision of accommodation services; - Registration of tourists departure; - Negotiate hotel contracts; - Evaluation of tourists' satisfaction; - Preparation of accounting; - Records of employees; 	<ul style="list-style-type: none"> - Offer hospitality; - Promotional; - Reservation form; - Forms announcing the arrival and departure of tourists; - Notes payable; - Sheets customer account; - Invoices, receipts, money orders, checks; - Register the hotel; - Other registers (luggage, loss); - List of arrivals and departures; - Vouchers; - List of displaying rates; - Accounting documents; - Employment contracts, etc.

d). Catering firm:

Activities	Documents
<ul style="list-style-type: none"> -Develop list-menu; - Contacting suppliers of raw materials; - Negotiate contracts of sale; - Preparation of food; - Sending products to customers / customer service; - Calculation of prices; - Promote the offer; - Preparation of accounting; - Records of employees; 	<ul style="list-style-type: none"> - List submenu; - Offer dining; - Documentary evidence for primary commodities (invoices, entry-reception, bon consumer records storage, etc.); - Documents for receipts and payments; - Contracts of sale; - Promotional; - Accounting documents; - Employment contracts, etc.

5. Conclusions

The proposed model to simulate new business tourism firms has several main advantages. It implements the principle of “learning by doing”, essential for the new methodology of teaching entrepreneurship. Enacting situations occurring in a real company, under direct supervision of the teacher, captivates the attention and encourages

involvement in class activities. Our model allows every student to carry out all types of firm activities, given the small working group and the principle of “resource rotation”. The model implements direct interaction and communication among students, thus developing communication skills of students who use business language and apply knowledge acquired during other specialized modules.

As we know, this is the first attempt to simulate the business of tourism companies at high school level.

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