3rd Edition

Strategic Management in Tourism

Edited by
LUIZ MOUTINHO AND
ALFONSO VARGAS-SÁNCHEZ

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CABI

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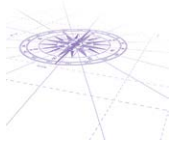*Rural Tourism and Enterprise: Management, Marketing and Sustainability*
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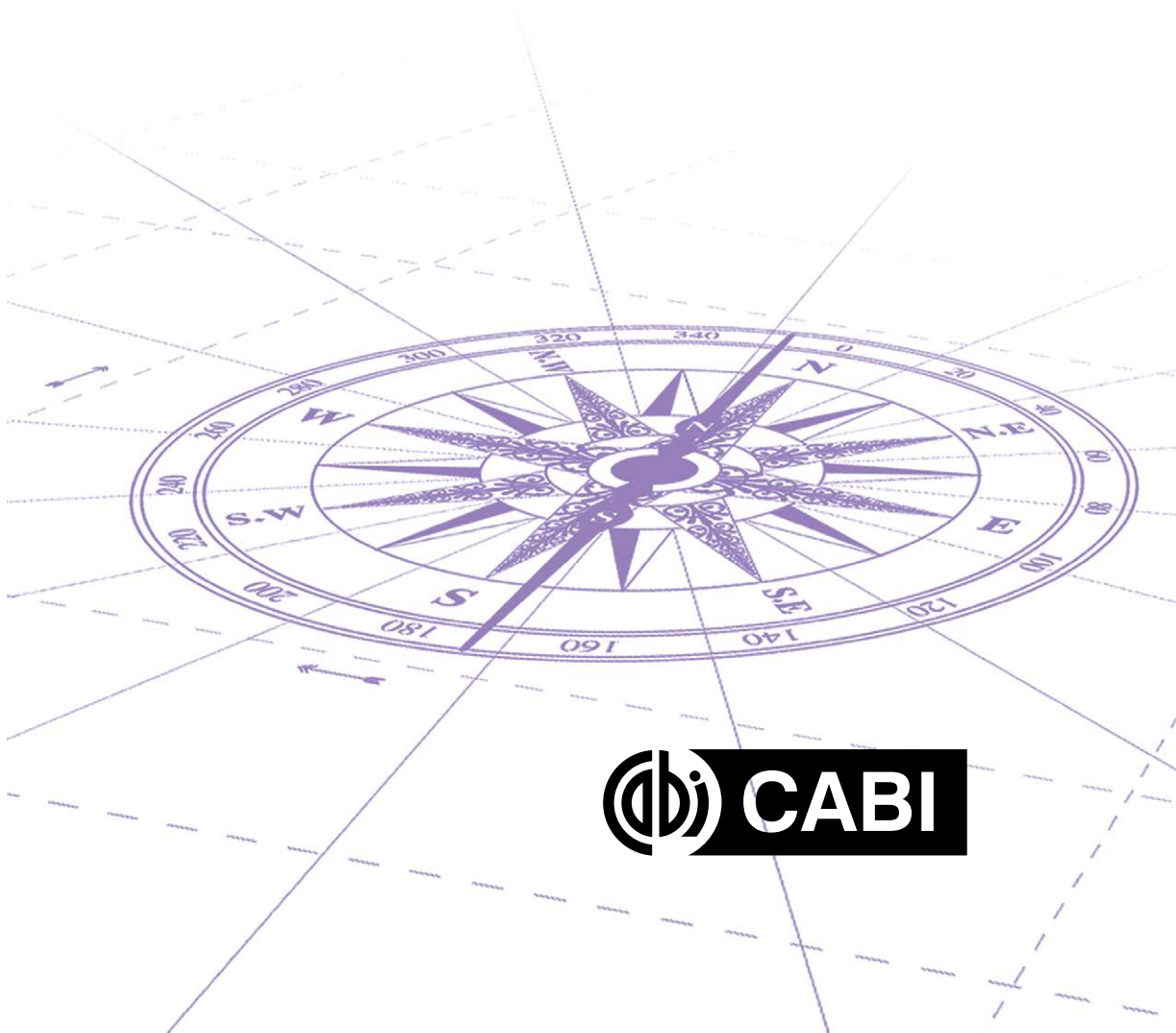*Strategic Management in Tourism, 3rd Edition*
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STRATEGIC MANAGEMENT IN TOURISM, 3rd Edition

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A catalogue record for this book is available from the British Library, London, UK.

To my best friends in my country of birth: Mico, Dulce, Teresa, Maria Eugenia, Ana Maria, Luis and Bibi.

After all its years in the academic market, I feel very honoured and privileged for the amount of positive responses the book has been getting from academics and students alike adopting its content. The book has also been translated into several languages around the word. Thank you so much to all of you! Because of my busy scholarly work and international academic schedule in many countries, I made the wise decision of inviting Professor Alfonso Vargas-Sánchez to be my Co-Editor for this 3rd Edition. This proved to be the right choice. Alfonso has been incredible in his efforts, his degree of involvement and dedication. I am so grateful, Alfonso.

Luiz Moutinho

I began this book just when my father passed away, and he went to meet my mother again. This is for them.

Alfonso Vargas-Sánchez

Contents

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Preface

The structure of the book remains the same, with the exception of a whole new Part IV dealing with the New Business Ecosystem and Stakeholder-driven Strategy. All the chapters have been updated or are totally new contributions. In Part I, we are bringing in new interesting insights into the future economic development in tourism. In Part II, we have added two brand new topics that we hope will prove very relevant to readers: Strategic Creativity in the Tourism Business and the very pertinent topic of Technology Management in Tourism. Part III has been greatly revamped by the inclusion of four completely new chapters to complement the areas of Process-based Management and International Strategies in Tourism. These new chapters cover subjects such as Strategic Thinking in Tourism, Towards a New Strategic Paradigm, and New Performance Measurements, as well as Crisis Management and Strategic Implications. Finally, we have added the new Part IV which has some very striking topics to be reflected upon. These include Stakeholder Engagement in Tourism, Authenticity in Tourism, and Tourism Resources and Sustainability, as well as New Strategic Developments in Tourism.

Chapter 1, by Rate, Moutinho and Ballantyne, paves the way with an overview of the New Business Environment and Trends in Tourism. Many facets are covered such as social, cultural, economic, physical, international, communication, infrastructure, institutional, legal and political factors; global urbanization; ecological aspects; and technological developments, among a myriad of other issues. A case study is also introduced.

Rate, Moutinho and Ballantyne (Chapter 2) present an updated version of Future-cast Applied to Tourism. Areas analysed include emerging markets, consumer mega-trends, socio-cultural shifts, rehumanization, the new tourism consumer, marketing paradigm shifts, and evolutions and revolutions in branding. An interesting case study is also added at the end of the chapter.

Dwyer (Chapter 3) discusses Future Economic Development in Tourism. Projections of tourism growth are presented as well as its drivers. Other interesting topics tackled include economic equality, interindustry effects of tourism growth, tourism in lesser-developed countries, challenges, tourism's economic contribution, domestic tourism, industry consolidation, leakages, costs, and policies for destination competitiveness.

Witt, Moutinho, Huarng and Yu delve again into Tourism Demand Modelling and Forecasting (Chapter 4). Some well-known future research methods are presented with relevant applications and cases. Probability and econometric forecasting are then discussed, as well as fuzzy time series forecasting.

In Chapter 5 Ballantyne, Moutinho and Rate discuss Consumer Behaviour in Tourism. The most important classic tenets in consumer behaviour are introduced with respect to their applicability in the tourism field. A case study is also included.

Rajah (Chapter 6) covers the theme of Strategic Creativity in Tourism Business. Interesting topics covered include the experience economy, factors affecting creativity, paradigm shifts, cognitive styles, types of problems, the creative problem-solving process, mind maps, network of aims, analogies and metaphors. A number of frameworks and checklists are also included.

Chapter 7 presents challenging content on Strategic Innovation in Tourism Business by Anne-Mette Hjalager. The chapter explores innovations in the tourism sector with some tangible examples, and the relationship between strategy and innovation is well dissected. A comparison between episodic change, continuous change and innovativeness is introduced. The driving forces behind an innovation strategy are discussed, and key typologies of innovation are also presented.

Chapter 8 (Kokkranikal, Wilson, Cronje and Radhakrishnan, writing on Empowerment and Human Resource Management in Tourism) has been kept from the previous edition because of its importance. It deals with human empowerment, humanizing services and methods of engagement.

Although they presented two chapters in the previous edition, Wilson and Moutinho (Chapter 9) are now updating and combining what they feel is a required level of knowledge in the area of Financial Management in Tourism. They start with management decision-making and financial effects/impacts. Case studies are included as well as discussion of critical issues and caveats. The important theme of yield management is covered, and the perennial topic of value and profit is also tackled.

Moutinho, Vargas-Sánchez and Moral-Moral (Chapter 10) cover the area of Technology Management in Tourism. An overview of technological evolution is presented initially. Specific technologies and innovations with a direct impact on tourism, as well as some solutions and experiences, are discussed. There is also a section on 'smart tourism'.

Vargas-Sánchez and Moutinho (Chapter 11) introduce the nascent issue of Strategic Thinking in Tourism. There is an initial important section on the meaning of management. The authors then delve into the changing fortunes of strategic management as well as into the underpinnings of systems thinking. Sense and respond systems, strategic agility and value-based management are also covered. The chapter ends with the introduction of a novel concept: betapreneurship. One case study is also added to the content.

Pérez and Pérez-Ferrant (Chapter 12) introduce challenging insights Towards a New Strategic Paradigm. They analyse how strategy had diverged and present criticisms of traditional management. Failures and consequences are dissected. They then introduce the first re-foundation movement and the New Strategic Theory (NST). A number of principles and key changes in the NST approach are discussed. The 2nd Reconstruction Movement is then introduced and the application of the new philosophy to tourism is explained. Some illustrative case studies are also shown.

Moutinho and Vargas-Sánchez deal with New Performance Measurements in Chapter 13. There are some initial insights about corporate strategy failure as well as issues related to strategic control. The area of performance management is extensively covered. Specific tourism metrics are also incorporated, as well as illustrative cases.

Chapter 14 (Southern and Moutinho) continues to reinforce the important idea of Process-based Management in Tourism. The concept of Process-based Management (PBM) is revisited as well as the identification of a process-based organization in tourism. The influence of tourism futurecast on the drive towards PBM is covered, as well as the role of PBM in tourism marketing. Some useful examples are also included in the chapter.

International Strategies in Tourism (Chapter 15) are presented next by Parra, Yanes, Melchior and Martínez. The chapter covers important topics such as international tourism competitiveness, strategic analysis of the environment, sustainability, environmental scanning, cognitive maps and benchmarking. The chapter is well structured and contains interesting examples.

In Chapter 16, Jiang, Scott and Ritchie tackle the important issue of Crisis Management and Strategic Implications. There are thorough definitions of crisis and crisis management and the chapter has a very rich theoretical foundation. Strategic management insights are intertwined with crisis management, and crisis management research in tourism is also well explored.

McCabe (Chapter 17) deals with Stakeholder Engagement in Tourism. He covers key aspects such as the social exchange theory and stakeholder theory. Strategies for stakeholder engagement are also reflected upon. The chapter's content is very lively and also includes a useful case study.

Yvette Reisinger (Chapter 18) tackles a very important topic: Authenticity in Tourism. The meaning and origins of authenticity are well dissected. Approaches and conceptualizations of authenticity are introduced, and types of authenticity are then unfolded. The author advances a good critique, some key challenges and strategic insights. Managerial implications are also highlighted.

Dawn Gibson (Chapter 19, Tourism Resources and Sustainability) introduces novel concepts such as pro-poor tourism (PPT) and the ecotourism spectrum. PPT benefits are highlighted, as well as a call for alternative tourism. Dawn covers the topics of sustainability and ecotourism at great length. A useful inventory of tools of sustainability is also introduced. The chapter integrates important notions related to community-based tourism, and an interesting case study related to tourism in Fiji is included.

The book ends (Chapter 20) with a collection of thoughts regarding New Strategic Developments in Tourism (Vargas-Sánchez and Moutinho). New insights into market share, value and profitability are advanced. There is also an important section on the future of business, as well as on the impact of technology from virtual reality to robotics. This discussion encapsulates the storm of change and how to navigate the new normal with all the paradigm shifts already experienced. The chapter concludes with the coverage of organizational purpose and the vital area of ethical behaviour.

We hope you like all the updates and the new topics added to this edition. We are both very grateful for all the very positive response that this text has had since its inception many years ago. We are truly feeling humbled by its success.

We could not end this Preface without thanking CABI for its trust and encouragement, and especially without showing our gratitude to our Editor, Alexandra Lainsbury, for all her outstanding understanding, support, help, guidance, advice and incredible motivational strength…thank you so much, Alexandra, from both of us!

Hope you enjoy the content, challenging thoughts and mind-stretching discussions contained in the book. Many thanks once again for all your support!

Luiz Moutinho and Alfonso Vargas–Sánchez

chapter 1

The New Business Environment and Trends in Tourism

Shirley Rate, Luiz Moutinho and Ronnie Ballantyne

LEARNING OBJECTIVES

- To explore the new business environment and trends in tourism using the SCEPTICAL framework of analysis.
- To examine the implications of key environmental trends on tourism business decision making.
- To consider how the emerging tourism trends will shape the future of the tourist sector.

INTRODUCTION

Understanding the business environment is pivotal to the formulation, development and maintenance of successful management strategy. The new business environment is constantly in flux and the rapid pace of change is accelerating – prompted and amplified by a variety of interrelated factors including technological innovations, consumer expectations and the rise of competition. Moreover, although the recent economic downturn coupled with regional uncertainties has impacted upon consumer spend on tourism products, the world's economic and social climate is generally predicted to produce a strong increase in tourism over the next 10 years. New markets will emerge due to changing economic conditions, modified consumer behaviour and new technologies. The composition of the tourist population will alter, with increasing proportions of senior citizens, for example. There will be greater emphasis on individual and self-determined holidays and on educational and active recreational pursuits. On the one hand, increasing environmental awareness will affect planning policies and tourist demand. On the other hand, nature, which is the critical resource of tourism, will become more scarce and fragile. An ecological

and more sustainable long-term approach to tourism planning is postulated. This chapter provides a rationale for appropriate frameworks to better understand this complex and challenging arena.

Successful new strategic tourism planning initiatives will require that decision makers not only understand historical and contemporary trends and movements in the business environment but will require the ability to predict new key emerging developments and shifts. This chapter, then, covers recent and probable future trends in tourism. The aim is not to present a definitive picture of developments over this period. It is more important to help planners come to terms with future changes than merely to describe future conditions. Thus, we must examine any distinguishable and important trends with a view to answering the question: 'What decisions have to be taken now or in the coming years to make adjustment to these trends possible and in good time?'

The special relationship between the tourism industry and its marketing environment means that the depth of understanding needed concerning the influence of the environment goes far beyond that which suffices for many other industries. The external environment of any industry contains a myriad of interdependent factors which need to be somehow separated out and categorized to make analysis of them possible. One of the simplest but most enduring frameworks for this analysis is the PEST framework which prompts companies to consider Political, Economic, Social and Technical factors which may affect their company. This is a traditional methodology and is rather a broad-brush form of analysis which, although adequate for industries less vulnerable to environmentally related disruption, is scarcely adequate for tourism providers.

To fully understand the new business environment, a more comprehensive approach is required. It is proposed that a new framework which better fits the nature of the tourism industry is applied to tourist environments.

SCEPTICAL analysis considers environmental influences in terms of:

Social factors
Cultural factors
Economic factors
Physical factors
Technical factors
International factors
Communications and infrastructure factors
Administrative and institutional factors
Legal and political factors

This framework provides a more robust structure for understanding the complex business environment in which tourism providers operate. Each of these categories may be the source of change which presents tourism operators with significant opportunities and threats. The challenge is in deciding what to do in the face of a changing and uncertain environment.

SOCIAL FACTORS

Tourism is essentially a social phenomenon and, although like all industries it is influenced by the society in which it exists, tourism is unusual in that it involves a large-scale, if temporary, transfer of individuals between different societies. This can create social change of both a temporary and a longer-term nature. In other industries, customers and their needs shape the nature of companies' marketing strategies and the product offerings. In tourism, customers and their needs can actually shape the society which they visit.

Demographic change

The world has added approximately 1 billion people to the global population in the span of 12 years. In 2015 there were 7.3 billion people sharing the planet. Currently, the world population continues to grow, though more slowly than in the recent past. Ten years ago, world

population was growing by 1.24% per year. Today, it is growing by 1.18% per year or approximately an additional 83 million people annually. The world population is projected to increase by more than 1 billion people within the next 15 years, reaching 8.5 billion in 2030, and to increase further to 9.7 billion in 2050 and 11.2 billion by 2100 (UN, 2015). The startling reality is that over 90% of this growth will be in developing countries. Currently, 60% of the global population lives in Asia, 16% in Africa, 10% in Europe, 9% in Latin America and the Caribbean, and 5% in North America. More than half of global population growth between now and 2050 is expected to occur in Africa while populations in Europe are expected to shrink.

While these are dramatic statistics, a key trend in the global population is the growth of the ageing population. The demographic shifts towards lower fertility and falling mortality, added to improvements in life expectancy, have resulted in an increase in the proportion of populations over the age of 60 to 901 million in 2015, 12% of the global population (UN, 2015). Projections are that the number of over 60s will be 1.4 billion by 2030 and 2.1 billion by 2050, and could rise to 3.2 billion in 2100 (UN, 2015). This massive shift has a wide range of societal, economic and environmental implications, and also significant implications for tourism. Global demographic changes must be reflected in planning and decision making with respect to the design, development, delivery and utilization of tourism facilities and services. There is also a need to encourage and support research to evaluate the needs of the growing population of older people worldwide.

The democratization of tourism

One of the most important demographically related changes is the 'democratization' of tourism. On a global scale, the socio-economic categories applied to individual nations become relatively meaningless since there are effectively two social groups: (i) the enfranchised members of the consumer society; and (ii) the disenfranchised poor (Durning, 1992). For the poor of the world, travel is usually undertaken for survival, and tourism is not an option. Among consumers, the opportunities for tourism have spread widely. The global economy is evolving in such a way that each of the industrialized nations has a solid, prosperous 'middle-class' core population. That in turn is being joined by significant middle-class populations in virtually every other country of the world. This middle class is relatively well educated and prosperous, and increasingly has discretionary money for recreation and leisure. In countries such as India or Indonesia, this middle-class 'crust' is quite thin, but its absolute numbers are large enough to offer plenty of potential tourism business. So, although many in the world are excluded from opportunities for travel and tourism, a process of 'democratization' of tourism is under way as it reaches many new consumers.

Global urbanization

Global urbanization is another significant demographic shift starting in the 20th century, and one that has a variety of effects for tourism providers. In 1950 there were 746 million city dwellers, 30% of the population. According to a report by the UN (2014), globally, more people now live in urban areas than in rural areas, with 54% of the world's population residing in urban areas in 2014. Continuing population growth and urbanization are projected to add 2.5 billion people to the world's urban population by 2050, 66% of the population. Formerly rural countries such as India, parts of Latin America and Africa are rapidly urbanizing, with nearly 90% of the projected increase concentrated in Asia and Africa.

Close to half of the world's urban dwellers reside in relatively small settlements of fewer than 500,000 inhabitants, while only around one in eight live in the 28 megacities with more than 10 million inhabitants (UN, 2014). This rapid urban influx of millions in search

of work does not provide ideal conditions for tourism services and resources. Resulting increases in congestion, pollution, poverty, unemployment and crime can all have a significant impact on the demand for tourism.

The outflow of people from rural areas typically contributes to the stagnation of local rural economies which has the effect of increasing the pressures for tourism development to compensate. Many rural areas are seeking to integrate tourism with more traditional rural activities such as farming. Certain government policies are now providing economic incentives for citizens to move back to the countryside. Tourism will aid this redistribution by offering more travel experiences in rural and out-of-the-way places as yet untapped for their tourism potential.

CULTURAL FACTORS

Research carried out in several countries, in particular a large-scale study by the Stanford Research Institute in California, USA, indicates that there is a clearly defined trend away from an 'outward-directed' lifestyle towards 'inward-directed' and 'integrated' values. Several recent studies indicate that 'post-materialistic values', in other words, growing non-materialistic needs, environmental care, diminishing concerns about career, prestige and status, etc., will gain in importance. Within traditional product-based marketing we are witnessing a trend towards societal marketing whereby the corporation and the brands it represents wish to be perceived as wholesome and caring – this is a key trend that has been mirrored and will also continue to grow in the consumption of tourism-related products. A process of rehumanization and philanthropy is replacing the pursuit of physical beauty, material possessions and hedonism. Increasingly, we are witnessing the rise of altruistic consumption where more consumers experience a change or shift in 'awareness' or indeed in consciousness. This movement will

need to be reflected in the type of tourism products offered.

It must be stressed that classic materialistic lifestyles will not vanish, but an increasing polarization between exponents of material and non-material values is likely to take place. At the other end of the spectrum, uber-premium or 'ultraluxe' will continue to develop. The rise of a global elite should ensure that the ultraluxe will grow. These status-craving consumers are hunting down the next wave in uber-exclusive goods, services and experiences that are truly out of reach of the masses now that massclusivity has commoditized all but the most luxurious products on earth.

In terms of the masses, there is a strong trend leading away from standardization towards an ever-greater diversity in lifestyles inciting new approaches to life and recreation and the rise of customization in tourist product offerings. The limits of mass tourism are recognizable not only from the quantitative but also from the qualitative point of view. The following trends are apparent and are probably of a long-term nature:

- Further increasing differentiation and pluralization of demand.
- The emergence of new specialized markets and market segments.
- A decrease in physically and culturally passive forms of vacation in favour of more active pastimes, such as high-adrenalin, fantasy-adventure or thrill-seeking activities and a shift towards maximizing individual liberty in recombining elements to produce custom-made holiday packages.
- The growing need for non-standardized services and individualized tourist behaviour is directly linked to the quest for self-determination whereby customized, tailored solutions are developed by the individual.
- The advanced level of travel experience in the population, which goes hand in hand with more selective, critical and quality-oriented approaches to individual holiday planning.

- An increasing desire to relate to nature, to gain first-hand experience and to engage in active pastimes (e.g. hobby holidays, trekking holidays, farm tourism).
- Higher levels of environmental consciousness and sensitivity to the quality of life in general.
- The increasing effort to learn, which often manifests itself in serious attempts to get to know foreign cultures.

The suppliers of tourist services will increasingly offer service packages that directly address specific customer problems and provide travellers with more opportunity to shape their holidays as they wish. Activities, experiences, participation and learning will all be key elements in the future. Adventure holidays, sports and health trips, sabbaticals and learning holidays will all become more popular. This desire for the experiential will give rise to a new tribe of consumers – 'transumers'. Transumers are consumers driven by experience instead of the 'fixed' traditional tourism offerings, driven by entertainment, by discovery, by fighting boredom. An increasing number of tourists will look for a holistic type of recreation, in search of an 'overall balance' of body, soul and mind. More and more travellers will define their concept of a 'rich holiday' in terms of the depth rather than in terms of the diversity of their travel experiences.

Not only will the worldwide travel market itself be characterized by an ever-greater range of possible types of travel and destinations, but substitutional competition will also continue to increase. The range of alternative uses to which free time can be put is constantly expanding, a trend which is likely to continue over the next 20 years. Apart from travel, these options can be characterized by leisure within the home or in the vicinity. Of particular interest are the Internet and gaming pursuits. Also, leisure-oriented design of living space, children's playgrounds near to dwellings, public leisure facilities in residential areas, centres or leisure parks, and green belt areas around cities will all be central to current education and further training.

In view of the expansion of the 'informal' economy and a certain shift, for technological reasons, of professional activities to the traditional domicile, the boundaries between leisure time, work and living are becoming increasingly hazy. Innovations in technology allow for a 'flow society' – the 21st-century consumer has increased flexibility to work and play while on the move. Also, the individual will have more opportunities to arrange his or her working hours and leisure time as required. There is a growing recognition of the value of cultural diversity (possibly a reaction to globalization and increasingly cosmopolitan societies). Parallel with this recognition is a desire to maintain and foster the special and unique characteristics of ethnic groups and host societies as a fundamental principle of tourism development and promotion.

ECONOMIC FACTORS

Tourism as an industry can and does have significant impacts on an economy's growth. For governments, foreign exchange earnings, income and employment generation are the key drivers of economic growth which influence and encourage investment in the industry. However, the growth of the industry is reliant on a number of factors.

Global economic conditions

Disposable income level is the economic factor seen as the most important, but other economic factors are also important. Tourism expenditure has been shown to be affected by levels of employment in service industries, and links have been made between tourism expenditure and house prices. Inevitably, demand and production of supply are highly dependent on the conditions of the global economy. Global economic downturns tend to have a direct impact on expenditure on

personal travel and tourism. Recent economic pressures have resulted in many countries, including emerging markets, experiencing a contraction in tourism demand.

Under such conditions, world trade declines and travellers cut costs by choosing to holiday in their own countries for shorter periods of time. This has produced a new form of holiday type – the 'staycation' – whereby consumers are utilizing leisure and tourism services close to or indeed in the home. Alternatively, consumers will choose international destinations with the most attractive exchange rate. Thus international demand particularly suffers. Nevertheless, according to UNWTO (2016) international tourism now represents 7% of the world's exports in goods and service, up from 6% in 2014, as tourism has grown faster than world trade since 2012. International tourist arrivals increased to over 1.1 billion in 2014, and according to the OECD (2016) this is set to rise to 1.8 billion by 2030, with international tourist arrivals in emerging economy destinations projected to grow at double the rate of those in advanced tourism economies (UNWTO, 2016).

Demand and supply

As well as determining the growth and size of the industry, economic conditions will drive the level and nature of personal spending on travelling and tourism activity, and in turn the nature of demand and supply. Personal expenditure on tourism is driven by cost-to-income comparisons. As such, factors such as GDP, inflation, interest rates, unemployment and disposable income all affect consumption and thus demand and supply of the industry. Despite recent economic pressures, the industry remains one of the biggest contributors to global GDP and optimistic forecasts suggest it will continue to grow. Thus, the competition for international tourists will almost certainly intensify in the coming years with more people having the time, money and preference to travel, and more governments around the world seeking to maximize the potential of the tourism industry through attracting international tourists. Such forecasts of increased tourism activity are based on the assumption that tourism facilities such as attractions, accommodation and transport are expanded and upgraded to meet demand.

Current and forecasts of future competition from new developing destinations and facilities has led to the increased power of the buyer which has dictated the nature of supply. In any market, choice leads to buying power; however, this is compounded further through technological advances allowing consumers to share assessment of tourist experiences worldwide. Such power and access to information have inevitably led to decreases in prices and as such the industry has experienced significant structural changes. There has been an exponential increase in the budget accommodation and airline sectors while first-class passenger numbers are falling. The concept of the package holiday continues to decrease as consumers demand to arrange holidays independently – the new 'prosumer' demands and enjoys more control over their consumption.

PHYSICAL FACTORS: ECOLOGICAL ASPECTS

Concern for the environment will in the future be far more widespread among the population than it is today. A growing awareness of environmental factors and sustainability will continue to increase and intensify. Over time this will become a dominant factor in terms of influencing consumer decision making and ultimate consumer choice. This growing appreciation that humankind and the natural environment share a common fate is promoting a conservationist approach at many levels. Even today, we can see an increasing environmental awareness in public opinion. This manifests itself in a growing tendency to reject those foreign tourist spots which have already exceeded their tolerance levels, not

only in the opinion of the experts, but also from the point of view of the consumer.

The implication is then clear – the tourism industry must begin to integrate these environmental concerns into its planning, operations and policies. Individual strands of tourism such as 'ecotourism' or 'ecological tourism' already exist and will continue to prosper – the growing awareness of environmental concerns coupled with a strong consumer movement towards a more ecological and socially conscious consumer-based standpoint will clearly nurture the continued development of low impact, responsible travel to fragile destinations. However, the implications are broader – as this movement becomes the norm there is increased need to factor in ecological aspects in mainstream mass tourism planning.

The inhabitants of mass tourist areas, some of whom have exchanged their initial euphoria at the influx of tourists for blatant resistance, will increasingly adopt realistic strategies to retain their independence and protect their environment. For example the dilemma facing mountain regions, concerning the balance between economic growth due to tourism and, both, the destruction of the landscape by tourist monoculture, and desolation on account of depopulation, will be handled better than it is today. Multifaceted development will allow a revalorization of mountain farming, including the introduction of unconventional methods such as game farming and vegetable cultivation. The planning authorities and political institutions, thanks largely to the pressure of public opinion, will contribute to development in the interests of humans and the environment, by defining appropriate planning guidelines and ensuring that they are followed.

Destruction of natural resources vital to tourism will not be stopped immediately. As a consequence, decline of some traditional destination areas (due to gradual spoilage or, in some cases, to environmental catastrophes) and rise of 'substitutes' in unspoiled surroundings will probably continue to a certain extent. Furthermore, artificial leisure environments will be created as a partial (and weak) compensation for the degraded natural milieu. Such developments will continue until society has implemented tourism strategies that reconcile man and nature. On the other hand, growing environmental sensitivity is likely to stimulate substantial efforts to protect, conserve and upgrade the natural as well as the socio-cultural milieu.

Hopefully, on the supply side, a change towards a long-term planning mentality, which should substitute for short-sighted profit maximization, will take place. Responsible future tourism programmes must seek to move away from conventional tourism modelling towards a more sustainable perspective. Even the best hotels and restaurants in tourist resorts can only thrive if they are part of an intact and sustainable environment. An ecologically viable strategy is the prime requisite for success. As far as the provision of accommodation facilities is concerned, a dramatic rearrangement of priorities, due to growing environmental awareness, has already begun. If in the past the emphasis was on the erection of new buildings, the future should see a comprehensive programme of renovation. The transformation of historic buildings or other old buildings into training and leisure establishments, and the shaping of the environment to accommodate leisure activities, both in the home and in its close proximity, will continue to gain considerably in importance.

TECHNICAL FACTORS: TECHNOLOGICAL ASPECTS

A new 'marketsphere' has emerged – a technology-driven borderless world with fragmenting media and diverse customers resistant to traditional push marketing is now a reality. There are now endless opportunities for increased integration, synthesis and synergies between marketing and technology.

Technological developments are changing the way that tourism providers are interacting with customers, and are indeed altering the intrinsic make-up of the tourism product. This social revolution has empowered the consumer.

Tourism operators must pay attention to the rise of the prosumer. The prosumer is one who is actively involved in the design of the product – ever-increasing levels of social media interactivity have underpinned and nurtured this movement. Consumers can now actively and deliberately take part in the process of design, shaping or even producing a product or service knowing it is for them. This development may necessitate a shift in thinking in terms of how tourism providers build and nurture relationships with their customers, moving away from classic customer relationship management towards customer managed relationships reflecting the balance of power between provider and consumer.

In terms of the provision of current tourism products, new technologies have given rise to new business models utilizing new sales and distribution systems. Online distribution has led to dramatic structural change including substitution of existing traditional sales channels. The emergence of low-cost airlines, where further technological advance has stimulated innovation and dictated structural changes among airlines and travel agents, has allowed consumers to develop and manage their own itineraries and in effect become their own travel agent. The new technologies will enable further specialization. New types of travel agencies will emerge: these pioneers will have the character of consulting rather than of booking agencies, using information systems to design individualized travel packages from available offers (Buhalis and Licata, 2002).

The rise of digital communication tools allow individuals to interact and share their views and experiences with potentially unrestricted virtual communities (Stepchenkova *et al.*, 2007). There are important implications for viral marketing and for shifts in perceptions of leisure time. One step further is the virtual world. The implication is clear: these modes of substitutional competition are becoming more desirable. The home increasingly will offer a multidimensional point of experience where a variety of leisure and virtual tourism pursuits can be enjoyed, including virtual tourism, virtual gaming and virtual reality shopping. This will have considerable attraction to particular groups. Those that have already moved towards cocooning or hiving in response to the fear of terrorism will gravitate even more towards these virtual innovations in leisure and tourism products (Wang *et al.*, 2002).

Technology has played a significant role in altering the shape of various tourism industries (Buhalis, 2003). This is particularly the case for the airline business, where further technological advances will stimulate innovation and dictate structural changes among airlines and travel agents. The quest for more efficient distribution has led to new alliances within and between firms of this sector. Technology has also fostered the growth of bigger organizations covering more aspects of tourism, creating a new 'transpitality' industry. Although considerable vertical and horizontal integration does now exist, it is likely that further consolidation of companies in all sectors will continue, with increasing economic concentration in a small number of large companies. Furthermore, some of these companies will combine across sectors creating new 'diagonal marketing systems'. These large corporations are likely to secure greater shares of the markets in which they operate, and there is no evidence that limits to economies of scale have yet been reached.

INTERNATIONAL FACTORS

The tourism industry's evolution has largely been dictated by developments in travel and transport. The concept of international travel turned the industry into a global entity where international operations dominate. The developments and changes in relations between

countries often form a critical aspect of continuous environmental scanning for those in the tourism industry. This is because of the significant impact relationships between countries can have on the operation of tourist organizations. International tensions between governments can deter tourists from venturing to particular destinations and can create barriers to travel, in the form of visa restrictions. Additionally, terrorist activities have placed extraordinary pressure on international relations.

In contrast, recent years have witnessed some extraordinary changes within regions such as Eastern Europe and the Middle East, providing many opportunities for growth in new markets. Over the years, political change has played a significant role in international relations and global tourism. We have witnessed the opportunities for realizing the demand for travel to Eastern European countries and the former Soviet Union. Similar growth has been seen in destinations that have survived political instability and conflict such as Vietnam, the former Yugoslavian states and South African countries. As barriers to trade and overseas investment are removed and the free movement of labour has been instigated, tourism in such areas has thrived. General political approaches to tourism have also dictated the nature of international relations and global travel.

The last decade has witnessed many changes in international relations which have tended to promote tourism, as countries have come together either driven by political will or by economic forces. International cooperation is an increasingly important aspect of tourism development. Sometimes this comes in the form of reciprocal marketing alliances between countries, while in other cases it is part of the pattern of international aid and development support, exemplified by the European Union's support for tourism development in Africa, the Caribbean and the Pacific. The benefits of these alliances to such regions include access to investment for education as well as infrastructure, with the long-term opportunity to increase employment

and grow their economies. Meanwhile, those tourism organizations that involve themselves in developing countries gain access to new and exciting destinations and opportunities to grow their international markets as well as globalizing their brands. Evidence of the true benefit of these international relations for developing countries has yet to be shown; however, it is clear that the growth of the tourism industry is tied to the nature of global relationships.

COMMUNICATION AND INFRASTRUCTURE FACTORS

Tourism providers are typically very dependent on an existing infrastructure to handle travel, hospitality and communication. Although tourism is viewed as an intangible service business, the investment in infrastructure needed to support many tourism products would dwarf the capital expenditure of all but the most global of manufacturers.

Transport

In tourism terms, transport can have a variety of functions such as the destination itself in the case of rail and cruise travel. However, in the context of developing tourism destinations and the critical role of infrastructure, transport takes the meaning of derived demand; it is a necessary means of moving from origin to destination. Although travel and tourism are services, the importance of physical distribution within the industry makes it much more akin to those involving physical products. The requirement to move people around the world and within their destination areas, quickly, punctually and comfortably requires considerable support in terms of infrastructure. Infrastructure to serve all major forms of transport continues to expand with the network of cities and towns served by air travel and high-speed road and rail links. Recent developments have involved the move

towards integration of infrastructure in a bid to manage the quality and communication between providers and to provide a seamless travel experience for the tourist.

Infrastructure development generally tends to lag behind the expansion of tourism and travel, which can lead to bottlenecks and overloads. With respect to air travel, congestion in the skies and on the ground is increasing. This is due to the accessibility of air travel, the growth of business travel and the increase in the low-cost airline sector. But, while the popularity of air travel has significantly increased, the growth of the world's airports has, in comparison, proceeded very slowly. Destination management requires government policies which allow growth and reduce congestion. However, pressures on governments continue to grow with respect to sustainability, carbon emissions and security and safety. In addition, developments in communications technology are expected to impact upon business travel demand in the longer term. Thus, the concept of transport infrastructure is a constantly changing one which will continue to evolve due to technology and global concerns for sustainable travel.

Accommodation

Accommodation, including location, facilities and related services, plays a substantial part in the overall tourist experience; thus it can have a positive or negative impact on the variety of other organizations involved in the tourism infrastructure. While the destination itself – plus its attractions – tends to be the driving motivator to travel, there are few factors that can deter future tourists as easily as stories of unavailable, half-finished or inadequate accommodation. The new age of technology and service review is such that people have access to and motivation for disseminating stories about their travel experiences. Nevertheless, the growth of the industry has demanded the growth in bricks and mortar. The development

of accommodation, however, is not necessarily straightforward. The industry is restricted by the governmental policies for growth in that specific area of the economy. Furthermore, legislation often places restrictions on the specific construction and location of buildings and facilities. Nevertheless, the industry has prospered on a global scale due to emerging economies and destinations such as China, India and Eastern Europe. Also, the industry has long utilized technology, more recently the Internet, in offering the consumer a cohesive experience in terms of reservations and communications. This, added to mergers and acquisitions, management approaches such as franchising, strategic alliances and joint ventures, and more sophisticated segmenting, as well as branding and pricing strategies, has allowed the industry to prosper.

Facilities/Attractions

Far more than accommodation, destination choice is influenced by the availability, reputation and quality of the tourist attractions offered. Attractions and other specific facilities also play a key role in determining purchasing decisions during the stay, and many regions are recognizing the importance of such infrastructural developments in the local economy. As such, a robust and integrated set of attractions is a critical element for a tourism infrastructure to provide the combination of offerings the consumer demands as well as fostering related spending within the local community. As the networks of transport improve and general lifestyles change, there is a distinct trend of tourists taking more but shorter breaks per year and fewer long holidays. This trend is driven by population changes, changes in lifestyle and leisure patterns and a general growth in disposable income. As such, the demand for breaks to be interesting and entertaining will mean that the number and variety of attractions will have to increase to satiate this need.

ADMINISTRATIVE AND INSTITUTIONAL FACTORS

For any form of business the environment will contain a wide range of institutions which can influence the operation and development of their business. For tourism, the number of institutions with an interest in, and potential influence on, the industry is vast and includes:

- *Local government*: Although national governments take considerable interest in tourism as a contributor to the economy, the onus for the promotion, control and management of tourism development is frequently devolved to local government level. Local government administrators have the particularly difficult task of trying to attract tourists into their region in pursuit of the economic benefits they bring, while protecting the quality of life of the local population that elected them (Hall and Jenkins, 1996).
- *National tourism organizations (NTOs)*: Although there are some very large players within the airline, tour-operator or hotel-chain sectors of the industry, tourism is a complex and fragmented industry. For this reason issues of planning, research and promotion for specific destinations are typically handled by NTOs at a national level, and often by similar smaller-scale agencies at a local and regional level.
- *Consumer groups*: Travel is a major item of expenditure for many households, and it also offers almost unprecedented opportunities for the creation of consumer dissatisfaction. A holidaymaker is, by definition, away from home and is therefore deprived of the comforts and support networks that 'home' entails, exacerbating holiday problems since they cannot easily be escaped. For this reason, consumer groups have taken an increasing interest in tourism and travel products, and there are now numerous published guides, online reviews and television programmes that provide consumers with information to assist their purchasing decisions.
- *Special interest groups*: The size of the tourism and travel industry means that it attracts the attention of an enormous number of special interest groups. Other types of group will try to influence the tourism industry on an issue-by-issue basis, and will include groups relating to the environment, rights for specific sections of the population, cultural heritage and local businesses.
- *Law enforcement agencies*: The potential for tourists to become targets for criminal activities, combined with a desire among tourism operators and agencies to prevent crime levels acting as a deterrent to tourists, has tended to bring tourism operators and law enforcement agencies closer together.

LEGAL AND POLITICAL FACTORS

The nature and development of tourism in any country are largely the result of its government's ideology on this facet of economic activity. While the private sector can and does play a significant role across a broad spectrum of sectors including transport, accommodation and attractions, a government will control its growth and development through its investment, infrastructure and regulation. Tourism is simply too important for governments to leave to market forces, as both the positive and the negative economic and social impacts of tourism are such that there is a necessity for some form of intervention (Lickorish and Jenkins, 2007). Nevertheless, levels of intervention as well as the nature of intervention can vary widely across countries.

Recent global trends have altered general governmental approaches to tourism. The political shift to market-driven economies is

bringing about a global economic restructuring in which market forces rather than ideology are used to guide decisions and develop policy. Recently, entire political systems have undergone dramatic changes in response to the pressure from their populations to provide the goods and services that they desire rather than those determined by the state. Although history warns that we must anticipate swings and counter-swings over time, it is probable that the next decade will see a continuation of the increasing role of market forces in determining the shape of world economic activity in general, and tourism in particular. While policy makers in tourism cannot do much to affect this trend, there are two areas for policy action, namely: (i) the need to encourage efforts to establish public–private partnerships that will ensure tourism development which is economically viable and yet socially responsible; and (ii) the need to encourage responsible and responsive research and development to support these partnerships.

Changes to subsidies and regulations

The trend towards market economies and shrinking government budgets is creating strong pressures for privatization and deregulation of tourism facilities and services. While the decade of the 1970s saw governments become increasingly involved in many areas of social and economic development, the 1980s witnessed changing attitudes to tourism moving towards passive encouragement rather than financial support, with an increased focus on regulation. By the early years of the 21st century, economic realities began to force a drastic retrenchment of government activity. Policies of deregulation, privatization, the elimination of tax incentives and a move away from discretionary forms of intervention have been the norm for governments in many developed countries. The reality is that governments in many countries have simply found they are unable to support the

many programmes and initiatives that were put in place in earlier years. Policy makers in tourism can no longer count on government support for tourism development as a form of social development or as a mechanism for the redistribution of income and employment. Tourism facilities and supporting services will increasingly have to be competitive in the marketplace and economically viable to survive in the 21st century.

Government attitudes to tourism

Despite recent progress, recognition by governments of the tourism industry and its importance to social and economic development and well-being of regions is still far from satisfactory. As such, there is a need for further effort to develop industry support for an integrated tourism lobby. There is also a need to focus the attention of public international organizations on issues of significance to the tourism industry. Only in this way will governments acknowledge tourism as a foreign policy issue as well as a domestic one. This in turn should strengthen efforts to stimulate governments and internal lending institutions to increase the flow of resources to projects in various sectors of tourism. Similarly, greater recognition would stimulate governments to consider tourism needs in the course of public infrastructure development. It would also encourage the direct allocation of a portion of tourism taxes and fees to be used for tourism promotion, destination development and infrastructure development. In the future, the tourism industry will probably become more involved in collaborative relationships with governments to lessen the problems that plague overpopulated urban areas. By encouraging innovations in urbanization that strengthen the infrastructure of megacities – such as the recycling of waste, new and cheaper housing materials and alternative energy sources – the industry will in turn preserve its own tourist markets.

Political instability

Political instability and conflict between and within countries will always have a devastating effect on the tourist trade. Those in the tourism and travel industry must always be in touch with the political risks that exist across the world, but in recent years this has become more difficult. As affected governments continue to reinvent themselves, the tourism industry will face great challenges. On the one hand, democratization brings tremendous opportunities for growth. On the other, increasing gaps between the rich and the poor and the volatility of political alliances may put tourism policy makers in the business of serious risk analysis. Strategic planners will need to become more adept at 'mapping' zones of instability based on population and poverty projections, and at assessing other indicators of vulnerability that influence the levels of risk associated with tourism investments.

The size and international scope of the tourism industry have unfortunately made it and the tourists within it potential targets for politically motivated acts of terrorism. Acts of terrorism, riots and political aggression are felt immediately with declining arrivals and lower hotel occupancy. These realities have led to a heightened need to protect tourists from terrorists and other forms of political instability. Recognizing that the tourism industry can only thrive in a peaceful world, it is essential that it takes a proactive role in collaborating with other organizations in promoting international understanding and goodwill at all levels.

CONCLUSIONS

The process of tourism strategic planning is predicated on planning for uncertainty. Uncertainty is the complement of knowledge: the gap between what is known and what needs to be known to make correct decisions. Dealing sensibly with uncertainty is not a byway on the road to responsible tourism management decisions, it is central to it. To cope with future tourism planning, management and research, tourism professionals need to be Renaissance men and women. The ability to imagine, perceive and gauge the future is a paramount professional attribute of the tourism professionals of tomorrow. The future tourism phenomena will be managed by today's professionals who look to the future and shape it into a strategic vision.

Case Study: 'Voluntourism' Goes Digital

Many of the major environmental influencers in the tourist sector have radically changed the views and perceptions of tourist customers. Technology delivers accessible information about people, events, countries changing knowledge structures, views and perceptions. Changing cost and competitor structures and flexibilities of the travel sector makes it easier to get to further and more out-of-touch places. As wealth increases in a great many parts of the world, so too does poverty in others. The tourist sector is seeing a demand in consumers to reach parts of the world that are new to them and in need of them. Altruistic holidays have become increasingly popular, whereby people seek to generate valuable work experience abroad and make a difference to a local community and the people within it. As such, access to international volunteer programmes in conservation, ecotourism, teaching and community development has seen significant growth.

The concept of 'voluntourism' allows tourists to both enjoy unique travel experiences, and to enrich their trip with authentic and rewarding memories through contributing to

(Continued)

Case Study. Continued.

projects that can make a difference in the lives of the local people. One of the challenges with the growth of this sector is the sheer volume of choice for the customer. It is easy for the consumer to become overwhelmed by a huge market with huge choice and huge variety of working projects. As voluntourism is often a hybrid of work and leisure, a new technological concept is being developed, which aims to align the consumer with a volunteering project tailored to their specific skill sets. Equally, volunteer operators need to have the information that ensures the markets they attract can maximize their potential benefits.

BeWorthwhile is an app developed by IBM and LinkedIn which matches volunteers' strongest skills with the charities that need them. It does this by drawing on data about the individual, their skill set and their ambitions, and match them to a specific opportunity. It also allows charities to request an accountant, a lawyer, a designer – anyone with the abilities they lack – in place of the current system where they are forced to find menial jobs for any volunteer. The more an individual volunteers, the smarter the technology will become, using artificial intelligence which learns to tailor opportunities to the individual.

QUESTIONS

1. Outline the biggest social and cultural changes over the past decade that have led to the growth in the volunteering sector and 'voluntourism'.

2. Explain the motivations behind consumer decisions to volunteer.

3. Discuss the technological forces that could help or hinder the 'voluntourism' market.

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Futurecast Applied to Tourism

Shirley Rate, Luiz Moutinho and Ronnie Ballantyne

LEARNING OBJECTIVES

- To explore the concept of futurecasting in the tourism sector.
- To examine the growth and nature of emerging markets in tourism.
- To analyse consumer megatrends in the tourism business environment and the implications of these for marketing decision making.
- To explore new marketing paradigms in the context of environmental change.

INTRODUCTION

The tourism sector has become one of the most critical to many countries across the globe. Despite turbulent and chaotic change including worldwide recession, political instability, conflict and terrorism directly impacting the sector, it continues to grow. International tourist arrivals increased to over 1.1 billion in 2014, and according to the Organisation for Economic Cooperation and Development (2016) this is set to rise to 1.8 billion by 2030, with international tourist arrivals in emerging economy destinations projected to grow at double the rate of those in advanced tourism economies (UNWTO, 2015). The sector itself is thus in a period of growth as emerging countries offer new destinations and have populations that are growing in size and economic power alongside a growing demand to travel. Thus, the trends and forces that are widening the accessibility of tourism to more people, and increasing the propensity to travel, present tourism marketers unique opportunities on a global scale.

However, with opportunities come considerable challenges in an environment of unprecedented worldwide flux which creates uncertainty and risk in business decision making. Demographic shifts are creating new and evolving markets, technological innovations are changing the hyperconnectedness of tourists and tourism, and the competitive arena is in a state of constant

change. As the tourism environment shifts and evolves at an unprecedented pace, so too do the behaviours of tourism consumers. It is these changing motivations, responses and demands that are particularly difficult to track and predict. Nevertheless, to protect and survive the future, tourism operators must anticipate the trends to be able to best respond to them. Traditional models of consumer behaviour and approaches to strategic marketing management have become outdated business models which are no longer fit for purpose. Instead, analysing future trends or 'futurecasting' in the tourism sector has become a critical success factor for tourism marketing managers. Understanding the new business environment, its key trends and movements and the resultant change in the behaviours of tourism consumers, will allow tourist operators to adapt traditional models of marketing to cope with rapid decision cycles.

This chapter then will focus on the future – bridging the gap between more traditional management approaches and the exploration of new paradigms of thought. By isolating and exploring these new paradigms and techniques, in conjunction with tracing and understanding key trends and developments in the new business environment, the tourism strategist gains invaluable decision-making intelligence which allows him or her to 'futurecast'. In effect, tourism operators will have the ability to 'see' events before they occur, allowing strategic decision makers to develop innovative and effective strategic tourism initiatives. Moreover, this approach allows companies not only to anticipate major shifts in the environment but also to try to influence these changes. Initially, the chapter will consider the evolution of consumer groups through exploring emerging markets, then the megatrends of consumer behaviour. Finally, it will consider the impact on marketing strategy and the development of new marketing paradigms in response to the concept of futurecasting.

EMERGING MARKETS

The flexibility and degree of reactivity to the changing tourist environment are becoming pivotal to success in the tourism sector. Marketers must be able to understand the volatility of the business environment and the impact this has on consumer behaviours and on the formation of new and dynamic consumer markets. Only when this fundamental aspect of the environment is grasped can futurecasting of behaviours be possible, placing tourist operators in a competitive position. A number of key forces are having a significant impact on the profile of the tourist sector, not least dramatic shifts in demographics in the global population.

The Golden Mafia

One of the most dramatic social trends facing the tourism industry is that of the ageing population. The demographic shifts towards lower fertility and falling mortality, added to improvements in life expectancy, have resulted in an increase in the proportion of global populations over the age of 60. In 2015, this cohort represented 12% of the worldwide population – 901 million people. As life expectancy rises, the proportion of the population above 60 is expected to rise. Indeed, the current growth rate is 3.26% per year and, as stated in the preceding chapter, according to a United Nations (2015) report, the number of over 60s globally is projected to be 1.4 billion by 2030 and 2.1 billion by 2050, and could rise to 3.2 billion in 2100. This massive shift has significant implications for all aspects of tourism service delivery. Not least, it presents an opportunity for businesses to specifically tailor and target these markets. Yet, according to a study by Deloitte (2015a), this potential has been largely ignored by the tourism industry.

It is not just the size of market this population cohort represents: it is the other dimensions related to life stage and attitude

that make them a potentially lucrative group for the tourism industry to target due to their frequency of travel (Losada *et al.*, 2016). The 'Golden Mafia' is those consumers who are enjoying more wealth and health, and longer retirements, than their predecessors. Indeed, their disposable income will be an increasingly important determinant of the structure of demand as the much-targeted youth market continues to steadily decline. But it is the nature of this group, its expenditure patterns, activities and lifestyles indicating increasing participation in hedonist and consumerist behaviours, that should be of most interest to tourism operators.

As well as wealth and disposable income, the Golden Mafia, by the time it reaches retirement age, is likely to have reached the empty nest stage of the life cycle, resulting in fewer costs related to dependents and a wealth of leisure time. Thus, distinct growth in participation in sporting, leisure and other physical activities is already being witnessed. Additionally, the group is better educated and more interested in travel and tourism than previous generations, with travel being a major element in most retirement plans. More than any other age group, the Golden Mafia is an anti-materialistic generation moving away from a lifetime of consumption to focus on their keener appreciation of life experiences. It has a more youthful outlook, feeling and acting younger than its chronological age, leading to an increased demand for holidays typically associated with younger people. These cognitively young consumers are more innovative in their consumer behaviour and this can be seen in their demand for more flexibility in length of stay, holiday extensions and off-peak offerings as well the nature of the travel product such as scuba diving, skiing, adventure cruises in Antarctica and climbing holidays in South-east Asia.

The feminization of markets

Women are playing an increasingly important role within decision-making units. This is largely due to the fact that more women have entered and continue to enter the workplace and more women are obtaining higher-paid senior roles. Thus, the general wealth of women is continuing to grow, albeit at a slower pace than that of men. Perhaps more importantly, though, is their financial independence and control. Increases in women's incomes have resulted in shifts in the family structure. This has meant further sharing not only of the household workload but also of decisions related to household finance. A study by the Population Reference Bureau (2015) indicates that while the earning gap between genders still persists, increasing numbers of women globally are responsible for many of household buying decisions. The idea of feminization of markets has originated from the demographic growth and power of the market as well as the idea that feminine marketing is a trend to which both genders are responding. Indeed, the very masculine approaches or patronizing 'pink' feminine approaches to marketing products such as cars and electricals is resulting in this powerful market boycotting brands that do not demonstrate a deeper understanding of them. A movement termed 'eveolution' by Popcorn (2001) suggests that 'essential truths' should be sought out to properly connect with this market. She suggests that organizations must understand the multiple lives of women in order to invest in long-term relationships and also that they should foster greater bonds between female consumers as a means of connecting them to brands.

The Why Generation

The 'Why Generation' reflects the wave of millennium youth who are technologically literate, marketing and media savvy and more affluent than any preceding generations. They are better educated than previous generations and more are entering higher education than ever before. However, patterns of study are changing, with many students delaying their

entry into higher education. Instead, the Why Generation, true to its very nature, wants to travel the world, learn about new cultures and meet new people. Having grown up with the Internet and other interactive technologies, this generation has a global collective consciousness born from the international and virtual communities in which it communicates and lives. These experiences have encouraged a hedonistic generation which exploits opportunities to gain instant gratification. They have also fostered a curiosity and fearless thirst for new experiences and exploring the world.

The implications for the tourism industry are vast and come largely from the increased wealth of this new tourist consumer. The market is also growing across the globe. While the economic balance of power is shifting rapidly towards developing countries, the growth of Brazil, Russia, India and China (BRIC countries) is such that the average 'international tourist' of the future will look very different to those of today. Already these countries are seeing rapid growth in personal spending power as their economies expand (Yeoman, 2012). Tourism marketers must recognize in all their efforts to brand their products and services that a new wave of middle-class tourist, eager to spend its newly acquired wealth on hitherto unavailable experiences, is likely to think differently, respond uniquely and want entirely different relationships with their brands. The more affluent people become across the globe, the more complex life and product decisions become and a new disillusionment with the marketplace is beginning to spread – 'affluenza' is the result of a growing tension between wealth and the desire for a simpler, less materialistic life (Hamilton and Denniss, 2006). Increasingly, consumers are seeking personal fulfilment through experiential consumption. This bodes well for the tourist sector but only if marketers can grasp the motives of this new social movement and offer options that deliver on these new demands.

CONSUMER MEGATRENDS

Tourism faces major challenges with regard to the social and cultural developments affecting the nature of tourism demand. Perhaps more than any other sector, change is unprecedented in terms of size and pace. Trends in behaviours are converging to create a new tourism consumer. This consumer represents a new geo-demographic, shirking the materialistic values of previous generations, placing new importance on people, societies and environments, and expecting businesses to follow suit. This new consumer has education, knowledge and understanding of the tourism sector and all it offers, and is more savvy about product portfolios than operators themselves. Knowing, understanding and relating to this new consumer can only come from an examination of the megatrends that have led to this challenging and volatile environment.

Empowerment

The development of the new empowered tourist is a significant trend – tourists are increasingly knowledgeable, more experienced and have higher expectations than ever before. The emerging consumer is not easily categorized by a classic segmentation typology but is an individual, a human being who has become a sophisticated 'high frequency' traveller, who is technologically literate and who has the ability to adapt and function in multicultural environments. The empowered tourist, enabled by new technologies, will increasingly demand tourist operators to be responsive, tailored and personal in all that they deliver. According to a report by Deloitte (2015b) on the empowered holidaymaker, recessionary, deal-hunting behaviours are being facilitated by choice and accessible information. Communication technologies are proving to be a major disruptive force which is fundamentally changing the way tourism consumers are behaving.

According to a report by Visit Scotland (2014), due to unprecedented levels of hypersociability, consumer expectations of technology have reached dependence levels reflected in increasing demands on organizations to facilitate the use of personal technological devices at all points of the travel experience, alongside increased demand for immediacy and personalization of service.

Tourism marketers are realizing digital opportunities in areas such as information search and online booking, virtual communities and online reviews, and maximizing the use of big data and analytics in tailoring and customizing services. However, the pace of change is extraordinary and Peterson and Marshall (2015) argue that, for the travel industry, a fundamental shift to building consumer relationships is critical. The maturation of social media, data analytics and adoption of mobile technologies is necessitating the transition from an individual-centred to an 'everyone-to-everyone' economy. Consumers want to work together with organizations to create value through co-design, co-creation, co-production, co-marketing, co-distribution and co-funding. Kitchen and Proctor (2015) argue that the digital environment has not invented consumer interaction – a fundamental human driver – but delivers hyperconnectedness, which has laid the foundation for interactive behaviours the likes of which have never before been witnessed. Marketers must utilize this propensity to communicate, share, review and critique which each individual has the power to do on a global scale. They must harness the recommendation culture to transform communication strategies by encouraging their consumers to become 'brand evangelists' (Deloitte 2015b).

A result of empowerment is the existence of 'zones of tolerance' whereby a level of acceptance exists between desired and adequate expectations. Consumers will continue to become increasingly demanding as such zones of tolerance will continue to shrink. Zones of tolerance and their impacts on consumer experience must be monitored and explored by tourism providers. To over-promise and under-deliver is a very risky business and can have serious impacts on retaining customers and repeat purchasing behaviour. Furthermore, key emerging trends of 'infolust' and the 'ready-to-know, ready-to-go' state of mind of the 21st-century consumer, will lead to the rise of consumer tribes who desire the new and novel … now! These consumers are dissatisfied with what they have, the current state of their lives, and believe 'something else' would be better and far more satisfying. Ironically for this group, the product offering does not necessarily have to be good, it has to be *new*.

Implications for innovation management and time to market are clear. Tourism providers will be expected to constantly innovate and will be under increased pressure to reduce time to market and to respond to consumers' needs with immediacy. The already rapid pace of change in the business environment is set to continue to accelerate. Keeping pace with changing consumer behaviour, markets, social values and technologies will be one of the biggest challenges for tourism providers over the next 20 years. The high-velocity marketplace makes it difficult for marketers to absorb, process, make decisions and take appropriate actions in real time. Flexibility and adaptability will become key ingredients for business success in the future. Moreover, the ability to forecast consumer needs even before consumers themselves are aware will become a significant contributor to obtaining and sustaining competitive advantage.

Socio-cultural shifts

Within any business context, organizations are at the mercy of social and cultural forces which influence basic values, perceptions, preferences and behaviours. However, facing the tourist industry now is radical change which quickly penetrates borders and leads to global trends. The diffusion of information about global events, countries and

destinations is becoming faster due to innovations in communications technology.

Transumers seeking insperiences

Transumers are consumers driven by experiences, discovery and an anti-materialistic attitude, a trend which presents significant opportunity for the tourism industry. Since the start of the recession, consumers in developed markets have focused less on conspicuous consumption and the gain of material possessions and more on seeking out mood-boosting or even life-changing experiences. More people are looking to live a little, the 'generation me' with a sense of entitlement. Faced with constant reminders of what to do (exercise more, eat better) and what not to do (smoke, overspend) and fatigued from austerity, consumers are seeking out indulgences. They are taking up more offerings that promise an escape from the pace of modernity – a digital detox providing a sense of a simpler, less connected, life.

Simplicity marketing is becoming more successful as consumers are becoming less focused on the brand and are searching for and sourcing best value for genuinely customized and personalized service designed to deliver emotional authenticity. Brands need to be repositioned to survive this environment of savvy, cynical and marketing-literate consumers. For tourism, this socio-cultural movement has led to the seeking of 'insperiences', representing the consumers' desire to bring professional-grade experiences into their domestic domain. The insperience is evolving. It will continue to be about consumers wanting to 'domesticize' any interesting experiences they have in the public space. This movement may occupy significant amounts of consumer spend traditionally allocated to tourism-related products, and as such positions itself as a serious substitute. Virtual reality shopping will stimulate the experience of 'tailoring' the products and services to the individual consumer. These are already

recognized as important tools of 'time minimization' and 'evaluation of alternatives' and innovative tourism operators will seek to promote their products and services in this way.

In the fullness of time the virtual experience will become a key tourism product, not simply being used as a sophisticated promotional mechanism to aid and prompt consumer choice of a 'real-world' tourism activity or destination, but offering a fully realized three-dimensional sensory experience within the comforts of one's own home. Furthermore, as technological innovations continue to accelerate, individuals will be able to experience virtual tourism not only by themselves but with their friends and family in the virtual domain.

Rehumanization

Rehumanization, the search for meaning in a technological, rapidly moving, pressure-filled society, is becoming a dominant trait in many consumers. It represents a demand for authenticity and the boycott of aggressive, impersonal and irrelevant marketing. It also manifests itself in increasing expectations of organizational behaviour. Popcorn (2002) describes the trend of 'vigilantism' whereby consumers no longer accept misbehaviour and demand that organizations respect the community in which they function as well as the consumers whom they serve. Similarly, 'icon toppling' is a reflection not only of the power of consumers but their hunger for equality, justice and authenticity from organizations. We will see a continuing resistance to overpaid celebrities endorsing products they do not use, as well as to boardroom salaries that do not reflect the realism consumers are striving for. The more distance that chief executive officers (CEOs) place between themselves and their consumers, the less engaged their consumers will become.

Since the global recession and the rethinking of consumer aspirations, this concept of rehumanization is morphing into prosocial consumers who care about others

and society as a whole. For the tourism sector this is manifesting itself in the rise in 'chadventures' – adventure pursuits that also raise money for charitable causes – and other tourism that enables and nurtures learning and growth. Authentic emotional connection between provider and consumer will be amplified, and the importance of trust will become increasingly salient in terms of how consumers think and feel about different market offerings. Moreover, and building on consumer concerns for environmental sustainability, it must be stressed that consumer access to information is now heightened. The Internet has revolutionized the distribution of tourism information and sales. Not only can consumers compare prices with the click of a mouse, but they can also look at a tourism operator's ethical or environmental policies and find out what is being said about them anywhere in the world.

A newer 'collective consciousness' is emerging from this trend whereby groups of global citizens seek to improve global issues. These globalists are using digital technology to connect, swap ideas and organize events. They share an ethos of responsibility and cooperation that is markedly different to the individualistic 1980s and 1990s. This new collective consciousness has brought about a growing awareness of the impact of travel and tourism on the physical environment. What has been experienced in other sectors in the way of ethical consumption is being mirrored in the tourism industry in the guise of sustainable tourism. In response, organizations are starting to integrate social issues into their core strategies. For example, hotels sourcing their produce, employees, materials and services from within their immediate vicinity, and websites allowing choice of flights from the lowest-carbon airline. The advent of 'geotourism', which sustains or enhances the geographical character of a place and the environment, heritage, aesthetics, culture and well-being of its residents, is the kind of development which will see much popularity in coming years.

The new tourism consumer

A result of many of the megatrends outlined in this chapter is the creation of a new type of consumer. Concepts of empowerment, growth of technologies that deliver information and platforms to communicate and share, and massive socio-cultural changes have created a new type of consumer that marketers must listen to.

The prosumer

The new tourism 'prosumer' is no longer content in terms of simply waiting for new products and services to arrive. The prosumer blurs the traditional boundaries of producer and consumer demanding more control in the consumption process. The rise of the prosumer requires shifts in marketing thinking as the trend challenges traditional business logic where firms create value unilaterally, consumers are passive and products and services represent the value. Instead, prosumption brings a new frame of reference by focusing on the customer–company interaction as a new value creation, co-creating value through customer and company taking into consideration that value is unique to each customer and is associated with personalized experiences, and the products and services area being only a means to an end.

Technologies have given consumers greater power, liberating and empowering them and as a result, expectations are increasingly on 'customer-made' products and experiences. The phenomenon of corporations creating goods, services and experiences in close cooperation with experienced and creative consumers, tapping into their intellectual capital, and in exchange giving them a direct say in what actually gets produced, manufactured, developed, designed, serviced or processed (and rewarding them) will increasingly become the norm across many business sectors. Prosumption is, then, transforming the customer–company relationship by allowing consumers to co-construct their own unique value. This new type of operation is turning

the 'supply chain' into a 'demand value chain', by reversing the flow of marketing from 'company to customer' to 'customer to company'. Enlightened providers of tourism will collaborate with consumers to build a dialogue and exchange process that creates value for both parties. This shift in thinking moves the emphasis from what marketers do to consumers to what consumers want from marketing.

But at a deeper level there is a consciousness paradigm. The new consumer is searching for real value and needs to know what is behind the brand name and promise. By encouraging and facilitating co-creation the dimensions of the brand become more transparent to the consumer, and indeed the consumers themselves become the authors of the brand experience. This will lead to greater trust, and more involved, stronger relationships between organizations and individuals.

The minipreneur

A global and long-term recession has shifted attitudes to money and spending, and many consumers have become 'sellsumers'. Whether selling their insights to corporations, their creative output to fellow consumers or renting out unused assets, consumers are comfortable and confident with the process of selling. Made possible by the online revolution's great democratization of demand and supply, selling has become another megatrend that is consumer participation. An extension of this is the concept of the 'minipreneur': consumers who have set up their own microbusinesses. Minipreneurs are consumers who are increasingly involved with the creation, production and trading of goods, services and experiences instead of merely consuming them. A vast army of consumers is turning into entrepreneurs, including small and microbusinesses, freelancers, weekend entrepreneurs and web-driven entrepreneurs. The emergence of the new technology-driven market sphere encourages the consumer to become an active participant as opposed to a passive audience member. Today's

aspiring and established minipreneurs truly have a highly developed network of intermediaries, tools, resources and processes at their disposal. It is an ecosystem on a much more elaborate scale than anyone foresaw.

This megatrend – also known as the peer-to-peer movement – will manifest in a variety of ways within the tourism arena. We are now seeing individuals taking steps to create their own travel ecosystem. Established businesses that have harnessed the minipreneur include Airbnb, HomeAway, Wimdu and Couchsurfing, and there are countless websites now enabling people to rent out a room, a sofa or the whole apartment or house, either through home-swapping schemes or via transactional sites. Holiday rental is one of the hottest segments in the travel sphere, with listings increasing both in the key markets as well as in emerging economies, demonstrating its universal appeal. But while this opportunity is often associated with accommodation, it impacts every aspect of the travel experience once at the destination, for example:

- *Transportation*: Through sites like Getaround, JustPark or Zimride, people can share a drive, find accommodation or even rent out their own car to someone else who may need it.
- *Restaurants*: New platforms such as VizEat allow local people to host travellers to home-cooked meals, thus bypassing the traditional restaurant scene. Then there are review sites such as Yelp, Chowhound, Foodspotting and Forkly which will also connect with user reviews about favourite spots to eat and drink.
- *Experiences*: Started in New York City in the 1990s, we are now seeing more and more 'greeters', volunteers who show you around the city, sharing his or her favourite spots. Now there are a growing number of services run by 'independent insiders' such Vayable, Universe or GetYourGuide, which address the core of your trip: the experience once at the destination.

MARKETING PARADIGM SHIFTS

The application of futurecasting reveals seismic shifts in the tourism business environment from the emergence of markets that will dominate future consumption to the proliferation of socio-economic trends that will impact on the type of consumption behaviours the tourism sector will see in the coming years. The impact of these issues is significant and the purpose of applying futurecasting is to position tourism marketers to best respond to them. This section considers the new marketing paradigms that have emerged as a result of these shifts in the environment. Mass marketing and linear communication, long the foundation of marketing practice, is an irrelevance in the context of a consumer with access to vast amounts of information about brands and organizations, the ability to create and share information about them and the hunger to interact with organizations.

Neomarketing

New paradigms of marketing will threaten the traditional approaches, frameworks and the very ethos of old-school marketing and its techniques. Adopting neomarketing will see a move towards customer-centricity which will fix the 'broken' marketing function and demand an entire and revolutionary change in the approach to the consumer. The evolution of technology and communications has transformed the concept of the consumer and, as this entity changes, becomes more powerful, more cynical, more passionate and more involved in its brands, so traditional business models become less relevant and less effective. There has been a seismic shift in the balance of power from the brand powerhouses to the uber-savvy consumers who know what they want and how to get it. In an era where the customer has control, they expect to participate in the decision making about their

future. Customer-centricity, then, is when customers lead the design of business processes, products, services and business models. To achieve this demands a transformation in corporate culture, a challenge in itself. Business models must be designed with customers around their goals with a resulting organizational structure which is a vibrant ecosystem of partners and suppliers all aligned around the same outcomes.

For the tourism industry, marketer-created content whereby a one-fits-all approach resulted in offerings for the masses, is irrelevant and unusable. Only a consumer-centric, neomarketing approach will allow tourism operators to identify and relate to the new 'prosumer', one who has taken control from the marketer in designing unique and customized offerings matching his or her own specific requirements. These requirements have evolved into a sophisticated and complex set of needs centred on achieving a depth and authenticity of experience, the 'transumer', no longer accepting materialistic, repetitive or staged tourist experiences. The rise of customer power – largely thanks to technology – means consumers can reveal the truth and share stories on a global scale about products and service through online forms of communication. Ultimately, they are the authors of brands and marketers have been left no option but to join forces to maintain some form of control. Consumer-generated marketing is a new approach which has led the tourist industry towards developing products and services which are authentic and experience-based and which are flexible, giving the customers control to design their own unique offering in a pick-and-mix, build-your-own style.

Particle marketing

Just as mass marketing became extinct as a concept due to pressures in the evolving competitive environment and increasing demands of the consumer, so too its successor, market segmentation, will soon be a relic of a bygone

marketing era. Particle marketing represents a new way of thinking beyond the boundaries and restraints of traditional market segmentation approaches held dear by marketers for some decades. Recent consumer trends have seen a fragmentation of markets and individualization and fluidity of behaviours. As such, conceptualizing consumers as members of homogeneous market segments is becoming increasingly difficult. Traditional segmentation variables such as age, gender, family life cycle and even more recent constructs of personality and lifestyle are less effective at predicting behaviour, as people placed in such distinct groupings are behaving in more individualistic and inconsistent ways. Thus, marketers using segmentation strategies that try to define consumers via variables lacking discriminatory power, and assuming a single, consistent, stable way of behaving, are likely to face failure.

Instead, marketers are being forced to focus on the needs and wants of smaller and smaller groups in a market resulting in the targeting of multiple market segments. However, the digital revolution of the marketplace will allow marketers to reduce their audiences even further. Particle marketing is a concept borrowed from physics which suggests the use of personal technologies to customize micro-individual offerings. Many companies now have access to technologies that provide enough data on customers to understand their individual tastes and preferences and how they evolve. However, data are only useful if they are used creatively. Not enough companies understand how to use customer data to deliver customer-valued propositions. Marketers can become so focused on the data that they retain a company – rather than customer-centric – bias. Underlying the concept of particle marketing is the notion that the future of targeting relies on marketers embracing the philosophies of relationship marketing; in other words, securing enough information about consumers (a deeper, richer understanding) to attract, maintain and enhance relationships with them. Technologies should not be tools used to just blast out more marketing, more promotions, more newsletters – which they can certainly do. The ethos of particle marketing is to use technologies to make interactions and offerings relevant to the customer. Indeed, the best executed relationship marketing is not about marketing at all, it is about relationship mediation. It is about making an advance that says: 'I value you, I want to understand (with you) you better'. Ultimately, it is about facilitating customization.

Consumer interaction

In the context of technological advances, proliferation and fragmentation of media alongside power shifts towards consumers, marketers must rethink old models of mass communications which have at their core the assumption that the receiver is passive. With the advent of the prosumer, empowerment means consumers have more control over which content to consume and whether and how to distribute it. Increasingly, consumers are demanding interactivity with brands opening opportunities for tourism organizations to build relationships. Consumers are willing to provide more information and make themselves more accessible if this allows a meaningful dialogue in which they perceive real benefit. The focus must shift from linear forms of communication to more interactive or even co-created communication. The concept of user-generated content is relatively new and potentially offers a cost-effective, creative and novel messaging which creates public relations around the brand and drives social engagement through discussion, collaboration and viral distribution.

In a media landscape saturated with marketing messages, the 'info smog' phenomenon will only increase. Consumers will find their experience of reality so fragmented that their ability to concentrate will be drastically

reduced. Moreover, the type of information search that the Internet encourages is a lateral search, jumping from chunks of information, never concentrating on one element for any length of time. Securing consumer attention and involvement in tourism products will become increasingly challenging. New modes and methodologies of connecting and communicating with consumers will prevail. Companies are already using search-based advertising via the online platform. They are also initiating a 'word-of-mouth' or, indeed, 'word-of-net' presence to stimulate buzz, interest and hyperbole via blogs and discussion forums as new and more relevant ways to replace mass advertising. There is a third alternative: 'tryvertising'.

Tryvertising is all about consumers becoming familiar with new products by actually trying them out – in effect, experimentation rather than message. Experienced consumers will continue to 'tune out' from commercials, advertisements, banners and other fancy wording and imagery which is forced upon them. Tryvertising bypasses these outdated modes, allowing consumers to make up their minds based on the experience, not the company's message. The consumers can then become advocates, true ambassadors and endorsers of the brand. This trend can be used and cultivated in harmony with the growth of consumer-generated marketing. Consumer content is already having a huge impact on certain sectors (e.g. the entertainment industry), and the concept of the influential consumer has taken on a whole new level of importance. It can be argued that influential consumers have become the true gatekeepers of success. The biggest shift powered by the digital lever is that the average consumer has become the new storyteller, and digital experiences are becoming more important to an empowered consumer, who now has more options than ever before. Consumer-generated marketing via blogs, discussion forums or indeed YouTube reviews and testimonials is the most revolutionary concept

in marketing for a long time. As the role of trust and source credibility becomes heightened in consumer decision making, bias-free reviews and recommendations will carry great influence in generating awareness and facilitating consumer choice of tourism choice alternatives. Consumer-generated marketing is a fact of life to which all of us will have to adapt.

Evolutions and revolutions in branding

Brands have become omnipresent in today's marketplace. Consumers have become accustomed to using brands as essential guides to help navigate the over-cluttered multiple-choice world in which we live. Brands have historically facilitated short cuts in consumer decision making, reducing time and effort by identifying reputable and trusted sources of consumer value. Within the tourism arena, destinations, travel companies, accommodation, food and entertainment providers alike have all come to be marketed very much like traditional product-based brands, with particular brand dimensions and personality traits highlighted and exaggerated in advertising claims. Tourism operators have sought to position their brands distinctively in the hearts and minds of their target audience, thus facilitating the development and maintenance of the brand tribe or brand community. Nevertheless, the classic branding paradigm is becoming tired and may now be beginning to lose its edge. As stated above, the rise of the empowered consumer suggests that in the future the most successful brands will be those that abandon the traditional top-down approach – 'we market to you' – in favour of bottom-up strategies, adopting true consumer-centricity whereby the consumer is an active participant in the design of the overall brand experience.

The challenge for strategic decision makers is that consumers in the future will want less,

not more; sense not nonsense; and above all they want companies to inject simplicity marketing. This means repositioning tourism brands to survive in an environment of savvy, cynical, marketing-literate consumers no longer seeking solace in false brand gods, hype and spin. In a society where brands are now becoming 'mental pollutants' and the traditional 'marketing medicine' is increasingly diagnosed as a 'disease', we are now witnessing the era of the demarketing chic. Brands can become negative baggage as they are undermined by the very values they own in the mind of the consumer. The deferential consumer, conditioned to desire being 'buzzed' by brands, has been buried along with the golden era of marketing. Consumers are already becoming increasingly brand immune. As a consequence brands may be losing control of their own images, but they can also take advantage of content creations via the aforementioned methodologies of neomarketing, particle marketing and prosumption and the associated buzz generated between consumers, for example tryvertising or 'twinsumers' (fellow consumers who think, react, enjoy and consume the way we do – our taste twins).

The new realities of branding are, then, upon us – innovative companies are dispensing with the mass economy tactics of old and replacing them with tactics more suited to the consumer economy. Strategic tourism planners must recognize that markets consist of human beings and not segmentation typologies. Markets can no longer be treated as pure demographics, geo-demographics or psychographics (the classification of people according to personality, values, opinions, attitudes, interests and lifestyles) in terms of segmentation bases with brands to fit. This awareness, coupled with less passive and savvier consumers, prompts the need for a new model of brand relations – the 'brain to brain' model. Companies must adopt an intelligent and integrated marketing and management approach which seeks to establish and nurture 'intelligent dialogue' with customers. As brands evolve to ensure an intelligent dialogue with customers, ever greater demand for emotional authenticity and value will be desired by consumers. The emotional value is the economic value or momentary worth of feelings when consumers positively (or negatively) experience branded products and services. Incorporating emotional design into the development and branding of the tourism product is becoming a necessity for tourism and travel providers. Today, and in the future, marketers want to extend their contact with customers through time. In effect the brand must become not a product but an invitation, an invitation to an emotionally satisfying and enduring relationship. The brand promise is about the quality of that relationship.

CONCLUSIONS

We are only at the very beginning of a new journey from 'brand building' and 'customer relationship management' to the consumer agency. This new vision of strategic tourism management is driven less by knowing about consumers and more by understanding and learning from them. Consumers are now beginning to view themselves as citizens, not only of countries but of corporations, and as citizens they have a 'say' in how that organization behaves. The expected key 'futurecast trends', coupled with transformations in consumer behaviour and industry structures, will mean that new emerging visions of strategic tourism management need to evolve and develop. The new emerging realities of the tourism arena presents many challenges and opportunities for strategic management in tourism. Initially we will witness a continued re-engineering of established tourism products and destinations. The adaptation of current tourism enterprises will influence and shape the values of the present products and services towards new paradigms and techniques.

Case Study: Beacon Technology puts Tourism Consumers on the Map

Beacon technology is providing tourism operators the opportunity to create a truly personalized customer experience. The technology is location-based and uses Bluetooth® to communicate with beacon-enabled devices. For marketers, this means that when a customer with an enabled smartphone app is within distance, the beacon sends a signal providing them with useful information, location guidance or even links to purchase items. This is not dissimilar to other technologies on the market such as near-field communication (NFC), but beacon technology is offering much wider and deeper opportunities to build long-term loyal partnerships with consumers.

The retail industry has long adopted such location-based technology; however, an increasing take-up of beacon technology has been seen by airports and airlines as a means of enhancing the passenger journey as well as of driving sales. According to SITA, the air transport IT and communications specialist, over 83% of passengers carry smartphones, presenting seemingly endless possibilities in communicating with consumers on-site. Beacon technology has become of significant interest to the sector because the air transport industry's ambition is to deliver a more connected journey which allows it to maximize its resources and performance for both operational and passenger benefits.

Apple's iBeacon technology has been piloted at a number of airports and airlines, as organizations increasingly recognize that customers trust the brand much more than the NFC predecessor, and are displaying seeking behaviours which operators can tap into. Beacons help in enhancing a wide variety of functions such as wayfinding, flight information, baggage collection, measuring the distance to the gate, offering loyalty programmes and conveying duty-free promotions. Beacons also act as an additional channel to increase revenues from non-airline-related streams. For example, Virgin Atlantic have piloted iBeacon at Heathrow with a variety of services. For example, those customers with an electronic boarding pass loaded on Virgin's Passbook app will find their smartphone automatically pulling up their boarding pass as they approach the security gate. Staff are able to greet passengers approaching Virgin's Clubhouse lounge by name and, using the data collection capability of the technology, can present customers with their favourite drink as they arrive.

KLM has also been testing the technology to provide users assistance wayfinding around its hub at Amsterdam Airport Schiphol. Not only will the KLM application guide the passenger where to go, but it will also provide information such as the time required to reach the gate, and the location of lounges and service desks. The opportunities are wide-ranging and many airports, including Miami, Nice, JFK, Hong Kong and San Francisco, are testing its possible uses including wayfinding, real-time information updates, discounts and awards in stores, traffic management and – perhaps most valuable – data collection. The technology provides operators with insights into customer behaviour such that services can be tailored and the most cost-effective and attractive capital projects can be selected for investing in. It can also provide information about staff efficiency; staff can be monitored to identify how often and for how long they engage with customers to help improve customer service training and track sales conversion rates. In addition, beacons could send alerts to members of staff when demand increases or specific tasks need to be undertaken.

The technology is still new and uncharted for the sector and the possibilities it offers are not yet fully recognized. The future is likely to include a widening of its use beyond the location-based aspect to provide completely connected travel experiences which not only connect passengers inside the airport but also around the city, including travel, navigation and tourist destinations.

QUESTIONS

1. As a 'futurecaster' for the tourism industry, map the demographic changes that will have the most significant impact on the sector and consider what types of tourist products and services will be in most demand in the next decade.

2. Describe how the trend towards empowerment of tourist consumers has affected buying behaviour.

3. Outline the reasons that marketing has changed from mass marketing to more tailored, one-to-one and personal approaches to meeting consumer needs.

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Future Economic Development in Tourism

Larry Dwyer

LEARNING OBJECTIVES

- To understand the projected growth in international tourism globally.
- To understand the determinants of tourism growth.
- To understand the distinction between tourism-led growth and growth-led tourism.
- To understand the challenges to tourism growth in less-developed countries (LDCs).
- To understand the types of policies that can help countries achieve and maintain destination competitiveness.

INTRODUCTION

Travel and tourism (T&T) is a key sector in the world economy and is a catalyst for economic growth and development in many countries. Tourism is growing rapidly in numerous countries, particularly in the developing world. Despite occasional shocks, international tourist arrivals have shown steady growth over the past six decades, from 25 million in 1950 to 1138 million in 2014 (UNWTO, 2015). International tourist arrivals worldwide are expected to increase by 3.3% a year from 2010 to 2030 to reach 1.4 billion by 2020 and 1.8 billion by 2030. The projection of 43 million additional tourists per year excludes domestic tourism which is of much greater volume and which is also expected to maintain steady growth. A dynamic world economy creates the economic basis for continued growth in domestic and international tourism worldwide. As incomes grow, people shift their discretionary expenditure towards experiences as opposed to products, including tourism (Dwyer *et al.*, 2009). World population, growing at 1.14% p.a., is expected to reach 9 billion by 2040, and 11 billion by 2100 (Dyson, 2010). More people in a bigger world economy means more tourists and more tourist expenditure.

It is noteworthy that LDCs derive over 43% of their total services trade revenue from tourism exports, with the least developed countries deriving more than 70% (Lipman and Kester, 2007). A comparison of average

GDP growth with increase in GDP specific to the T&T sector confirms that low-income and lower-middle-income countries show proportionally higher than average sector growth rates compared with the other country segments. This growth is associated with an increasing diversification and competition among destinations. By 2030, it is forecast that destinations in today's emerging economies will account for 57% of international tourist arrivals compared with 47% in 2011 (UNWTO, 2012). Unfortunately, tourism expenditure shares of the LDCs are less than their shares of tourism flows, posing challenges to these countries to increase inbound tourism expenditure.

Developing the T&T sector provides growth opportunities for all countries, regardless of their wealth, and offers employment opportunities at all skill levels. According to the World Tourism Organization (UNWTO), the tourism industry employs 1 in 11 of the world's workers and accounts for a similar percentage of GDP. The UNWTO estimates that up to 40% of GDP and jobs in the least developed countries are generated by T&T (Lipman and Kester, 2007). Tourism is a relatively labour-intensive industry, tending to employ relatively more women and young people than other industries, and creating more opportunities for small business.

A growing national T&T sector contributes to employment, raises national income and can improve a country's balance of payments. A growing tourism industry is considered to support economic development through improved infrastructure such as better water and sewage systems, roads, electricity networks, and telephone and public transport networks, as well as improved education, health and communication services, all of which can enhance a country's development prospects and the quality of life of residents (Dwyer *et al.*, 2010). In particular, T&T is taken to create important backward linkages with products and services sourced locally, producing beneficial effects for the local economy as a whole (Blanke and Chiesa, 2009, p. xiii). The sector is thus an important driver of growth and prosperity and, particularly within developing countries, it can play a leading role in poverty reduction.

DRIVERS OF TOURISM GROWTH

Tourism continues to grow worldwide driven by technological, socio-economic and cultural forces on both the demand and supply side. On the demand side we find shifting demographics, increased longevity, increasing urbanization, higher standards of healthcare and changing work patterns, allowing for more flexibility of travel plans, wider spread of education, migration, stress management through holiday escapes, and changes in people's values and needs, aspirations and expectations (Dwyer *et al.*, 2009). Business travel can lead to export sales and import purchases which can subsequently lead to further business travel and holiday travel.

On the supply side, globalization drives the expansion of a unified global market which greatly facilitates the movement of capital, goods and people, including mass tourism (Dwyer, 2015a).

The quest for profits drives firms to increase numbers and sales through 'special offers' and price discounting, further driving mass tourism growth. New information technologies give consumers more power and control through knowledge of travel and destination options (Buhalis and Law, 2008). Operators seek to cater their product offerings to the needs of new travellers (such as millennials and the new middle classes coming from emerging countries) and segments where demand is growing (such as senior travellers) to capitalize on shifting demographics. Advances in the technology of air, water and ground transportation systems and electronic data systems should continue to reduce real travel costs and facilitate the making of travel arrangements. The continued deregulation and liberalization of air transport further

supports the growth of trade and tourism. Tourism is now being pursued as a serious development strategy for the less developed world, with the support of institutions such as the World Bank and International Monetary Fund (Dwyer, 2015a).

TOURISM AND ECONOMIC GROWTH

The growth-led tourism (GLT) view sees economic growth as the main generator of international and domestic tourism worldwide. Globalization is considered to increase the economic prosperity of countries, as rising trade and investment flows generate additional world GDP. The centre of gravity of the world economy is shifting from west to east and north to south. Rapid income growth within emerging economies is creating new markets and new sources of competition. In particular, strong income growth in economies such as the emerging national BRICS countries (Brazil, Russia, India, China, South Africa) is expected to drive the increase in tourism worldwide as the 'new wealthy' seek new experiences.

The 'new growth theory', developed by Balassa (1978), suggests that exports have a relevant contribution to economic growth through two main channels: (i) by improving efficiency in the allocation of the factors of production; and (ii) by expanding their volume. Proponents of the tourism-led growth (TLG) hypothesis emphasize that international tourism can generate foreign exchange, generate employment, spur local investments, exploit economies of scale and diffuse technical knowledge (Cortes-Jimenez and Pulinac 2010; Schubert *et al.*, 2011). The TLG hypothesis was directly derived from the export-led growth hypothesis which postulates that economic growth can be generated not only by increasing the amount of labour and capital within the economy, but also by expanding exports. According to the TLG view

international tourism supports an increase of long-run economic growth through several channels (Brida and Paulina, 2010; Turner and Sears, 2013):

1. Inbound tourism can be a significant foreign exchange earner contributing to capital goods which can be used in the production process.
2. Tourism can play an important role in stimulating investments in new infrastructure, human capital and in stimulating competition.
3. Increased inbound tourism expenditure generates additional activity in related industries, acting as a catalyst for their growth. The greater the extent to which tourism development generates production in the primary, secondary and tertiary sectors, the greater is the tourism multiplier and consequent impact of injected expenditure on GDP and employment. Ideally, when there is an increase in tourism expenditure, the tourist industry can expand output to meet the additional demand by employing additional labour, land and capital plant and equipment. Depending on factor constraints, this will allow multiplier effects to ripple through the economy.
4. Tourism generates employment growth and, hence, adds to increased income.
5. Increased inbound tourism leads to business development across the tourism sector itself and along industrial value chains (Dwyer *et al.*, 2010).

Overall, the empirical findings emerging from the existing literature provide evidence that tourism activity indeed drives economic development (Brida and Paulina, 2010). This outcome further supports the well-established contribution that international tourism has to economic development. Tourism is considered to stimulate local production, contributing to household incomes and standard of living; generate investment in new businesses, and grow business profits; increase employment opportunities; generate foreign exchange earnings for the national

economy; improve development and infrastructure spending in areas such as water, sewage systems, roads, electricity, telephone, information technology and public transport networks; increase governments' tax base; expand an economy's export base; assist in the development of remote areas; offer additional livelihood opportunities for local communities; assist locally owned small enterprise development; and facilitate diversification of the local economy. With its ability to generate employment, to provide economic linkages and to contribute to both the formal and the informal economies, tourism is considered to have more potential to help the poor than do other sectors of the economy. However, a causal relationship between inbound tourism and economic growth may not necessarily lead to higher living standards in developing countries, as these are also dependent on the distribution of income and the quality of services such as healthcare and education (Dwyer *et al.*, 2010).

For most economies, it is likely that tourism and economic growth reinforce each other. The types of modelling that have been used to distinguish the effects of economic growth on tourism (GLT) and the effects of tourism on economic growth (TLG) have involved econometric models of the macro-economy. Developed at an aggregative level, they fail to provide information on changes to industry composition that result from either TLG or GLT. These models have cast little light on whether tourism growth reduces economic inequalities in income or the extent of the resulting inter-industry effects.

Economic equality

The UNWTO (2010) states that tourism can help to reduce world poverty. Among other advantages, it is claimed that tourism can help to: (i) improve economic conditions for the poor by unlocking economic opportunities and diversifying income sources; (ii) enhance social development in poor regions by providing new and improved infrastructure;

(iii) transfer economic and social power to the poor by encouraging increased participation by poor local communities in tourism decision making; and (iv) promote environmental protection in poor regional areas, especially where many natural and human tourism environments are owned or serviced by local poor communities (Ashley and Roe, 2003).

And yet we must ask the question: is tourism development helping to reduce poverty in developing countries? A particular advantage claimed for tourism growth is that it fosters the generation of employment, increasing the standard of living of people worldwide and also alleviating poverty. A widely accepted view is that, over time, as nations become wealthier and more efficient, the benefits of trade will 'trickle down', reducing poverty levels. This 'trickle down' theory has been criticized as unrealistic (Stiglitz, 2003). Even so, a causal relationship between inbound tourism and economic growth may not necessarily lead to higher living standards in developing countries, as these are also dependent on the distribution of income and the quality of services such as healthcare and education. Ashley *et al.* (2000) remind us that tourism is an industry driven by commercial interest, and does not include objectives to help the poor. Indeed, many activities associated with present-day tourism actually impoverish weaker groups through displacement of locally owned businesses, increased local prices, loss of access to resources, cultural disruption, adverse social and environmental impacts and so on. Recent studies (Blake *et al.* 2008; Wattanakuljarus and Coxhead, 2008) suggest caution when generalizing the effects of tourism growth on poverty within a country. The latter study showed that, in putting upward pressure on the value of the Thai Baht, increased inbound tourism adversely affected agricultural output and employment, a sector hosting a good proportion of Thailand's poorest people. Clearly, the growth of tourism can be expected to raise aggregate income, as with any export boom,

and in this sense the sector may indeed offer pro-poor outcomes if indeed 'a rising tide raises all boats' (Wattanakuljarus and Coxhead, 2008). But whether tourism growth reduces the *relative* deprivation of the poor is not clear. If it does not, then government efforts to promote tourism growth may thus be inconsistent with the goal of reduced income inequality.

Inter-industry effects of tourism growth

The effects of tourist expenditure on the economy can be estimated using economic models that identify and quantify the linkages between the different sectors of the local economy and the linkages with other regions (Dwyer *et al.*, 2010; Dwyer, 2015b). The World Travel and Tourism Council (WTTC) has estimated that the strong industry linkages that tourism enjoys with other industry sectors results in higher than average multipliers (Turner and Sears, 2013). We should be wary, however, about attributing large tourism multipliers to this process or following the WTTC in its overly enthusiastic support for tourism development in every country. The multiplier mechanism implicitly assumes that there are unused resources available to meet any extra demand. When the economy is at or near full employment, however, with no spare capacity in some key sectors, increased tourism demand imposes cost pressures as the prices of scarce resources are bid up. In such circumstances, tourist expenditure will result in increased prices rather than increases in output, income and employment. Moreover, if other industries employ the same resources as does the tourist industry, they also face cost pressures resulting from the increased tourism demand. In the absence of offsetting productivity improvements, price increases attract resources into tourism, increasing the industry's costs and making the destination less price competitive. The size of the cost increases depends on the supply of different

factors, whether these factors account for a significant proportion of the tourist industry total production costs and how quickly extra supplies can be made available (Dwyer *et al.*, 2000).

In reality, economies experiencing an increase in tourism expenditure, particularly developing countries, will face labour, land and capital constraints. In the competition for scarce resources, increased costs will tend to reduce the competitiveness of other sectors in the economy, particularly export-oriented and import-competing industries. Price increases may particularly affect trade-exposed sectors which face world prices for their products. They will be unable to pass on cost increases without losing market share. Any loss of market share by domestic producers means that the net gain to the economy from further tourism will be lower. Indeed, the additional tourism may result in losses to traditional export and import-competing industries (Dwyer *et al.*, 2000; Dwyer *et al.*, 2004).

The nature of the exchange rate regime is also a crucial determinant of the economic impacts of inbound tourism. Under the floating exchange rate system that characterizes most of the world's economies, an expansion of international tourism will strengthen a country's real exchange rate, leading to a reduction in other exports and/or an increase in demand for imports at the expense of the demand for domestic import-competing commodities. If tourism expands at the expense of other tradable industries, there is a reduced multiplier effect on income and employment, although there may be a small positive impact on employment if tourism is more labour intensive than other industries which it replaces (Dwyer *et al.*, 2000).

In many LDCs with small open economies, the most obviously affected sectors will be the traditional export sectors such as agriculture, mining and manufacturing, which suffer reduced competitiveness on world markets due to exchange rate appreciation (Wattanakuljarus and Coxhead, 2008). If increased tourism demand leads to increased

investment, foreign borrowing will increase (and possibly Foreign Direct Investment as well) for a period, pushing the exchange rate even higher. This will further reduce traditional exports and increase imports.

The study of the economic impacts of tourism shocks has recently undergone a 'paradigm shift' as a result of the use of computable general equilibrium (CGE) models in place of the standard approach using input-output models (Dwyer *et al.*, 2004; Dwyer, 2015b). The development and application of this superior technique have major implications for the way tourism economists think about the economic impacts of tourism and for the policy advice they give to decision makers in both the public and the private sectors.

Simulations of increased inbound tourism in LDCs using CGE models suggest that an expansion of tourism may be at the expense of a reduction in some traditional export and import-competing industries and that, on balance, the economy-wide effect may not be as great as destination managers have tended to believe. These results cover both developed economies such as Australia (Dwyer *et al.*, 2000) and LDCs such as Zimbabwe (Mabugu, 2002), Fiji (Narayan, 2004) and Indonesia (Sugiyarto *et al.*, 2003).

The results of CGE modelling of the economic effects of increased tourism flows and expenditure do not imply that tourism cannot be an engine for growth. But they do imply that gaining extra tourists is only one element that needs to be addressed by destination managers. Unless factor constraints can be overcome and unless strong links can be forged between local industries, tourism expansion will not fulfil its promise as a strong engine for economic growth. Destination managers with a good understanding of the above issues can use the Travel and Tourism Competitiveness Index (TTCI) productively to indicate priority areas which can be addressed to enhance the economic effects of increased inbound tourism expenditure.

CHALLENGES TO TOURISM GROWTH IN LDCS

While tourism arrivals and expenditure are growing in the LDCs, there are concerns about the barriers that reduce the potential of tourism to fulfil the role of a catalyst for growth. According to Ashley *et al.* (2000) these barriers include lack of human and financial capital for development; lack of organization to coordinate activities of the private and public sectors; exclusion of large numbers of the community from decision making; remote locations; lack of market power and control over tourism supply or demand; bureaucracy, regulations and red tape; inadequate links between local suppliers; lack of language skills; poor understanding of tourist values, attitudes and expectations; lack of fit of tourism with existing livelihood strategies and aspirations; inadequate access to current and potential tourism markets; limited capacity to meet the requirements of the international tourism market; underdevelopment of domestic tourism sector; government focus on formal tourism sector to the neglect of the informal sector; relatively poor access to tourism infrastructure and assets; and lack of tourism market knowledge. While tourism is widely considered to be a good employer of women and disadvantaged groups and can upgrade their economic status (Turner and Sears, 2013), in reality many of the jobs on offer are of low pay, poor quality and with few career prospects. Local employment can be low level or unskilled, seasonal, low wage and part time with little opportunity for advancement and development of business and organizational skills. Unless such barriers are overcome, tourism will not achieve its potential as a driver of economic growth in LDCs. As we have noted, tourism development is unlikely to reduce poverty if the poorer people in society work in export-oriented or import-competing industries (Dwyer *et al.*, 2003).

Several of these barriers deserve more detailed attention.

Estimating tourism's economic contribution

Since, for any destination, it is not possible to identify tourism as a single 'industry' in the national accounts, its value to an economy is not readily revealed. Tourism activity is 'hidden' in other industry activities (accommodation, transportation, telecommunications and so on). This suggests that any attempt to examine the economic contribution of tourism that is focused on systems of national accounts only, and which highlights only tourism-related sectors, is likely to seriously underestimate the overall expenditure by tourists and thus its economic significance (Spurr, 2006).

Because of this accounting issue, governments may underestimate the benefits that tourism brings to their economies. This issue is of particular concern to LDCs, many of which are now following the high-income countries in developing Tourism Satellite Accounts (TSAs). TSAs enable the relationships between tourism and other economic activity to be explored within the national accounts framework, extracting all the tourism-related economic activity which is included in the national accounts but not identified as tourism. All of the relevant activity is identified in a separate but related account; that is, an account which is a satellite of the core national accounts. By highlighting tourism within the national accounting framework, TSAs allow the tourism industry to be better included in the mainstream of economic analysis (Spurr, 2006). As a statistical tool that is compatible with international and national accounting guidelines, TSAs can enhance the credibility of tourism as a main economic sector, help to identify critical elements in sector success or failure, enable valid comparisons between regions, countries or groups of countries and facilitate comparisons with other internationally recognized macroeconomic aggregates and compilations.

TSAs provide policy makers with insights into tourism and its contribution to the economy, providing an instrument for designing more efficient policies relating to tourism and its employment aspects (Spurr, 2006). A TSA can serve as a tool for enhanced strategic management and planning for the tourism industry. Indeed, the Organisation for Economic Co-operation and Development (OECD) has described the purpose of the TSA as being to 'improve the effectiveness of tourism policies and actions and to improve existing measures for evaluation of these policies in the context of a broader policy agenda' (OECD, 2001).

Researchers are discovering TSAs can be used to derive measures of tourism yield and tourism productivity (Dwyer *et al.*, 2007; Dwyer and Forsyth, 2008). Both types of measures provide opportunities for LDCs to improve the economic contribution of the tourism industry by monitoring the effectiveness of its inputs in producing the types of goods and services demanded by tourists and adding value to tourism products and services. Increasing numbers of countries have developed or are developing TSAs consistent with the *Tourism Satellite Account: Recommended Methodological Framework* (UNWTO, 2008a) developed by the Commission of the European Communities, the OECD, the UNWTO and the UN, and approved by the United Nations Statistical Commission. TSAs have now become the unifying framework of most of the components of the System of Tourism Statistics (UNWTO, 2008b). Over 70 countries have developed or are developing TSAs (Libreros *et al.*, 2006). Unfortunately many of the LDCs are yet to develop TSAs (Dwyer *et al.*, 2010).

Dependency

Given the discretionary nature of tourism expenditure, the industry is extremely sensitive to crises of every type (economic, environmental and political) (Hall, 2010). Many developing economies are highly dependent on limited overseas markets and export products,

making their economies vulnerable to any economic disruptions which occur in the developed countries that purchase their products. Two types of risks from over-specialization relate to tourism: (i) dependency on tourism in general as an export market. The global financial crisis has demonstrated the risks involved in tourism dependency arising from sudden unfavourable changes in demand from world markets, as occurred during the global financial crisis (Sheldon and Dwyer, 2010); and (ii) too much reliance on tourism from particular origin markets or a particular tourism product (e.g. hunting, spa tourism, gambling). Changes adversely affecting a destination's products and services, making them less competitive and adaptable, can result in substantial costs to tourism destinations that over-specialize in them, especially if lack of demand is associated with a flight of capital out of the local tourism industry. Transnational Corporations (TNCs) have become increasingly 'footloose', with the ability to move and change at very short notice creating uncertainty for the host destination. TNCs can switch their investments between territories in search of the most favourable regulatory regimes with adverse consequences for the local tourism industry.

Thus some diversification of production and exports can be prudent even if it entails a temporary decrease in trade.

Neglect of domestic tourism

In many developing countries, local economic activities and resources are used less for the benefit and development of communities and increasingly for export and for the enjoyment of foreigners. To avoid overdependence on the international tourism market and related problems, countries can explore tapping the potential of domestic tourism. In geographically large countries in particular (e.g. Australia, Canada, Russia), domestic tourism can effectively absorb the excessive supply resulting from the slump and seasonality of inbound

tourism. In addition, it helps redistribute the national income, thus reducing inter-regional gaps in the level of economic development and contributing to social equality. Typically, the domestic tourism segment has much lower entry barriers and broader and deeper linkages with local economy as well, thus greatly facilitating local participation. Realistically, the domestic market for tourism in most developing countries is very small (India is probably the best known exception) and the facilities for international tourism are for most domestic tourists too expensive. Nevertheless the potential importance of domestic tourism should not be underestimated.

Industry consolidation

Survival in the global marketplace increasingly requires merging with or taking over companies that deliver different components of the whole product (Cavlek, 2002). The winners in this process are the powerful vertically integrated tourism businesses that are creating travel value chains providing customers with distribution, tour operation, flights, accommodation, insurance and entertainment from a single source. The losers are the many small and medium-sized, independent companies which have been crowded out or taken over by these large organizations; these have consequently become larger and more powerful.

Leakages

The weaker industrial bases of developing countries implies that most commercially produced products demanded by tourists cannot be manufactured domestically, and are thus heavily dependent on imports. Expenditure patterns of international tourists usually reflect a higher import content than the expenditure of domestic tourists. This implies a loss of foreign exchange and a loss of economic benefits outside of the community back to the externally based companies and countries controlling most of the travel

infrastructure. Weak links between tourism and other sectors in a destination implies a weak 'multiplier effect' from tourism expansion (Dwyer *et al.*, 2003). Formulating strategies to add value to product and service offerings and extract greater revenues from existing visitors and retaining them within the local economy is often more important than pursuing absolute growth in visitor numbers. Leakages also include the export of profits by TNCs to foreign locations by way of repatriation of profits back to their 'home country', leaving little financial benefits for the host country (Dwyer, 2015a).

The traditional leakages issue has evolved to encompass off-shoring. With respect to tourism as a tool for development and economic growth, off-shoring is perhaps the major challenge. Off-shoring is the collective term to capture the movement, relocation and concealment of resources associated with global capitalism. Delocalized virtual environments enable information, money, resources and so on to move globally, making it hard for local jurisdictions to collect taxes, apply labour laws, environmental and consumer protection and other laws. Increasingly liberalized trade systems have speeded up processes of off-shoring, making it difficult for local destinations to keep the money spent by tourists within their localities.

In economies with underdeveloped tourism supply chains, as is characteristic of Least Developed Countries (LDCs), policies that extend the domestic supply chain should be adopted where feasible. Focusing on the higher-value components of the supply chain will significantly enhance the economic value of tourism through reduced leakages.

THE COSTS OF TOURISM GROWTH

An implicit assumption of much of the tourism planning literature is that the market requires increasing economic growth. On the standard view, economic growth is paramount – more is better, despite the fact that tourism's obsessive drive for expansion is destroying the very natural and socio-cultural environments that attract visitation. Tourism planning typically consists of a strengths, weaknesses, opportunities and threats (SWOT) analysis followed by strategies to build on strengths to promote growth, address weaknesses to growth, capitalize on opportunities for growth and counter threats to growth. In the WTTC *Blueprint for New Tourism*, purporting to address sustainability issues, tourism growth is lauded as an important goal for all destinations (WTTC, 2007). An explicit growth ethic also underpins UNWTO publications which promote tourism as a driver of economic growth, inclusive development and environmental sustainability (UNWTO, 2015), as well as the bulk of the destination competitiveness literature wherein better attractions and better management imply greater demand for tourist industry products and services (Ritchie and Crouch, 2003).

The appropriateness of the 'growth ethic' largely remains an unexamined issue in the tourism research literature. Critics argue that tourism growth can generate income inequalities, destroy local industries and create greater dependency of developing economies on developed ones, with adverse effects on small business (Mowforth and Munt, 2009). Local-level negative effects include increased prices of consumer goods and services, increased price of land and housing beyond local affordability, increasing inequality between rich and poor, and increased demands on public services and facilities. Some critics advance stronger claims that increased industry growth (through the operation of TNCs) includes resource exploitation, loss of biodiversity, habitat destruction, pollution, social alienation and degradation of culture, the displacement of indigenous peoples from lands, human rights abuses, unfair labour and wages, commodification of cultures and environmental degradation (de Chavez, 1999).

The issues are complex and cannot be given the attention they deserve here (Dwyer, 2015a). Suffice to say that tourism growth will always be associated with costs that must be minimized. Tourism planning and development, driven by a growth ethic which neglects these costs, will be unsustainable, imposing an increasing burden on host communities into the longer term.

POLICIES TO ENHANCE DESTINATION COMPETITIVENESS

Researchers have developed frameworks for assessing destination competitiveness (Dwyer and Kim, 2003; Ritchie and Crouch, 2003). To build advantage over competing countries, policy makers and destination managers need to identify and leverage capabilities that make their destination distinctive. An examination of the 20 highest and lowest ranked economies in the TTCI shows which elements of tourism competitiveness are most effective in driving stable inbound tourism growth. Ringbeck and Pietsch (2013) have identified five elements from the TTCI that are correlated most closely with our stable growth performance score. These elements are: (i) affinity for T&T; (ii) policy rules and regulations; (iii) price competitiveness; (iv) environmental sustainability; and (v) safety and security, and they are thus regarded as true differentiators that create a strong stable growth record in the inbound tourism industry (Ringbeck and Pietsch, 2013).

Affinity for travel

This measures the extent to which a country and society are open to tourism and foreign visitors. The general openness of the population to travel and to foreign visitors has an important impact on T&T competitiveness. By implication, policy makers should aim to generate a positive climate for tourism and to tie tourism businesses closely to the overall economy. Ideally this will involve local communities being fully involved and supportive of tourism development and empowered to participate in the tourism value chain; the development of touristic services that collectively make a destination distinctive; customer-centric tourism product and service development; and resident hospitality shown to foreign visitors (Dwyer, 2016).

Governments can have an important impact on the attractiveness of developing this sector, depending on whether the policies that they create and perpetuate support or hinder its development.

Policy rules and regulations

This captures the extent to which the policy environment focused on long-term approaches to tourism development, combined with agility in reacting to short-term changes, is conducive to developing the T&T sector in each country (Dwyer and Kim, 2003). By implication, it is important that tourism destinations lower existing entry barriers in terms of infrastructure or visa regulations; drive private-sector investment through further liberalization and creation of private–public partnerships; create strong collaborative frameworks to overcome financial, institutional and organizational bottlenecks that impede tourism growth; attempt to reduce bureaucracy and 'red tape' that creates inefficiencies in doing business; and strive for openness in the bilateral Air Service Agreements into which the government has entered with other countries, and in the commitments made within the international trade regime to opening tourism and travel services under the General Agreement on Trade in Services (GATS).

Price competitiveness

This is a key differentiator across a variety of dimensions. The cost of tourism to the visitor includes the cost of *transport services* to and

from the destination and the cost of *ground content* (accommodation, tour services, food and beverages, entertainment and so on). Research shows that the travel decision involves a comparison of prices in the origin country and the potential destination country, as well as prices in other potential destinations. The prices paid by an international tourist who must convert one currency into another will also be influenced by prevailing exchange rates. Several other factors affect the prices of both ground content and tourism transport including taxation levels and structures, labour prices, inflation rates, infrastructure charges and environmental charges (Dwyer and Forsyth, 2011). Destinations must be mindful that increases in these items can reduce destination price competitiveness. In contrast, the more productive a tourism industry is the lower will be its output prices given its input prices, and the greater its level of profitability. Since low returns make it difficult for the tourism industry to attract and retain well-trained staff, increased industry profitability is closely associated with enhanced destination competitiveness. A high-income country could be price competitive in tourism if its tourism industries are productive relative to those of its low-income competitors (Assaf and Dwyer, 2013). Since higher skill levels in particular are associated with higher productivity and higher rates of labour force utilization, leading to stronger economic outcomes for the economy as a whole, factors that affect long-term productivity such as infrastructure, innovation and skills will need to be major priorities for tourism in all destinations. Tourists enjoy high price-versus-quality transparency courtesy of the Internet destinations, and private businesses need to respond both to bargain seekers and to increasing demand for more sophisticated travel experiences to best leverage their touristic assets.

Environmental sustainability

This refers to the extent to which governments prioritize the sustainable development of the T&T industry in their respective economies. The natural environment is important in providing an attractive location for tourism policies, and factors enhancing environmental sustainability are an important competitive advantage in ensuring a country's future attractiveness as a destination. Resource stewardship is an increasingly important function of destination managers in both the private and public sectors. This recognizes the importance of long-term 'sustainable competitiveness' that acknowledges the stewardship of ecological, social and cultural resources. By implication, a destination must attend to such items as the stringency and enforcement of the government's environmental regulations as well as the extent to which they are actually enforced. Policy makers, especially those in developing tourism destinations, should prioritize long-term sustainability to safeguard their natural and cultural assets because 'green consumerism' has become a significant buying power in developed markets. Aspirational consumers make purchase decisions based on total value not lowest price, seeking meaningful experiences rather than more 'things', actively co-creating content, products and experiences rather than acting as a passive recipient of brand communications, and are prepared to pay extra for products and services from companies that demonstrate similar values (Dwyer, 2016). These new consumer values are now being analysed under a new concept 'Consumer Social Responsibility' (CnSR), the demand-side counterpart to *Corporate* Social Responsibility (CSR) (Devinney *et al.*, 2006, 2012). These changing consumer values are not passing trends or superficial changes in operator values or consumer preferences, but reflect a much deeper and more radical shift in demographic changes and worldview (Mackay and Sisodia, 2014).

Safety and security

Within a destination this can be a critical qualifying determinant of its competitiveness.

Elements include: political instability/unrest, probability of terrorism, crime rates, record of transportation safety, corruption of police/administrative services, quality of sanitation, prevalence of disease outbreak, quality/unreliability of medical services and availability of medication. Tourists are likely to be deterred from travelling to dangerous countries or regions, making it less attractive to develop the T&T sector in those places. Safety and security is especially important in developing regions that suffer from political instability or governmental inefficiencies, which can often result in high crime rates and stunted economic development. Policies to address concerns include protection of touristic/areas/facilities, strengthening the reliability of authorities and trust-building campaigns (Ringbeck and Pietsch, 2013).

The results reinforce the idea that policy makers can play an important role in fashioning the future of a tourism destination through implementation of strategies to enhance destination competitiveness (Dwyer *et al.*, 2009). Best-practice policies and sector-development strategies from highly competitive tourism destinations can inform the development of emerging destinations. Some of the elements of destination competitiveness are easier to influence through policy interventions than others. The particular strategies developed will depend on the characteristics of the destination, its core resources (natural and endowed) and the quality of the resources that support tourism development (Dwyer and Kim, 2003).

determined links between tourism growth and economic growth, but a focus on economic forces has led to a neglect of the costs of tourism growth to the socio-cultural fabric of destinations as well as to the quality of environmental resources that are important attractors of visitation. While tourism makes a valuable contribution to the economies of LDCs, there is generally a potential for much improvement in this respect. Growth rates in tourism are higher in LDCs than in higher income economies, implying that LDCs are gaining a greater share of world tourism flows and the associated expenditures. If LDCs are to enhance tourism's contribution to their economies they will need to address certain barriers they have in common. Some key challenges were identified. An understanding of the challenges to tourism growth is particularly important for LDCs if they are to avoid the mistakes of more developed destinations. The chapter discussed several policies that can help countries achieve and maintain destination competitiveness. While LDCs face formidable challenges to growth, such initiatives can help tourism to play a more important role in their economic development. Of wider significance is the reduction of structural and regulatory impediments to growth that seem to bedevil LDCs. It is here that the TTCI can provide important input into tourism strategy development and management. The particular strategies developed will depend on characteristics of the destination, and the type of tourism development favoured by the host community.

CONCLUSIONS

The increasing growth of tourism, fuelled by economic and population growth globally, shows no signs of diminishing. The causes of future tourism growth, on both the demand side and supply side must be understood by tourism stakeholders in both developed and lesser-developed countries. Researchers have

QUESTIONS

1. 'While business operators and destination managers continue to seek ways of expanding tourism, this is now producing diminishing returns for providers and host communities that rely on volume growth to compensate for yield declines'. Discuss how the adverse socio-cultural and environmental effects of

tourism growth can be taken into account in tourism planning and development.

2. 'Despite widespread recognition of the importance of all tourism stakeholders adopting sustainability attitudes and practices, and emphasizing best practice such as CSR and triple bottom line (TBL) reporting, things seem to be getting worse'. Do you agree? If so, what can be done to prevent this in different countries?

3. 'The effects of tourism growth, which both reduce its ability to foster socio-economic prosperity for hosts and reduce the quality of tourism experiences for guests, suggest that the established ways of thinking which underpin tourism development are "not working"'. Do you agree? What changes in 'business as usual' stakeholder attitudes and behaviour are needed worldwide?

4. 'An understanding of the challenges to tourism growth is particularly important for LDCs if they are to avoid the mistakes of more developed destinations'. Identify the main challenges facing some destinations and the implications for policy.

RESOURCES

The established mindset underpinning tourism planning, development and research is under attack from many quarters on the grounds that 'business as usual' seems impossible to reconcile with sustainability outcomes for tourism. Consideration of this issue is likely to dominate the research agenda in coming years, with pathways to facilitate the transition to the new sustainable futures' paradigm identified and debated. Readings relevant to the further development of a global sustainable tourism research agenda include:

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Tourism Demand Modelling and Forecasting

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LEARNING OBJECTIVES

- To learn the qualitative approaches for modelling and forecasting.
- To learn the quantitative approaches for modelling and forecasting, including econometric and time series.

INTRODUCTION

In science, and even in everyday life, many things are highly predictable, but in other circumstances prediction is often difficult. Furthermore, in making predictions, we are often unsure about the outcome. Forecasting assists tourism managers in improving decision making. In an organizational design context, forecasting should not be regarded as a self-contained activity, but should be integrated within the planning context of which it is a part. Tourism demand forecasting remains an interesting research topic due to more advanced forecasting techniques

and the requirement for more accurate forecasts (Claveria and Torra, 2014).

Increasing the ability to make forecasts is of interest to many tourist businesses. Decisions on the purchase of new generations of equipment, new sites and new technology may rest on predictions of increased demand for a specific tourism service or product.

There are two categories of tourism demand forecasting: qualitative and quantitative approaches. The qualitative approach includes judgemental forecasting and Delphi methods (Andrawis *et al.*, 2011). The quantitative approach can be further subdivided into two groups: econometric and time series. The econometric methods forecast tourism demand by a number of causal variables. For example, various factors are believed to affect tourism demand in different regions, including tourists' income, 'word of mouth' effects and tourism price (Song *et al.*, 2010). These methods are not just forecasting, but also modelling the relationships among the variables. On the other hand, time series methods tend to use various

statistical techniques to improve forecasting accuracy. Martin and Witt (1988b), in a study that reported the views of tourism academics and practitioners on the desirable characteristics of forecasts, confirmed that forecast accuracy is regarded as the most important property of a forecasting method.

Recently, big data analytics has become a hot research topic (Chen *et al.*, 2012). The use of a search index or composite index to assist forecast tourism becomes a new trend. For example, Li *et al.* (2017) develop a composite index to forecast monthly Beijing tourist volumes. Choi and Varian (2012) suggest using keyword search volume data from Google to increase the prediction accuracy for Hong Kong tourist arrivals from several countries such as the USA, Canada, Great Britain, Germany and other countries. Yang *et al.* (2015) predicted hotel demand by combining traditional econometric models with web traffic volumes and demonstrated the use of web volumes in predicting hotel occupancy in a tourist destination.

The objective of this chapter is to examine several more advanced forecasting methods (qualitative and quantitative) and provide examples which illustrate potential applications of the various methods. The main methods described are:

- Delphi and jury of executive opinion.
- Cross-impact analysis.
- Probability forecasting.
- Econometric forecasting.
- Fuzzy time series forecasting.

DELPHI FORECASTING/JURY OF EXECUTIVE OPINION

The Delphi method of forecasting has attracted considerable attention in the tourism literature since the late 1970s (Robinson, 1979; Seeley *et al.*, 1980; Kaynak and Macaulay, 1984; Var, 1984; Liu, 1988; Yong *et al.*, 1989; Moeller and Shafer, 1994; Taylor and Judd, 1994). This technique aims to obtain expert opinion about the future through questionnaire surveys of a group of experts in the field, and is particularly useful for long-term forecasting. The respondents provide their estimates of the probabilities of certain specified conditions or events occurring in the future, and also estimate when the events would be likely to occur. Delphi studies are carried out anonymously in order to minimize conforming influences; thus, rather than meeting physically to debate the various issues under consideration, the experts are kept apart so that their views are not affected by dominant personalities, social pressure, etc. Delphi studies involve several iterative rounds, and at each stage the derived group opinion is fed back to the participants in the form of the range and distribution of responses. The panel members are requested to re-evaluate their previous replies in the light of the summary group opinion and to justify any answers which would still differ greatly from the overall group opinion. The experts are thus able to try to convince one another about their views. Eventually a group consensus emerges and it is possible to draw up a forecast.

The distinguishing characteristics of Delphi forecasting are the aim – to generate aggregate expert opinion about the future – and the method used – maintenance of strict anonymity within the group of experts and iterative polling of participants with feedback of group opinion between polls. One example of the use of the Delphi technique to predict future tourism trends in the Province of Nova Scotia, Canada, to the year 2000 was described by Kaynak and Macaulay (1984). Subsequently, Liu (1988) carried out a Delphi study to forecast tourism to Hawaii by the year 2000. Also, Yong *et al.* (1989) used the Delphi method to forecast the future of the tourism industry in Singapore, with the most distant time horizon for the year of probable occurrence being '2000 and beyond'. The above three cases are all examples of standard Delphi forecasting applications in tourism involving postal questionnaires, strict

anonymity and iterative polling of participants. However, Robinson (1979) and Seeley *et al.* (1980) presented a 'symposium Delphi' approach which they suggest can be used at conferences to generate forecasts.

The methodology was applied at the International Symposium on Tourism and the Next Decade which was held in Washington, DC, during 1979, and was used to forecast international tourism conditions up to the year 2000. A two-round 'symposium Delphi' study was undertaken, with the sample group comprising 25 people (all of these participated in round 1, but only 19 in round 2). The questionnaires were administered in a face-to-face situation with the whole group present, and the mean results for each question were displayed immediately. Clearly therefore, the usual Delphi anonymity condition did not hold. On the other hand, 'the interpersonal environment provided an opportunity to clarify responses' (Robinson, 1979, p. 271). A further major advantage of the symposium Delphi approach can be the existence of a captive audience with the resultant possibility of a 100% response rate within a minimal time period. Whether the forecasting approach adopted at the Tourism and the Next Decade Symposium can be correctly termed a 'Delphi' forecast is questionable; it is a 'consensus of expert opinion approach', but does not satisfy all the Delphi requirements. The advantage of the Delphi approach over other consensus of expert opinion forecasting approaches where participants do meet – that the views of the experts are not affected by social pressure, etc. – needs to be balanced against the disadvantages of being unable to engage in debate with the other experts in order to exchange ideas, clarify points, etc., and the fairly long time period required to carry out the exercise.

In this next section, the particular consensus forecasting approach examined is *jury of executive opinion*. Results of a jury of executive opinion forecasting exercise carried out in 1992 are presented, in which the distinguishing characteristics were: (i) that a specific time horizon far into the future (2030) was considered as opposed to the more usual year 2000 time horizon; (ii) that the emphasis was specifically upon the impacts of developments in science and technology upon tourism; (iii) that the forecast focus was not destination specific (e.g. Nova Scotia, Singapore); and (iv) that the tourism experts were mainly European, but with some Central Americans also present, compared with the more usual non-destination-specific forecasting situation in which the views of North American tourism experts predominate. The focus on the impacts of developments in science and technology stems from: (i) the fact that they have altered the face of the economy and society in developed countries; and (ii) the expected rapid pace of technological development as exemplified in the statement that 'All the technological knowledge we work with today will represent only 1% of the knowledge that will be available in 2050' (Cetron and Davies, 1991, p. 5). Clearly, however, there are also many economic, social and environmental factors which will have a substantive influence on the future nature and evolution of the field of tourism. The objective of the study was to help to create a strategic vision of the future of tourism up to the year 2030. Underlying this objective is the premise that future tourism phenomena can be managed by looking at futuristic scenarios which are based on the impact of science and technology. In this way management by anticipation and proactive strategies can be translated into competitive advantage.

Future developments affecting tourism

Twenty-five possible future developments affecting tourism were selected from a framework developed by Shafer and Moeller (1988, 1994), in which they describe possible developments in science and technology that may strongly impact tourism planning and

development. Shafer and Moeller's visions of future developments resulted from a review of over 100 popular and scientific articles, and cover such areas as video, transportation, recreation equipment, and computers and robotics. The questions included in the present study were selected on the basis of their direct relevance and importance to tourism development over the period to 2030. In addition, it was realized that the spread of knowledge among the tourism experts would be sketchy in some of the areas covered by Shafer and Moeller. Hence, attention was restricted to those facets in which the experts were expected to have a high degree of interest/involvement; areas that they could visualize, relate to and respond to. The questions selected for inclusion in this study cover the areas of tourism superstructure, robotics, artificial intelligence, recreation and transportation. These possible future developments are listed and described in Table 4.1. It was specifically on account of the rather innovative/radical nature of several of the possible tourism developments under consideration that it was felt important in this case to permit full discussion among the tourism experts before a forecast was generated, and thus to follow a non-Delphi consensus approach.

Procedure

The fieldwork was conducted in June 1992 in Valencia, Spain, at a tourism seminar where 25 tourism experts were asked about their views on possible future developments in tourism. The tourism experts were selected to achieve a broad spectrum and comprised approximately 40% academics (drawn mainly from the areas of marketing, management, economics and accounting/finance); 40% from the commercial tourism industry (mainly managers of hotel chains and travel agencies, and consultants) and 20% from central and local government and tourist offices. The latter group size was restricted to 20% as it was felt that tourism authorities would generally be more distant

from the effects of technological change than academics and the commercial tourism industry. A time span of 4 h was allowed for the exercise. First, the objectives of the study were explained, and then the questionnaire was distributed. Next, the 25 possible future tourism developments were explained in detail, and participants were allowed to ask clarification questions. The tourism experts were then split into groups of five to discuss the various issues. A lunch break followed, during which the experts were encouraged to continue exchanging views. Then a final question clarification session took place before participants filled in the questionnaires individually. Thus in addition to the non-observance of the anonymity condition necessary for a Delphi study, iterative polling of participants was not carried out. However, the instant feedback which occurred in the discussion groups obviated the potential benefits of iterative polling. The 25 tourism experts were asked to rank the importance/impact of each of the 25 possible future developments affecting tourism on a scale of 1 (low importance/impact) to 5 (high importance/impact); to assess the probability of occurrence (0–100%) and to forecast the most likely year of occurrence (over the period 1992–2030). Many of the developments predicted to occur by the year 2000 have in fact taken place.

Empirical results

The mean scores of the responses by the group of tourism experts regarding the impact/importance of each development, its probability of occurrence and its most likely year of occurrence are presented in Table 4.1.

CROSS-IMPACT ANALYSIS

In this section we focus upon a less well known forecasting method, cross-impact analysis, and examine its potential application within a tourism context. Although cross-impact

Table 4.1. Possible future developments and consensus forecasting results.

Possible development	Impact importance (1 = low, 5 = high)	Mean probability of occurrence (%)	Most likely year of occurrence (1992–2030)
Tourism superstructure			
Floating hotels	2.6	57	2000
Multi-story floating hotels moored offshore, containing shopping, gymnasiums and glass-enclosed elevators carrying tourists to the sea floor			
Underwater hotels	2.8	26	2030
Built completely underwater, visitors will be able to study and watch undersea life through their bedroom windows			
Theme parks	3.2	67	1997
Individual experience centres where technology lets people role play … Life in Victorian England, Early America or French Revolution			
Robotics			
Robots play a large part in planning facilities and services: restaurants, landscaping, park design and entertainment	2.6	50	2000
Robots will be built in the form of buildings, providing most services of modern hotels, and these hotels will be run by an administrative computer	4.0	73	2000

(Continued)

Table 4.1. Continued.

Possible development	Impact importance (1 = low, 5 = high)	Mean probability of occurrence (%)	Most likely year of occurrence (1992–2030)
Computers/artificial intelligence			
Programs that can make judgements will be used by tourism managers to design the best program mix for differing clientele and to manage natural resources for a multiplicity of uses	4.0	69	2000
Computers with artificial intelligence will mimic human senses and attitudes	2.5	24	2030
Recreation			
Artificial environments	3.1	60	2000
Specially created and commonly used for recreational facilities and outdoor activities			
Skill training in recreation	3.5	78	1995
Video tapes used on location to train tourists, e.g. skiing, scuba diving, sailing			
Videocycles	2.9	63	1995
Combination of stationary exercise bike and TV/VCR used to tour scenic routes in forested and urban environments			
Night vision	2.6	51	2000
Glasses to allow participation in outdoor recreation in the dark. Other devices to improve hearing, touch, sense of smell, strength and coordination instantly			

Sunpods	2.8	62	2000
Solar-powered bubbles for all-over tan and relaxation even in freezing temperatures			
Simulations and image libraries	2.9	75	1996
Creation of own desired images and sensations through home-based wall-size TV screens, e.g. rafting on Colorado River. Inexpensive flat-panel display devices to view the world's art treasures, with resolution so good as to look like the real painting			
Digital TV	2.7	74	2000
Allows viewers to participate in production, superimposing and altering events			
Sensavision TV	2.8	49	2000
Whole room is part of TV set, allowing viewer to feel temperature and humidity, and to smell, i.e. to be part of the scene			
Transportation			
Air travel	4.2	48	2020
New York to Tokyo: 2 h scheduled flight			
Paris to Tokyo: 1 h scheduled flight	3.5	28	2030
Skycycles: one-person light aircraft flying 40 km and more by pedal power (24 km/h)	1.5	16	2030

(Continued)

Table 4.1. Continued.

Possible development	Impact importance (1 = low, 5 = high)	Mean probability of occurrence (%)	Most likely year of occurrence (1992–2030)
Jet-powered backpacks: individual flight propulsion within reach of middle-income families	3.3	25	2030
Two-person aircraft: for touring and soaring, at an accessible cost	3.4	60	2010
Magnetic trains	3.9	52	2015
Flying on cushions of electromagnetism make short trips between cities faster than airlines manage today, e.g. Los Angeles to Las Vegas			
Supersubs	3.2	53	2000
Undersea tour buses, like undersea planes			
Multiple transportation cars	3.8	58	2020
Useable on land and in flight, at an accessible cost			
Space travel			
Shuttle services to orbiting hotels	3.5	4	2030
Space resorts	3.4	20	2030

analysis has received some attention in the general forecasting literature (e.g. Helmer, 1981), the technique appears to have been largely overlooked in the tourism forecasting literature. However, there are a few documented examples of the application of cross-impact analysis to recreation (Bonnicksen, 1981; Becker *et al.*, 1985, 1986). Cross-impact analysis is a technique used for examining the impacts of potential future events upon each other. It identifies groups of reinforcing or inhibiting events, and unfolds relationships among events which may appear unrelated. In brief, cross-impact analysis provides a forecast, making due allowance for the effects of interacting forces on the shape of things to come. The technique is suitable for projects that involve environmental scanning, which is tracking broad trends appearing in the environment. A tourism organization may use cross-impact analysis to study, for example, the impacts of technological trends in transportation capability, automation, communications and information processing. Essentially, cross-impact analysis consists of selecting a group of five to ten people to serve as project participants. These would normally be top decision makers – the managing director, marketing manager, operations manager, etc. – as well as possibly outside consultants. They are asked to specify critical events relating to the subject of the project. For example, in a tourism marketing project the events may fall into any of the following categories:

1. Corporate objectives and goals.
2. Corporate strategy.
3. Markets or customers (potential volume, market share, possible strategies of key customers, etc.).
4. Competitors (product, price, promotion and distribution strategies).
5. Overall competitive strategic posture, whether aggressive or defensive.
6. Internally or externally developed strategies which might affect the project.
7. Legal or regulatory activities having favourable or unfavourable effects.
8. Other social, demographic or economic events.

The initial attempt is likely to generate a long list of alternatives which needs to be consolidated into a manageable size (e.g. 25–30 events) by means of group discussion, concentrated thinking, elimination of duplication and refinement of the essence of the problem. Management's creativity and farsightedness play an important role in an organization's ability to pinpoint the relevant areas of concern, and hence tourism organizations should seek to develop within their managers the habit of creative thinking. The project coordinator/moderator plays a crucial role in facilitating and directing the discussion among participants, and hence in determining the effectiveness of the discussion group. His or her role involves stimulating discussion among all the participants, while at the same time ensuring that the focus of the discussion does not stray too far from the subject. The coordinator must have good observational, interpersonal, communication and interpretive skills in order to recognize and overcome threats to the discussion process. He or she should attempt to develop the following three stages in the group discussion:

1. Establish a rapport with the group, structure the rules of group interaction and set objectives.
2. Provoke intense discussion in the relevant areas.
3. Summarize the group's responses in order to determine the extent of agreement.

The selected *n* events are represented in an $n \times n$ matrix for developing an estimated impact of each event on every other event. This is done by assuming, for each specific event, that it has already occurred and will have an enhancing, inhibiting or null effect on other events. The project coordinator seeks the impact estimates from each project participant individually, and displays the estimates in the matrix in consolidated form. The project participants then vote on the impact of each event. If the spread of votes is too wide, the coordinator will ask those voting at the extremes to justify their positions. The participants are encouraged to

discuss differences in the hope of clarifying the problem. Another round of voting takes place. During this second round the opinions usually converge and the median value of the votes is entered in the appropriate cell in the matrix. This procedure is repeated until the entire matrix is complete. In the process of matrix completion, the review of occurrences and interactions identifies those events, which are strong actors and significant reactors, and provides a subjective opinion of their relative strengths. This information then serves as an important input in formulating strategy.

Case study example

The application of cross-impact analysis to a tourism example is now considered. The case is real, but artificial data are used to illustrate application of the technique. The Azores are situated in the Atlantic Ocean, 1230 km from Lisbon and 3380 km from New York, and include nine different islands aggregated into three major groups. They are volcanic mountains, with varied character and landscape. The existence of nine dispersed islands makes access to the region difficult. At present, only three of the islands have airports with the capacity to receive intercontinental flights, but recently there has been an increase in the number of inter-island flights. During the recent past there has been rapid growth in the supply of tourist accommodation; for example, between 1988 and 1989 capacity grew by 20%. By the mid-1990s, the total number of tourist beds in the region had grown to approximately 4000, about 50% being located on São Miguel, 25% on Terceira and 20% on Faial. Five other islands account for the remaining 5%, with no tourist accommodation on one of the islands. The evolution of tourist demand for the Azores is illustrated in Table 4.2.

The market grew fairly rapidly throughout the mid-1980s, but declined in 1989. The average tourist length of stay during the period was stable at just over 3 days, and the average occupancy rate in all tourist accommodation was 35%. The major tourist origin markets for the Azores were Portugal (67% of nights), followed by Germany (11%) and the USA (6%). A complete breakdown is presented in Table 4.3. From 1988 there was a decline in

Table 4.2. Tourist arrivals and growth rates for the Azores (1983–1989).

Year	Tourist arrivals	Growth rate (%)
1983	227,682	7.5
1984	245,430	7.8
1985	254,605	3.7
1986	282,451	10.9
1987	306,255	8.4
1988	323,214	5.5
1989	317,114	−1.9

Table 4.3. Total shares of nights spent in the Azores by foreign tourists (1990).

Country	Share of nights spent (%)
Portugal	67.3
Germany	11.4
USA	5.6
Switzerland	2.4
UK	2.3
Canada	2.0
France	1.7
Scandinavian countries	1.3
Spain	1.2
Belgium	0.9
Holland	0.6
Other countries	2.7

the number of American and Canadian tourists (two of the more traditional markets for the Azores), and an increase in the number of tourists originating from less traditional European markets, such as Holland, Belgium and Spain. Geographically, the two direct competitors to the Azores are Madeira and the Canary Islands. The average length of stay and spending level by tourists in the Azores were well below the levels recorded at these destinations.

Situation analysis

The Azores' strengths and competitive advantages in the tourism sector, as perceived by Azores Tourist Board (ATB) managers on the basis of market research studies, were described as:

- High quality of life, absence of pollution and the provision of close contact with nature.
- Excellent location for deep-sea fishing, snorkelling and scuba diving.
- Good conditions for walking and hiking trips, as well as bird watching, and 'scientific' tours to study the flora, vegetation and volcanic nature of the islands.
- Ideal stopover location for yachting and good facilities for golfers.
- Potential for the development of cultural and rural tourism.

Some of the major weaknesses which might hamper the development of tourism in the region were:

- Distance from the most important origin markets, cost of travel and the reduced number of scheduled flights to the Azores.
- Lack of superstructure, particularly in the area of entertainment: improvements here could increase tourists' average spending levels and length of stay in the islands.
- Inadequate professional qualification and training skills provided to staff employed

in the tourism industry, which has a negative impact on the quality of tourist services offered to visitors.
- Seasonality effects which create marked under-utilization of facilities during the low season and over-utilization during the high season.

The tourism sector plays a crucial socio-economic role in the development of the Azores in terms of its contribution to the gross domestic product, balance of payments, employment and payment of reasonable salaries. The ATB forecasted a cumulative annual growth rate of 10% for foreign tourist arrivals until the year 2000. It aimed to increase tourists' average length of stay and reduce seasonality through the implementation of promotional programmes and by improving the entertainment facilities on the islands. The ATB was particularly interested in encouraging tourism investment designed to develop new tourist products, activities and facilities such as spas, convention centres and sports centres, which would enable foreign teams to come to the islands for training periods, tourist trails, footpaths, scenic points and nature parks.

Use of cross-impact analysis

Being aware of the global trends in the tourism industry and tourist flows worldwide, and taking into consideration the internal situation of the Azores, tourism authorities considered which marketing strategies would be most effective in striking a balance between the role of tourism as a catalyst for sustainable socio-economic development in the region and the preservation of the local cultural heritage, quality of life and the physical environment. The ATB recognized that continued growth and development in the future stem from current strategic planning and decided to use cross-impact analysis to enable its managers to map out a strategic plan more effectively. In addition to competition, the

ATB was concerned with the analysis of four main environmental factors (events):

- A further decline in the number of tourist arrivals originating from the more traditional markets.
- Increased dependency on a limited number of airlines and specialized tour operators and travel agents.
- Increased cost of international travel.
- A general increase in domestic (internal) tourism.

These events are arranged in matrix form as shown in Table 4.4. The arrows show the direction of the impacts. For example, the occurrence of event D (a general increase in internal tourism) is likely to bring about a decrease in the cost of international travel (event C). Hence, an inhibiting arrow is placed in the cell at the intersection of row D and column C. The increased dependency on a limited number of airlines and specialized tour operators and travel agents (event B) is likely to raise the cost of international travel (event C). Therefore, an enhancing arrow is placed in the cell where row B and column C intersect. It is not expected that the occurrence of event B would have any effect on event A, so a horizontal line is placed in this cell. The other cells are completed in accordance with similar judgements. The completed matrix shows the direction of impact of rows (actors) on columns (reactors). If interest focuses primarily upon event D, for example, then column D should be studied for actor events. Each of these actor events should be examined in turn to determine what degree of influence, if any, it is possible to have on these actors to bring about/prevent the occurrence of event D.

Next, the impact should be quantified to show linkage strengths, i.e. to determine how strongly the occurrence of one event would influence the occurrence of each of the other events. To assist in quantifying the interactions, a subjective rating scale may be used (Table 4.5). Table 4.6 shows how the basic cross-impact matrix can be modified to show linkage strengths. Consider, for example, the impact of event D on event B. It is felt that the occurrence of event D would have a critically enhancing impact on the likelihood of occurrence of event B. Both the direction and degree of enhancing impact are shown in Table 4.6 by the +8 rating in the appropriate cell. On the other hand, event A's occurrence would make event B less likely; the consensus rating is −4, and this is entered in the appropriate cell. This process is continued until all interactions are evaluated and the matrix is complete.

Another approach involves the use of probabilities of occurrence. Once the probability

Table 4.4. Basic format for the ATB cross-impact matrix.

	Then the impact on this event would be[a]			
If this event were to occur	**A**	**B**	**C**	**D**
A A further decline in the number of tourist arrivals originating from the more traditional markets	×	↓	↓	↑
B Increased dependency on a limited number of airlines and specialized tour operators and travel agents	−	×	↑	↑
C Increased cost of international travel	↑	↓	×	↑
D A general increase in domestic (internal) tourism	↑	↑	↓	×

[a]Up arrow, enhancing effect; horizontal line, no effect; down arrow, inhibiting effect.

Table 4.5. Example of subjective rating scale.

Voting scale	Subjective scale	Effect	Overall effect
+8	Critical	Essential for success	
+6	Major	Major item for success	Enhancing
+4	Significant	Positive, helpful, but not essential effect	
+2	Slight	Noticeable enhancing effect	
0	No effect	No effect	
−2	Slight	Noticeable inhibiting effect	
−4	Significant	Retarding effect inhibiting	Inhibiting
−6	Major	Major obstacle to success	
−8	Critical	Almost insurmountable hurdle	

Table 4.6. The Azores Tourist Board's cross-impact matrix showing degrees of impact.

	Then the impact on this event would be			
If this event were to occur	**A**	**B**	**C**	**D**
A A further decline in the number of tourist arrivals originating from the more traditional markets	×	−4	−4	+8
B Increased dependency on a limited number of airlines and specialized tour operators and travel agents	0	×	+8	+6
C Increased cost of international travel	+2	−6	×	+6
D A general increase in domestic (internal) tourism	+4	+8	−6	×

of occurrence of each event is assessed, then the change in that probability can be assessed for each interaction. The probabilities of occurrence can be entered in an information column preceding the matrix, and then the matrix may be constructed in the conventional manner. However, in many instances the degree of impact is not the only important information to be gathered from a consideration of interactions. The time relationships are often critical and can be shown in a number of ways. For example, time information can

be added (within parentheses) to each probability of occurrence depicted in the matrix.

Table 4.7 illustrates the use of a cross-impact matrix incorporating interactive probabilities of occurrence and time relationships. Consider the impact of event D on the probable occurrence of event B. It is judged to have a critically enhancing effect and the consensus is that the probability of occurrence of event B will change from 0.60 to 0.80. (In this particular case study example, it was assumed that the participants' consensus judgementt

Table 4.7. The Azores Tourist Board's cross-impact matrix showing interactive probabilities of occurrence.

If this event were to occur	Having this probability of occurrence	Then the new probability of occurrence of this event would be			
		A	B	C	D
A A further decline in the number of tourist arrivals originating from the more traditional markets	0.70	×	0.50 (+2 years)	0.40 (+1 year)	0.90 (immed.)
B Increased dependency on a limited number of airlines and specialized tour operators and travel agents	0.60	0.70	×	0.70 (immed.)	0.85 (immed.)
C Increased cost of international travel	0.50	0.75 (+2 years)	0.45 (immed.)	×	0.85 (immed.)
D A general increase in domestic (internal) tourism	0.70	0.80 (+2 years)	0.80 (+1 year)	0.35 (+2 years)	×

immed., immediate.

was that a value of +2 on the voting scale in Table 4.5 translated into an increase in the probability of occurrence of five percentage points in Table 4.7, a value of +4 into an increase of ten percentage points and so on. Similarly, a value of −2 translated into a decrease in the probability of occurrence of five percentage points, and so on.) The new probability is, therefore, entered in the appropriate cell. Event B is judged to have no effect upon event A; therefore, the original probability, 0.70, is unchanged. Event B is strongly inhibited by the occurrence of event C, and the resulting probability of occurrence is lowered from 0.60 to 0.45. The occurrence of event B will increase the probability of occurrence of event D from 0.70 to 0.85. This procedure is followed until all of the cells are completed.

The time relationships in Table 4.7 can be interpreted as follows. If event B were to occur it would have a major enhancing effect on event D, raising D's probability of occurrence from 0.70 to 0.85; this enhancement would occur immediately. If event C were to occur, it would raise the probability of occurrence of event A from 0.70 to 0.75; it would take 2 years for the enhancement to be completed. The information provided by the cross-impact matrices should have proved very useful for strategic planning by the ATB. It may be that the ATB was particularly concerned about a further decline in the number of tourist arrivals originating from the more traditional markets and had plans to deal with the situation should it occur. Various marketing strategies could be employed to halt the decline. By studying column A in Table 4.7, the tourism authorities could pinpoint those events that were likely to have a marked impact on the likelihood of occurrence of event A. Thus, for example, if there was a noticeable general increase in domestic tourism, the probability of occurrence of a further decline in the number of tourist arrivals originating from the more traditional markets would increase from 0.7 to 0.8. Hence, the ATB would need to step up its marketing efforts accordingly. The idea underlying cross-impact

analysis is that the probability of occurrence of an event is directly related to the occurrence/non-occurrence of other events. By analysing correlations between events, it is possible to estimate the likelihood of future events occurring. This information can then be incorporated into the strategic planning process. Thus, cross-impact analysis can lead to improved strategic vision, and allow management to follow a more proactive approach. Cross-impact analysis provides a framework for the analysis of a range of possible events and complex interactions. Given that tourism is characterized by a high degree of interdependence among events, cross-impact analysis is a forecasting technique that would seem to be particularly relevant for this field.

PROBABILITY FORECASTING

It may not be necessary to obtain *highly* accurate forecasts of specific values, but only to ascertain whether the probability falls within a particular range of values, in order to support good tourism management decisions. Furthermore, it is usually assumed that there is a cost trade-off when choosing a forecasting model. Fitzsimmons and Sullivan (1982, p. 118) noted that: 'Generally the less-expensive models yield less-accurate forecasts, and there are costs associated with inaccuracies in the forecast … Is it worthwhile to spend more on an accurate forecasting model than incur the potential costs of a less-expensive but poor forecast?' Although Martin and Witt (1988a, 1989a, b) have provided some empirical evidence to the contrary, i.e. that more expensive models do not necessarily lead to more accurate tourism demand forecasts, to the extent that the widely quoted trade-off stated by Fitzsimmons and Sullivan is true, it is important to identify an acceptable level of forecast accuracy. Decision theory can be used to determine optimal strategies when a tourism decision maker is faced with several decision alternatives and an uncertain or risk-filled

pattern of future events, i.e. states of nature. (Risk is taken to mean a situation in which various outcomes to a decision are possible, but where the probabilities of the alternative outcomes are known. Uncertainty describes a situation in which there is no such probabilistic knowledge or where the information is fragmentary.) This section examines the precision required for probability forecasts and the use of skew loss functions as applied to tourism. For a general discussion of probability forecasting, the reader is referred to Delugio (1998) and Makridakis *et al.* (1998).

Required accuracy levels

Here we assess how accurate the forecasts of the probabilities associated with the occurrence of alternative states of nature need to be when we are considering problems involving few possible actions and few states of nature. As an example of this class of problem, suppose that a regional tourism authority is interested in marketing a multi-unit tourist pack comprising local dairy, wines and handicraft products in order to generate additional visitor arrivals and higher spending levels. The product is made by a batch process which, through equipment indivisibilities, is restricted to the following annual capacities:

- *A*1: 1 million units
- *A*2: 2 million units
- *A*3: 3 million units

The conditional opportunity losses under *S*1 (high sales) and *S*2 (low sales) are shown in Table 4.8.

As can be seen from Table 4.8, in this example if *S*1 obtains then act *A*3 is the best course of action and is accordingly assigned a conditional opportunity loss of zero. If *S*2 obtains, however, act *A*1 becomes the best course of action. Act *A*2 is a kind of 'hedging' act in the sense that the conditional opportunity losses associated with it are not extreme under either *S*1 or *S*2. The problem facing tourist product planners is to estimate the probabilities of

Table 4.8. Conditional opportunity losses: new multi-unit tourist pack problem (£ million).

Act	State of nature	
	S_1	S_2
A_1	6	0
A_2	3	3
A_3	0	8

occurrence of *S*1 and *S*2, and in particular they need to know how precise these estimates should be.

Suppose that *P*(*S*1) denotes the probability that *S*1 occurs. Then *P*(*S*2) is equal to 1 − *P*(*S*1). If *P*(*S*1) were equal to 0.1, then the expected opportunity losses (EOLs) of the three acts would be:

$$EOL(A1) = 0.1(6) + 0.9(0) = £0.6 \text{ million}$$
$$EOL(A2) = 0.1(3) + 0.9(3) = £3.0 \text{ million}$$
$$EOL(A3) = 0.1(0) + 0.9(8) = £7.2 \text{ million}$$

Clearly, under these conditions act *A*1 (the low-capacity facility) would be preferable to the other courses of action. By assuming various values that *P*(*S*1) could take, we can construct the chart of EOLs shown in Fig. 4.1.

If *P*(*S*1) is less than 0.5, then act *A*1 is best, whereas if *P*(*S*1) is between 0.5 and 0.625, act *A*2 is best. If *P*(*S*1) exceeds 0.625, then act *A*3 is best. If *P*(*S*1) is exactly 0.5 either *A*1 or *A*2 could be chosen, and if *P*(*S*1) is exactly 0.625 either *A*2 or *A*3 could be chosen. These 'indifference' points are determined by finding the points on the abscissa where the lines of expected opportunity loss intersect, that is where:

$$EOL(A1) = EOL(A2)$$

Letting *P*(*S*1) = *P*, we have:
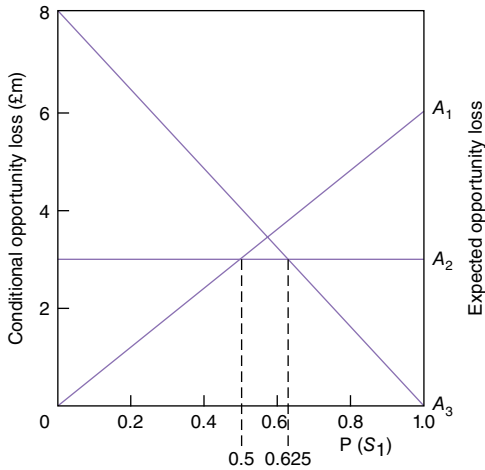
$$6P + 0(1 - P) = 3$$
$$P = 0.5$$

Fig. 4.1. Expected opportunity losses: new multi-unit tourist pack problem (£ million).

Similarly:

$$EOL(A3) = EOL(A2)$$
$$0P + 8(1 - P) = 3$$
$$P = 0.625$$

The implication of these calculations is that the new tourist product planner does not need to know the precise value of $P(S1)$ but only that it falls within specific ranges. In terms of the assumptions of this tourism problem, the same act (act $A1$) would be chosen if $P(S1)$ were, say, 0.1, as would be chosen if $P(S1)$ were say, 0.4. Although the illustration is simple, it does serve to demonstrate that, in some tourism marketing problems, forecasts do not need to be made with high precision.

Skew loss functions

In more realistic cases a greater number of states of nature and courses of action are possible. For example in accommodation capacity problems some 'best' level of accommodation may exist for each possible sales level. In tourism demand capacity planning problems, the quantity of beds allocated may vary more or less continuously within a certain range. Let us now suppose that the same regional

tourist authority is interested in determining the 'best' (optimum) number of beds to offer for distribution to tour operators and travel agents. If travel intermediaries' requests for suitable accommodation exceed the quantity available, unfilled requests will result. If the number of beds available in the region exceeds the demand, there will be costs associated with the excess supply of accommodation. For purposes of illustration, suppose that the imputed 'cost' for each unfilled tour operator's/travel agent's request per night is £12.00, and suppose that the cost associated with each bed vacant per night is £3.00. The regional tourist authority is interested in recommending some best level of accommodation capacity that minimizes expected cost under an uncertain tourist demand. The regional tourism planners should define the probability distribution of the possible tourist demand levels for accommodation in the area. As an example, suppose that the planners are willing to believe that tourist demand for accommodation in the region will exceed 20,000 beds but will be no higher than 80,000 beds. Their 'most probable' estimate of tourist demand is that it will be between 30,000 and 40,000 beds. The cumulative probability distribution can then be derived from a histogram chart. The smooth curve should be used to approximate cumulative probabilities within the histogram intervals. For example, the estimated probability of tourist demand being less than 35,000 beds can be seen to be approximately 0.45 (Fig. 4.2). To determine the optimal number of beds to be offered to the market, tourism planners would like to find the appropriate balance point where the expected cost of under-construction just equals the expected cost of over-construction. Both these costs are proportional to the difference between the amount offered and the amount requested. Fortunately, however, it is not necessary to construct a payoff table for each possible act and tourist demand level. Instead, the following principle may be adopted. Keep increasing the accommodation
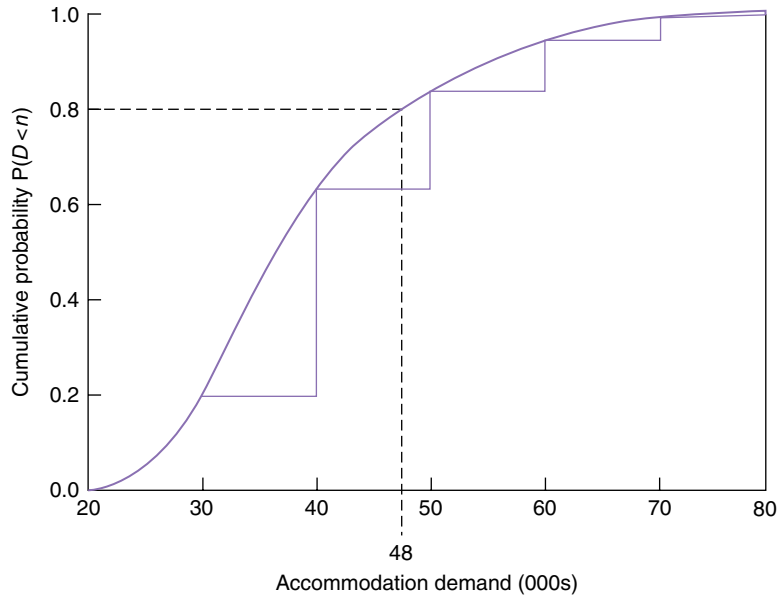
Fig. 4.2. Probability distribution: tourist demand for regional accommodation (000 units).

capacity until the highest level n is reached for which the expected incremental cost of adding the nth unit is still less than the expected incremental cost of not adding the nth unit to the accommodation capacity level.

If we let $D5$ tourist demand level, $C0 = £3.00$ = cost per night of over-construction, and $Cu = £12.00$ = cost per unit per night of under-construction relative to tourist demand, then we have by application of the principle above:

$$C_o P(D < n) < C_u [1 - P(D < n)]$$
$$[P(D < n)](C_o + C_u) < C_u$$
$$P(D < n) < \frac{C_u}{C_o + C_u}$$
$$P(D < n) < \frac{£12.00}{£3.00 + £12.00}$$
$$P(D < n) < 0.80$$

From Fig. 4.2, it can be seen that the largest n for which $P(D < n) < 0.80$ is approximately 48,000 beds. This represents the graphical solution to the tourist capacity problem. Had the

planners not considered the asymmetry in the costs of over- versus under-construction, they might have planned for either:

- a capacity level equal to the midpoint of the bar in the histogram with the greatest incremental height (i.e. 35,000 beds), the modal forecast; or
- a capacity level equal to the median or 0.5 cumulative probability level of the distribution (i.e. 36,000 beds).

In either case, they would have considerably 'under-produced' relative to the solution that takes into account the conditional costs of over- versus under-production.

Although the need for accurate forecasts is often stressed, there are situations in which highly accurate point forecasts are not particularly useful. In particular, in the case of probability forecasting it is often necessary only to know whether or not the probability falls within a particular range of values. Even if increased accuracy can be obtained, it is often not the case that the additional cost entailed is justified. When knowledge regarding

error costs is available, this should be incorp-orated in the forecast-generating procedure. In particular, cost asymmetries will affect the level of demand to plan for.

ECONOMETRIC FORECASTING

The econometric approach to forecasting tourism demand involves the use of regression analysis to estimate the quantitative relation-ship between tourism demand and its deter-minants; the estimation is carried out using historic data, and future values of tourism de-mand are obtained by using forecasts of the demand determinants in conjunction with the estimated relationship. See, for example, Smeral *et al*. (1992) and Smeral and Witt (1996). The group of variables that influences international tourism demand will depend on the purpose of the visit under consideration. As by far the majority of international tourist trips take place for holiday purposes, and it is only for holiday trips that individuals are completely free to choose the destination, transport mode and so on, we shall just con-centrate on those factors that influence the demand for international *holiday* tourism.

Tourism demand function

The variables involved in tourism demand forecasting are discussed below.

Forecast variable

Tourism demand is generally measured in terms of the number of tourist visits from an origin country to a foreign destination country, or in terms of tourist expenditures by visitors from the origin country in the destination country. Tourist nights spent in the destination country are an alternative measure.

Population

The level of foreign tourism from a given origin is expected to depend on the origin population. In some studies population features as an ex-planatory variable, but more often the effect of population is accommodated by modifying the dependent variable to become international tourism demand per capita.

Income

In tourism demand functions, origin country income or private consumption is generally included as an explanatory vari-able, and commonly enters the demand function in per capita form (corresponding to the specification of demand in per capita terms). The appropriate form of the variable is private consumption or personal dispos-able income.

Own price

The appropriate form of the price variable is by no means clear. In the case of tourism there are two elements of price: the cost of travel to the destination, and the cost of living for the tourist in the destination. In certain studies, where econometric forecasting models have been developed for international tourism de-mand, a specific destination tourist's cost of living variable is incorporated in the models. Usually, however, the consumer price index in a country is taken to be a proxy for the cost of tourism in that country. In general, this pro-cedure is adopted on the grounds of lack of more suitable data. Whichever destination price variable is used, it needs to be adjusted by the rate of exchange to transform it into origin country currency. Exchange rates are also sometimes used separately to represent tourists' living costs. The usual justification is that consumers are more aware of exchange rates than destination costs of living for tour-ists, and hence are driven to use exchange rate as a proxy variable.

Substitute prices

Economic theory suggests that the prices of substitutes may be important determinants of demand. For example, an increase in holiday prices to Spain may increase demand for holidays to Portugal. Mostly, those substitution possibilities allowed for in international tourism demand studies are restricted to tourist destination living costs. Substitute prices may be incorporated by specifying the tourists' cost of living variable as destination value relative to a weighted average value calculated for a set of alternative destinations, or by specifying a separate weighted average substitute destination cost variable.

Just as tourists' living costs in substitute destinations are likely to influence the demand for tourism to a given destination, so travel costs to substitute destinations may also be expected to have an impact, and can be allowed for in a similar manner. Furthermore, if the data are disaggregated by transport mode, then travel cost to the same destination by alternative transport mode(s) would influence tourism demand to a particular destination by a given transport mode.

Qualitative effects

Dummy variables can be included in international tourism demand functions to allow for the impact of 'one-off' events. For example, when governments impose foreign currency restrictions on their residents (e.g. the £50 annual limit introduced in the UK during late 1966 to late 1969), this is expected to reduce outward tourism. Similarly, the 1973 and 1979 oil crises temporarily reduced international tourism demand; although the impacts of the oil crises on holiday prices and consumer incomes are incorporated in these explanatory variables, a further reduction in international tourism demand is likely because of the psychological impact of the resultant uncertainties in the world economic situation. Witt and Martin (1987) discussed a range of one-off events which have been accommodated by dummy variables.

Trend

A trend mainly represents a steady change in the popularity of a destination country over the period considered, as a result of changing tastes. It also, however, captures the time dependent effects of all other explanatory variables not explicitly included in the equation, such as changes in air service frequencies and demographic changes in the origins.

Marketing

National tourist organizations engage in sales-promotion activities specifically to attempt to persuade potential tourists to visit the country, and these activities may take various forms including media advertising and public relations. Hence, promotional expenditure is expected to play a role in determining the level of international tourism demand. Much tourism-related marketing activity is not, however, specific to a particular destination (for example, general travel agent and tour operator advertising) and therefore is likely to have little impact on the demand for tourism to that destination. The promotional activities of national tourist organizations are destination specific and are therefore more likely to influence tourist flows to the destination concerned.

Lagged dependent variable

A lagged dependent variable, i.e. an autoregressive term, can be justified on the grounds of habit persistence. Once people have been on holiday to a particular country and liked it, they tend to return to that destination. There is much less uncertainty associated with holidaying again in the country compared with travelling to a previously unvisited foreign country. Furthermore, knowledge about the destination spreads as people talk about their holidays and show photographs, thereby reducing uncertainty for potential

visitors to that country. In fact, this 'word of mouth' recommendation may well play a more important role in destination selection than does commercial advertising. A type of learning process is in operation and as people are, in general, risk averse, the number of people choosing a given alternative in any year depends on the numbers who chose it in previous years.

A second justification for the inclusion of a lagged dependent variable in tourism demand functions comes from the supply side. Supply constraints may take the form of shortages of hotel accommodation, passenger transportation capacity and trained staff, and these often cannot be increased rapidly. Time is also required to build up contacts among tour operators, hotels, airlines and travel agencies. Similarly, once the tourist industry to a country has become highly developed it is unlikely to dwindle rapidly. If a partial adjustment mechanism is postulated to allow for rigidities in supply, this results in the presence of a lagged dependent variable in the tourism demand function (Gujarati, 1988, chapter 16).

Empirical results

Examples of estimated econometric models are presented in Table 4.9. The most comprehensive study in terms of the variety of origins/destinations covered is by Martin and Witt (1988c), and the first ten models are taken from this study. The four models selected from other studies were specifically chosen because they include explanatory variables not covered in the Martin and Witt study. Thus model 11 incorporates population as a demand determinant, models 12 and 13 incorporate marketing expenditure and model 14 incorporates a lagged dependent variable and travel time. (The elasticity values presented in model 14 are impulse estimates.) All the models are specified in log-linear form.

Population features as an explanatory variable only in model 11, but the estimated elasticity of 4.4 seems far too high to be realistic. (The population elasticity is expected to be

fairly close to unity.) Furthermore, an 'incorrect' coefficient sign is estimated for income. It appears, therefore, that multicollinearity between population and income may well be a problem in this model, which is why population does not, in general, feature as an explanatory variable in tourism demand models. The results from model 11 are not included in the discussion which follows.

Income appears in each model in Table 4.9, but the values of the estimated elasticities vary considerably, ranging from 0.4 to 6.6. However, other than the 0.4 value, the estimated income elasticities exceed unity, showing clearly that foreign tourism is generally regarded as a luxury. The median value of 2.4 strongly supports a priori expectations about the luxury nature of foreign tourism. Many of the differences in elasticity estimates can be readily explained. For example, although the income elasticity obtained in model 5 (0.4) is somewhat lower than expected, travel from the USA to Canada is likely to be regarded in a similar manner to domestic (USA) tourism, i.e. a necessity, rather than a luxury; whereas, overseas travel from the USA to the UK (model 6) is viewed as a luxury (income elasticity is 2.4). By contrast, the value of the income elasticity for travel from France to Switzerland (model 1) is similar to that for travel from France to the UK (model 2) at 2.8. Again, this makes sense as Switzerland is a destination with a very high cost of living for tourists, whereas visiting the UK involves a high cost of travel because of the sea border, and therefore holidays to Switzerland and the UK are likely to be regarded as being at about the same luxury level by the French. (However, the income elasticity for travel from France to neighbouring cheap destinations (such as Spain) would be expected to be much lower; see, for example, the difference in income elasticities for travel from Germany to Switzerland (high cost) and Austria (low cost).)

As far as own price is concerned, travel cost appears in 11 of the 14 models, and the elasticity estimates range from −0.04 to −4.3, with the median value being −0.5. The three

Table 4.9. Examples of estimated econometric models.

Authors	Ref date	Model no[a]	Method of est[b]	R^2	Pop	Inc	Trav cost	Dest cost	Exch rate	Comb cost	Subst TC	Subst DC	Subst CC	Dummy variables	Trnd	Mark	Lag DV	Travel time
Martin and Witt	1988c	1	OLS	0.969		2.819*		−1.242*				1.053		−0.022[1]	−0.150*			
														−0.034[2]				
	(data 1965–1980)	2	CO	0.953		2.756*	−0.708				0.600			−0.204[*1]				
		3	CO	0.987		1.292*	−0.037	−0.755*						−0.109[*2]				
		4	CO	0.896		4.923*	−0.932	−1.250			2.803*			−0.040[1]	−0.122			
		5	OLS	0.776		0.372	−0.355	−0.364			0.156			−0.042[2]	−0.018			
		6	CO	0.897		2.431*	−0.198	−0.428										
		7	CO	0.991		4.550*		−0.235	1.859*			0.130		−0.258[*1]				
														−0.619[*2]				
														−0.061[*3]				
		8	CO	0.911		1.775	−0.155		0.637		0.921			−0.022[1]				
		9	CO	0.972		1.331	−1.122*	−1.403*	2.258*		6.305*			−0.604[*2]				
		10	CO	0.978		1.743	−4.337*	−0.679	1.827*		2.226*	3.308*		−0.374[*1]				
														−0.367[*2]				
Chadee and Mieczkowski	1987 (data 1976–1985)	11	OLS	0.95	12.40*	−2.90+		−1.52*	1.26*					0.69[+4]				
														1.90[+5]				
														0.50[+6]				
Papadopoulos and Witt	1985 (data 1972–1982)	12	CO	0.996		3.346*	−0.458	−0.721*						−0.515[*7]		0.175		
		13	OLS	0.939		6.645*	−0.475	−0.706						−0.552[*7]		0.041		

Witt	1980 (data 1964–1972)	14	OLS	0.969		1.386	−0.199	−0.049						−0.055[8]			0.908*	−0.165
														0.091[9]				
														0.157[10]				
														0.152[11]				
														0.145–1.015[12]				
Median values[e]						2.4	−0.5	−0.7	1.8		1.6	1.1		−0.1[1]	−0.1	0.1		
														−0.2[2]				
														−0.5[7]				

[a]Model 1, France to Switzerland; Model 2, France to UK; Model 3, Germany to Austria; Model 4, Germany to Switzerland; Model 5, USA to Canada; Model 6, USA to UK; Model 7, UK to Austria; Model 8, UK to Spain; Model 9, UK to Austria by air; Model 10, UK to Austria by surface; Model 11, USA to Canada; Model 12, Austria to Greece; Model 13, Switzerland to Greece; Model 14, denotes UK to multiple destinations.

[b]OLS, ordinary least squares; CO, Cochrane–Orcutt.

[c]Pop, population; Inc, income; Trav cost, travel cost; Dest cost, destination cost; Exch rate, exchange rate; Comb cost, combined cost (travel + destination); Subst TC, substitute travel costs; Subst DC, substitute destination costs; Subst CC, substitute combined costs; Trnd, trend; Mark, marketing (promotional) expenditure; Lag DV, lagged dependent variable.

[d]*,significant at 5% level; +, significant at 10% level; 1, 1974 oil crisis; 2, 1979 oil crisis; 3, UK currency restrictions 1967–69; 4, second quarter; 5, third quarter; 6, fourth quarter; 7, political disturbances/1974 oil crisis; 8, non-sterling area destination; 9, low cost of tourism of sterling area destination; 10, holiday type; 11, travel mode; 12, range of destination intrinsic characteristic values.

[e]Ignoring results from model 11.

cases where demand is most responsive to own travel cost are those models that incorporate statistically significant substitute travel costs. Destination cost features in 12 models, and the elasticity estimates range from −0.05 to −1.5, with the median value being −0.7. Tourists thus seem to react in a fairly similar manner to destination cost changes and travel cost changes. Exchange rate appears as an explanatory variable in only 5 of the 14 models and in only one case is it the sole representation of tourists' destination living costs. The estimated elasticities range from 0.6 to 2.3, with a median value of 1.8, indicating that for those origin–destination pairs where exchange rate is important, there is a relatively high sensitivity of demand to exchange rate changes. The fairly high absolute values obtained for the price elasticities again support a priori expectations regarding the luxury nature of foreign tourism. With regard to substitute prices, travel cost appears in six of the 14 models but destination cost in only three. The travel cost values span the range 0.2 to 6.3 with a median value of 1.6, and the destination cost elasticity values vary from 0.1 to 3.3, with a median value of 1.1. A wide range of dummy variables feature in the models, showing, in particular, that political events can have marked impacts on tourism demand. Models 12 and 13 indicate that marketing expenditure does have a positive impact on tourism demand, but that the estimated elasticities are low. Model 14 demonstrates the negative impact of travel time on tourism demand, and the importance of habit persistence and/or supply constraints (as represented by the lagged dependent variable).

The forecasting performance of econometric models of international tourism demand is mixed. In the earlier studies econometric models often generated less-accurate forecasts than simple extrapolative methods. However, Witt and Witt (1995) and Lim (1997) suggested that this may have been caused by lack of diagnostic testing coupled with appropriate remedial action. The more recent studies, which incorporate a range of diagnostic tests, partially support this hypothesis. For example, Kim and Song (1998) compared the forecasting performance of econometric models with several univariate time series models and discovered that the econometric models were the most accurate. On the other hand, Kulendran and King (1997) found that econometric models generated more accurate forecasts than some univariate time series models but less accurate forecasts than others.

FUZZY TIME SERIES FORECASTING

Fuzzy time series models refer to the procedures used to solve forecasting problems in which the historical data are linguistic values. The main difference between fuzzy time series and conventional time series is that the former consist of fuzzy sets while the latter are real numbers (Chen, 1996). Song and Chissom (1993) provide the concept of fuzzy time series as follows:

Let U be the universe of discourse, where $U = \{u_1, u_2... u_n\}$. A fuzzy set A of U is defined as $A = f_A(u_1)/u_1 + f_A(u_2)/u_2 +...+ f_A(u_n)/u_n$, where f_A is the membership function of A, and $f_A: U \rightarrow [0, 1]$. $f_A(u_i)$ is the degree of membership of u_i in A, where $f_A(u_i) \in [0, 1]$ and $1 \le i \le n$. The fuzzy time series can then be defined as follows:

Definition 1. Let $Y(t)$ $(t =...,0,1,2,...)$, a subset of R, be the universe of discourse on which fuzzy sets $f_i(t)$ $(i=1,2,...)$ are defined and $F(t)$ is a collection of $f_1(t)$, $f_2(t)...$ Then $F(t)$ is called a fuzzy time series on $Y(t)$ (Song and Chissom, 1993).

During modelling, if $F(t)$ is caused by $F(t-1)$ only, the relationship can be expressed as $F(t-1) \rightarrow F(t)$, where '→' can represent any operation to formulate the fuzzy relationship between $F(t-1)$ and $F(t)$. During forecasting (after obtaining all the fuzzy relationships), $F(t-1)$ can be used to forecast $F(t)$. People are used to

conducting in-sample estimation as well as out-of-sample forecasting. In this case, the data are separated into in-sample and out-of-sample data, where the in-sample data are used for establishing the fuzzy relationships and out-of-sample data are for out-of-sample forecasting.

Many previous fuzzy time series studies have focused on proposing different operations to improve forecasting results (Chen, 1996; Huarng and Yu, 2006; Hwang, *et al.*, 1998; Song and Chissom, 1993, 1994). Hereafter, we take the study of Huarng *et al* (2007) (hereafter, referred to as neural network based model) as an example to illustrate the forecasting process of fuzzy time series model, where neural networks are used as the operation to train the fuzzy relationships and to forecast. Meanwhile, that study compares the performance of the proposed model with a conventional econometric model and a fuzzy time series model (Chen, 1996).

Data

The data are taken from Executive Information System, Tourism Bureau Ministry of Transportation and Communication, Taiwan (Republic of China). The monthly data are from 1984/01 to 2005/09, where those from 1984/01 to 2000/04 are used for neural network training and those from 2000/05 to 2005/09 are for forecasting. Taiwan tourist number at time t-1 is taken as the input and that at time t is taken as the output (the forecast target).

Model

STEP 1. FUZZIFICATION. First, we fuzzify all the actual tourist numbers (*actual*) at time t into fuzzy tourist numbers, $F(t)$. The length of interval (*LOI*) is set to 1000. Because the minimum of all the tourist numbers is 40,256, we round the minimum by the *LOI* to *MIN*=40,000. Following (Song and Chissom, 1993; Chen, 1996), an equation is proposed to fuzzify each *actual* as follows:

$$F(t) = rounddown\left(\frac{(actual - MIN)}{LOI}\right) + 1 .$$

For example, the actual tourist number in 1984/01 was 120,080, whose corresponding fuzzy tourist number is $F(1984/01) = rounddown \left(\frac{(120,080 - 40,000)}{1000}\right) + 1 = 81$. Similarly, the actual tourist number in 1984/02 was 133,994. $F(1984/02) = rounddown \left(\frac{(133,994 - 40,000)}{1000}\right) + 1 = 94$.

STEP 2. NEURAL NETWORK TRAINING. The fuzzy relationship between two consecutive fuzzy tourist numbers is then modelled as $F(t) \rightarrow F(t+1)$, where $F(t)$ is the input and $F(t+1)$ is the output of the neural networks. The neural network structure is depicted in Fig. 4.3, where there are one input layer with one input node, one hidden layer with two hidden nodes, and one output layer with one output node.

Following the above examples, $F(t) = F(1984/01) = 81$, and $F(t+1) = F(1984/02) = 94$. Hence, 81 is the input and 94 is the output for neural network training, respectively.

STEP 3. FORECASTING. After training, the trained neural network is used for forecasting. Suppose t' represents the time point for out-of-sample forecasting. Different forecasting processes are proposed for the two conditions of $F(t')$:

Case 1: If $F(t')$ ever appears in the training data, we take the corresponding output from the neural network as $F(t'+1)$. For example, the actual tourist number in 2000/08

$F(t)$ or $F(t')$ ... $F(t+1)$ or $F(t'+1)$
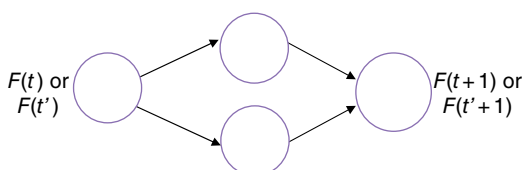
Fig. 4.3. The neural network structure for training and forecasting.

was 220,227; $F(t') = F(2000/08) = 181$. Because 181 appears in the in-sample data, we take 181 as the input for the neural network forecasting. From the neural network based model, the output for 2000/09 (or fuzzy forecast for the next time point) is 178.11. In other words, $F(t'+1) = F(2000/09) = 178.11$.

Case 2: If $F(t')$ never appears in the training patterns, we set $F(t'+1)$ equal to $F(t')$ (Huarng and Yu, 2006). For example, $F(t') = F(2000/10) = 210$. However, 210 never appears in the in-sample data. Hence, 210 becomes the fuzzy forecast for the next time point, 2000/11. In other words, $F(t'+1) = F(2000/11) = F(t') = F(2000/10) = 210$.

STEP 4. DEFUZZIFICATION. For each fuzzy forecast, an equation is proposed for defuzzification:

$$forecast(t'+1) = (F(t'+1) - 0.5) \times LOI + MIN.$$

For example, $F(t'+1) = F(2000/09) = 178.11$.
$forecast(2000/09) = (178.11 - 0.5) \times 1000 + 40,000 = 217,607.36$.

Empirical results

The root mean squared error (RMSE) is used to compare the performance of the neural network based model with others, as in Table 4.10. The RMSE from a conventional model, ARIMA (1, 1, 1), is 32,948.83; the RMSE from another fuzzy time series model (Chen, 1996) is reported as 32,795.31; and the

Table 4.10. The comparison of performance among different models.

	Models		
	ARIMA (1, 1, 1)	Chen (1996)	Huarng *et al.* (2007)
RMSE[a]	32,948.83	32,759.31	30,938.78

[a]RMSE, root mean squared error.

RMSE from the neural network based model (Huarng *et al.*, 2007) is 30,938.78. Obviously, the neural network based model outperforms the other two models.

CONCLUSIONS

Forecasts of tourism demand are crucial for planning purposes. In this chapter, a range of tourism forecasting methods has been outlined which can be applied in a wide variety of situations.

QUESTIONS

1. What are the qualitative approaches and quantitative approaches?
2. What are the differences between qualitative and quantitative approaches?
3. What are the advantages and disadvantages of the econometric and time series methods?

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Consumer Behaviour in Tourism

Ronnie Ballantyne, Luiz Moutinho and Shirley Rate

LEARNING OBJECTIVES

- To explore the nature of consumer behaviour within the tourism arena.
- To identify and discuss key internal and external facets that influence consumer decision making.
- To explore and illuminate the nature of consumer decision-making processes.

INTRODUCTION

If one is to develop tourism marketing with 'magnestism', the right product, right place, right time and right technology need to be considered. We must isolate and understand the key touchpoints or sweet spots that consumers desire in their unique journeys. As such, understanding and predicting consumer behaviour is a central issue for marketing practitioners within the tourism arena. This chapter explores and illuminates the nature of consumer decision making, paying particular attention to the role and influence of

reference groups and the mechanics of the consumer decision making process. Consumer behaviour can easily be conceptualized as the process of acquiring and organizing information in the direction of a purchase decision. That said, to fully address the question 'Why do people travel?' is not so easily answered. The dynamic process of moving from need to want to desire and ultimately to demanding fully formed tourism experiences is relatively complex (Holloway, 2009). This process typically encompasses the stages of searching for, purchasing, using, evaluating and disposing of products and services. This paradigm follows a cognitive approach and maps a cycle from stimulation, including motivation and intention formulation, actual behaviour and experience, evaluation and retention of consequences (Gnoth, 1997). Moreover, the tourist buying decision presents some unique aspects: (i) it is an investment with no tangible rate of return; and (ii) traditionally the purchase is often prepared and planned through savings made over a considerable period of time. That is, the vacation tourist will invest with no expectation of material and economic

return on his or her purchase of an intangible satisfaction. That said, we are now also witnessing a rise in 'just in time' travel and tourism. As technology accelerates and empowers consumers to lead more fluid lifestyles, we define this as trips booked within 3 days of departure.

As travellers become more sophisticated in their vacationing behaviour, research must continue to become more sophisticated to explain this behaviour. Consumers want their real experiences reflected and connected to their very specific personal needs, not to a generally perceived notion of their needs. We now face the challenge of a more demanding and unpredictable consumer, where multifaceted tourism experiences are becoming more important than destinations. In effect 'what you do' is becoming more important than 'where you do it'. Tourism providers must become truly customer centric; they must adopt research that listens to the 'voice of the consumer'. It has to be about understanding them implicitly in real time and, moreover, on their own schedule. Only then will they be able to deliver experiences that consumers truly value. Old-style marketing is outbound by its nature; in contrast, new emergent inbound marketing involves listening to the consumer and co-creating value. Consumers can no longer simply be classified by neat segmentation typologies (e.g. the new travel consumer may fly on Ryanair, stay at the Hilton and grab lunch at McDonalds). Reading consumers is becoming more complex and multidimensional, and a deeper understanding and insight into what drives individual tourism behaviour is necessary.

There are many factors that influence an individual's behaviour. To take adequate actions in the area of tourism marketing, one must understand: (i) how people perceive such things as destination areas, air travel, travel distances and travel advertising; (ii) how they learn to consume and to travel; (iii) how they make travel decisions; and (iv) how personality affects those decisions.

One must also analyse: (i) what motivations influence the individuals' travel decisions; (ii) how attitudes are formed; and (iii) how various groups affect travel behaviour.

Considering factors of a broader nature, the tourism marketing context requires an appraisal of the effect of economic, technological and social changes, generating factors that will increase certain types of leisure activities and decrease others. The rise in the cost of energy, the trend to smaller family units and to live in smaller spaces, the improvement in forms of communication – in particular advances in Internet and mobile technology – must be taken into account. The mass adoption of the Internet and digital networks is transforming the way in which consumers share and manage information between themselves and corporations. User-generated content (UCG) and social platforms will continue to increase in importance. Consumers can now dream, book, experience and share their experiences via a multitude of online media. The new digital marketsphere presents an interactive platform where consumers can build meaningful dialogue with tourism providers. This challenges the classic 'top-down' approach of 'we market to you' or 'telling and selling' to a 'bottom-up' experience whereby the consumer becomes a more active empowered participant in the overall brand experience as opposed to a passive receiver of information and products – think TripAdvisor. Travel decisions are, therefore, very much affected by forces outside the individual, including the influences of other people. The forces that other people exert are called social influences, and are normally referred to as reference groups.

The analysis of consumer behaviour requires the consideration of various processes that are both internal and external to the individual (see Blackwell *et al.*, 2006). Hence, to understand the purchasing behaviour one needs to examine the complex interaction of many elements that are present at different stages, from arousal to decision, as well as from purchase to post-purchase experiences. In the consideration of these processes, this chapter will first deal with determinants of

a broader nature, concentrating on reference group influences. Next, concepts concerning the individual will be presented with a focus on: (i) tourist self-image; (ii) perception and cognition; (iii) motivation; and (iv) attitude and intention. Finally, an overview of the decision-making process will be given, and other important determinants of tourist decision making, including the *evoked set* will be discussed.

REFERENCE GROUPS

People turn to particular *groups* for their standards of judgement. Human beings tend to make sense of reality by looking towards the behaviour of others. Any person or group – real or imaginary – that serves as a point of reference for an individual is said to stand as a reference group. It exerts a key influence on the individual's beliefs, attitudes and choices.

The family is a very important reference group in a particular culture. Different values and expectations are built in the individual through the family. Other examples of reference groups are religious and ethnic groups, the trade union and the neighbourhood. Reference groups may interact and overlap, and can be classified in terms of different criteria. Those groups with which the individual has interpersonal contact are called affiliative groups. Taking the criterion of degree of interpersonal contact, two categories can be identified: (i) primary groups, with which the person has a regular contact; and (ii) secondary groups, with which the person interacts inconsistently or on few occasions. Depending on their degree of defined structure and organization, groups may also be classified as formal (such as a trade union) or informal (such as a neighbourhood).

Groups that influence general values and the development of a basic code of behaviour are qualified as normative, while those that serve as points of reference or influence specific attitudes and behaviour are designated as comparative. Technology has dramatically

changed the way in which consumers now interact with each other and businesses. As well as the traditional modes of reference group we are now in the age of the virtual reference groups – the rise of social networking and consumer blogging literally gives the user unlimited access and exposure to other 'trusted' opinions, views and attitudes to every manner of products and services available. Consumers are being transformed into brand ambassadors. As such, the Internet poses its own unique challenges in the way that it has liberated consumers to share their personal experiences and opinions about brands – from tribal brands to brand boycotts. For example, a primary branding driver is the recognition of the power that blogs and wikis have in fuelling word of mouth, which accounts for 30–50% of brand switching (a wiki is a website that allows visitors to add, remove, edit and change content, typically without the need for registration). With the majority of consumer journeys now originating online, innovative companies are now developing and implementing new methodologies that recognize not only the importance of virtual reference groups (e.g. twinsumers, tryvertising and consumer emulation), but also the need for blended content, where web domains are populated with a mixture of controlled branded content and user-generated content such as text testimonials, video and narrative. Conversations about future, ongoing or past trips are taking place simultaneously on numerous platforms. Tourism brands are now building platforms that enable them to engage and build meaningful dialogue with their customers. Increasingly these platforms and/or discussion forums or blogs get consumers to be part of the narrative or brand story – building the brand community. This is a totally different approach from the traditional advertising strategy based around annoyance, interruption and intervention, and reflects the changing nature of consumer behaviour in the marketplace. Moreover, consumers are doing it all for themselves: we are witnessing the development of the

collaborative economy, also known as the peer to peer movement. We are now seeing individuals taking steps to create their own travel ecosystems, through sites (e.g. Airbnb) that enable people to let out accommodation.

TOURIST SELF-IMAGE

Within the consumer's conceptual structure there are concepts that the individual believes characterize him or her. They constitute the consumer's *self-image*. There is not only one kind of self-image. Usually self-image is described as what the individual believes himself or herself to be, but there is also the ideal self, referring to what he or she would like to be. Purchase intentions relating to some products tend to be correlated and demonstrate congruence with self-image, while those relating to other products are correlated with the ideal self-image. The activated self-image consists of the expectations a person holds about himself or herself and his or her behaviour in relation to an object or product. A similar interpretation also assumes the existence of three categories: (i) the present self; that is, the individual's self-image at a given time; (ii) the past self; and (iii) the future self. Another suggestion of these categorizations emphasizes a kind of 'others' self-image', which is how individuals think others see them.

The concept of self-image is important to marketers mainly for marketing segmentation and positioning of products: for example, as consumer awareness of environmental concerns and sustainability increases, there will be a drive to reflect these values in the branding of tourism products. Conversely, at the other end of the spectrum, those consumers still interested in the obscure and the elite will seek out brands that reinforce and position themselves as 'ultraluxe'. In either case the brand proposition must seek to reflect actual and desired dimensions of the self. In these tasks, the self-image of individuals belonging to a target group must be taken into account.

The tourist may prefer destinations and services that match his or her self-image – the 'looking glass' concept.

PERCEPTION AND COGNITION

Comprehension of the process of knowledge acquisition and incorporation of experiences will permit better predictions of actual vacation behaviour. Perception and learning strongly influence evaluation and judgemental processes. *Perception* is the process by which an individual selects, organizes and interprets stimuli in a meaningful and coherent way. A stimulus is any unit of input affecting any of the senses. Perceiving stimuli involves exposure, reception and assimilation of information. Our sensory system is sensitive to different modalities of external stimuli: auditory, visual, tactile, olfactory and taste. When inputs are transmitted, information reception will depend on the cues from the source of the stimuli (a product, a message, etc.) and the individual's reactions based on current knowledge.

An individual tends to organize his or her perceptions and knowledge to produce meaningful relationships among separate elements. What an individual perceives in many situations is determined not only by the intrinsic nature of the stimulus object or sensations, but also by his or her own system of values and needs, determined by the social context.

The first stage of perception is the attention filter. One does not perceive all the stimuli arriving but grasps information selectively through a process of comparison of inputs with previous information. Furthermore, most stimuli to which one is exposed are screened out if they are uninteresting and irrelevant. The second stage is the interpretation process, whereby the stimulus content is organized into one's own model of reality, resulting in awareness and interpretation of the stimulus: that is, in cognition.

Selective perception

Perception is selective in two ways: attention and distortion. Selective attention refers to the fact that individuals usually attend to those stimuli regarded as relevant to his or her needs and interests, and neglect or distort inconsistent stimuli. Since we cannot perceive everything, we become selective in our attention, blocking perception when there is an excessively high level of stimuli; when arriving stimuli is irrelevant; or when it is culturally unacceptable, damaging or incompatible with our values and beliefs. This is stimulus bombardment: the media is so fragmented that consumers are simply overloaded with brand messages. The consumer is becoming harder to reach, is experiencing visual saturation and is developing a microscopic attention span. The number of images and voices shouting for consumer attention has accelerated beyond critical mass, and the resulting explosion has fragmented the public mind. As a consequence, consumers have developed mental filters, 'tuning in and tuning out' via selective perception to guard against 'hypercommunication'. This is the reason why selective attention is also seen as a form of perceptual defence. Today's consumers are bombarded with 60% more advertisements than they were a decade ago and so there is now a tendency for them to avoid or ignore traditional advertising rather than to process it. Classically the degree of complexity of stimuli will determine different levels of attention: moderately complex stimuli are more likely to attract our attention than simple or too complex ones. As more and more companies compete for our attention, however, the modes of communication used must become more and more innovative and in some cases 'novel' to rise above the clutter and noise (e.g. branded entertainment). The line between entertainment and branding has blurred – a subspecies of branding dubbed 'advertainment' is now commonplace in response to selective perception.

Perceptual bias or selective distortion is a tendency for people to modify information in the direction of personal meanings. Involvement in the object or message can be a function of self-perception which, in turn, is a function of need and social conditions. The result is selective distortion and selective retention of available information. The information obtained from a specific message is the sum of the relevant statements as perceived by the receiver. The audience receives the message and relates the symbols it holds by relating it to prior learning. Integration of information implies different processes in the audience, resulting in acceptance or rejection of the message, retention or modification, belief or disbelief.

Vacation destination comprehension is related to the halo effect, which is the tendency of a tourist to be biased by his or her overall opinion in the process of evaluating distinct attributes of a destination or service. This is a form of generalization and it minimizes the effort required to make travel decisions.

Information seeking

An important question is: how sensitive is the average vacation tourist to the information received about a tourist product? Perceptual effects may be examined at three levels: (i) the amount of information available to the tourist; (ii) the amount of information the tourist is exposed to; and (iii) the amount of information actually retained.

Information seeking is the expressed need to consult various sources prior to making a purchasing decision. Initially, there is the recognition of the problem, which is the result of a perceived imbalance or need to shift to a desired state. It activates the decision process, through the search for information about alternatives. One type of search is internal; that is, the retrieval of information about alternatives, stored in memory. However – and especially in the case of vacation travel – the search is often external, involving active processes and a variety of information sources.

There are individual differences in terms of the likelihood of a tourist to be involved in a search, but the level of active search is usually dependent on the degree of balance between expectation of predicted benefits and costs, or on the degree of certainty about the merits of alternative destinations and services. The concept of overt search includes all the activities of a potential tourist directed at collecting information about a product. In terms of external search the Internet has dramatically impacted upon external search strategies, and the immediacy of information online regarding different tourism options promotes the 'Google effect'. Internet browsing has trained consumers to disregard 'empty' words and claims – message relevance has become more important than repetition: online content full of unsupported claims and overworked 'image-building' phrases is rejected more quickly today than ever before. Meaningful, relevant information is now desired by consumers in the online domain. One reason for the occurrence of a limited external search is that tourists often have available a large amount of information, previously acquired. Prior knowledge and experience can be retrieved and consulted through internal search, thus minimizing time and cognitive effort in terms of decision making. The role of consumer memory is discussed in greater detail in the next section.

The mechanism of the use of information by the tourist comprises four stages: (i) exposure (contact with the sources of information); (ii) awareness (interest in the product); (iii) assimilation (attitude towards the product attributes); and (iv) attitude change (awareness of the product and association of product and attributes).

Memory

Memory plays a major role in consumer choice. There are three stages involved in memory: (i) the information enters the memory and is encoded; (ii) the information is stored; and (iii) retrieval. Storage is said to be a function of the level of information processing at the time the message is received so that retention will depend on how information is processed. One influential approach to memory assumes it to be a multiple-store process, with different types of memory storage systems, each with specific functions and properties. A typical model of this type assumes a set of sensory stores, a short-term and a long-term store.

For an advertisement to be remembered, it must be encoded and stored in the long-term memory system. Information stored can be of two types: that actively acquired and that passively absorbed from the environment. The quantity of information that will be retained in long-term memory (data considered relevant or useful) is only a fraction of the total information communicated. The stored information can be retrieved (i.e. recovered for use). With respect to recall, an inappropriate context as well as new and old learning may interfere and reduce the possibility of retrieving given material. Forgetting is mainly the result of interference of new information and experiences occurring between the time of encoding and that of retrieval.

The process of response to communication begins with a state of unawareness. The initial response is to become aware of a message. This response is followed by comprehension or knowledge, when the receiver must relate the message to prior learning experiences so as to give meaning to it. The subsequent states are liking, preference, conviction and action.

Tourist sources of communication

Depending on the source of information, communication can be classified as: (i) primary (experiences derived directly from the product); (ii) secondary (mass communication); (iii) tertiary (information obtained from travel agencies or exhibitions); and (iv) personal. Tourists will actively process the information provided

by the source but will not make judgements about the product based only on information; they combine it with other experiences and previous knowledge to develop attitudes and intentions and to reach a buying decision.

Messages received by the tourist are sometimes seen as ambiguous when confronted with previous experience. The filtration process serves to protect the tourist since it permits discrimination between facts and exaggerations in advertising. Communication is the determinant of much of vacation behaviour and an advertisement is intended to communicate, allowing the acquisition of knowledge, the formation or change of a product image, the arousal of needs and wants, the creation of interest in a product and the inducement to action.

The primary form of communication is word of mouth, or indeed word of net. This conversation activity is a channel for both receiving and disseminating information concerning vacation destinations and tourist services. Product involvement is one of the motivations for word of mouth. When a tourist product is perceived to be central to the individual's self-image, there is a high probability of the product being used and focused on in conversation. The content of conversation depends on the assimilated communication, and the rate of word of mouth depends on the tourist's awareness and attitude.

Internalization of information occurs when the individual accepts the opinion because it is congruent with his or her existing values. Here, the factors 'credibility' of message and personal relevance of the information play an important role. Based on personal experience and expectations, the tourist uses a trade-off of all the alternatives to reach a decision to act. Consumers use information in five different ways: (i) to evaluate alternatives in making a choice; (ii) to reinforce past choices as a rationalization process; (iii) to resolve conflict between buying and postponing; (iv) to remind them when to buy; and (v) to acquire knowledge for epistemic purposes.

The processes of exposure, perception and retention will be influenced by the advertisement in different ways: (i) in the cognitive domain, the extent to which it carries useful information, its relevance, its believability; and (ii) in the affective domain, its attractiveness and its likeability. Consumers are now seeking improvement in the relevance of advertising and are more likely to respond positively to those companies using modes of 'social marketing' and cause-related marketing programmes as opposed to traditional advertising formats.

MOTIVATION

Motivation refers to a state of need, a condition that exerts a 'push' on the individual towards certain types of action seen as likely to bring satisfaction. Vacation tourist motivation is greatly determined by social factors and is related to the need for optimal arousal. We have a need for stability as well as for novelty. In the case of travelling there are usually multiple motives, based on the tourist's expectations of what will be gained from the purchase.

There are two views in relation to the individual's logical consistency. Some theories stress the need for balance and harmony, considering the individual more likely to be satisfied with the expected and to be uncomfortable with the unexpected. However, other theories maintain that the unexpected is satisfying and that the individual will seek complexity, not sameness. In terms of travelling, the former theory would predict that the individual would visit well-known places, while according to the latter theory people would seek unknown places, restaurants and hotels. As a matter of fact, these theories explain different behaviours that do occur, and different individuals may behave more in accordance with one or the other assumption. The most likely is that people will seek for a balance between consistency and complexity.

In the case of leisure travel there is a search for variety; that is, for situations which offer a certain degree (variable among individuals) of incongruity, uncertainty, novelty and complexity, combined with a degree of familiarity: a contact with the familiar and the novel.

Satisfaction associated with vacation travel includes relaxation of tension, which is a strong underlying element to different desires and expectations concerning a vacation. The search for a mental state of renewal always seems to be involved.

The answer to 'why do people travel?' is then not a simple one. A new generation of travellers is beginning to emerge, in the sense that the traveller has ceased to be a tourist and has become a searcher. For that reason, many travel folders and advertisements are still speaking a language of the past. The motivations include the discovering of oneself and psychological mobility, with the traveller willing to know different cultures, the psychological aura, fauna and flora of an area and a country. We define this as authentic-seeking.

ATTITUDE AND INTENTION

Attitude

An *attitude* is a predisposition, created by learning and experience, to respond in a consistent way towards an object, such as a product. This predisposition can be favourable or unfavourable. Attitudes are generally considered to have three components: cognitive, affective and conative. The cognitive component is sometimes called the belief or knowledge component, and consists of the beliefs and opinions – based on some evidence – that an individual holds about something (a place, an experience, another person). The affective component refers to the feelings and emotions about the destination or service and implies judgement on the basis of emotion. The conative is the action tendency, which can have a favourable or unfavourable character (Hoyer *et al*. 2012).

Tourist attitude change

To change attitudes, marketers can:

- Modify the characteristics of the tourist product (real positioning).
- Alter beliefs about the product (psychological positioning).
- Alter beliefs about competitive products (competitive depositioning).
- Change the relevant weights of the product attributes.
- Induce attention to certain attributes.
- Modify the tourist's ideal levels for certain attributes.

Inhibiting factors may lead the tourist to respond to a destination in a way different from his or her attitude towards it. The sense of uncertainty, of caution or indecisiveness, is also present in vacation behaviour. Some inhibitors of a positive attitude are the availability of alternatives, problems of incompatible income or other limiting factors such as the impact of other people's behaviour. Travel preferences are developed as a result of perception of benefits. When choosing a destination, the traveller assesses the level of different benefits in each alternative. The outcome of this assessment is the intention to buy one destination.

So, to influence a traveller's decision, one may increase the importance of one or some specific benefits. The perception of benefits will shape the overall attractiveness of a destination. Alternatives are regarded as viable, neutral or rejected. The viable alternatives will then be more carefully considered. Research has indicated that usually travellers will analyse no more than seven alternatives in a given vacation decision. This is discussed later in section 'The evoked set'. So far we have discussed attitudes towards an object. However, an alternative interpretation holds that attitudes are actually related to 'behaviour towards' an object. The Fishbein (1967)

attitudes-towards behaviour model is expressed by the following equation:

$$Attitude\left(behaviour\right) = \sum_{i=1}^{n} b_i e_i$$

where b_i is the strength of belief that ith specific behaviour will have a specific consequence, n is the number of specific behaviours and e_i is the evaluation of the outcome.

A multi-attribute object (e.g. a vacation destination) is viewed as a bundle of attributes leading to costs and benefits of differential desirability to individuals or segments of the market. Overall affect is posited to reflect the net resolution of an individual's cognitions (beliefs) as to the degree to which given objects possess certain attributes weighted by the salience (importance) of each attribute to the individual. Our general attitudes, interests and outlook towards life are related to our attitudes towards different kinds of vacation experiences and to what we would like to find in a vacation. Confidence generation is related to destination comprehension, intention and the degree of satisfaction gained in the purchase and use of a product. Confidence also implies the tourist's ability to judge the quality of the services offered.

Intention

Intention indicates the likelihood of purchasing a tourist product; it is the readiness-to-buy concept. Behavioural intention is said to be a function of: (i) evaluative beliefs towards the tourist product; (ii) social factors which tend to provide a set of normative beliefs for the tourist; and (iii) situational factors that can be anticipated at the time of the vacation plan or commitment. This function is expressed in the following equation:

$$BI_{ij} = b_1\left(Eb_{ijk}\right) + b_2\left(SE_{ij}\right) = b_3\left(AS_{ij}\right)$$

where BI_{ij} is individual i's plan to behave in a certain way towards vacation destination j; b is the beta coefficient; Eb_{ijk} is individual i's belief k about vacation destination j; SE_{ij} is individual i's social environment influencing behaviour towards j; and AS_{ij} is individual i's anticipation of events at the time of his or her behaviour towards j.

The assessment of a market potential has to take into account there are factors that can be anticipated and others that cannot. Variables that can be anticipated should be analysed (for instance, demographic and economic factors) before further study of behavioural variables is initiated.

A final issue to be considered concerning attitude and intention refers to their measurement. Social psychologists have attempted to create methods of assessment. Attitudes may be inferred from systematic observations of the individual's behaviour in social contexts or from responses to questionnaires. One problem with the questionnaire technique is that respondents may misrepresent their feelings in their statements. Researchers have been cautious about the power to predict subsequent buying behaviour from the assessment of attitudes and intentions. Actually, in real situations, there is a gap in time and space between the manifestation of an intention and buying behaviour. Several non-predicted factors may appear during this interval. Despite this, a useful technique for measurement is the rank-order scaling procedure.

DECISION-MAKING PROCESS

A decision is an outcome of a mental process whereby one action is chosen from a set of available alternatives. Decision-process models describe how information is acquired and related in order to make a decision. Most of the models deal with five different steps in the decision process: (i) problem identification; (ii) information search; (iii) evaluation of alternatives; (iv) choice; and (v) post-choice processes. The tourist decision process involves the tourist's motives and intentions, as well as the stimuli that turn intention into

choice of product or destination. The tourist can make a decision through different approaches, from highly routine to very extensive. In the case of a routine decision-making approach, decisions are made quickly and with little mental effort; the perceived knowledge about the alternatives available is high. When an extensive approach is taken, there is need for considerable time and effort in the search for information and evaluation of alternatives.

Problem identification or need recognition

Initial problem identification or need recognition can be viewed as the consumer's perception that there is difference between their actual state of being and their desired state of being. These states of being may be physiological and/or psychological in nature and this difference or distance creates tension within the consumer who is then driven to reduce this tension through the consumption of tourism products. Need recognition can be triggered by many factors. Some may be marketer controlled (e.g. advertising stimuli or personal primers such as the need to revitalize) or more extraneous in nature (e.g. reference group influence, as discussed earlier in the chapter).

Information search: brochure design

Although the Internet challenges many of the traditional modes of tourism communication, the tourism brochure is still viewed by many as a necessary element in the decision-making process. A search online for different tourism options can prompt consumer requests for further information – the brochure. Immediately, the dialogue between provider and consumer has developed and become more involved. Both online and brochure content in terms of visual style, pitch and tone must complement each other and reinforce the

same value propositions. Classically the brochure was seen as a key method of making the intangible more tangible. A characteristic of the medium 'tour brochure' is that pictures are used to generate mental imagery processing and emotional experiences. In this context, it is relevant for tour operators to investigate the effect of the use of self-related imagery – instructions and verbal emotional information on external search behaviour. To be effective in stimulating the external information search of tourists, persuasive communication strategies need to focus on helping persons to imagine the positive sensory and emotional experiences of vacations. From this point of view the tourism industry should use emotional information in their promotion campaigns. By using information about feelings of pleasure and fun, advertisers actually try to tempt the consumer to plan a trip.

The evoked set

As consumers are increasingly pressured in terms of time and the number of choice alternatives that now exist, they have developed decision-making heuristics that act as short cuts to simplify the decision-making process. Sophisticated 'phased' or 'funnel' decision-making methods have emerged where consumers screen out unacceptable choice alternatives, preserving decision-making energy and time to evaluate between a smaller reduced subset of brands; this is commonly referred to as the 'choice set' (Ballantyne *et al.*, 2006). In reality, travellers are then likely to consider a rather limited number of travel destinations in planning their leisure travel behaviour. The rationale for the limited set is based upon Howard's (1963) concept of evoked set, which he originally defined as 'the collection of brands the buyer actually considers in the purchase decision process.' The concept of the evoked set was expanded by Narayana and Markin (1975), who also suggested the concepts of inert and inept sets. The inert set consists of those brands in the product category of which the consumer is

aware but does not have sufficient information to evaluate one way or the other. The inept set consists of those brands the consumer has rejected from his or her purchase consideration, because of either an unpleasant experience or negative feedback from other sources. Spiggle and Sewall (1987) divided the evoked set into two: (i) an 'action set' of alternatives towards which a consumer takes some action, for example by travelling to a destination from which he or she has received information; and (ii) an 'inaction set'.

Some researchers have found an average consideration set of 5.4, and others an average consideration set of 2.7. The average size of the consideration set tends to get larger with foreign travel destinations. Overall, the sizes of the consideration sets are relatively small and quite similar in size to sets found for brands of non-durables being considered for purchase by consumers. The average size of the respondents' consideration set is significantly greater than the average number of destinations mentioned in the respondents' inert, unavailable and inept sets. Given that the set sizes are relatively small, being mentioned in a consumer's consideration set represents value, given that most respondents mention only a limited number of destinations and assuming that consumers are more likely to select final choice from alternatives mainly from their consideration set. Experience via previous visits to a travel destination is associated significantly with a subject's categorization of destinations in their consideration set.

In some cases, we may find an inert set, consisting of alternatives that the tourist is indifferent towards because they are not perceived as having any particular advantages. The ways in which travellers evaluate and choose vacation destinations have critical implications in the planning and evaluation of destination tourism strategies. A central concern for the marketing strategist is to gain entry for his/her product and service (specific brand) into customers' abilities to retrieve such information into active memory when making product and service choices.

Evaluation of alternatives

Tourists interpret products as arrays of cues and select only a few cues which have a high informational value, based on predictive and confidence values. Cues can also be conceptualized in terms of whether they are part of the physical object (*intrinsic*) or augment it (*extrinsic*). Tourists show a preference for intrinsic cues, but in some situations (e.g. *quality* is difficult to evaluate) are more reliant on extrinsic cues. Due to the tourist's limited cognitive capabilities, perceptual selectivity results in the tourist becoming more attentive to a limited number of tourist product attributes and, consequently, tourists may not notice a difference when changes in a tourist product formulation do not reach a critical threshold. Tourism brand names are very important extrinsic cues. However, the focus of trust has begun to shift: historically trust in the product or service was enough – this was facilitated through the recognition of reputable brand names – but increasingly consumers want to be assured about not only the product/service itself but the people behind the product too. Quality research may benefit from a de-emphasis on price as the main extrinsic quality indicator.

All this consumer behaviour theory may be used to help tourism companies to decide whether to invest in tourist product improvements (intrinsic cues) or in marketing (extrinsic cues) to improve perceptions of quality. A single answer is unlikely to be given because of the difficulties involved. On the one hand, tourists depend on intrinsic attributes when the cues have high predictive value. On the other hand, tourists depend on extrinsic attributes more than intrinsic attributes when they are operating without adequate information about intrinsic tourist product attributes. At the point of purchase, tourists cannot always evaluate relevant intrinsic attributes of a tourist product (insufficient time or interest, or tourists have little or no experience with the tourist product). The last difficulty is that the signal quality changes over time because

of the development of technically better tourist products (the features that signal superiority change), promotional efforts and as a response of competence, changing tourist tastes and information.

The particular implications for tourism marketing researchers are that attention must be focused on finding the few key tourist-relevant attributes, rather than relying on a managerially derived attribute list. As the intrinsic cues used by tourists vary by tourist product, a standardized attribute list cannot be contemplated. Thus, if tourism marketers want to assess tourists' appreciation of formulation changes, the use of trained panels may be of value. Besides, since tourists may develop categories and evaluate tourist products by deciding which mental category the tourist products are more similar to, and hence what their properties are likely to be, it could happen that these categories do not contain mental images of all competing brands but just those perceived as relevant to the tourist. So, for example, if a tourism company wants to be good at developing new tourist products, given the rapid changes in preferences, technology and competition, a comparative, rather than monadic, analysis may be very useful.

Perceived value

To finish the whole picture, we must consider the concept of value. Value is proposed to be a higher-level abstraction and differs from quality in two ways: (i) value is more individualistic and personal than quality and is therefore a higher-level concept than quality. Although value has been defined in many ways (as an 'emotional pay-off', an abstract, multidimensional, difficult-to-measure attribute and as 'instrumental values'), the concept remains a high-level abstraction for all of them; and (ii) value, unlike quality, involves a trade-off of 'give' and 'get' components. Though many conceptualizations of value specify quality as the only 'get' component in the value equation, the tourist may include other factors, several that are in themselves

higher levels of abstraction, such as prestige and convenience. Therefore, benefit components of value include salient intrinsic attributes, extrinsic attributes, perceived quality and other relevant high-level abstractions.

Choice and post-choice process

The decision process may be studied as a sequence of conflicts; the conflict situations constituting a decision process are those that precede the choice and are necessary to explain what is chosen. This decision results in a psychological predisposition in terms of intention towards the buying act.

A tourist's decisions may be based on perceived images, on information from tourism destination promotion, on previous experience, on image of potential destinations, on travel intermediaries, on advice or on social interaction. The decision process is determined by the tourist's background awareness, which includes formation of beliefs and images (revised tourist terms of reference), the evaluation of vacation concepts and, finally, the travel decision (the merging of different beliefs and accommodation of opinions). The preceding steps can lead to the act of buying a variety of tourism products. Purchase has been described as the outcome of psychic processes taking place more or less consciously. The total tourist product is generally purchased in a sequence (transportation, accommodation, tours, etc.) and not always as a tour package.

Purchases can occur out of necessity; they can be derived from culturally mandated lifestyles or from interlock purchases; they can result from simple conformity to group norms; or from imitation of others. Post-choice evaluative feedback has a significant impact on the decision maker's set and/or subsequent behaviour. One of our key elements noted as affecting a tourist's expectations is the satisfaction with post-purchase. Post-purchase evaluation has three major purposes:

1. It adds to the tourist's store of experiences; it is through post-purchase assessment that

experience is taken into the tourist's frame of reference. Hence, it broadens personal needs, ambitions, drives, perceptions and understanding.

2. Post-purchase assessment provides a check on market-related decisions.

3. It provides feedback to serve as a basis for adjusting future purchase behaviour. Many tourism operators have a tendency to lose interest in the post-sale 'afterlife'. This is a missed opportunity and can be very costly in terms of building future relations with the consumer. Moreover, as suggested above, many consumers now share their tourism experiences online and so it has never been more important to deliver the value promised – the brand reality must live up to the brand promise.

CONCLUSIONS

From the above it is clearly evident that to understand consumer behaviour within the tourism arena is a complex task. Of particular note is the rise and influence of social media in consumer decision making, which continues to amplify. With the majority of consumers now beginning their journey online, and on mobile devices, more and more attention is being placed on blended content. Getting the right balance with content – both user generated and curated – is and will continue to be a dominant theme. Content must *inspire* and *help*; it must be *authentic* and *trustworthy* and it must be 'evergreen' – content must be reviewed and updated 365 days a year. This is necessary to build *authority* to encourage the transformation from prospect to consumer. Furthermore, as cited above, classic models of consumer behaviour and traditional marketing frameworks tend to view consumers as rational decision makers. Emergent thinking views the consumer as being more multifaceted – part rational, part emotional. As such we must combine classical modes of understanding consumer behaviour with more emergent thinking. We can now conceptualize consumer decision making as a journey, where at each stage of the journey opportunity exists to either create or dilute value.

Case Study: Madame Tussauds London … Everyone Will Hear You Scream!

Consumers are now transforming from the passive recipients of tourism attractions to active participants in the creation of signature tourism experiences. For example, Madame Tussauds London, has taken the relatively mundane attraction of viewing iconic wax figures and transformed it into an interactive multi-dimensional sensory experience. At present, Madame Tussauds, in collaboration with Twentieth Century Fox, the parent company of the Alien movie franchise, is co-creating unique consumer experiences via their Alien: Escape experience. Seamlessly tied in with the release of the latest Alien film *Alien: Covenant,* participants are invited on board the covenant spaceship that appears in the movie and are tasked with one simple quest – survival. All manner of scare tactics are presented, including life-size replicas of the terrifying alien creatures. This type of intense experience allows the consumer to experience a fast-paced scary situation in the comforting knowledge that it is just play. The consumer now becomes an actor in their own movie by stepping into the Alien movie universe.

The tagline, 'Everyone Will Hear You Scream!' (Madame Tussauds, 2017) cleverly references the tagline from the original movie poster for the 1979 movie *Alien* – 'In space no one can hear you scream'. This type of product is far removed from the lifeless

(Continued)

Case Study. Continued.

waxworks of yesterday; by tapping into the mythology of the Alien movies already established in the consumer's consciousness, as well as the primal experience of fear, Madame Tussauds transports participants to another place. This type of immersive themed sensory experience has long been forecast within the science fiction genre, for example in two of Michael Crichton's novels, namely 'Westworld' and 'Jurassic Park'. As science fiction now becomes science fact, innovative tourism attractions such as Madame Tussauds can clearly begin to conjure up a vast array of movie tie-in experiences – with everything from King Kong and Star Wars on the menu, the distance between the audience and the silver screen continues to shrink and, indeed, in some instances disappears altogether.

QUESTIONS

1. As consumers can now essentially act as their own travel agent, planning and booking their own travel schedules and accommodation, what value can traditional travel agents offer this new empowered consumer?

2. Identify and discuss three key future impacts of technology on tourism experience from the perspective of the consumer.

3. In the future, will consumers have a greater appreciation of 'slow' travel where journeys by modes of transport such as train and boat, rather than air, gain in popularity? If so, why? If not, why not?

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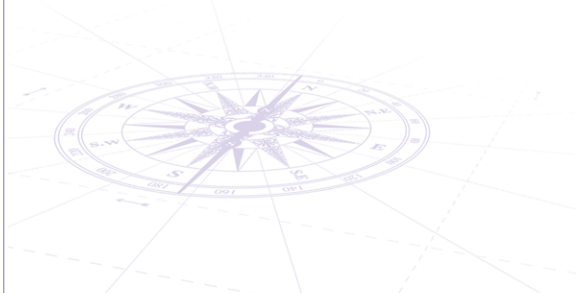
Strategic Creativity in Tourism Business

Kanes K. Rajah

LEARNING OBJECTIVES

- To explain the context for the chapter in terms of the experience economy and the attention economy.
- To discuss what creativity is all about and why creativity-based approaches can be strategically a more effective way to plan ahead and offer new options to tourism.
- To provide ideas, approaches and techniques to assist those in tourism to solve problems and identify new opportunities for the sector.

INTRODUCTION

The age of information and the digital economy are driving the tourism sector where everyone is connected online and where buyers and sellers are highly savvy in transacting the experiences tourism offers. Astute buyers are inundated with tantalizing choice and competing offers and have instant online access to compare these with other deals before deciding. Sellers have become experts in segmentation and targeting because the market has diverse requirements through changes in the demography of clients alone. New offerings have been made possible because sellers now have far more information about consumers and their behaviour, for example through data mining and the use of big data and cloud computing capability, and they use these cleverly to design niche and bespoke experiences for discerning tourists. All this is best explained within the context of the experience economy and the attention economy.

The challenge now is: how to come up with the next new experience? It is for this type of reason that it is important to understand the role strategic creativity can play in the growth of the tourism sector.

Creativity-based approaches can be used to identify the problems and gaps that exist in the tourism industry. Techniques for problem solving and opportunity finding are therefore required to help those working in the sector to identify the next new experience and to

find ways of making these generate revenue and their output sustainable.

The content of this chapter is, therefore, relevant to most of the other chapters in this book. The reader is therefore recommended its use in this broad context.

FIGHTING FOR ATTENTION IN THE EXPERIENCE ECONOMY

Pine and Gilmore (1998) explain economic change as going from the agrarian economy to the goods-based industrial economy which led to the service industry, resulting in what we now have: the experience economy.

After the Second World War, and with the advent of industrialization and automation, the ability to produce more per unit input yielded more spending power. People moved from seeking food, clothes and shelter to looking for services and experiences which they were now able to afford. In the past, when we once took a holiday by visiting a close relative living in a distant town or village and staying with them, the tourism industry developed to provide affordable options (e.g. holiday camps by the seaside). This evolved into a plethora of offerings where the choices are so numerous that we can now choose to holiday locally or overseas; travel by air, sea or road; have different levels of comfort, luxury and even opulence in where we stay and eat; and enjoy these on a day rate or for short or longer stays.

Pine and Gilmore (1998) concluded that economists have typically lumped experiences in with services, but that experiences are a distinct economic offering. They contrasted experiences as being as different from services as services are from goods. They felt it was possible to identify experience and to describe this as the fourth economic offering because consumers unquestionably desire experiences. We are now able to see vivid examples of this

in the tourism industry as more and more businesses are responding by crafting new and often unique experiences and promoting them.

Extensive choice means consumers will need to go through an oversupply of information to identify and decide on the experience they want and need. The statement by Herbert A. Simon in 1970, reputedly the first person to articulate the concept of attention economics, is most apt:

> in an information-rich world, the wealth of information means a dearth of something else: a scarcity of whatever it is that information consumes. What information consumes is rather obvious: it consumes the attention of its recipients. Hence a wealth of information creates a poverty of attention and a need to allocate that attention efficiently among the overabundance of information sources that might consume it
>
> (Simon, 1971, pp. 40–41)

This articulation of information overload as an economic one has subsequently been adopted as 'attention economy' by strategists such as Thomas H. Davenport (Davenport and Beck, 2001). Attention is a scarce commodity which has value. Hence, its availability is limited and those offering goods and services with experiences need to try harder to gain the attention of their target group – a person only has so much of it, claimed Crawford (2015).

In recent times social media has replaced conventional vehicles of communication as a means of selling tourism-based products and services. As a result, an increasing number of tourism's offerings are promoted, for example, on Facebook and via Twitter, blogs and other social websites. Friends, family and the organizations we work for seek information and visuals instantly and on-demand, and so instant feedback of experiences by consumers via the same media (especially Instagram, the online mobile photo-sharing, video-sharing and social networking service) has become the norm for many. Collectively these have created a

totally different environment aligned to the attention economy and reflecting the new world within which we live, work and play.

Clearly, as the demand for tourism services increased, the industry reached a new level of sophistication as it became more segmented and specialized (Novelli *et al.*, 2006: p. 1141), and requiring more creativity, imagination and flexibility than ever before. Creativity and tourism has received much attention in recent years (Richards, 2011; Teodorescu *et al.*, 2015), not least because it contributes directly towards innovation which is driving the tourism sector. It is an exciting and hands-on approach to making entrepreneurial activity in tourism realizable, more manageable and fun (Wickham, 2006, p. 34).

WHAT IS CREATIVITY?

Gregory (1967) defined it as 'The production of an idea, concept, creation or discovery that is new, original, useful or satisfying to its creator or someone else in some period of time'.

Two researchers (Freedman, 1976; Ackoff and Vergara, 1981) found several hundred different definitions. For the purpose of this chapter, creativity can simply be defined as 'coming up with a unique idea which is fit for purpose'.

WHY CREATIVITY?

Social and technological change is so rapid that we cannot hope to survive using the methods which were successful in the past.

At the economic level, creativity is an essential for commercial success: in maintaining a competitive advantage differentiating your products and services from those of your competitors; in developing niche markets; in making the best use of your resources; and in being able to predict what the future trends will be in your particular environment.

WHEN CREATIVITY?

Creative approaches are not always the answer and sometimes looking for new ways of solving problems can be a waste of valuable resources. Often there are tried and tested techniques which can cope very well with many of the problems we come across.

The times when we do need creativity might be:

- When our usual approaches are not achieving our objectives or are not doing so as effectively or as efficiently as we would wish.
- When the problems encountered are different from ones we have come across previously.
- When the resources we have available are not adequate to solve the problems we are faced with.
- When we wish to explore other options for the future.

HOW CAN WE BE CREATIVE?

Mooney (1963) suggested four significantly different approaches to creativity, the '4Ps' of creativity:

1. Product approach is more likely to be taken by business managers who have the needs of the market and the financial objectives of the organization in mind.
2. Process approach is likely to be preferred by creative individuals themselves, who seek to improve their own effectiveness by learning how others are creative.
3. Person approach is likely to be preferred by those who are responsible for selecting creative individuals for specific jobs or for building creative teams.
4. Environment approach or 'Press' i.e. what historical or everyday conditions are conducive to creativity (the press). This is likely to appeal to team managers who are trying to provide a climate in which people are motivated to produce creative ideas.

Factors affecting creativity

Mindset (Dweck, 2006)

We tend to see the world with relatively fixed ways of thinking. This is because there is much more information around us than our limited senses can hope to attend to. Consequently, we have to be selective and find ways of construing the world that create the image of reality we have. We select those things that interest us and which fit in with our world view. The mind is set to find and create meaning everywhere and anywhere. We invariably impose order on chaos, finding images in clouds and inkblots; in so doing we tend to simplify complexity and make the inconsistent coherent.

The danger is that we see what we expect, not what is there. Those events that do not fit our understanding of what is or what should be, may be ignored, overlooked or assumed to be wrong.

This tendency can apply to groups and organizations as much as to individuals. The first time I saw a shack made of double-storey construction was at Khayelitsha, a partially informal township in the city of Cape Town in South Africa. Until then, in my mindset, I had conceived that a shack was a single storey, and a small, often primitive shelter or dwelling. Khayelitsha is the name in Xhosa for New Home. It is reputed to be the largest and fastest-growing township in South Africa and is therefore also a tourist attraction.

Paradigm

Over time a school of thought can harden into a fixed world view or paradigm, which contains assumptions that we never even think to question.

Organizational thinking also goes through fashions, which rest on assumptions that tend not to be questioned until a new paradigm comes along. When whole schools of thought change and new paradigms emerge, this is known as a paradigm shift.

In the 1960s holiday camps such as Butlins and Pontins served the needs of many working-class families in the UK. These provided an all-inclusive deal, even having in-house entertainment for both old and young so that no one actually left the enclosed 'camp' during the duration of their stay. However, the 1970s brought cheap air travel and package holidays to Spain, and seaside resorts like Majorca became fashionable. By the 1980s travelling farther afield to the USA and the Far East became an affordable option. The 1990s brought more choice and the ability to book on the Internet. In the last two decades the opening up of South Africa, China and the countries of the former Soviet Union has provided an extraordinary choice of destinations to the already numerous and popular destinations available globally. This is a classic case of paradigm shifts taking place in the tourism sector since the Second World War.

Perception

Perceptual and attitudinal skills are important in human interaction.

ANTICIPATION, RECOGNITION AND ENVISIONING. A vital creative competency (and the beginning of wisdom) is the ability to view situations from different perspectives. This requires some mental flexibility and ability to take an *overview*. For example, perception of degree of risk informs tourists about destinations associated with terrorist activity such as Egypt or Israel.

Helicopter thinking takes the broad view (Handy, 1991). Senge (1991) discussed the importance of mental models and broad perspectives offered by systems thinking, and the ability to view situations from different perspectives. Kaleidoscope thinking (Kanter, 1994) uses the same inputs but, as the kaleidoscope is turned, new images (possibilities) appear (i.e. using existing resources to produce new value).

The ability to adopt different perspectives (the capacity for empathy – the ability to see

and feel the situation from the other person's perspective) is important in creating new experiences for consumers and tourists seeking new and different experiences.

MOTIVATION

Among the factors that influence the expression of creativity, perhaps the most important is motivation (Maslow, 1954).

Looking around, one is aware that different people appear to be motivated by different experiences and that the rewards which will appeal to each of them will decide this. In the tourism industry, the needs of the self-indulgent tourist travelling to Las Vegas are likely to differ widely from the religious tourist on a tour of the Hindu temples of South India.

In the 1980s former Prime Minister of Malaysia, Mahathir Mohamad, envisioned erecting an extraordinary building in the middle of Kuala Lumpur. Numerous attempts proved futile. It was only after he finally conceived of integrating Islamic art and design into modern Western architecture that the concept took shape and resulted eventually in the creation of the iconic Petronas Twin Towers. This construction still remains the most elegant symbol of Malaysian pride and the world's tallest twin towers. Hence, personal motivation is important in stimulating creativity.

Many artists, writers, scientists, engineers, teachers, business people, etc., seem to have some form of inner drive to produce new ideas and approaches to situations. Motivating others is also important. An explanation of this can be seen in the model proposed by digital culture expert Kevin Kelly (2008). He explained that the digital economy is one where increasingly the consumer product costs nothing to reproduce and the problem facing the supplier of the product lies in adding valuable intangibles that cannot be reproduced at any cost.

He identifies:

1. Immediacy.
2. Personalization.
3. Interpretation.
4. Authenticity.
5. Accessibility.
6. Embodiment.
7. Patronage.
8. Findability – when millions of things are requesting our attention (most of it free), being found adds value.

This is the basis upon which loyalty cards from the airline sector are offered to regular customers who have earned enough air miles. Regular passengers collecting enough air miles are given a bronze or silver membership and start getting some of these privileges. This is indicative of loyalty and those travelling extensively on the same carrier are issued with gold cards and can have 'immediacy' (e.g. priority access when boarding,) personalization (e.g. their own name tags, being referred to by name on boarding) and accessibility (e.g. access to executive lounges).

In fact all eight intangibles can be seen to operate in successful airlines such as Emirates, Singapore Airlines and British Airways. Such offers are highly enticing and tempt many to remain loyal, paying the premium fares ('patronage') so they can continue to earn extra air miles in pursuit of the ultimate platinum card which gives them even more of the extraordinary experiences that fit in with their lifestyle, wants and needs.

COGNITIVE STYLE

Goldsmith (1994), quoting from McKenna (1984), defined cognitive styles as the manner in which individuals prefer to perform mental actions; they may be distinguished from abilities because abilities refer to level of performance while styles refer to how the action is performed.

Kirton (1980) suggested that people are liable to be creative, solve problems and make

decisions in one of two distinctive styles: adaption and innovation. He devised and validated a questionnaire, the Kirton Adaption-Innovation inventory (KAI), measuring these styles to differentiate them. The behaviour associated with each of these styles is described below (McHale and Flegg, 1986; Kirton, 2003):

Adaptors

- Seek solutions to problems in tried and tested ways.
- Maintain accuracy and attention to detail over long periods of time.
- Rarely challenge rules; are well able to use the space within them.
- Prefer to work within given structures; may find it difficult to break out.

Innovators

- Query definition of problems and their assumptions.
- Easily bored; quick to delegate routine tasks.
- Have little respect for past custom.
- Create own structures but may have difficulty in getting others to accept them.

It is useful to have a mix of adaptors and innovators in most teams, although the proportion of each which is desirable will vary with the type of work being performed. Those developing new experiences in tourism need to take this into account, as well as recognize that those they are targeting have their own cognitive styles and preferences.

People in groups whose KAI scores are very significantly different may have difficulty working together because they have different views of the world. This gap may be overcome by mutual tolerance or the intervention of someone with an intermediate score, referred to by Kirton (1994) as 'bridgers'. Therefore, when organizing group tours, it will be important to consider the implications of diversity of behaviours within the group.

INTUITION

This is about understanding something instinctively, without the need for conscious reasoning (Isenberg, 1984; Dane and Pratt, 2007).

According to Isenberg (1984), senior managers use intuition in five distinct ways, often combining gut feel with systematic analysis, quantified data and thoughtfulness. Intuition is based on extensive experience both in analysis and problem solving and in implementation, and to the extent that the lessons of experience are logical and well founded, then so is the intuition.

He also contends that executives use intuition during all phases of the problem-solving process: problem finding, problem defining, generating and choosing a solution, and implementing the solution.

UNDERSTANDING DIFFERENT TYPES OF PROBLEMS

Typically, problems are classified as being tame, complex or wicked problems (Rittel and Webber, 1973). Many of these occur unexpectedly, just as opportunities also arise when we least expect them. Summarizing the definitions for problems from Rittel and Weber's work:

- *Tame problems*: can be solved in a linear fashion, are amenable to traditional project management approaches and are well defined; solution is clear and can be given to a designer to create detailed specifications.
- *Complex problems*: tend to be non-linear and difficult to understand; their solutions can lead to other problems and unintended consequences.
- *Wicked problems*: goals are either not known or are ambiguous; means-ends relationships are poorly understood.

It is therefore necessary to use reliable means to establish the type of problem that exists and deciding whether resolving it would serve the needs of the individual or the organizations.

THE CREATIVE PROBLEM-SOLVING PROCESS (CPS)

Many practitioners believe that effective problem solvers vary their methods according to the circumstances. This has led to the 'contingency model for problem solving' which is based on the 'contingency theories' used to examine management style and organizational strategy. This will depend on four factors:

1. The preferred style and approach of the problem solvers
2. The preferred style and approach, experience and attitudes of those affected by the problem
3. The nature of the problem
4. The climate in which the problem exists.

The most commonly used approach to creative problem solving in the Western world was developed at Buffalo State College, part of the State University of New York. This work of Alex Osborn was carried on by Sid Parnes (1961, 1967, 1972) and has been developed further by Scott Isaksen and his colleagues at the Center for Studies in Creativity (Isaksen and Treffinger, 1985; Isaksen *et al.*, 1994) (Fig. 6.1).

TECHNIQUES FOR EACH CPS STAGE

Stage I CPS: objective finding

Identifying a problem or opportunity

This begins by using divergent thinking to generate a list of all the problems one is facing in that area. This is followed by convergence, which is to focus and identify the most important problem for further exploration based on its relevance to the overall aims, values or mission of the organization. A similar process

The first three stages are about problem definition
Otherwise you could end up solving the wrong problem. It is therefore very important to spend some time getting this right.

The final stage is about implementation
Setting out the right strategies to ensure success is a fine art and a structured approach will help increase the chance for success. It is also about successful project management.

The next two stages are about idea generation
If you know what the problem is, finding the right ideas to solve it is always a challenge. It helps to use techniques that tap into different mental modes for ideas.

Objective finding • Fact finding • Problem finding • Idea finding • Solution finding • Acceptance finding

Fig. 6.1. Creative problem-solving model (CPS).

can be adopted when trying to identify opportunities.

Brainstorming is a useful way of producing a list of current or potential problems.

CLASSICAL BRAINSTORMING. A.F. Osborn defined and described classical brainstorming in his book *Applied Imagination*' (Osborn, 1953) as 'a technique by which a group attempts to find a solution for a specific problem by amassing all the ideas spontaneously contributed by its members'. He also discussed it at a conference in 1960 and the paper titled 'Developments in Creative Education' was subsequently published two years later (Osborne, 1962).

He believed it was vital to suspend judgement and to avoid premature evaluation until all possibilities had been explored.

Since the main task of brainstorming is to generate ideas and not to analyse them, four basic rules must be observed:

1. *No evaluation*: every idea suggested is acceptable and must be written down without interpretation and no other member of the group may criticize it. During sessions participants must withhold criticism of other people's ideas and even suspend judgemental thinking. At first it is a difficult discipline to come to terms with but, with practise, groups learn how to comply with this rule.
2. *Wild ideas*: participants should be actively encouraged to put forward unusual or ridiculous ideas. The wilder the idea, the better, given that it is easier to tame down than to think up.
3. *Quantity*: the greater the number of ideas, the greater the probability of good ideas being included in the list. A large number of ideas is recommended since the really wild ideas tend to come out once all the obvious ones have been listed. Osborn believed that quantity led to quality.
4. *Cross-fertilization*: experience shows that one person's idea triggers off something else in the mind of another person so that ideas flow smoothly from each other in an associative fashion. In addition to contributing ideas of their own, participants should be encouraged to suggest how the ideas of others may be combined to yield yet another idea.

Fact finding

This stage increases overall comprehension of the problem: the objective is to collect all the information related to the problem. Fact finding helps to collect relevant data which are essential before arriving at any decision and may even enable one to see the previously identified problem or problems from a new perspective.

LISTS. Van Gundy (1988) recommended dividing a sheet of paper into three columns headed 'Wants', 'Sources' and 'Obtained information'. The first column should contain a list of questions about the information needed to clarify the question. These questions should be aimed at obtaining facts, not opinions. The second column should list all the possible sources of the information required and the third should be used to note the information when it is obtained.

KIPLING'S SERVING MEN. Rudyard Kipling's poem (1902) goes:

I keep six honest serving men
(They taught me all I knew);
Their names are What and Why and When
And How and Where and Who. (The
    Elephant's Child, i. 1–4)

Irrespective of the problem, these six questions – also referred to as 'Five Ws and H' – are likely to provide a great deal of information.

Using these questions is a very useful discipline to ensure that nothing is missed out, since the answer to one question tends to trigger others. It can, therefore, be very helpful at the start of a problem-solving session to use this approach to brainstorm a checklist of suitable questions and then to apply the checklist to the problem situation.

MIND MAPS. Mind maps are an alternative way of displaying data to narratives and lists.

'The Mind Map harnesses the full range of cortical skills – word, image, number, logic, rhythm, colour and spatial awareness – in a

single, uniquely powerful technique' (Buzan and Buzan, 1993).

In gathering data about a problem:

1. Draw an elliptical box in the centre of a blank sheet of paper and write in it a brief description of the problem (e.g. running a business).
2. Identify the key aspects of running a business such as managing people, finance, marketing, production, research and administration. Each of these is displayed as a line (or stem) radiating from the problem box, and is labelled.
3. Each of these key aspects is then broken down into other factors which are displayed as branches from each stem.

By using coloured pencils, associated aspects which appear in different branches can be linked together and a picture emerges of the different aspects of running the business and where the priorities lie.

Problem finding (also referred to as problem definition or redefinition)

Next, using all the available information, we should stand back from the problem to ensure that we are in fact trying to solve the right problem or indeed identifying the right opportunity to pursue. So often we rush into problems without proper analysis and planning, and start implementing solutions without regard for their possible consequences, or whether we are tackling the real causes of the problem or merely the symptoms. This is particularly true of messy problems since we are often not at all sure what the problem is and may just have an uneasy feeling that something is wrong.

This can be done in either a convergent or divergent manner. The first can be done by critically examining the problem statement, the second by generating many possible problem statements (by looking at the problem from different viewpoints).

Goal orientation

This technique is used at the end of this first stage of CPS to finally define or redefine the original problem as a statement so that it can be worked on. Rickards (1974), in his description of this approach to identifying the right problem, proposed that one should ask: 'What the goals of the situation are and what are the obstacles and constraints?' In his later book Rickards (1988) defined goal orientation as 'a technique which helps focus attention on the central goal or desired achievement during problem solving. The suggested operational mechanism is to describe the problem as a 'how to' statement, including a verb which should trigger off images or 'visions' of what needs to be done'. In other words, we should take into account all the information gathered and then rephrase the problem statement in the form of a goal starting with the words 'How to', as Rickards suggests. This moves the perception of the problem away from a negative statement of dissatisfaction and converts it to a positive statement of aspiration. Having done this, we should generate a number of alternative definitions of the problem, starting with 'How to' in each case, and then select the definition that seems most appropriate.

Network of aims

Another approach to problem redefinition is to use a technique called network of aims (also known as the abstraction ladder).

Virtually every problem can be expressed differently as the degree of generalization varies. By asking the question 'Why?' we can increase the level of generalization and by asking the question 'How?' we can make the problem more specific.

For example, if we find that doctors' prescriptions are difficult to read, we might frame the problem as 'How to get doctors to write more clearly'.

If we then ask the question 'Why?' we might reframe the problem as 'How to ensure that doctors communicate information accurately'.

Asking the question 'How else might we do that?' might lead to a further restatement, such as 'How to get doctors to use word-processors'.

Raising of the level of abstraction helps to ensure that we are examining our real aims in solving a problem. This in turn tends to lead to a broader range of potential solutions.

By continually asking the question 'Why?' the problem becomes broader at each level as we progress. It is important therefore that we do not go beyond the level at which we can directly influence the problem, otherwise most organizational problems end up as 'How can we keep the shareholders (or government) happy?' Figure 6.2 shows how the system works.

This is a particularly useful device for broadening the scope of a problem and ensuring that you are not getting trapped in detail when the cause of the problem is at a higher level. However, it is important that you do not go so far up the ladder that you exceed your ability to influence the situation. Although the technique is simple in concept, its effects can be very powerful.

Having generated a number of problem statements it is then necessary to choose which one (or ones) to work on further. If there is a specific problem owner, this is the person who is likely to make the choice as in the example quoted under Goal Orientation.

If, however, the problem is tackled by a team and the problem owner wishes their help – or if the problem is owned by the whole group – there are a number of other options available.

Stage II CPS: idea finding
Checklist for idea-finding potential

Once some potential problem statements have been chosen they can be evaluated individually against the following criteria:

- Will it lead to lots of ideas?
- Is it the question about which you want to find ideas?
- Does it clearly state who owns the problem?
- Is it stated in positive, goal-oriented terms?
- Is it free of restrictions as to how the problem may be solved?
- Is it stated briefly and clearly?

Generating ideas are necessary for solving the problem (or leading to new opportunities) and so brainstorming, described earlier, can be used.
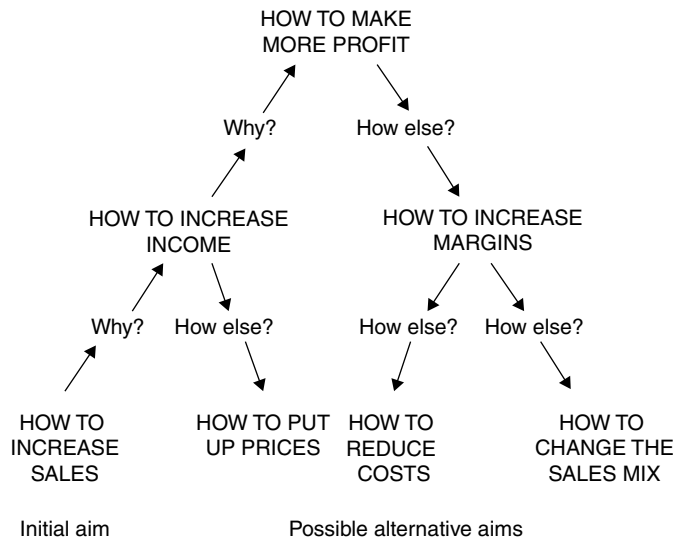
Fig. 6.2. Network of aims model.

Analogy and metaphor

Proctor (1995) refers to the use made of analogy and metaphor to stimulate new ways of perceiving problems. The two terms are frequently confused and there are indeed areas of overlap between them.

Van Gundy (1988) defines analogy as 'a statement about how objects, persons, situations or actions are similar in process or relationship to one another'. The similarities which occur in the two situations can be used to explore how one might transfer learning from the analogy to the problem situation. For example, many of the techniques used in surgery have been developed by studying methods used in engineering and the processes of the human brain have been used in the development of computers.

Biological analogies are particularly useful and our knowledge of control systems in industry has been greatly influenced by the study of the systems which occur in nature, and the opposite is also true. In fact, this gave rise to the discipline of cybernetics, which is defined by Wiener (1948/1961) as the study of communication and control in animals and machines. However, one must be careful when using analogies not to push the similarities too far or to assume that, because some features are common to both situations, others are too. For example, if using the behaviour of animals to predict that of humans, one must always be aware of the consequences of humans having the ability to reason.

Van Gundy (1988) defined metaphor as 'a figure of speech applied to something that is not literally applicable'. For example, terms like 'he has a heart of gold' to describe a kind person, or 'an iron curtain' to describe the philosophical differences between communist and capitalist states in Europe after the Second World War are obviously not intended to be taken literally but to express a clearly understood meaning very succinctly. For this reason, we use metaphors as a regular feature of our everyday communication because it is a convenient 'shorthand' (yet another metaphor) for expressing quite complex concepts. We use mechanical or biological metaphors to describe organizations as machines or organisms (Morgan, 1997) and to describe organizational roles such as 'troubleshooter' and 'gatekeeper'.

Since metaphors seem capable of spontaneously stimulating creativity we could make deliberate use of metaphors to break out of mindsets.

Often it is difficult to think of really new ideas because the people involved are too familiar with the problem and unconsciously evaluate the ideas they think of before suggesting them to others. In these circumstances it is useful to think of a metaphorical description of the problem which does not obviously relate to the original.

Ideally the metaphor should be given to a group that is not aware of the original problem and they should be asked to produce ideas for solving the metaphor. These ideas should then be given to the owners of the original problem, who would then seek to match up each metaphorical idea with its equivalent in the real problem.

When devising a metaphor, the trick is to keep the verb in the metaphor virtually the same as in the problem statement but to make the other parts as different as possible.

Some examples of metaphors we have used are:

Real problem: How to work effectively for two bosses?
Metaphor: How to keep a wife and a mistress happy and satisfied?
Real problem: How can I delegate work and be sure it is done properly?
Metaphor: How could the Roman Emperor ensure that the regional governors applied the Roman law uniformly?

Selection of the idea by problem owner

Convergence

A problem owner who is a member of the group can be called upon to examine the list

of ideas produced and select those worth pursuing further. The problem owner needs to be clear about the sorts of things that might be successful.

Categorization

If there are a large number of ideas, this makes comparison very difficult. A useful approach for reducing the quantity of data is to group the ideas into no more than six categories and then to work on each category in turn. This is particularly useful when there are different aspects of a problem, and tends to lead to a merging of ideas. For example, in an educational establishment, there could be aspects of the problem to do with planning, legal requirements, staffing, finance and accommodation. All of these may need to be covered by the final solution.

Prioritization

In this approach, the ideas are ranked in order of importance and the more important ones worked on first. A simple prioritization system should be used such as marking each idea as A, B or C, where A means a definite choice, B means a possible or hold in reserve and C means not suitable.

Voting

A quick way of reducing the number of ideas to be considered is for each participant to identify the ideas which are personally most interesting. A useful approach is to ask each member to nominate three choices from the list. This often produces a high level of agreement about some of the items. Even if there is no obvious consensus about which is the best choice, it will eliminate those items not chosen by anyone.

Do by Monday

This is a good technique for getting the show on the road. The problem owners are asked to identify those ideas they can tackle immediately without needing to seek authorization. This allows them to do something quickly and provides a momentum which is then easier to sustain.

In practice it is often appropriate to use a combination of these techniques.

Stage III CPS: implementation
Solution finding

DIVERGENCE.   Having reduced the quantity of ideas it is necessary to ensure that we have developed objective criteria to assess each idea. Criteria will vary from case to case but the sorts of criteria often used are:

- *Feasibility*: Will this idea really work and can we actually achieve it?
- *Acceptability*: Will this idea be acceptable to those affected by it, including ourselves?
- *Fitness for purpose*: Will it actually achieve our objectives?
- *Time*: Can we achieve it in the time we have and with the resources available to us?
- *Authority*: Do we have the authority to implement this ourselves or do we need to get the permission of other people?
- *Cost*: Can we afford it? Do the benefits justify the expenditure? Often cost is the first consideration taken into account which may well result in very good ideas falling at the first hurdle. If cost is made the last criterion for consideration it may be psychologically less of a barrier because we will be aware of benefits which may possibly outweigh it. To do this it is best to analyse all of the other ideas on the non-cost criteria, rank them and compare these rankings to the costs of each.

The guidelines which we need to take into account when choosing criteria are:

- *Relevance*: every situation is different and the criteria chosen should be appropriate.

- *Clarity*: Everyone must understand exactly what each criterion means.
- *Economy*: Each criterion should be concisely described so that the essential elements are captured.
- *Precision*: Criteria should be very specific and applied rigorously.
- *Consistency*: The same criteria must be applied in the same way to all the possibilities being considered.

Acceptance finding

CONVERGENCE. The first stage of this process is to identify the factors likely to assist acceptance and those which are likely to limit it. For this we can make use of Kipling's famous serving men, 'What, Why, When, Where, How and Who?'

Stakeholder analysis. The 'Who' category is usually crucial in the acceptance-finding process. One approach is to identify the stakeholders (i.e. those with an interest in the outcome of any proposed change). These can be categorized in various ways such as:

- Who gains or loses?
- Which of them has power or influence over the outcome? What is the extent of that influence?
- Which disinterested parties could have influence if they chose?

Bulletproofing. Isaksen and Treffinger (1985) suggested that even a good plan needs to be checked out for vulnerability. They proposed that we should:

- Ask questions of the form, 'What might happen if…?'
- Then ask, 'Which of these are most likely to occur?'
- Then, 'How critical would this be?'

Decide on the three greatest concerns and plan around them.

Implementation checklist. This is another technique suggested by Isaksen and Treffinger (1985). They proposed a number of questions, under the following headings, to assist in examining the effectiveness of the proposed action plan:

- Relative advantage (e.g. who will be in a position to gain from this plan?)
- Compatibility (e.g. how can we demonstrate that the plan is consistent with current goals?)
- Complexity (e.g. is the plan likely to be easily understood by others?)
- Trialability (e.g. is it possible for the clients to try out part of the plan before committing themselves?)
- Observability (e.g. how might I make the plan easier for others to understand?)

These are not the only headings that may be used. You can make up your own checklist with headings and questions which are appropriate to your own problem situation and the climate of the organization you are working with.

QUESTIONS

1. Discuss world-class iconic buildings, both ancient and modern, which have stimulated tourism to flourish around them. What aspects of creativity are evident and how have these been strategic in creating more employment and trade to boost the local or national economy?

2. What are the benefits of random and structured brainstorming techniques, respectively? Give an example of when and why you would prefer one over the other.

3. It what way do the terms 'suspend judgement' or 'avoid premature evaluation' relate to divergence and convergence in the CPS? Why are these important in normal communication?

4. The model for creative problem solving and opportunity finding have been discussed as being similar. Describe what these similarities are, and why.

ACTIVITY

Pick a current problem facing tourism or an opportunity that you have been considering and try out each stage of the Creative Problem Solving–Creative Opportunity Finding process, for example:

- Define a current problem or opportunity more clearly.
- If you are clear about what the problem is, carry out some idea generation using at least two different techniques.
- You have an excellent idea for solving a problem or for commercialization of a new development. How would you go about increasing its chances of success?

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Strategic Innovation in Tourism Business

Anne-Mette Hjalager

LEARNING OBJECTIVES

- To reflect on the need for strategic innovation efforts in tourism.
- To distinguish categories of innovations.
- To understand managers' strategic choice concerning innovation processes.
- To determine driving forces and the potentials they represent for tourism businesses.
- To select information sources that can guide innovation processes.

INTRODUCTION

Being innovative has become a mantra for enterprises and individuals alike. The ability to control and exploit change in a way that is consistent with overall visions and goals for the future is accorded positive recognition. A glance at successful tourism companies, for example Schiphol Airport, Airbnb, Disney Parks and Starwood Hotels, will be enough to convince anyone about the critical importance of a continual renewal of products and services. However, compared with other industries (for example, information and communication technology, pharmaceuticals and materials) innovation in theory and practice is infrequently associated with tourism. An important explanation is that tourism enterprises are small, on average, and they are less inclined to have formalized research and development (Hjalager, 2010; Camisón and Monfort-Mir, 2012; Tejada and Moreno, 2013). None the less, intrinsic development processes in the service industry – including tourism – are attracting more attention as their economic significance increases. How to foster innovation and harvest the derived benefits is, therefore, becoming a key strategic management discipline.

Strategic innovation is defined by the chapter author as the determined, targeted, planned and measured pursuit of such changes in organizations that lead to the introduction of new products/services, new production processes, supply chain links, managerial

revisions, communication changes and institutional paradigm shifts. Strategic innovation is a dimension of the strategic management discipline, and thus innovation is included and embedded in comprehensive attempts of an organization to achieve and maintain a competitive advantage.

Strategic innovation can be distinguished from incremental and 'accidental' changes because strategy, by definition, includes a sustained choice (Spender, 2014).

The aim of this chapter is to provide an overview of the nature of innovation in tourism. Further, it discusses strategic matters in greater depth, looking at the differences and the organizational implications of episodic and continuous change. It also specifies important categories of driving forces that materialize for organizations as incentives in innovation processes.

WHAT ARE INNOVATIONS IN THE TOURISM BUSINESS?

In his seminal work, Joseph Schumpeter (1961) delivered a first thought-provoking classification of inventions and innovations. According to him, inventions are major scientific, technological or cultural breakthroughs. Innovations are inventions brought further towards a stage of practical applicability and commercialization. Schumpeter contributed with a typology of innovations.

In practice many innovations will combine effects from more than one field (Stamboulis and Skayannis, 2003; Hjalager, 2015). A hotel investing in new air-conditioning does not seem innovative in the first place. However, the system may be constructed in such a way that it saves energy and space simultaneously – a process innovation. And, at the same time, the system may be redesigned for customers to operate easily for their comfort – a distinctive service innovation. In addition, the hotel may want to communicate the investment to the customers as part of an ecotourism profile, and thus add on a comprehensive marketing innovation. The aggregate effects of a simple and unsophisticated air-conditioning investment may, in an innovation perspective, initiate a chain process with wider value creation effects and impacts that are novel to the hotel operation as well as to the customers (Hallenga-Brink and Brezet, 2005).

Another successful example of innovative customer relations is found in the Build-A-Bear retail chain. The shops can sell the highly priced soft toys, not because of their superior quality, but because the customers have to co-create the bear themselves from a wide selection of furs, designs, clothes and accessories. Tourism enterprises in experimental gastronomy are copying the ideas of making 'prosumers' work enthusiastically on the 'assembly line' without getting paid for it (Zwick *et al.*, 2008).

The nature of the tourism product, where the consumption (most often) takes place at the same location as its production, renders combined innovations particularly imperative. Continuous value creating in operations with small economic margins will frequently require that any change introduced, or any investment made, is carefully analysed for potential innovations in other parts of the value chain (Hall and Williams, 2008).

The list below represents an elaboration of Schumpeter's original classification in order to grasp the particular circumstances of modern tourism businesses. Common to all innovations is that they are new to the customer and/or new to the organizations that implement them. Examples of innovations in tourism are shown in Table 7.1.

Product/service innovations

These are the introduction of new artefacts or services that are substantially improved in comparison with previous versions.

Table 7.1. Examples of innovations in tourism.

Type of innovation	Examples
Product/service innovations	Themed attractions that may enhance personal identities or cater for specialized interests. Examples are found in relation to vintage cars or motorbikes, extreme adventure experience packages, etc. Alternatively, holiday experience may be connected to ethics and values, such as Bible camps or pro-poor activities. These include the intrinsic elements of 'feel-good' Opportunities also consist of facilitating the 'coincidental' social contact, for example variations of partying on the move New comfort provision could consist of napping areas in airports or festivals Repositioning standard products or services to become 'designer' products, for example boutique hotels
Process innovations	Crowd management and queue control systems in theme and national parks, including VIP priority systems, self-service aggregates, speed management, etc. Implementation of robots and automats in cleaning, gardening, cooking, luggage handling, transportation, bar waiting, etc.
Supply chain innovations	Certified authenticity and quality-controlled regional food deliveries to tourist catering Carbon footprint documentation and supplier-related agreements Pre- and after-sales services and merchandising
Management innovations	Empowerment of staff with attractive combinations of career planning, talent training, promotional job titles, social and leisure related benefits, possibilities to invest in the company, etc. Ways of putting customers to work, and volunteer management methods
Communication innovations	Internet-based check-in and privilege systems, information-pushing Integrated social media communication modes and loyalty seeking, feedback and promotion
Institutional innovations	Discount travel concepts, as seen in the airline business, and related infrastructures and management in airports Collaborative business models in social and ecotourism holidays, linking charity with commercial frameworks

Alternatively, to count as an innovation, an improvement may be original compared to a competitor's performance in the field. An innovation may include changes in functional characteristics, technical abilities and ease of use; image features; or any other dimension. In the tourism industry innovations often address emotions as well, and innovations ensure that tourists are offered experiences in new ways.

Process innovations

These involve the introduction of notably improved production methods or new styles of delivering the product/service. Process innovations may be visible to the customer and so, for example, lead to a more expedient service, wider choice, more individualization or other features. However, process innovations may also take place backstage and be invisible to tourists. Then they represent major cost-efficiency improvements, for example through investments in technology which increases productivity.

Supply chain innovations

These occur when changes take place in the sourcing of input from suppliers, regardless of whether these supplies classify as raw materials, technology or services. In tourism, production and consumption of a product normally take place simultaneously. However, a division of labour is deepening in the tourism sector, as in other sectors, thus increasing the importance of intelligent logistics and consistent supply chain agreements.

Managerial innovations

These will radically change the division of labour within the organization, for example by empowering the employees through new managerial concepts. Human resource management innovations can also consist of new incentives or competence development, or may imply a reconceptualization of the relationship between employees and customers in the service encounter.

Communications innovations

These refer to new ways of presenting products or organizing branding or marketing information, documentation and feedback to and from customers and other stakeholders. Communications innovations can take advantage of trends in media and technology waves in society including, for example, social media.

Institutional innovations

These are new business models that add value in alternative organizational settings, for example by activating idle resources or by tapping into hitherto unidentified needs. New paradigms of collaboration, for example between public and private sector, can lead to institutional reorientations. Institutional innovation may also imply the restructuring of the legal frameworks or governance models in ways that reshape business opportunities.

INNOVATION AND STRATEGY

It is helpful to keep in mind that organizations are not alike in terms of planning and implementing innovation processes. Nevertheless, carefully constructed logical procedural flow charts can provide inspiration for the planning of innovation processes (see Tidd and Hull (2006) for examples). With a tourism framework, Hallenga-Brink and Brezet (2005) list the main steps in the innovation processes as:

1. To describe, understand and analyse the environment.
2. To determine the goals and visions for action.
3. To plan the course of action needed in light of the analysis.
4. To implement the actions decided upon.
5. To assess and revise the strategy.

Linear recommendations like these do intuitively make sense, but in tourism practice they are not uniformly applicable for all categories of enterprises and in all situations. In reflecting on its shortcomings, writers have often distinguished between rational and incremental strategy for innovation. This idea is

unfolded for experience tourism by Jernsand *et al*. (2015), who describe collaborate experience innovation as a 'spiral' process, indicating the need to accommodate for less foreseeable steps and the need for reverse feedback.

Taking into account the situational reservations, Weick and Quinn (1999) make an interesting distinction between the two main modes of addressing change in organizations: episodic change and continuous change. This model could be useful as a 'think-piece' for many tourism enterprises. Table 7.2 elaborates on the two variants as preconditions for strategic management styles and actions. Neither variant (episodic change or continuous change) is consistently better than the other, as they tend to apply to different types of organizations. Contrary to other contributions in the literature, Weick and Quinn's model does not deem incrementally innovative organizations as unprofessional; rather, they understand incrementalism as a result of general generic characteristics of these organizations. For innovation processes to be successful, they must be consistent with the principal strategic approaches in an organization.

In tourism, as in other sectors, there are organizations of both categories. The changes that took place in Scandinavian Airlines led by the charismatic CEO Jan Carlzon (Carlzon and Lagerström, 1987) could be mainly interpreted as an episodic version of the management and service innovation strategy. The pyramids of the organization were turned upside down in a very orderly way, and the staff got used to a new active role. They became designated as developers of the company, instead of just people in a machine taking orders from others, and where the customers got a new role in the service delivery process.

The lively biography on Sir Richard Branson (Jackson, 1994) demonstrates that management of the Virgin Group may, in retrospect, mostly resemble the continuous innovation behaviour in the right-hand column of Table 7.2. Branson placed emphasis in the

importance of both dreams and joy, and the organization was built to take chances whenever they materialized. Collaborating closely on what was important, and moving on if things were not succeeding as expected, was an integral part of the organizational culture at all levels.

Traditionally, changes are often considered inconvenient and are forced by necessity. As Table 7.2 illustrates, this is typical for episodic changes. They may be the result of major technical modifications, transformed consumer behaviour, economic crisis or major incidences of an environmental nature (Williams and Baláž, 2015). Shared economy manifestations such as Uber, Airbnb and Couchsurfing have been immensely uncomfortable for hotels and transportation companies, and strategic and innovative responses still tend to be lacking (Guttentag, 2015). Accordingly, innovations are relatively infrequent in many organizations; but, if such changes are found indispensable, they may be radical in nature and subject to distinct strategic decisions initiated at a high level in the organization. In rigid organizations changes can be difficult and create tension, and for that reason the top management's legitimizing efforts are essential. The organization may want to seek outside assistance to facilitate innovation processes and implement change in a new 'frozen' form with resettled and renegotiated cultures.

Innovation strategies included under the episodic mode seek to adapt the organizations to new situations which are expected to last for some time. For example, new products and services will need to be developed as a response to demographic change. Many tourism enterprises try consistently to specialize in the expanding senior travel market (Novelli *et al*, 2006).

In the continuous model, innovations are more incremental and cumulative, and they emerge in the course of daily performance. For example, the breakdown of some machinery leads to a search for replacements, but also for upgrades. New technology may offer

Table 7.2. Comparison between episodic and continuous change and innovativeness.

	Episodic change and innovativeness	Continuous change and innovativeness
Metaphors	Organizations as cathedrals: inertia-seeking organizations, where changes are infrequent, discontinuous and intentional	Organizations as tents: emergent and self-organizing; change is constant, evolutionary and cumulative
Occurrence of change	Changes are seen as occasional interruptions from the equilibrium	Change is a pattern of endless modification – a work in progress
Driving forces	External interruption	Internal instability, continuous interpretation
Perspective	Macro, all-encompassing, integrated, global	Micro, close, partial, local
Emphasis	Adaptation	Adaptability
Main intervention logic	Intentional change, unfreeze, transition and refreeze in a new situation; linear, progressive	Redirection of existing tendencies. Processional, cyclic change without an end state
Role of management in innovation processes	Goals and milestone setter, budget provider, project managers, controller; building new meaning and symbol systems; building new coordination and commitment	Sense maker, narrator; pattern recognizer and problem reshaper. Roadblock mover; improvisation motivator; learning agent; translator of external impulses; creator of enriched dialogue
Role of the remaining organization in the innovation process	Innovators dedicated to the task; research and development department; others excluded from innovation	Everyone is a legitimate actor in the innovation processes

advanced facilities, and eventually the customers may experience this as an enhanced service. Backstage, the work processes can become more efficient. Some of these changes, however important, can be the result of quite unintended – even chaotic – processes which includes agents at all levels inside and outside an organization (Hoarau *et al.*, 2014; Jernsand *et al.*, 2015).

Weick and Quinn (1999) describe the improvisations as taking place in 'pockets' of innovation with a high extent of self-organizing. The activities in the pockets are legitimized but not included in a strategic plan. Rather, the strategy consists of a shared vision – for example, consisting of general goals for improved customer satisfaction – within which there is ample place for interpretation. Accordingly, strategies in this model of change focus on facilitating, learning and making room for the individual as well as the work collective. There is a belief that problems and opportunities will trigger action in such ways that top management cannot possibly foresee and plan for consistently (Mattsson *et al.*, 2005).

Neither of the two strategies – episodic and continuous – is better than the other by definition. They operate under dissimilar circumstances and in different managerial and strategic climates. Over time, organizations may even shift from one style to the other. Formalized project organizations bring a certain amount of predictability into the continuous innovation model, thus attempting to adopt the best from both worlds. As organizations become larger, they may stiffen in structure and behaviour. However, even quite bureaucratic organizations can contain or develop subunits or projects where continuous innovation is prevalent, though exempted from the mainstream and barely tolerated. For example, guiding bodies in nature parks may be far more playful and flexible in their operation than their mother organization, which is responsible for nature management and maintenance, logging, plantations, etc.

DRIVING FORCES AND INNOVATION STRATEGY

Table 7.2 suggests that innovation can definitely be a managed process, and even in tourism enterprises there is an inclination to innovate more consistently (Hjalager, 2010; Camisón and Monfort-Mir, 2012; Grissemann *et al.*, 2013). Goals, agendas and structures are to be decided by top management, and it is they who allocate resources for the efforts (Page, 2015). Likewise, management is responsible for the assessment of risk connected to change proposals and, eventually, to launch the innovation in practice. However, no matter the managerial power and persistency, external factors heavily influence the nature and direction of innovative endeavour. In this section, a number of driving forces will be analysed in greater detail.

External factors are often interpreted only as obstacles to smooth operation and annoying interruptions to established routines. However, seen with more unbiased eyes, the driving forces are fuel or inspiration for an innovation strategy. Any organization with innovation ambitions may account for driving forces although some may be considered more carefully than others.

It makes sense to distinguish between the following categories of driving forces, each of which has something to offer to the context of innovation strategy.

Technology-driven innovations

Much of the development is embedded in technology items and systems that enterprises purchase for their normal operations. Over the past decades, ICT (Information and Communication Technology) equipment has given way to myriads of innovations (Buhalis and Law, 2008; Hjalager, 2015). Handling bookings, checking in guests, offering complementary services, etc., have become substantially rationalized. Systems for backstage operations help to make work more flexible and adaptable and – potentially – to increase employee involvement and satisfaction. Mobile communication has led to a wave of innovations on top of IT (Gretzel *et al.*, 2015).

Technology also includes many other things, for example the building materials that go into swimming pools, amusement park rides, beach promenades and nightclub decorations. Technology comes in the form of robots for lawn mowing, cooking equipment, vehicles, drink dispensers, etc., which are all tools in operation in some important tourist facilities. Technology is also composed of the skis, golf clubs, surf boards, kites and other gear that tourists use to entertain themselves, and which are matters of intense development. For example, something as simple as the addition of waterproof storage compartments in sea kayaks has opened up the opportunity for longer trips and thereby new tourism experiences. As a consequence, the opportunities for local tour organizers are enhanced.

Every time a technology producer expands, develops and improves the functionality

of its products, tourism enterprises are potentially faced with fresh prospects. Some tourism enterprises adopt new technology very rapidly. Cost- and labour-saving technologies in particular are soon implemented in tourist enterprises, and technologies that can enhance tourists' experience or increase comfort are speedily taken on board (Sundbo *et al.*, 2007). A restaurant implemented a by-the-glass dispensing system for red wine and was surprised that guests' behaviour changed immediately towards testing and tasting. Earnings – particularly on expensive wines – increased significantly.

It is very seldom that tourism enterprises are prime movers in the development of technology, although it does take place. For example, the Viking museum in York, UK, collaborated with a chemicals supplier to find methods to enhance visitor thrills by disseminating smoke, food and animal smells – not all of them pleasant – to visitors on the rides (Goldkuhl and Styvén, 2007). However, most often tourism enterprises limit themselves to purchasing the equipment, and only along with or after the implementation do they realise the innovative potential.

Information about technology-driven innovations can be obtained by:

- Studying advertisements and product presentations in the trade press and on technology trends websites.
- Visiting trade shows and fairs.
- Observing competitors' use of technology.
- Collecting inspiration from enterprises outside tourism that are recognized as having a faster implementation of advanced technology.

Research-driven innovations

Generic medical drugs or new highly efficient computer chips are the results of intensive scientific research efforts. It is very hard to relate tourism directly with such inventions. University–business collaboration does exist in tourism (Liburd, 2012), although many tourist enterprises have difficulties envisaging how researchers can contribute in innovation processes. As a matter of fact, hard-core science ingredients in tourism are normally very few, and laboratory innovation hardly takes place in tourism. However, that does not mean that science is absent in tourism innovation.

Take, for example, the development of museum exhibitions. Historical authenticity and accuracy depend on academic anthropological research, and in fact groundbreaking research sometimes transforms into spectacular events. Computed tomography (CT) scanning of mummies has added a new dimension to research, and historical museums quickly transformed these technical opportunities into an innovation for the tourism gaze as well. Research into flora, fauna, geology and topography is the backbone of interpretation in nature parks and along experience trails (Farsani *et al.*, 2014). Psychological research affects the design and colour compositions in destination websites, although very indirectly. Molecular gastronomy has moved from laboratories into restaurants, and celebrity chefs have understood how to transform science knowledge into food experiences.

Information about research-driven innovations can be obtained by:

- Taking in university staff and students on short-term placements, including PhD projects.
- Screening new research and studying popular science.
- Participating in collaborative projects at the destination level.
- Organizing seminars and innovation workshops with invited researchers.

Supplier-driven innovations

As demonstrated above, much innovation in tourism is not undertaken by tourism enterprises themselves, but embedded in the supplies and raw materials purchased from

suppliers. Restaurant kitchens provide many examples. Precooked items are prevalent in numerous restaurants, for example sous vide (cooked, chilled and vacuum-packaged dishes). That means that innovation in restaurant menus is, in principle, pushed backwards in the value chain.

Similar supplier-driven innovation is taking place in theme parks, where specialized 'ride producers' ensure that regular visitors will see new categories of entertainment and decoration every year.

Licences and franchises are widespread in tourism. Licence holders or franchisers, and not the local entrepreneurs, are in charge of innovation. A full package of supplies is delivered, which includes not only products but also management systems, marketing devices, staff training, etc., and there are often rigid follow-up and control measures to ensure an uncompromised joint standard. For example, medical tourism and beauty surgery tourism is increasingly included in franchised concepts for the sake of brand recognition and for the handling of risks and safety matters.

However, the interaction of tourist enterprises with suppliers need not be total surrender. Advanced tourism providers and their customers may become valuable test benches – lead users – for manufacturers and their products. Hjalager and Konu (2011) examine the open innovation formats in the field of wellness and spa products, and Sørensen *et al.* (2010) describe situations where dairy producers and tourism enterprises can mutually benefit from co-creative collaboration.

Information about supplier-driven innovation can be obtained by:

- Studying advertisements and product presentation in the trade press.
- Visiting shows and fairs.
- Investigating franchise opportunities among franchise brokers.
- Requesting collaboration with key suppliers.

Price and cost-driven innovations

Tourism markets can be very competitive, and large segments of economically restricted customers are keen on getting bargains and value for money. Most industrialized countries operate with a significant labour cost share, and they are in sharp competition with destinations in less-developed countries. As a consequence, tourism enterprises in many places around the world continuously hunt for cost reductions.

Pricing policies and yield management are important tools and fields where innovations can be launched. Airlines have been first movers in the cultivation of methods to regulate prices depending on real-time demand patterns, and customers have come to accept that there is no such thing as fixed and transparent prices. In other segments of tourism, for example hotels and cruises, similar methods have been applied. Subtle price systems are also implemented through loyalty programmes and upgrading policies. Such programmes may include collaboration with many other enterprises to enhance the benefits for the customers, as well as for the members of the joint enterprise partnership.

It is of major importance to understand tourists' behaviour in detail. Business customers on allowances react differently to prices than do leisure customers. They do not respond uniformly to issues such as upgrading, extra services and bargains. For example, self-service is fully accepted by leisure tourists, who have plenty of time. If combined with a distinctive 'good price', the bargain is likely to be regarded favourably. Tourists gladly cook their own meals, clean their cabins, drive their hired vehicles and check in and out without face-to-face contact with staff, if this entails price advantages. Strategic self-service developments are therefore critical elements in price and cost-driven innovations.

The recently emerging and highly innovative 'shared economy' – Airbnb, Uber, etc. – rests on new conceptualizations about cost.

Idle resources here become capital investments put into the tourism market at less than normal rent, because they are owned by 'normal' people, whose profitability requirements are different from those of commercial enterprises (Fang *et al.*, 2016).

Information about price and cost-driven innovations can be obtained by:

- Observing and interviewing visitors, organizing focus group interviews, etc.
- Analysing own customers' electronic footprints.
- Tapping the Internet for trends.
- Copying cost-saving measures of competitors and other service enterprises.

Employee-driven innovations

Service-sector employees are claimed to be the most valuable resource for their enterprises. Normally, services need a human touch, at least at some stage of their production and delivery. Theory is, however, often quite different from practice: service deficiencies or productivity gaps are often found to be due to lack of appropriate training and management of staff. Tourism and hospitality generally suffer from a very high employee turnover with employees having a low skills average, and in this situation the inclination to invite employees into innovation activities may be very limited (Nieves and Quintana, 2016).

Fortunately, there are exceptions from the general and gloomy human resource management profile in the tourist sector. It is widely recognized that committed and well-qualified employees, who can use their experience and observation from hands-on practice, are crucial for continuous service improvements and for gains in efficiency. Tapping the knowledge embedded in practice is a distinct means to ensure development and innovation. But it has also become an indispensable ingredient in modern management practice and an element in recruiting and retaining staff.

The culture of the workplace and management style is critical. Autocratic workplaces with significant power and prestige distances are less likely to make the best out of employees' contribution to innovation than workplaces with less emphasis on hierarchy and formalization (Grissemann *et al.*, 2013). Employees need openness and trust to confidently present vague ideas and unconsolidated proposals. The Starbucks Corporation has a reputation for employee involvement in innovation, both in the individual workplace and more globally.

Information about employee-driven innovation can be obtained by:

- Organizing staff seminars and meetings.
- Setting up proposal boxes, blogs and other systematic collections of ideas and hints.
- Observing work processes and inquiring into work cultures.
- Involving employees in development projects and experiments.
- Constructing incentives for staff to contribute with innovative ideas.
- Allowing free 'thinking time' for staff.

Customer-driven innovation

Customers are frequently an overlooked resource and inspiration for innovation. However, if carefully attended to, tourists can be goldmines of information which can lead to changes in products; services and processes; and information layouts, etc., which may be of great importance for the profitability and success of the enterprises.

One very simple method is to dig into the nature of customers' complaints. Comments delivered directly or in travel review sites can inspire improvement processes.

In addition, observations regarding guest practices can also be helpful. Staff at a hotel in a hiking area, for example, observed that many guests 'secretly' made themselves a lunch pack from the items on the breakfast buffet. This created a lot of irritation due to

increased costs. The food and beverage manager used the observations to offer the customers a new service: make your lunch pack for the price of a few dollars. She provided proper packaging, bags and foil for the purpose. The combined result was an enhanced service and better economy in the breakfast restaurant.

Some managers in tourism enterprises have inappropriate ways of handling customer complaints. Solving problems by compensating (upgrading, price reduction, etc.) may create satisfaction for the customer in the situation, but managerial effort is necessary to draw attention to the innovation message and to follow up on it.

Most organizations can become better at taking on board observations made by staff. Housekeeping staff, for example, have much to offer in terms of important information, but they are seldom asked. If cultures in the workplace value inputs from customers via all staff members, however troublesome, innovation behaviour is also likely to be positively influenced.

It is a challenge for tourism enterprises not only to grasp immediate customer needs but also to seek their future desires, hidden aspirations and dreams, which are harder to come by. If 'lead customers' can in any way be identified, much knowledge can be gained from what they say and do. Adventure tourism providers, as an example, pay a great deal of attention to those customers who are the best equipped and the most courageous (Hoarau *et al.*, 2014). It is likely that these early adapters will create followers. Innovations may include safety measures that can be essential to gain a larger customer base for such activities that are otherwise regarded as too dangerous.

Information about user-driven innovations can he obtained by:

- Launching customer surveys.
- Becoming involved in, and monitoring, social media chats.
- Observing and inquiring among (lead) customers.

- Inviting potential lead users into innovation processes.
- Inviting test users or 'mystery shoppers'.

Legislation-driven innovation

Understandably enough, tourism operators are often not keen on legislative burdens, and their associations' agendas are full of proposals for liberalizations expected to make life easier for business. However, legislation does not uniformly discourage innovation and change.

Tour operators are greatly in favour of legislation, particularly in the fields of planning, environmental control, safety, etc. Back in the 1990s the German Touristik Union International (TUI) actively engaged in partnerships with Spanish governmental bodies to enhance the protection of the natural environment and improve bathing water quality. Law enforcement and the construction of appropriate infrastructures restored the attractive beaches and promenades, and environmental taxes were inaugurated to ensure financial feasibility. TUI gained a reputation as a sustainable tourism innovator (Lozano *et al.*, 2016). Ethically well-founded initiatives may thus alert tour operators and worldwide destinations alike to regard legislation as an augmenting factor in strategic innovation.

Legislation can construct severe challenges for less-efficient tourism providers and, paradoxically, simultaneously generate more room for the professional ones. Law-abiding restaurants that keenly follow all food hygiene standards are less likely to be closed by the authorities, and they may be more accountable for innovation in a longer perspective.

Naturally, some enterprises and their innovativeness rely on under-regulation and lack of law enforcement. Destinations where drug use and clubbing are major activities, for example, may thrive in a clandestine environment. Even here enterprises come up with a continuous range of new services, although the wider disadvantages for the local community may not be mentioned.

Information about legislation-driven innovations can be obtained by:

- Following and interpreting the potentials of legislative processes locally, nationally and internationally.
- Inviting civil servants to comment on development processes.
- Getting involved in destination partnerships with non-business stakeholders.

CONCLUSIONS

Strategic innovation is facilitated by the ability to see connections, to spot potential and to take economic advantage of it. This chapter demonstrates that innovation in tourism is much more than the introduction of a new service or the publishing of a new pamphlet; it may also be a way to produce and organize a service, a better link to suppliers or changes in the way that a message is communicated. Particularly groundbreaking innovations that change the entire agenda in the industry typically range across the innovation categories. Thomas Cook represents an early visionary example of overarching innovations that included all elements in a portfolio of interlinked innovations. Later, the Internet has been the foundation of numerous radical changes (Hjalager, 2015).

No matter whether the innovations are comprehensive or incremental, the whole innovation exercise is not an easy process. A key risk is that painfully acquired organizational competences will become partly or entirely obsolete. Another risk is that collaborative networks, where valuable trust and insight have been embedded, need to be reassessed and reworked to exploit new possibilities. Accordingly, innovation is always both a creative and a destructive effort. Managers are often the worst enemies of innovation strategies, particularly if their privileges and benefits are linked to institutional set-ups, and if internal procedures are incompatible. As demonstrated in this chapter, the organizational side of the innovation process is crucial, no matter whether organizations are small or large, or whether they count as voluntary/non-governmental bodies, or in private or public ownership. Enterprises choose episodic or continuous change strategies, sometimes with logical reflection, sometimes without.

Many popular texts claim 'innovate or die'. This is partly true. The inclination to innovative may come in waves or reflect economic fluctuations or prerequisites. An economic crisis is devastating for the innovative ability for some enterprises, while others see opportunities. Likewise, climate change will close some opportunities, but open others (Budeanu *et al.*, 2016). This chapter has only marginally addressed the issue of entrepreneurship as a driving force in innovation. But the fact is that the giants in the sector constantly leave openings for innovative newcomers. If large chain restaurants are reluctant to adopt organic products, for example, room is made for different outlets that promote health and environmentally sustainable food concepts. Theoretically, the large chains could launch new menus by focusing their power and assets, and if they did, the industry would change. Again, this would leave new niches open for innovative entrepreneurs.

Some segments of the tourism economy may actively innovate on a continuous basis, while others are relatively unaffected and passive for most of the time. Large groups of enterprises, mainly but not exclusively those of small and medium size, are predominantly second movers. They do not adapt until others have made many more-or-less fatal mistakes. They imitate, copy and move along in a way that may prove to be successful in their own way (Pikkemaat, 2008). To reduce risks, enterprises rely on innovations that are already embedded in technology, equipment and supplies. It should be recognized that doing it safely on a second wave can also be a distinct and feasible business strategy in its own right, and enterprises cannot necessarily be blamed to be non-innovative.

This chapter warns the reader against believing that innovation can be planned by fancy flow charts alone. Specialized laboratories are not an obvious option either. Tourism is a business where people relate and interact to a wider extent than in many other segments of the economy. Tourism innovation is therefore predominantly a people process. Customers, suppliers, business partners, authorities and even competitors possess a wealth of knowledge. Tapping into that knowledge, interpreting the information and recycling it in new contexts, is what contemporary strategic innovation in tourism is all about. The challenge is for managers and employees to get the time and resources under daily work burdens to listen and reflect, and to transform knowledge acquired into more systematic strategy processes.

QUESTIONS

1. Do all tourism enterprises need to be innovative? Why/why not?
2. What are the fundamental tasks of an innovation manager in a small and medium-sized tourism enterprise?
3. What types of external alliances are relevant for tourism enterprises that do not possess sufficient innovation capacity in-house?
4. Will customers demand more innovative products, and how do tourism enterprises prioritize their innovation endeavour?

ACTIVITY

Touristic innovation based on your favourite hobby

This is an individual exercise that sharpens the attention on potential innovations in a self-selected field. You will use your in-depth and practical knowledge, but you will put it into a context other than the usual one. The purpose is to envisage such improvements and enhancements of services that can be applicable in tourist enterprises or destinations. This e-tivity can be organized as a take-home assignment. It may also be a class exercise where groups of two to three people collaborate, and where the findings are discussed in class.

1. Determine your particular hobby (for example folk dancing, cooking, watching historic movies, swimming).
2. Read the section 'What Are Innovations In The Tourism Business?', having your hobby constantly in the back of your mind. Make notes of what you think of.
3. Use trendspotting or other websites to get inspiration for any of the types of innovations mentioned in the section 'What Are Innovations In The Tourism Business?'. Look for future technologies, ways of organizing, symbols and rationales, modes of social interaction, etc. You may go beyond your own hobby, as what is new and innovative in, for example, volleyball could also be applicable to folk dancing.
4. List five to ten innovations. You can make an electronic or paper portfolio illustrating your ideas with key words and pictures. You do not need to be very precise in the description of your innovations, as the main objective is to be able to frame the foundation and sources of your inspiration.
5. Reflect by answering *why* a tourism destination or enterprises should want to continue the work with each of your ideas.

Group exercise based on a case
Settling on an innovation strategy for Pappa's Camping

Pappa's Camping is a comparatively large camping site in a popular tourist area. It includes a water-based entertainment facility, which is also accessible for guests who do not camp at Pappa's. There are two restaurants, a shop and hall that can be used for play, exhibitions, parties, etc. In the immediate

hinterland of forest areas there is a variety of outdoor possibilities, the most popular being mountain biking.

The enterprise is family owned. Recently, the second generation John (60) handed over the deciding ownership and general management to economy-educated daughter Sandra (28). John still does odd jobs, and his social skills benefit the relations with the guests. Younger brother Neil (18) helps out in the enterprise when not in school, and as a dedicated outdoor enthusiast he is expected to be involved in the operations much more at a later stage. Annett (31) has a degree in tourism marketing, and she plays an all-round role in the management of the water-based attraction. She is the Internet and social media brain. The position of restaurants and shop manager is vacant, and Sandra would like to employ Michael (45), a chef who used to run a gourmet restaurant. Mehmet (52) manages the housekeeping and maintenance.

Over the past 2 years, the enterprise has lost business compared with competitors. There is idle capacity in the restaurants, but also in low seasons in all other parts of the facility. Some buildings need extra maintenance, but Mehmet thinks it is not worthwhile investing in repairs, and that a modern rebuild is needed. The turnover of staff has intensified, Mehmet being blamed for being too rigid and insensitive to their ideas and wishes. Neil finds that there is not enough for the young generation to do, and has started to gather informally with young guests in the derelict boathouse, where they inspect the mountain bikes, go on trips together and party with beer and music afterwards. John disapproves of Neil's arrangement, finding it messy and noisy. Pappa's has invaded the social media, not always with the nicest stories, and Sandra is rather concerned about the side effects of Annett's hefty digital presence. Michael critically raised the point that sales in the restaurants and shop is uneconomically low, a result of mismatches between customer requirements and the stock and menus. He does not want to take the job of restaurants and shop manager unless he is given opportunities to make changes.

Sandra wants to make a turnaround to address the challenges. She established a committee with Annett, John, Mehmet and herself to discuss how Pappa's could adapt not only in the present situation, but also long-term. She wants a strategy on how to proceed with continued innovation. After only two meetings the work of the committee gets completely stuck; no one has committed themselves to changes.

Case questions

1. Which characteristics of episodic versus continuous change do you see manifested in the case?

2. How did the diverse nature of the group of managers affect the possibilities of establishing an innovation strategy?

3. If you were in Sandra's position, how would you proceed? How would you proceed if you were in any of the others' position?

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Empowerment and Human Resource Management in Tourism

Jithendran Kokkranikal, Jonathan Wilson, Paul Cronje and Nitin Radhakrishnan

LEARNING OBJECTIVES

- To understand the basic concepts of empowerment.
- To realize the advantages and benefits of empowered staff and customers, and the practical implications for service industries.

INTRODUCTION

The importance of human resources in a service industry like tourism cannot be over-emphasized (Riley *et al*., 2002; Airey and Tribe, 2005; Fáilte Ireland, 2005; Bolton and Houlihan, 2007). Baum (2002) identifies three major elements of the close association between tourism and people: (i) people as tourists and customers; (ii) people as providers and deliverers of services and facilities; and (iii) people as part of the tourism product and experience, including fellow tourists. Right from the conception of a tourism destination, its consequent planning, development and, finally, at the cutting edge as the front-line staff, people breathe life into this industry. As Fáilte Ireland (2005, p. 3) rightly observes, 'tourism must look to the people working in the industry to serve as a principal source of competitive advantage'. The uniqueness of skills, know-how and behaviours of its human resource will go a long way in distinguishing the tourism product of a community from its competitors. These attributes of personnel can also be a major source of quality of the tourism product and services, enhancing competitiveness and profit potential of tourism destinations and businesses.

To sum up the obvious, human resource functions are one of the most important

components of a service industry such as tourism, and a key source of its competitiveness. As Schlesinger and Heskett (1991, p. 72) argue, capable workers who are well trained, motivated and fairly compensated provide better service, require less supervision and are more likely to remain on the job. Such a workforce can contribute significantly to the long-term competitiveness of tourism businesses, especially for the small and medium enterprises that constitute the bulk of service providers in most tourism destinations. And capable and high performance employees, who contribute to efficiency and to productivity and quality, are created in empowered organizations (Hammuda and Dulaimi, 1997).

The aim of this chapter is to analyse the strategic role of employee empowerment in enhancing quality and competitiveness within the tourism industry. Starting with a discussion that reviews some current definitions of empowerment, it intends to arrive at a practical understanding of what empowerment means within the service industry and what this entails. The chapter will also explore supporting disciplines, in the interests of looking towards the future of empowerment and its potential to become a core strategic driving force.

EMPOWERMENT

Empowerment is a strategic approach which has been covered within the fields of generalist management, human resource management (HRM) and organization behaviour. As Smith (1997, p. 121) states:

> To empower is to give power, to open up, to release potential of people. In these terms it can be viewed as a common-sense activity. Typically, it embraces job involvement, job enrichment, participation in various forms, including suggestions schemes. Essentially the main thrust of empowerment is through having greater autonomy over 'how' jobs are done, carrying with it immense potential for improving productivity.

Empowerment has been variously described as:

- 'The act of vesting substantial responsibility in the people nearest the problem' (Barbee and Bott, 1991).
- 'Pushing responsibility and decision-making down the organization to those employees closest to the customer' (Jones and Davies, 1991).
- 'The process of decentralizing decision-making in an organization, whereby managers give more discretion and autonomy to the front-line employees' (Brymer, 1991).
- 'Giving employees the authority to make everyday decisions is the most straightforward aspect of empowerment' (Sternberg, 1992).
- 'Giving employees the power to make decisions that influence organizational direction and performance' (Bowen and Lawler, 1992).
- 'Strategies that strengthen employees' self-efficacy or confidence in accomplishing the objectives of their tasks as set out by managers' (Ugboro and Obeng, 2000).
- 'A cognitive state, a psychologically empowered experience with power-sharing, competence and value internalisation in organisations' (Chang and Liu, 2008).

Thomas and Velthouse (1990) and Spreitzer (1995) describe four dimensions of empowerment: (i) meaningfulness; (ii) competence; (iii) self-determination; and (iv) impact.

- *Meaningfulness* relates to the perception of congruence between a task and the employee's values, attitudes and beliefs. Such task meaningfulness is a major factor in determining job satisfaction.
- *Competence* is about self-efficacy and capability to perform a task successfully. Employees who are confident about their efficacy and competence are likely to perform their tasks well.
- *Self-determination* allows employees to choose the course of action in various task situations and is closely related to a

sense of autonomy that they need to feel in organizations.
- *Impact* refers to the degree to which employees can influence events in an organization. In other words, impact is about the level of control an employee has over his or her working environment.

A sense of control is important in creating ownership and job satisfaction. These psychological components of empowerment are closely influenced by the social and structural aspects of the workplace, which include organizational structure, organizational support, access to strategic information, access to organizational resources and organizational culture.

Bowen and Lawler (1995) include personal control over job performance, awareness of business strategies and higher accountability for performance outcomes as the major facets of empowerment. Examining the role of empowerment in service recovery, Hocutt and Stone (1998) describe autonomy and training as two important components of employee empowerment. Autonomy is about allowing employees absolute freedom to do the job so that, when exceptional incidents occur, they can take decisions without looking for guidance elsewhere. Training is an essential aspect of skills and competence development, without which autonomy will have no meaning. Probably one of the simplest ways of employee empowerment is giving them the choice in how to approach their work (Chua and Iyengar, 2006). The underlying idea in this approach is that choice gives employees a sense of personal control, which can enhance their intrinsic motivation towards their work, resulting in higher morale, creativity and innovation; better performance; greater organizational commitment; and lower turnover (Chua and Iyengar, 2006). The rationale behind encouraging empowerment within business organizations can be summarized as attempts to:

- Retain work interests.
- Increase employee motivation.
- Assist employee development.
- Encourage fresh thinking.
- Increase job satisfaction.
- Reduce labour turnover.

Given these benefits, empowerment could probably be a key strategy to overcome some of the innate human resource issues in tourism, which include: (i) its poor image as an employer; (ii) poor rewards, benefits and compensation; (iii) skills shortages; (iv) concerns about flexibility and innovation; and (v) recruitment, retention and high attrition rate (Baum and Kokkranikal, 2003). These are discussed later in the chapter.

Also, empowerment could be a useful tactic to bring out the best in the stars within organizations: the unsung heroes who manage to make their mark when dealing with customers. However, few are able to share this learning experience among all employees and bring these practices within the formal confines of customer policies. Some argue that their documentation could lose the essence of what actually happened, how it worked and why. The challenge therefore lies in finding a way to faithfully address such rich facets of working life and spread these pockets of tacit learning more widely. Empowerment attempts to provide a positive reinforcement of 'best practice' which encourages staff members to become more active stakeholders.

Points for consideration:

- Why does empowerment even warrant a separate mention, when in our private lives we wouldn't even give it a second thought? We just do what we can to make our guests happy and we don't even get paid!
- Are we at risk of inheriting many of 'our' management procedures from other disciplines, almost like 'hand-me-downs' – which are ill-fitting, or even worn out?
- If we do make a concerted effort to empower staff: who, where, when, how and, most importantly, what are we letting them do?

EMPOWERING STAFF AND CUSTOMERS

Interestingly, when looking towards the discipline of consumer behaviour, the term *empowerment* is often replaced, or compounded, with the word *choice*. The suggestion is that *empowerment* carries with it the connotation that this choice is restricted by a management function. This being the case, such an overt use of the word may be counterproductive to customer relationship management (CRM) philosophies, which encourage consumers to consider themselves as being central to decisions. However, within the realms of employment, these connotations may serve towards offering necessary structural guidance.

As a cursory note:

> We must also acknowledge that this definition of empowerment hinges more on some notion of accountability than on any wider change in the processes of work and decision making which might be implied by a more active modelling of empowerment. Thus, workers are empowered only in the sense that they have a greater responsibility to act within a narrow sphere directly related to production, and then held to be accountable for their action or indeed their inaction.
>
> (Collins, 1995)

When things go wrong

For failing or stagnant organizations, empowerment is often produced as a cost-effective panacea for the ills that they are currently suffering. However, as with any approach rooted in subjective ad hoc decisions, the propensity for discontentment and disagreements may conversely increase. Once empowerment is adopted as a strategic method there inevitably comes with it the call to justify actions in definable terms. While empowering employees to have more control over their duties may yield short-term benefits, the focus should nevertheless be on implementing such a philosophy over the long term. Within successful organizations, empowerment is a word which may in fact never be considered, as employees are simply performing their tasks the best way that they know how. Therefore the overall objective of empowerment is to refine and optimize existing strategic decisions for competitive gains.

Barriers to implementation:

- Organizational and consumer cultures.
- Skill bases.
- Management styles.
- Hierarchy and management structures.
- Information technology (IT) infrastructures.
- Health and safety concerns.
- Legislation.
- Experience.

Potential problems resulting from empowering staff:

- Lack of willingness to participate.
- Self-imposed customer distances.
- Turf and ego battles.
- Fear or suspicion.
- Departure from a standardized and streamlined strategic approach.
- Applicability in too few areas to warrant time spent.
- Potential to favour some staff over others, leading to discontentment.
- Over-customization.
- Overemphasis on empowerment, leading to distraction from core duties.
- A mask for lazy management and lax procedures.
- Lack of significance in increasing motivation and interest within employees.
- Too much control taken away from management.
- Too time consuming.

As organizations have created departments such as finance, human resources and marketing, their individual focuses will inevitably interpret empowerment in different ways, taking into account their immediate and

respective accountabilities. Cross-functional management styles, which look to integrate responsibilities, act as agents for addressing these issues. The following of processes takes time and has to be robust enough to overcome any preconceptions that upper management may have, even if well founded.

The recent exodus and almost prodigal-son-like return of many call centres to their native countries are testament to the fact that purely financial and resource-based calculations may be short sighted in attempting to increase customer satisfaction. These experiences have encouraged organizations, whether they have stood firm or made an about turn, to focus more of their attention on the softer skills of communication.

(re-)Humanizing services

Within the hospitality and leisure industry, the intangibility of services has been argued as being problematic when looking to ensure consistent excellence. This could be down to an overly mechanistic approach, which is often prescribed when organizations attempt to scale up and control their operations. As hospitality, leisure and tourism are relatively new disciplines (as regards their branding as separate business subjects) the literature at times appears to have been grafted, or at best inspired, by more tangible product management approaches. This is not to say that this approach does not produce praiseworthy results. However, there is a risk that an over-reliance on process and procedure may result in neglecting the naturally occurring and potent attributes within the industry.

In short, hospitality, leisure and tourism aim to enact a basic facet of human nature; and their intrinsic value is enjoyed by both staff and customers alike. In addition, they are experience driven, highly emotive and have the power to beguile all in their path. Therefore, the call to implement policies that empower staff is seen as an essential activity which seeks to address not only the efficacy of an organization's corporate strategy but also, more importantly, a deficiency in employees' job satisfaction.

A resulting philosophy from this approach has suggested that employees should be viewed as an organization's *internal customers*. While employees have been viewed as a company's most-valued (not to mention volatile) resource, the contributions of all employees, regardless of position, are now revered as being notable in actively providing significant and informed judgements. The standardization and mechanization of services have necessitated the formalization of every decision. With this being the case, empowerment has sought to ensure that a fan of opinions remains, to counteract the risks associated with an over-convergence of decision making. By and large, empowerment exists to promote understanding, in an almost yin and yang manner, across all facets of the value chain.

A philosophy rooted in empowerment would be of assistance when addressing the relationship between services and products. As services and products extend their offerings, their very nature and terms of engagement are in turn being redefined. Rather than being seen as separate disciplines, each is progressing towards a more convergent, symbiotic state. This carries with it added pressures on employees and management procedures in turn to deliver on increasingly more complicated activities. In addition, the usage of hospitality, leisure and tourism often plays a pivotal role in affording other industries attractive 'sweeteners', rewards, incentives and differentiators, for both consumers and employees. After all, how else can a manager or marketer make the mundane or insignificant seem less so when attempting to attract the masses? As remits expand, so does the appetite for creating bespoke solutions to all of the challenges faced, and some would argue the call to share the burden across several broad shoulders.

(a) **Staff-centric approach**
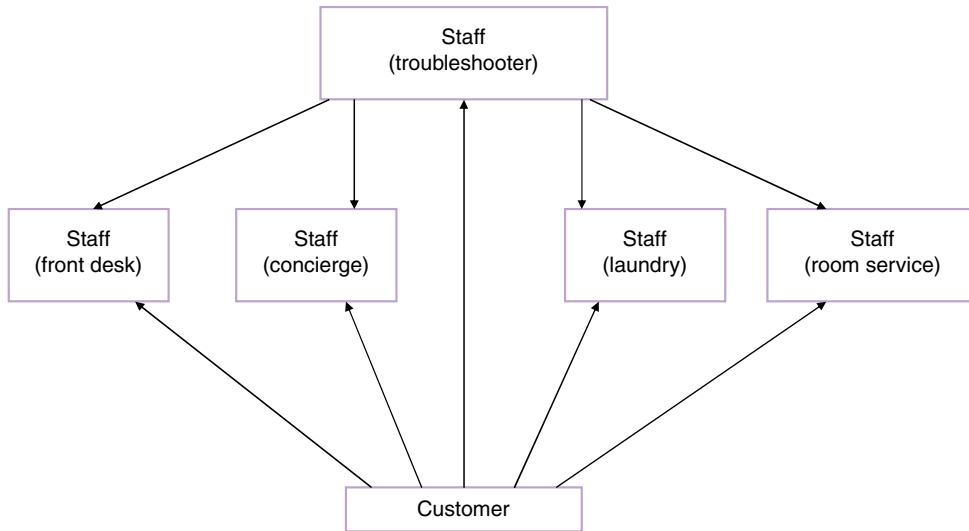
Decentralized decision making

All employees attempt to engage with customers, when appropriate, and are empowered to make decisions. Objection handling and problem solving are centralized and remain largely under the control of management.
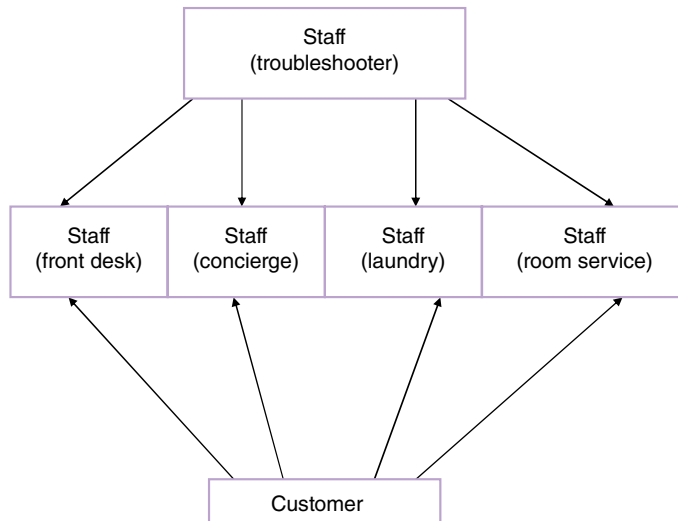
Centralized decision making

All employees attempt to engage with customers, when appropriate, and are empowered to make decisions. They work closely with their colleagues, sharing information and duties. Objection handling and problem solving are largely distributed among subordinates.

Fig. 8.1. Methods of engagement with regard to decision making.

(b) **Customer-centric approach**
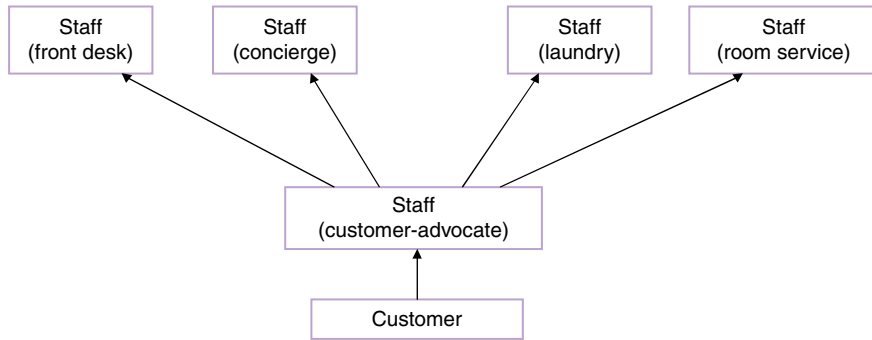
Decentralized/centralized decision making

A key accounts approach is taken here, where the customer is shepherded by a member of staff, allocated to see to most of their needs. This method is largely used when dealing with major customers, or those with specific objections or problems. The benefit to staff is that it shields them from any difficulties of queries, which may overburden them or risk affecting the level of output on their core duties.
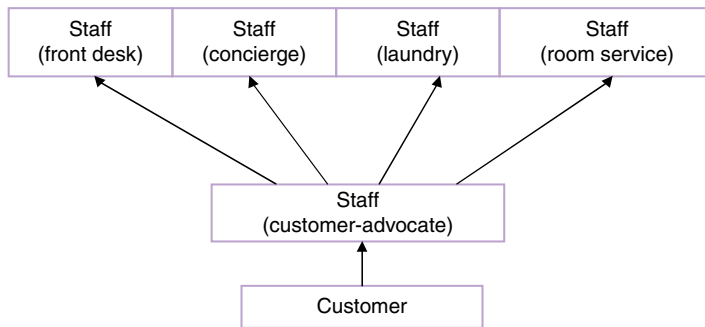
Centralized/decentralized decision making

Following the same rationale from the example above, queries and objections are more similar in their nature across functions. In addition the sharing of knowledge and decision making is present to a higher degree.

(c) **Holistic customer/staff-centric approach**
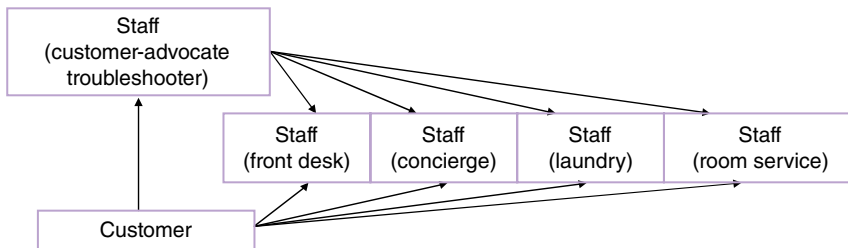
Integrated decision making

This is the highest quality level of interaction for both the employee and the customer. Knowledge and responsibility are shared equally among staff. In addition the customer feels confident that any member of staff can attend to his/her every need.

Fig. 8.1. Continued.

Methods of engagement

If empowerment is to be used as an approach that optimizes the differentiating factors in service offerings, the key questions which still remain are: where and how? This has posed challenges when attempting to co-ordinate coherent management practices which look to implement more innovative approaches:

> most studies on the connection between leadership and individual innovation have explored the role of theory-based leadership styles, originally developed for other purposes such as the assessment of leaders' impact on performance or effectiveness rather than innovation-related outcomes. They did not attempt to develop models aimed specifically at finding out how leader behaviour could stimulate the innovative behaviour of employees.
>
> (de Jong and Hartog, 2007)

With regard to decision making there are various methods of engagement: (i) a staff-centric approach with either decentralized or centralized decision making (Fig. 8.1a); (ii) a customer-centric approach with either decentralized/centralized or centralized/decentralized decision making (Fig. 8.1b); and (iii) an holistic customer/staff-centric approach involving integrated decision making (Fig. 8.1c).

Clearly the holistic customer/staff-centric approach involving integrated decision making is the best option. However, it is perhaps unrealistic and chaotic to assume that everyone can be empowered to the same degree: so, following the decision to move to a holistic customer/staff-centric approach to decision making, empowering staff, a screening process is necessary.

Screening approach

- Where are we lacking?
- Where would it have the most impact?
- Are we in a position to formalize and document these activities (e.g. IT contact management systems, team meetings)?
- Are our staff willing to take part?
- Do our staff have sufficient training and support?
- Do we recognize and reward staff and team achievements; if so, how?
- How much will all of this cost, or save?
- Are we ready to take the plunge?

Strategic planning

- Isolate empowerment activities to specific areas of service.
- Define the scope for innovation and entrepreneurship.
- Monitor, feedback and review.

Mini Case Study: 'Firefighting'

The fire service offers an interesting source of reference that goes beyond the often glibly used business term 'firefighting', which in fact only paints a partial picture. Staff undergo rigorous training, which equips them with an ability to adopt a fluid approach to a variety of tasks. Firefighters are encouraged to tackle both problems and tasks, based on their proximity to a given situation. Once they are called into action, there is a culture of doing what needs to be done, as soon as possible. This requires:

- Thorough preparation beforehand.
- High levels of trust.
- Little consultation between staff during a task.
- Swift decision making.
- Conformity in risk taking.

(Continued)

Mini Case Study. **Continued.**

- Plan 'A' and at least a Plan 'B'.
- A style of management that deals with the fundamental during a situation.
- Management to focus on the bigger picture during a situation and reflect upon the detail afterwards.
- Documented post-preparation.
- Comprehensive debriefing.

Of course, hospitality, leisure and tourism roles do not exact such high levels of risk or intensity, but many have seen their stress levels rise when large numbers of customers suddenly engulf them. The essence of this example is in encouraging the:

- Pursuit of calculated evolutionary processes.
- Galvanization of staff through their activities.
- Suggestion that to optimize performance clear instructions should be given away from the site where the task is to be conducted.
- Reduction of stress, confusion and risk during tasks.
- Mindset that customers pose little threat to staff; rather, they are the raison d'être.
- Understanding that customers are a necessary, yet sometimes unpredictable, component to the successful completion of a task.
- Desire to achieve through empowerment, rather than simply historical procedure.

In order to manage people, it is essential to consider their psychological dimensions. We found that providing employees with an empowering experience in conjunction with their training, significantly improved the outcomes of that training, as well as increasing their motivation and satisfaction.
(Kappelman and Richards, 1996)

IDENTIFYING THE KEY CUSTOMERS

As a comparator, key account management within the field of media may serve towards offering a fresh approach. As with leisure, hospitality and tourism, their dealings are largely concerned with the sale of intangibles. With such large amounts of money changing hands, for highly substitutable and perishable packages, aggressive marketing and price elasticity have always played a vital part. Behind this are account handlers, who are often thrown in at the deep end, but who are encouraged to find creative ways to delight the customer using their own initiatives. Account handlers spend a considerable amount of their time

trend spotting and recording details about a customer's habits, likes and dislikes. The rationale is that these pieces of information can be used:

- When crafting effective communication.
- To speculate on future business.
- To avoid potential customer discontentment.
- To document tacit information which may also be of use to others.

The key to documenting all of this lies in having a contact management system which can hold this added information in a format that is readily accessible to many. Account managers are trained in the art of unobtrusive open-ended questioning. The questions appear as part of natural conversation and the collection of resulting information

is undertaken in a casual manner. Account managers have often recorded anecdotal snippets of information and trivia such as 'doesn't drink alcohol', 'likes going to the opera', 'nut allergy', 'has come down with the flu'. These pieces of information are then used as ice-breakers, possible topics of communication or even opportunities to offer additional desirable commercial services. The worthiness of this pursuit hinges on the following:

- An understanding that this information plays a necessary part in optimizing services.
- A culture existing among staff that encourages, celebrates and rewards such practices.
- A willingness of staff to think laterally.
- A desire to delight the customer.
- A fear of misunderstanding customers.
- A commitment towards looking to convert this information into a commercial gain.

Managing customer expectations

The hospitality, leisure and tourism sectors face an interesting puzzle when addressing aspects surrounding culture. On the one hand, environmental factors steeped in culture are the life-blood of many service offerings to customers. But, on the other, cultures often need to be packaged and restricted in such ways that they conform to neutral universal ideals of optimal service. For example, once a precedent has been set for a consumer (or for that matter an employee) to experience a certain level of service, there exists a pull to make this the norm, or to face potential future problems. The global marketplace ensures that employees and customers are becoming more savvy and discerning, which brings with it increased expectations. In addition, staff are faced with consumers who bring with them their own cultural norms and expectations, which they may feel no desire to let go of. After all, the world has been informed of the fact that the customer is there to be served!

Harris (2004) states that:

> It is critical to understand the importance of synergy when working or managing within multinational organizations, their subsidiaries, divisions, and teams. Within such a context, global leaders who promote cultural synergy influence social change in human behaviour and improve system effectiveness.

Language plays a pivotal role in addressing how well people respond to socio-cultural environments, as well as how they can adapt. Staff should be empowered to use their multilingual skills to build rapport wherever possible. These service industries must attempt to blend their own globally adapted unitarianist values with that of the wider environment, without ignoring significant and desirable host cultural factors.

The challenge therefore lies in staff being able to effortlessly manage expectations to a mutually agreeable conclusion, at the earliest opportunity. Many enquiries may in fact be perceived by consumers as being hygiene factors and potentially the root cause of a catalogue of resulting and seemingly unconnected dissatisfaction if ignored. Grumpy consumers have often been dismissed as unnecessarily needy individuals. The majority of customers would argue conversely, that this has been the result of not enough of their rather simple and basic needs being considered soon enough.

There are amusing tales of customers switching to their mother tongue, when playfully looking to try their hand for those added benefits. For example, cultures that seek to engage in barter-based relationships may do so equally upon an initiation from either staff or customers. Staff should be encouraged to entertain these interactions, if at all possible, as they may serve as an opportunity to delight, or at worst to avoid future complaints. Sales theory would argue that these touch points suggest potential buying signals, if understood correctly and acted upon.

In Thwaites's (1999) review of consumer differences in connection with sports

tourism – ranging from culture to languages, attitudes, preferences and behavioural norms – he suggests that 'it is incumbent on management to check for variations that may contribute to friction. Emphasis can then be given to encouraging some segments and discouraging others.' Therefore, as a starting point, tools available should also allow for empowerment in these situations, by adding leverage. They can be agreed beforehand by staff consensus and held back, to be applied where deemed appropriate.

Examples of vehicles and tools for empowerment:

- Small free gifts.
- Tokens of appreciation.
- Upgrades.
- Discounts.
- Compensation (financial, tangible and intangible).
- Flexibility in service offering (e.g. extended hours for breakfast during Ramadan for Muslims).
- Freedom to use multilingual approaches; with no suspicion.

Staff should be encouraged to use these to:

- Protect prices and money already taken.
- Actively win the 'lion's share' of business.
- Reward or encourage customer loyalty, leading to an increase in the:
  - Recency, frequency or monetary value of an individual.
  - Number of recommendations and referrals made.
- Speed up customer decision making.
- Humanize a service offering.
- Buy customer trust and compliance.

In CRM and key account management an 80/20 rule has been stated as quantifying many interactions with customers. The thinking is that 80% of problems, complaints and enquiries will arise when dealing with 20% of customers. If addressed, these challenges can be converted to encourage the marshalling of customers up the loyalty pyramid. This may result in customers assuming the role of willing ambassadors. The reciprocal benefit of this successful execution may also lead to increased employee motivation and job satisfaction.

HUMAN EMPOWERMENT AND MANAGEMENT IN TOURISM

Having considered key aspects of empowerment as a management practice, we will now turn our attention to its implications for management of tourism. As discussed earlier, characteristics of tourism as a service industry do have implications for the practice of empowerment. As tourism is an amalgam of subsectors such as transport, accommodation, attractions, services and tourism facilitation, and each of these in turn consists of a number of different groups, virtually all the challenges faced by the sector are a consequence of its structure. For example, the accommodation subsector includes organizations that operate five-star and luxury accommodation, budget hotels, motels, bed-and-breakfast (B&B) units and owner-operated home stays. In addition to this diversity within each subsector, tourism organizations vary according to size (ranging in size from major multinationals to micro, one-person businesses), ownership (public, private, joint venture), location (rural, urban), scale (craft, small and medium, and large) and scope (local, national, international).

Tourism organizations belong within the service sector of the economy (Baum and Kokkranikal, 2003). They are, therefore, very different in the way that they operate and how they are organized from organizations that focus on the processing and production of manufactured goods. There are particular features of service organizations and the services that they provide for their customers that differentiate them from the manufacturing sector. These features establish the parameters within

which people can work and are managed in tourism. The characteristics of tourism service operations include the following features:

INTANGIBILITY. Most services are intangible in that customers do not receive something physical or tangible in return for their money. Customers purchase experiences and the evaluation of these experiences may include strong subjective elements along with aspects that can be judged objectively. Punctuality of an airline's service can, generally, be measured objectively while the quality of the service offered on board is much more subjective. The human contribution to the delivery of both tangible and intangible aspects of tourism services is core to customer satisfaction and competitiveness.

PERISHABILITY. The sales opportunity of an unsold service is lost forever. An unsold airline seat or an empty hotel room is lost revenue and an opportunity that can never be recouped. In other words, services cannot be stored the way that many non-perishable manufactured goods can be held in a warehouse until trading conditions become more favourable. This reality has a major impact on how service organizations, especially those in the tourism sector, organize themselves, particularly with respect to sales and marketing. This feature induces a constant level of stress into tourism operations and this impacts upon employees in that they are constantly required to respond to short-term sales requirements. The operation of effective yield management systems by, for example, the low-cost airlines can reduce this pressure on the individual to a considerable extent.

TOURISM SERVICES ARE TIME AND PLACE DEPENDENT. Tourism services are frequently prepared/produced, served and consumed almost simultaneously, frequently within sight and with the participation of the customer in a way that is infrequent in manufacturing. The human contribution within this process is critical. Many tourism services must be offered to the customer where they require its delivery and production cannot take place remotely or in a centralized location. Hotels must be located where people want to stay and not where it suits the hotel company to locate its operations. Place dependency impacts on the recruitment and welfare of tourism employees in that frequently they are recruited within the local host community of the tourism operation. This local dimension has implications for skills and training within the workforce and, in some cases, the ability of tourism organizations to deliver some of its services.

SIMULTANEITY AND CUSTOMER INVOLVEMENT IN SERVICE PRODUCTION. While manufactured goods are produced before they are sold and consumed, services are sold first and then produced and consumed simultaneously (Kandampully, 1997). Simultaneous production and consumption inevitably involve the customer in aspects of the production process, overtly in the case of self-service facilities or restaurants. Fellow customers are also part of the atmosphere or ambience that we buy into when we go to a restaurant or attend a cultural or musical event.

TOURISM SERVICES CANNOT BE QUALITY CONTROLLED AT THE FACTORY GATE. Tourism services are difficult to standardize because they generally require a high level of human intervention for their delivery and are, thus, subject to variability because of the human element. As a result, you cannot return or substitute a service that has been unsatisfactory in the way you can seek to exchange a faulty good such as an umbrella or personal stereo. Once your experience of a service is concluded, the provider can seek to compensate you for a bad experience, but cannot replace the experience.

THE HUMAN ELEMENT IN TOURISM SERVICE DELIVERY. Human behaviour, whether staff or customer, is unpredictable although good management and effective training should minimize this unpredictability among

employees in good organizations. Human interaction at the point of production and service inevitably produces an element of uncertainty that is not faced on the factory floor in manufacturing or, at worst, can be eliminated through effective quality control.

These characteristics of services in general apply within the tourism sector in particular and contribute to the manner in which tourism organizations are structured and operate. They influence the operational culture of organizations and also how they market their services, how their finances are structured and, in particular, the management of people within organizations.

Skills issue in tourism

Baum (2002) has explored the nature of skills in tourism and concluded that the nature and relative level of skills in the sector are determined by the social, economic, political and technological context within which they operate. To talk of tourism as a low-skills sector has some validity in the developed world but is meaningless in many developing countries. Likewise, to talk about absolute skills shortages in tourism is something which has relevance in the developed world. In most developing countries, there is no absolute shortage of labour but the skills base that exists in the economy may not be tuned to effective tourism work. In developed countries, skills shortages exist as a result of image problems that the sector may have, as a consequence of demand factors such as seasonality and as a result of changes within the technical focus in education and training programmes within the college system.

Recruitment, retention and turnover

The mobility of staff within tourism is a direct factor of the wider environment, structural and sector-operating characteristics that we have addressed above. Sectors of tourism in some, particularly developed, countries face ongoing challenges to recruit appropriate staff to key positions in the industry, skilled and unskilled. They also face challenges with respect to retaining these staff once they are recruited and reducing what can be very high rates of labour turnover. The impact of variable demand (seasonality), issues of remuneration (see below), unsociable working conditions and generally negative perceptions of the sector for employment contribute to problems faced in this regard. Tourism is also an industry that is seen to be highly reactive to short-term local and international events in terms of its willingness to retrench staff in order to meet short-term financial requirements. The impact on travel and transport sectors in the immediate aftermath of events on 11 September 2001 is a major case in point. Within this environment, potential employees may not wish to risk their long-term security in an employment environment that is perceived to be unstable.

At the same time, the small business environment within tourism means that the recruitment process may not always be conducted in such a way as to ensure the selection of the best and most suitable employees for the job. Limited credence is given to the outcomes of formal education and training while opportunities for workplace development are limited. As a consequence, the recruitment technique of internal promotion is not as widely used in tourism as it could be.

Rewards, benefits and compensation

The popular perception of the tourism industry in many developed countries is that of relatively poor pay (Wood, 1997; Baum, 2006). This is a reflection of a number of factors:

- Perceptions of tourism work as synonymous with the large but not necessarily typical hotel and catering subsector.
- The low-skills environment of many jobs within tourism.
- Limited workplace organization in some tourism businesses; although this is not true of, for example, the traditional airline sector.

- Seasonal and part-time work.
- The grey or 'tipping' economy within many tourism operations, undermining core remuneration.
- Trends to deskill work in tourism through technology substitution.
- Accessible employment for the majority of the population through seasonal and other temporary work.

At the same time, tourism can offer highly remunerated and high-status employment within, for example, airlines. In the developing world, tourism employment may be highly prized and its remuneration, relative to local conditions, competitive with other opportunities in the economy. The experience of newly industrialized states such as Malaysia, Singapore and Taiwan, however, is that, as the economy develops, the attractiveness and competitiveness of remuneration in tourism declines, presenting a real challenge to the sector in meeting its employment needs.

These characteristics of tourism as an industry and employer have major implications to introducing empowerment in the sector.

EMPOWERMENT IN THE TOURISM INDUSTRY

Given the human dimensions of service (Baum, 2006), the competence of the human resource is an important variable in determining not only service quality but the quality of overall visitor experience. Quality management in tourism is about ensuring that tourism businesses can offer distinctive, authentic and higher-value holiday experiences (Baum and Kokkranikal, 2003). Quality is also dependent upon value added through a range of human skills during the service encounter, recognition of which has resulted in the adoption of concepts such as managing 'moments of truth' (Carlzon, 1987; Sharpley, 2005) and developing the 'spirit of service' (Albrecht, 1992) by the tourism industry. Carlzon describes a 'moment of truth' as the point of contact between the customer and employee of the company, and these are the critical occasions which determine a customer's satisfaction in a service encounter. Although relatively minor and transient occurrences, 'moments of truth' are make-or-break occasions in service encounters in tourism (Baum, 2002). The visitor–employee encounter in tourism can be mapped with the help of Leiper's tourism system (1995). Leiper (1995) in his geographical system brings out the interaction between tourism demand (travellers in the generating regions) and tourism supply (tourism destinations), tracing the journey through the transit region. Baum (2002) uses this system to scale the intensity of the 'moments of truth' during each stage of the holiday process, starting with the traveller-generating regions and moving through the transit route towards the tourist destination regions and back (Fig. 8.2).

As Fig. 8.2 indicates, typical holiday travel entails a complex range, and varying level, of interactions between the tourist and service providers. Managing this complicated range of interactions requires employees who can think on their feet and are innovative and flexible.

The 'spirit of service', according to Albrecht (1992, p. 154), is an 'attitude based on certain values and beliefs about people, life and work, that leads a person to willingly serve others and take pride in his or her work'. The spirit of service is about an employee going beyond the normal level of service and making efforts to understand customers and meet their emotional, psychological and physical needs that create the original demand for the service or product.

Buissink-Smith and McIntosh (2001) have identified five characteristics that are essential to demonstrate the 'spirit of service' by employees of tourism organizations. These are: (i) the individual spirit; (ii) the mindfulness spirit; (iii) the energy spirit; (iv) the communication spirit; and (v) the orientation spirit (Table 8.1).

The foundation of the 'spirit of service' and effective management of 'moments of truth'

High

Intensity of interaction

Travel retailer (online and high street)

Airline (charter, scheduled, budget)

Hospitality (resorts, hotels, B&B)

Tour operator, visitor attractions, restaurants, tour guides, shops

Medium

Airport (check-in, shops, currency)

Airport (immigration, shops)

Destination websites

Local transport

Low

Departing travellers

Transit route

Tourist-generating region

Returning travellers

Tourist destination region

Location of tourists and tourism industry

Fig. 8.2. The tourism experiences and encounters (adapted from Baum, 2002).

Table 8.1. The characteristics and skills for the 'spirit of service' (from Buissink-Smith and McIntosh, 2001, p. 83).

Characteristic	Skills
1. Individualism	Being yourself – being physically, emotionally and psychologically 'in' the service encounter. Being able to use your own style, talents and personality and remaining true to yourself Feeling good about yourself and others – positive basic feelings about self, work and other people (self-confidence, self-respect, friendly, interested in others, empathy, resilience, self-control and optimism)
2. Mindfulness	To be mindful – being alert and flexible Feeling empowered – as a state of mind – to be creative, take risks, express personal power, exercise initiative outside the conventional norm
3. Energy	Proactive and willing – motivated, innovative, organized, flexible and open to change – willing to give extra energy and continuously improve and learn Having fun – being a star with the customer is fun – motivated by the intrinsic rewards of the service role
4. Communication	Customer contact skills – active listening, problem solving, complaint handling and analysis of verbal intake Comfortable with all visitors – different cultural perspectives and values
5. Orientation	A customer-service orientation – a commitment to service quality – service centred and commitment of energies to quality Knowing the big picture – being involved, feeling committed and an awareness of importance of role, job and product knowledge

thus will be a sense of freedom and a range of skills and attitudes that result from and contribute to a belief on the part of the employees that they are empowered to manage customer experiences. Even if an organization is able to recruit skilled and competent employees, their ability to contribute to service quality will depend greatly upon the autonomy and choice available to them to deal with practical aspects of their job without having to look for directions from their superiors (Hocutt and Stone, 1998; Chua and Iyengar, 2006).

Empowering the employees to provide higher-quality moments of truth by inculcating the spirit of service seems to be a major strategy towards achieving service quality in the tourism industry (see, for example, Fig. 8.3). As Berry (1995, p. 89) observes, 'Customers may not give extra credit to businesses for doing what they are supposed to do, rather they attach higher value to those that surprise with unusual caring, commitment, and resourcefulness during the service encounter.' Thus the skills and competencies of the employees could be a major variable in facilitating a higher-quality customer experience in tourism. Given the variable nature of service experiences and consumer heterogeneity, it is highly unlikely that a uniform standard set of competencies
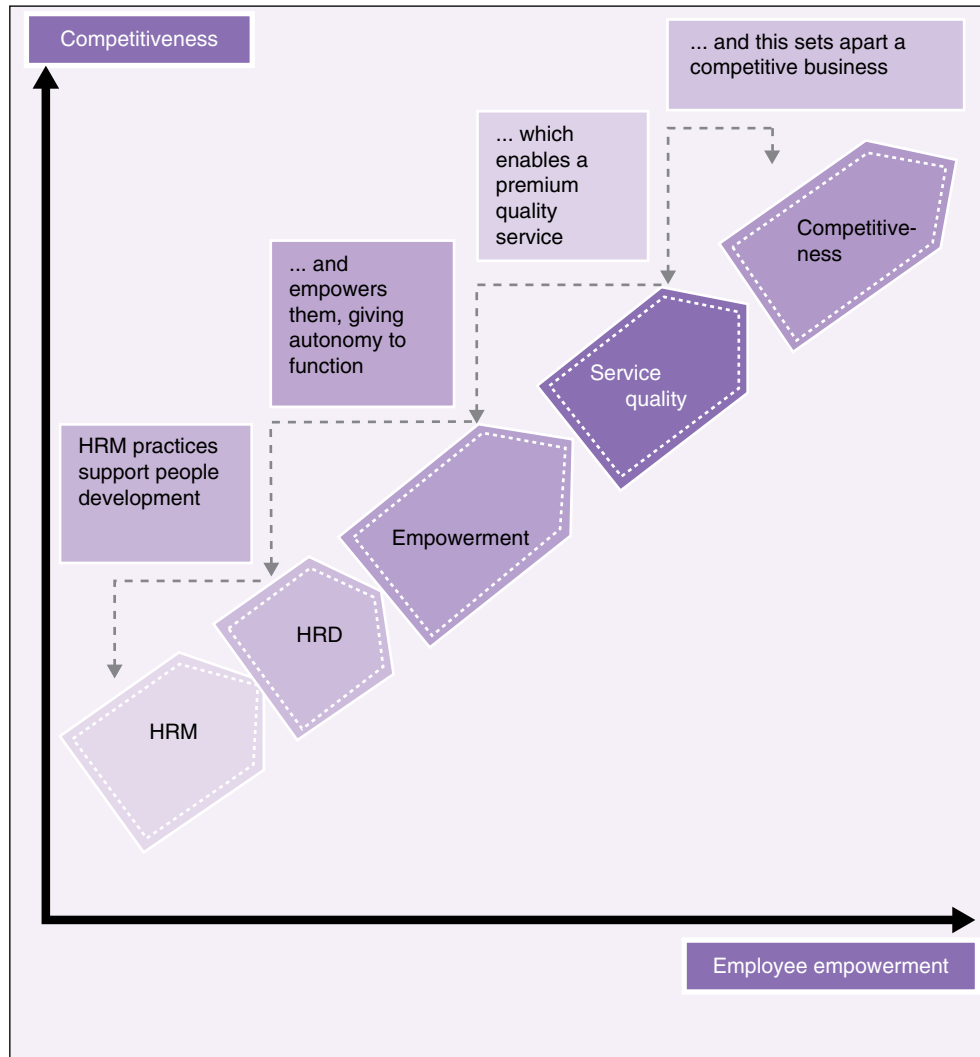
Fig. 8.3. Employee empowerment for competitiveness in tourism (adapted from Fáilte Ireland, 2005). HRD, human resource development; HRM, human resource management.

will be sufficient to meet the ever-increasing needs of more discerning and demanding customers. Flexibility, ability to think and decide on one's feet, and innovation are thus the essential attributes required of employees in the tourism industry. The criteria of good perceived service quality identified by Gronroos (1988) further underline the important role of human empowerment in delivering service quality (Table 8.2). These criteria are: (i) professionalism and skills; (ii) attitudes and

behaviour; (iii) access and flexibility; (iv) reliability and trustworthiness; (v) recovery; and (vi) reputation and credibility. These elements belong strictly to the human resource domain. An empowered set of employees alone is likely to be able to meet these criteria.

The competitive tourism industry, as a service sector, largely depends on excellence of service and delivery of an intangible product. The nature of this industry and the satisfaction of customers depend critically on

Table 8.2. Criteria of good perceived service quality (from Gronroos, 1988, adapted by Johns, 1996, p. 15).

Number	Designation	Description
1	Professionalism and skills	Customers see the service provider as knowledgeable and able to solve their problems in a professional way
2	Attitudes and behaviour	Customers perceive a genuine, friendly concern for them and their problems
3	Access and flexibility	Customers feel that they have easy, timely access and that the service provider is prepared to adjust to their needs
4	Reliability and trustworthiness	Customers can trust the service provider to keep promises and act in their best interests
5	Recovery	Customers know that immediate corrective action will be taken if anything goes wrong
6	Reputation and credibility	Customers believe that the brand image stands for good performance and accepted values

the human factor (Gabriel, 1988) and therefore the way in which tourism and hospitality employees are managed is of critical importance to the employer and customer alike. In this respect many employers have used employee empowerment, trusting it will improve responsiveness to customer needs and thereby become more efficient and effective (Rapp *et al.*, 2006).

Empowerment certainly influences the competitiveness of tourism organizations, in that it prepares a platform for better customer relations. Brymer (1991) believes that empowerment is a customer-driven leadership strategy that can separate organizations that really provide a personalized and high-quality customer treatment from those who merely talk about providing quality service. Empowerment of employees is an important component of total quality management (TQM) (Sigler and Pearson, 2000). Advocates of TQM believe that, to achieve customer satisfaction, top management should be committed to creating an organizational climate that empowers employees and focuses their efforts on customer satisfaction (Ugboro and Obeng, 2000). These authors maintain that between leadership/commitment and employee empowerment (leading to job satisfaction), and customer satisfaction, a positive relationship exists. They maintain that empowerment can contribute hugely to job satisfaction and that employees who do not enjoy the latter cannot provide the required high-quality service for customers. In some respects one can refer to this as a circular relationship whereby the organization (top management) can apply empowerment as a means to achieve job satisfaction among front-line staff in order to improve customer satisfaction, which in turn will benefit the organization's objectives. For example, a hotel owner might empower the reception staff to allow tourists early access to their rooms even if the official check-in time is much later. With this responsibility, the staff members experience a sense of added value; their friendly demeanour, together with the fact that they could add value to the guests' enjoyment, may lead to an increase in guest satisfaction. This in turn could lead to repeat visitors, which will benefit the original objectives of the hotel owner.

Lashley (1996) lists a range of potential benefits to organizations that apply empowerment as a human resource strategy: empowered employees do better work, take responsibility for their own performance, produce more satisfied customers, greater profits and help produce a more competitive organization.

There are, of course, also limitations to empowerment, strengthening the belief that empowerment does not grant employees free rein. Empowerment does not allow employees to alter prices, product specifications or their workplace decor (Eccles, 1993) and gives them virtually no say in the company targets and objectives. For example, an airline employee at check-in might be empowered to allow a customer free excess baggage, but will not be empowered to delay a flight if clients had difficulty in reaching the airport on time. A waiter in a restaurant might be empowered to offer regular customers a complimentary drink, but will not have the power to rearrange the furniture to suit these clients.

The success of the potential benefits of empowerment hinges also on managers' and supervisors' approach towards empowered employees. Employees at all levels should be trained in aspects such as teamwork, problem recognition and problem solving (Ugboro and Obeng, 2000) in order to make good decisions (Sternberg, 1992).

It is believed that empowerment recognizes employee feelings of personal effectiveness and worth (Lashley, 1996) and therefore enhances job satisfaction and overall relationships between employees, customers and managers (Littrell, 2007). Eccles (1993) warns that not all employees are naturally ready for empowerment – many cannot count or read and others may have challenges with honesty and integrity. Empowerment in this sense becomes a rather personal consideration, starting with the existing abilities, skills and attributes of the employee and assessing to what extent, in view of the organization's culture and vision, the employee should or could be empowered.

Most authors on the subject of empowerment agree that, to apply empowerment as a human resource strategy, a fundamental shift in managerial power and working practices, as well as attitudes of senior management, is required (Brymer, 1991; Sternberg, 1992; Eccles, 1993; Ugboro and Obeng, 2000; Baum, 2002). Empowerment as a human resource strategy will lead to a more flattened organizational chart than before (Brymer, 1991). As a natural consequence of empowering employees, managers are required to give up some extent of control, although not their accountability. Sternberg (1992), concerned about supervisors' and managers' resistance to empowerment, believes successful empowerment rests with a great relationship of trust between manager and employee.

An empowered group of employees, on the other hand, can also benefit many managers in terms of time saved, developing a better understanding of the customers' needs through feedback from the employee and mutual problem solving. Lashley (2001), one of the leading authors in the field of empowerment in the service industries, identified four forms of empowerment, the first three mainly directed towards front-line or operational personnel and the last one aimed at managers:

1. Empowerment through *participation* – this concerns giving employees some decision-making authority which previously rested with management, such as dealing with complaints, organizing work schedules or meeting unpredictable service requests without reference to managers.
2. Empowerment through *involvement* – this relates to managers gaining from the experiences and expertise of employees and involves techniques such as team briefings, consultation with staff and joint problem solving.
3. Empowerment through *commitment* – employees are encouraged to accept responsibility for the service encounter without necessarily having more authority.

4. Empowerment through *delayering* – here the organizational chart is flattened and layers of management are reduced.

The form of empowerment chosen by the organization will depend on the job at hand and the culture of the company, as well as on the cooperation of both management and employees. As a general rule, Lashley (1996) stresses that the more unpredictable the demands and needs of the customer (as often perceived in the service industry), the more likely that empowerment of staff will make a positive contribution to the organization. Eccles (1993, p. 18) states that:

> Effective empowerment is thus delivered through a combination of power release and responsibility, with measurable performance criteria to gauge effects. Empowered employees need managerial support rather than being offered fine phrases and then being left to get on with it.

Empowerment should therefore always be applied with great skill and awareness of the management and not merely as a buzzword to keep staff satisfied or to gain competitive advantage.

Empowerment also requires the front-line staff to be equipped with the knowledge and abilities and human resource development (HRD) policies and programmes that provide employees with the skills, attitudes and competence to do their jobs independently (Hocutt and Stone, 1998; Baum, 2002; Baum and Kokkranikal, 2003). Further, empowerment can only happen where there is trust in the positive side of human nature, based on the belief that human beings are capable of being noble and well meaning (Mahesh, 1994). Needless to say, in service industries such as tourism, employee empowerment has been driven by consumer satisfaction, which allows staff to take a leadership role. It also has to be an ongoing process, which requires continuous investment in HRD to update employee skills and knowledge and also to develop a culture of continuous development and lifelong learning (Brymer, 1991; Kokkranikal, 2004).

CONCLUSIONS

In this chapter, an attempt has been made to examine the strategic role of employee empowerment in enhancing quality and competitiveness within the tourism industry. It started with an analysis of the basic concepts of empowerment and moved on to consider aspects of empowering staff and customers and its practical implications for service industries such as tourism.

The following is a summary of key factors, resulting from the consideration of empowerment as a strategic management function in tourism.

Advantages associated with empowerment

Empowerment:

- Is a short- and long-term cost-effective approach.
- Is an offensive and defensive technique resulting in:
  - retention of profit centres;
  - increased profitability.
- Optimizes strategy.
- Is a long-term strategic differentiating factor.
- Is an internal and external marketing tool to attract and retain staff.
- Results in the humanization of the work environment.
- Reduces gaps between employee and consumer.
- Assists in the movement towards exploring new approaches and markets.

Potential benefit to employees:

- More motivating.
- More interesting.

- A better way to work.
- Increased flexibility.
- Increased fulfilment.
- Easier way to fulfil obligations.
- Job enrichment.
- Chance to develop new skills.
- Opportunity to shape future activities.
- Opportunity to demonstrate additional skills.
- Formal recognition of added-value contributions.

Potential benefit to customers:

- Better experience.
- Added value.
- Increased feeling of personal worth.
- Requests addressed more promptly.
- Requests addressed with more relevance.
- Increased personalization of services.

If empowerment is seen as being central to an organization looking to improve both an employee's and a customer's experiences, the challenge lies in coordinating and formalizing an approach that:

- encourages fluid decision making;
- decentralizes management responsibilities;
- relies more heavily on tacit knowledge;
- requires a wider skill set;
- allows for more than one solution to a situation;
- necessitates higher levels of trust among peers; and
- increases individual accountability.

To conclude, there is a strong argument in favour of introducing employee empowerment in the tourism industry, if it is to be consumer and quality driven. And adequately skilled, confident and well-supported and customer-driven employees are essential for the tourism industry in which the workforce has the autonomy to take a leadership role in delivering higher-quality tourist experiences.

CASE STUDY: EMPOWERING LADIES AND GENTLEMEN

The Ritz-Carlton Hotel Company was established in 1983 with the purchase of Ritz-Carlton, Boston, Massachusetts, USA. At present, the company has 91 properties in 31 countries owned and managed by The Ritz-Carlton, with a workforce of 40,000 employees whom they refer to as Ladies and Gentlemen. Their motto is 'We are Ladies and Gentlemen serving Ladies and Gentlemen' (Ritz-Carlton, 2015). This motto exemplifies the anticipatory service provided by all staff members.

The Ritz-Carlton has carved its exemplary service offerings and created a unique positioning in guest satisfaction by adhering to its service values. One of the values instilled in the workforce involves empowering them to create unique, memorable and personal experiences for their guests, as the company literature explains:

> At The Ritz-Carlton, everyone has $2000 per day per guest to make it right or delight, but the money is symbolic. No one walks around with $2000 in his or her pocket. However, from day one at your job, you're encouraged and empowered to fix or improve a guest's experience, and you may spend up to $2000 to do this.

> 'Employee empowerment means being able to use my natural ability to create a lasting memory for guests or resolve a guest issue and have the confidence that my company supports me 100% in my effort,' explains an executive at the Ritz-Carlton. 'Sometimes the most delightful "wow" moments happen in the blink of an eye. If employees are not empowered and need to cross layers of approval, these moments could be lost forever.'…When you empower employees, you're telling them, 'We select the best talent. You're adults. We trust you. You don't have to run to the manager to help the client.' The results of empowerment are positively beautiful. Your staff is not only able to resolve issues immediately but also able to build relationships with clients. In addition, when everyone has the same resources and the same

goals, they are part of the same team and are more likely to work together to provide creative solutions that 'wow' your clients.

(Ritz-Carlton, 2015).

The Ritz-Carlton's employee empowerment programme, 'Empowering Ladies and Gentlemen' has resulted in a legacy of legendary services.

QUESTIONS

1. What are five of the main advantages and benefits associated with empowering staff?

2. One form of empowerment (delayering) is aimed at managers rather than front-line personnel; what does delayering mean?

3. How would you handle the following objections to empowerment?

- 'It's just an excuse for people to chat.'
- 'It's a waste of time.'
- 'Our staff can't be trusted.'
- 'They don't have what it takes.'
- 'We're encouraging people to do what they want, rather than do what we want.'
- 'Staff just use it to make themselves look good.'

RESOURCES

Websites

Chartered Institute of Personnel Development: www.cipd.co.uk.
Society for Human Resource Management: www.shrm.org.
Institute of Hospitality: www.instituteofhospitality.org.
The Ritz-Carlton: www.ritzcarlton.com.
International Labour Organization: www.ilo.org.

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Financial Management in Tourism

James M. Wilson and Luiz Moutinho

LEARNING OBJECTIVES

- To develop an understanding of the financial effects of management decisions and policies.
- To develop a comprehension of the impact of pricing policies on an organization's financial performance.
- To develop an appreciation of service and product design issues and their relevance to financial performance.
- To present a perspective on the financial consequences of alternatives available for promoting an organization's services and products by developing a basic comprehension of financial statements and their relevance for management decisions.
- To show how the marketing mix interacts with financial management and the impact different elements within the mix may have on an organization's finances.

INTRODUCTION

A basic understanding of financial management is essential for managers in the tourism industry. Financial management is central to planning, measuring and controlling many activities and managers that understand and can use this information can act on it more effectively.

MANAGEMENT DECISIONS AND THEIR FINANCIAL EFFECTS

It is useful to distinguish between differing levels of financial management: (i) some decisions focus on an organization's *strategic* concerns – those that involve major, long-term commitments; (ii) other decisions focus on what may be termed *tactical* concerns – those

involving more modest, yet still significant, concerns in the short to intermediate term; and (iii) *operational* financial management is concerned with day-to-day and very short-term issues. It should be noted that these are interrelated for the strategic decisions an organization makes to determine what its shorter-term resources and capabilities may be.

Within the tourism industry a useful framework for understanding the financial ramifications of common management decisions may be the 'marketing mix', since marketing is so important for success. This framework provides a comprehensive overview of both operational and strategic issues. Wilson (1999) illustrates the intersection of concerns between general and financial managers, with finance tending to emphasize financial concerns issues such as return on investment, while general managers may focus more on marketing issues such as market penetration or operational concerns involved with achieving production volumes and quality targets. A more balanced view would be beneficial for organizations as a whole.

The objective in taking a balanced perspective is to ensure that the relative concerns of both general and financial managers are mutually understood, and that the effects of decisions in each area for the other may be more fully appreciated within the decision-making process. To assist in this a commonly used framework within marketing, 'the four Ps' (product and service, price, promotion and place), will be employed, given the importance of marketing within the tourism industry. These focuses describe the major decisions confronting managers and will thus provide a context for the application of the tools financial analysts may apply.

Product and service

A key decision in any business is the identification and development of products and services for markets. Marketing research and development are essential elements in the

marketing mix and may themselves represent a significant demand for finance. Some examples of the activities subsumed in this analysis are those concerned with identifying what services to provide:

- New services or facilities to be introduced, or old ones to be withdrawn or 'improved'.
- Service product 'ranges', 'lines' and 'portfolios'.
- Service positioning vis-à-vis competitors, direct competition or differentiation.
- Branding.
- Service and facility design/performance characteristics.

This investment is made with a view to potential returns from their successful exploitation later. Similarly, marketing research that helps understand markets and their needs is also clearly a form of investment, though quantifying the economic returns of such studies may be virtually impossible. Marketing information does have value but this is derived from its subsequent use. The following development may then act on this information and yield a new (or updated) service with better potential for being profitable than if no such study were undertaken.

The issue is one of balancing the costs of market research and development against the potential economic benefits. In this there may be a number of analytical tools useful to assist in managing the risks involved in market analysis and for assessing the attractiveness of alternative investments.

New service introduction case

A new service has been developed and is proposed for introduction. The question of its potential profitability and economic attractiveness has been raised. The service will cost £250,000 to introduce inclusive of all necessary equipment, staff training, vendor support, introductory promotions and initial advertising. The service has a 5-year life

expectancy and during that time is expected to yield sales revenues of £300,000 in the 1st year increasing by £100,000 annually until they end in the 5th year, with direct costs of 60% of revenues and allocable overheads (advertising, back-office support, management, etc.) of £75,000 per annum. The new equipment will be depreciated by £20,000 per annum and have no salvage value at the end of the period. The company pays 40% tax on its profits. Similar projects in the past have been evaluated using a 15% discount rate.

Table 9.1 provides a time-phased analysis of the impact of introducing the new service. It shows the sales revenues in each year based on the starting volume and projected growth, the associated direct production, distribution and selling costs, and the gross profit. The fixed costs for the selling and administrative overheads and depreciation are deducted to yield the profits, from which taxes are deducted to yield the after-tax profits. The cash flow due to the new service is then determined by adding the depreciation to the after-tax profits.

The cash flow generated by the service can then be compared to the costs of undertaking the project. A simple comparison might just total the cash flow from the project and compare the total income to the start-up costs: total income is £415,000, while the start-up costs are £250,000, yielding an apparent net gain of £165,000.

But the difficulty in this simplistic approach is its failure to appreciate that the benefits are spread over a period of 5 years while the start-up costs are paid beforehand and could have been earning interest instead. What is necessary is to look at the future cash flows and ask what would be their equivalent value at the time the service was introduced. This value will be lower due to the time value of money. Applying the discounting rate of 15%, the implication is that cash received in 1 year's time would be worth less than its full value. If the organization invested £100 and earned 15% interest on it, in a year's time it would have £115; in 2 years, £132; in 3 years, £152, etc. Conversely, if the company were offered £100 in a year's time that money would be worth only £87 today, for the company might invest that £87 and the interest earned over the year would bring it up to £100. Thus the 'discount factor' of 0.87 would describe the present value of a cash inflow in 1 year's time for a discount rate of 15%.

Table 9.1. Time-phased analysis of the impact of introducing the new service.

New product assessment	Financial cost/return (£000)				
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales revenues	300	400	500	600	700
Direct costs	180	240	300	360	420
Gross profit	120	160	200	240	280
Selling and administrative overheads	75	75	75	75	75
Depreciation	20	20	20	20	20
Profit (loss)	25	65	105	145	185
Tax	10	26	42	58	74
Profit (loss) after tax	15	39	63	87	111
Cash	35	59	83	107	131

　
Table 9.2. Projected discounted cash flows.

		Discount factor				
		1/(1.15)	**1/(1.15)²**	**1/(1.15)³**	**1/(1.15)⁴**	**1/(1.15)⁵**
Discount factor	0.15	0.870	0.756	0.658	0.572	0.497
Cash × discount factor = discounted income (£000)		35 × 0.870 = 30	45	55	61	65
Total discounted income (£000)	256					
Cost (£000)	250					
Net benefit (£000)	6					

For this service, the projected discounted cash flows are shown in Table 9.2.

The comparison is now much closer – the undiscounted cash flows seemed to be very much greater than the service introduction costs. But this consideration of the impact of time and alternative investments that might be made significantly reduces the economic attractiveness of this proposal. The total discounted income is now reduced to only £256,000 compared with the costs of £250,000 leaving a discounted benefit, the net present value (NPV), of only £6000. So long as the NPV is positive the proposal is considered viable, but there may well be other proposals with higher NPVs to compete with for limited investment capital.

PRICE

The price set for a service is one of the most important decisions made. There will be strategic implications but the usual effects relate to short-term volume and profitability. There are a number of alternative approaches to the setting of prices for a company's services. Broadly speaking, these may be categorized as approaches based on accounting, economics or market analysis.

In accounting-based approaches the consideration of costs dominates the analysis. Most typically the focus is on a 'cost-plus' pricing method in which the company first identifies 'the' cost of producing some service and then seeks to obtain some premium over that cost. In most cases the base is the full cost, which includes allocated overheads. The additional mark-up is often a standard one based on historical practice or on industry norms. If the company wishes to achieve a specific gross profit margin, that too may be used to dictate the amount the price should be marked up over the costs of the services bought. This policy may often be seen in retailing in which goods are purchased and then priced using a standard mark-up intended to recover the overheads and provide a profit.

In economic approaches there is a reliance on an economic analysis of both supply and demand curves as seen by the company. In perfectly competitive markets the price is dictated by market factors, and the company would produce until its production costs rose above the price consumers will pay. In monopolistic markets the company would effectively restrict output to increase prices and its profitability. One special case is price discrimination, in which companies would seek to charge different prices to different identifiable groups of consumers so that each group yields

the maximum profit possible. One example of price discrimination would be 'peak' versus 'off-peak' pricing – this may have the objective of maximizing profits as well as attempting to shift demand from the peak period to the off-peak periods.

With market analysis the company will generally know its own costs but go beyond those to consider its customers and competitors in determining pricing policy. This may result in a variety of alternative pricing strategies. In practice companies may use 'reference' pricing based on the prices charged by their competitors – and set their price relative to the competitor's, given issues such as perceived quality or availability. Other approaches include a 'skimming' policy, in which a product is introduced at a relatively high price, which is then reduced once those people willing to pay the high price have been satisfied. A similar policy is 'penetration' pricing, in which a relatively low price is charged to achieve a higher sales volume and market share than might otherwise be the case or to attempt to break up existing buying patterns. Such a policy should be considered very carefully since it may induce competitors to reduce their price to retain market share. The consequence of such a response is that neither company may earn the profits it might normally expect.

One interesting development is the idea of target pricing, and target costing based on that information. In this a new service is assessed against consumer expectations, and priced to fall into the range of prices acceptable to consumers. With target costing this analysis is carried one (or several) step back into the organization. If the consumers are only willing to pay a relatively low price for the service, its producers might then ask how the costs may be reduced to allow that demand to be met profitably. This may revolutionize service design, with greater interest in cost as a critical design dimension along with performance, quality and other traditional concerns. In the traditional approach it is usually assumed that the service is defined first and then a price

determined for it from consumer behaviour – a more integrated approach sees service design and pricing as interrelated.

All pricing policies have financial implications. Some plainly look at maximizing sales volumes, or sales revenues, and these might be considered as possibly suboptimal since they consider only one aspect of the overall impact. Besides these measures of sales, a well-founded decision should also consider the costs associated with generating sales and the potential profitability.

BREAKEVEN ANALYSIS

One of the most basic analyses of pricing is breakeven analysis. In this approach an organization simply needs to identify the fixed costs associated with developing and producing a service, its direct production and marketing costs and the proposed price for which it would sell. The product 'breaks even' when the sales volume yields total revenues that exceed the total costs.

Consider the earlier example. The service had start-up costs of £250,000 and allocated overheads of £375,000 (£75,000 for 5 years) for a total fixed cost of £625,000. The service's direct costs were described as being 60% of revenues, but a more effective approach would consider the actual purchase and production costs instead. These have been estimated as £100 per client. The price initially considered was £165 (providing a mark-up roughly equal to a 60% cost of sales (COS) to price ratio). How many clients would need to be served for the organization to break even on this service? The breakeven point would look at the contribution (price – direct costs per client) each client served makes towards recouping the start-up and overhead costs. Each sale thus yields £65 contribution to repaying the £625,000 'invested'. At that rate the company would need to serve some 9616 clients to break even.

Breakeven point: 625,000/(165–100) = 9616
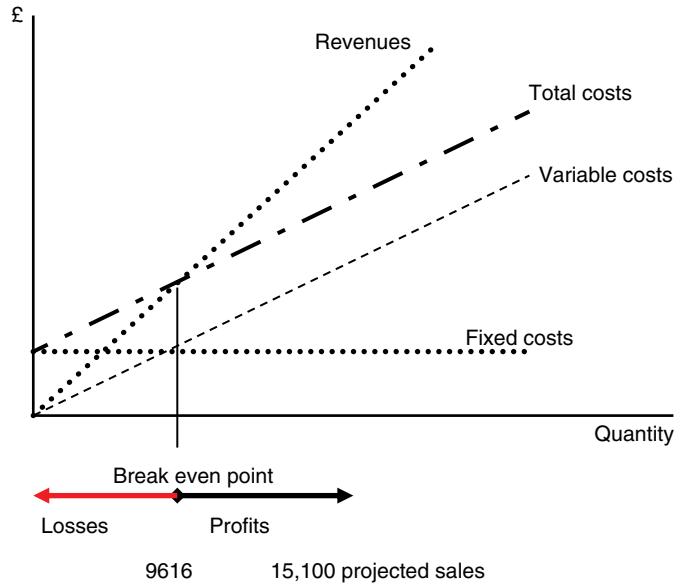
Fig. 9.1. A breakeven graph.

If the projected sales are greater than 9616, the service will yield a profit; if the projected sales are less than that, a loss will result. This breakeven point provides a threshold against which forecast sales can be assessed. In most instances the introduction will depend on exceeding the breakeven point by a healthy margin.

Looking back at the projected sales revenues of £300,000 in the 1st year, rising by £100,000 annually, we can estimate the 1st-year sales volume to be roughly 1800, with annual increases of approximately 600 units for a total sales volume over the 5 years of about 15,100 units, well above the breakeven point. This analysis is illustrated in Fig. 9.1.

With the identified relationships the breakeven point is exceeded by roughly 5500 units, yielding a contribution of £65 per unit that becomes profit once the overheads have been fully recovered. The total profit then is £357,500.

ISSUES

This may be used to judge the financial impact of differing prices on the breakeven point – higher prices mean that fewer clients need be served in order to recover the investment. Lower prices would dictate that it would take a longer period. But the process ignores the time needed to generate sales; this is significant for two reasons: (i) future returns should be discounted, particularly if several years' revenues are needed to reach breakeven; and (ii) the time may exceed either the productive life of the facilities used or the service's life cycle.

CAVEATS

The breakeven model is very simple and straightforward in application, but its results need to be carefully considered. Is the volume of sales required to break even a feasible one? In the example the service life was sufficiently long to allow these costs to be recovered, but if its life were much shorter the sales volume would not then be adequate. If the price were much lower, the volume of sales needed to break even might exceed the life of the service substantially.

A further difficulty arises from the use of fixed prices and unit costs. Basic economic theory suggests that prices need to fall to induce customers to buy more. The implications are that the total revenue does not simply keep increasing at a constant rate, and that the effect of reducing prices to stimulate further sales would cause total revenues to 'flatten' and fall. Similarly, the direct costs might be subject to variations – perhaps exhibiting 'learning curve' effects in which the unit costs decrease as experience is gained and allows for more efficient production. Perhaps the most significant variation for many tourism businesses arises from the limited capacity of their service facilities – their fixed costs then would be quasi-fixed and exhibit a step-like behaviour with fixed increments of capital required to provide capacity increases. This more complex analysis is illustrated in Fig. 9.2.

In this more complex environment the breakeven analysis may still be used, recognizing the effects of the non-linear relationships – the flat fixed costs have been replaced by a set of fixed costs that increase in steps as increases in the sales volume make additional capital investment necessary. The variable cost is no longer a simple line as would be the case for a constant production cost, but now curves and becomes 'flatter' as the learning effects reduce unit costs. The total cost is now a stepped curved line, against which the total revenues are plotted as they increase and then decrease to reflect the impact that lower prices and increasing volumes sold have on total revenues. The result is a range of output which allows the organization to break even. Below point 'A' costs exceed revenues, as they do above point 'B'; but for the points in between 'A' and 'B' the total revenues exceed costs and the organization breaks even. The profit maximizing point may be identified where the difference between total revenues and costs is greatest.

Yield management

Yield or revenue management has become one of the most valuable tools for effective pricing decisions in many tourism businesses: it is now common for airlines, hotel chains and car rental companies to use these methods to maximize the revenues that their services generate. The problem is more generally recognized by economists as *price discrimination*:
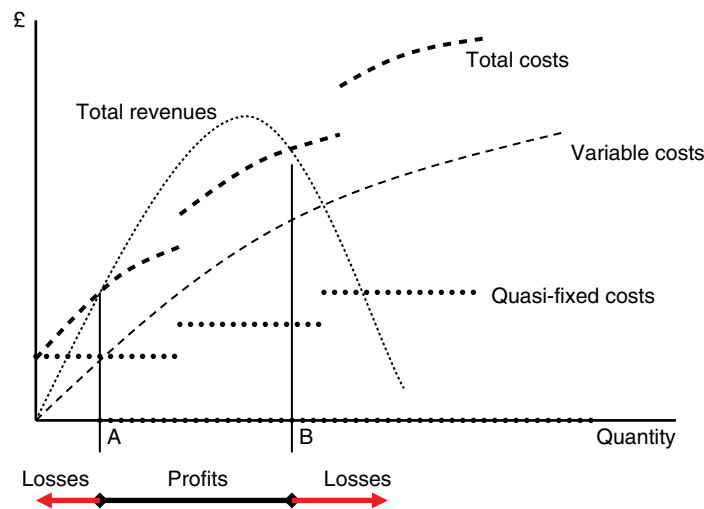
Fig. 9.2. Breakeven graph with non-linear relationships.

charging different customers different prices for identical goods or services. Yield management strives to charge the right price to the right customers for the right services at the right time. The essential requirements for using yield management are:

1. Limited capacity (a fixed number of hotel rooms, seats on an airplane, etc.).
2. Limited time for use or consumption (hotel rooms and seats on a particular flight cannot be used later).
3. Customers are willing to pay different prices for the goods or services used.

Ideally, an organization would like to charge every customer the maximum price they would be willing to pay. However, competition that drives down prices to an 'equilibrium' which matches marginal consumers with marginal suppliers allows some consumers what is called a 'consumer surplus' (just as it allows the most efficient suppliers a profit) from paying less than they otherwise would be willing to pay. Figure 9.3 briefly outlines this situation. The equilibrium price 'P' is determined by the intersection of the demand 'D' and supply 'S' curves, with the quantity sold then being 'Q'. However, an individual customer 'q' might

have been willing to pay a higher price 'p' than the equilibrium; and they thus benefit by the differential between what they would be willing to pay and the level generally prevalent in the market. In effect, they get a 'bargain', something they want for a price lower than the maximum they would be willing to pay for it. Sellers would always like to take advantage of this fact, and sometimes mechanisms such as 'blind' auctions (in which bidders must bid without knowing what others are bidding) attempt to get customers to offer their maximum price for the goods and services available.

Yield management is one such mechanism used in the tourism industry to achieve maximum revenues from services that are limited in their available quantities and in time.

Yield management may be used for off-peak pricing, differentiating between high and low seasons, or when demand might be particularly high due to other factors (or even days, as with a hotel that may charge higher rates when major sporting events or other such events are being staged). This may shift demand from peak periods to the off-peak periods, increasing the revenues with higher prices during the peak when capacity is fully utilized and also increasing revenues from the
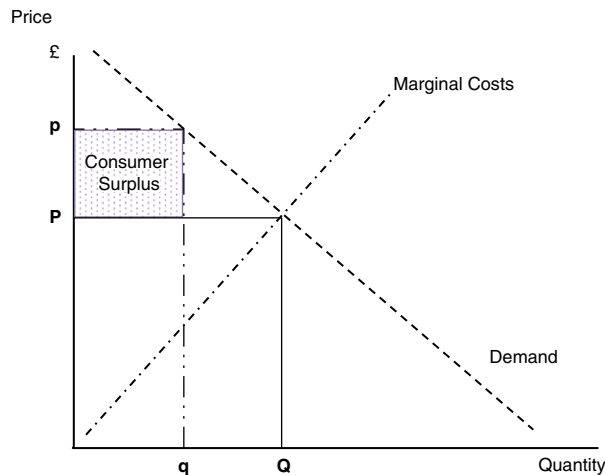
Fig. 9.3. Price discrimination and consumer surplus. Here the lowercase 'p' and 'q' indicate the specific price and quantity associated with a particular point of intersection between the supply and demand curves.

off-peak when capacity is not as utilized as it might otherwise become.

The timing of sales may be exploited to increase revenues, though this may involve apparently contradictory tactics. One approach may be to offer discounts for early commitments by customers, reserving capacity to be sold at higher prices to those customers that commit to purchases later, as may be seen in the airline industry. In other cases, where expected demand may not be so great as anticipated, surplus capacity may then be sold off very cheaply – even at prices close to the organization's marginal costs – simply to generate revenue and contributions to overheads that would otherwise yield losses.

Although yield management systems may be very complex and involve very sophisticated analyses and modelling of consumer behaviour, even relatively small tourism businesses may find it advantageous to act on these insights and thereby improve their financial performance.

Promotion

Promotion involves a wide range of competitive activities used to increase sales and to attract and hold customers. Promotional activities include advertising, public relations and customer-oriented sales promotions. Promotional activities may be directed at customers or at the distribution channel with the intent of increasing demand or to improve service availability. Some promotional activities may involve discounts that affect the revenues from sales, but most are more appropriately considered service-related overheads. The introduction of a new service will typically be accompanied by a number of promotional activities – advertising directed at the service's end-buyers, point-of-sale materials for retailers, training programmes and dealer incentives for wholesalers or intermediaries, etc. These consequently may be considered as overheads that can be allocated to that service specifically though no individual customer or

sale can be identified with those costs. If more services are introduced, the organization will have more of these promotional activities to undertake and pay for. Some promotional activities may not be associated with specific services – such things as public relations that have the intent of promoting the organization as a whole rather than any specific service. In those cases the promotional activities would constitute part of the general sales and marketing overheads.

Advertising case

One controversy arises over the benefit of advertising: do organizations really benefit from this expenditure, or not? This issue may be addressed in accounting terms. The analysis proceeds by investigating the impact advertising has on increasing revenues relative to the costs involved in the advertising and supporting those sales.

In the example shown in Table 9.3 the advertising does increase sales substantially – by 20%, a gain of £20,000 in revenues compared with the advertising costs of only £5000. This apparent gain is not actually realized because it ignores the costs of providing the service – the relevant increase is not revenues but instead the gross profits. Advertising has increased these by £2000, which is rather less than the costs of advertising of £5000 so the organization is then worse off despite the increased sales volume and revenues.

Sales incentives case

Sales commissions are frequently used to help motivate staff in their work. These may be considered a direct cost because these commissions are directly linked to the sales volumes achieved – if they increase, so too do the costs of selling the goods. In many cases sales incentives operate on a sliding scale, for example a salesperson may be paid a base salary plus an incentive of 5% for all sales over £10,000/month; 10% for sales over £15,000/month; and 20% on sales greater than £20,000/month.

Table 9.3. Impact of advertising on increasing revenue: an example.

Profit and loss (typical month)	Without advertising (£)	With advertising (£)	Implications
Revenues	100,000	120,000	Advertising increases sales by £20,000
COS[a]	90,000	108,000	COS increases proportionately. Note, some promotional activities may involve disproportionate changes – discounting, or higher sales commissions, for example
Gross profit	10,000	12,000	
Fixed costs			
General overheads	5,000	5,000	The general overheads will not be affected by increased advertising
Advertising	0	5,000	Cost of advertising
Profit	5,000	2,000	
Tax	2,500	1,000	Rate = 50%
Net profit	2,500	1,000	

[a]COS, cost of sales.

So long as the gross profit margin is greater than 20% the organization will benefit from these incentives.

The increasing sales commission percentages are intended to motivate salespeople; by looking at the midpoint of each sales range in Table 9.4 it can be seen that the sales commissions increase substantially. The profits also increase, though not so much as the salespeople's commissions.

The key is to recognize that the costs of promotion are paid not from the increase in total revenues but from the increase in gross profits. This is true for both fixed-type, general promotional costs involved in advertising, public relations, etc., and for variable-type, sale-specific promotional costs like price discounts and sales commissions.

Other marketing assets, like customer relationship development, may be similarly assessed in terms of their future exploitable value. There may, however, be objections to so doing for such an attitude reduces everything to issues of pounds and pence. But such is the nature of a balance sheet – and numerous other intangible assets of organizations (staff skill and loyalty, for example) are similarly disregarded or treated in a mercenary way.

Indeed, there is much confusion about the concept of value as distinct from cost. A customer may be asked the 'value' of the service provided (or, more to the point, a manager may be asked the 'value' of a customer). In almost every case the customer will respond by saying that the 'value' was the price they actually paid for it. Yet a moment's reflection would show the

Table 9.4. Profitability and sales commission rates.

Profit and loss	Salesperson's basic salary (£)	Salesperson's commission (£)		
		5%	10%	20%
Revenues	5,000	12,500	17,500	22,500
COGS[a] (70% of revenues)	3,500	8,750	12,250	15,750
Sales commissions		125	500	1,250
Gross profit	1,500	3,625	4,750	5,500
Fixed costs	500	500	500	500
Profit	1,000	3,125	4,250	5,000
Tax	500	1,562.5	2,125	2,500
Net profit	500	1,562.5	2,125	2,500

[a]COGS, cost of goods sold.

fallacy of that perspective. The customer chose to exchange money equal to the service's price in order to obtain it, presumably because they valued it more than their money, or the other goods and services they could have bought with that money. This perspective is clear from the basic idea of a demand curve in economics: when prices are high the quantity demanded is low; but as prices fall and the quantity demanded increases those first customers remain and enjoy a 'consumer surplus'. They are able to obtain the product, which they valued so greatly that they were willing to pay a high price for, at the lower prices needed to attract customers not so eager to buy the item. Similarly for producers and supply curves – the most efficient may be able to produce very cheaply; if prices rise they will then enjoy extra profit on those efficiently produced units.

Developing customer relationships can be a costly exercise involving time and effort and even investment in physical facilities to support the relationship and its servicing. The value in terms of current and future sales and profits should exceed current and future costs; otherwise there is no economic justification for it.

Customer relationships and their financial impact

Customer relationships are a business's key asset. Each relationship is unique, with a value that varies unpredictably over time. These relationships are not readily transferable, nor are they saleable.

Accurately assessing customer profitability is problematic, particularly where direct costs are a relatively low proportion of total costs, as is the case in hospitality and tourism services. In other words, the greater the proportion of indirect costs (facilities, sales expenses, administration and service costs), the less reliable a simple proportional allocation of them might be. Different customers use a company's resources differently: for example, capacity requirements, payment terms, order entry, customer and sales support may all vary considerably between customers. Allocating these costs proportionate to volume, as often done, may well not reflect the true pattern of the customer's usage of resources. All sales involve a mix of both goods and services and the costs of *both* must be accurately assessed and allocated between the customers. So long

as customers utilize the organization's services proportionately with the volume of sales they generate, then traditional cost-allocation methods used by accountants will render fairly accurate allocations of the service overhead costs between customers.

These consider each customer's 'purchase' not as a single entity but instead as a 'bundle' of identifiable goods and support services. Bundling in tourism usually considers the combination of two products or services that may have a natural affinity for the consumer – bed and breakfast in hotels, for instance; or fly/drive in holiday packages. But virtually all primary products or services carry an invisible bundle of supporting services that may constitute some of the cost of producing, selling and delivering the primary product or service. In catering, for example, it would involve the facilities in which the food was prepared, then eaten and all the cleaning afterwards, etc.

Difficulties arise once customers vary significantly in the services they require in support of the goods bought. In these cases the traditional cost-allocation approaches that treat service support as a general overhead to be distributed evenly across all goods or services produced fails to reflect the uneven distribution of service demands that actually arise. In these cases those customers that place few demands on support service effectively pay more for less, implicitly subsidizing those customers with heavy demands whose price fails to fully reflect that additional service cost. To some extent the variability in service demand may reflect service variability: quality variations, natural variation and the like. These may quite properly be averaged out between customers as a form of 'insurance' in which these expected, but randomly occurring, costs are spread across all customers. But difficulties arise when the variations in the service demands arise not from the product or service sold or its performance but variations in customer behaviour.

In some markets customer behaviour may vary significantly, with aggressive customers demanding more extensive support *and* lower prices too than more passive customers. These aggressive customers may demand special consideration and service as well as being tough negotiators on price. The balance of power between customer and supplier is likely to affect the profitability of their relationships; the stronger the customer, the more concessions they can wring from their suppliers and the less profitable that relationship may be.

The role of marketing in this is self-evident, for the price setting in such circumstances may need to shift from easily implemented policies to more difficult pricing schemes based on discriminating between high- and low-service demand customers. The acquisition of the primary goods or services may yield little or no appreciation of the associated services or their costs, and great customer resistance then to any pricing scheme that specifically charges for these. For example, telephone support services that charge customers for the time used are an easily implemented mechanism for differential service pricing. Thus customers that need little support pay little or nothing for these services while more demanding ones do contribute directly and proportionately to the cost of the services they require. In effect, an 'unbundling' of the primary product or service and the telephone support services has been achieved.

Managers need to assess customer demands for *both* the primary goods and the services used *and* their associated demands for supporting services, and identify mechanisms for pricing that more fully reflect the true total costs of serving each customer. Where there are significant differentials, then mechanisms for unbundling those dimensions susceptible to varying demands may be financially beneficial in generating revenues from those with heavy demands *and* in attracting cost-conscious customers unwilling to subsidize the more intensive service users.

Profit or value?

However, customer profitability – whether in a single transaction or over a relationship

lifetime – might not be the best foundation on which to base decisions about customer strategies. As a measure, profit is subject to distortions. Accountants and financial consultants are now arguing that it is value, not profits, that companies should measure. It is possible to perform very well on conventional accounting measures but destroy value. Accounting measures of profit can be misleading, showing apparent growth while providing minimal or negative returns to shareholders. Customer value analysis would serve as a valuable adjunct to traditional accounting measures of profitability.

Traditional profit measures do not necessarily reflect value creation – profits may still occur even if the marginal costs exceed marginal revenues simply because of earlier, even greater profits. The critical difference between measuring performance using accounting profit which reflects *average returns* and using value is that the latter looks at the *specific, marginal costs* of serving a customer when calculating returns on the organization's 'investment' in the customer relationship. Value is only created when marginal returns exceed the marginal costs, a more demanding requirement than that of making an accounting profit.

The economic value of a customer

Applying this concept of value creation to customers enables companies to consider the economic value rather than the profitability of their customers, Fig. 9.2 shows there are many routes to value creation. These are particularly important where significant investments are required to serve a customer or group of customers. In order to determine the economic value of a customer, the 'cost of capital' associated with them has to be established. This is a function of the direct costs invested in serving that customer, and the rate of return to capital. Customers who require significant individual service (and hence investment) have a higher cost of capital than customers who do not.

Using accounting profit rather than a value measure in such cases will tend to overstate the amount of shareholder value the company is creating by doing business with high-investment customers. In this case direct costs of serving a particularly demanding customer are not properly allocated. That is to say, the COS fails to include significant elements of the direct services and support required. If a customer may require additional investment to support their requirements, this too should be considered a cost that can be specifically allocated.

When companies apply this thinking to their customer portfolio, it is likely that they will find a dispersion of customer economic value. It may be that some customers will be yielding more than the company's weighted average cost of capital (WACC), and some will be earning less. It might be thought that, so long as the return on the total customer portfolio is higher than the company's WACC, the company is creating value for its shareholders. However, this thinking is erroneous for it implies that the company may be using more costly finance to serve less-rewarding customers. An economic analysis would suggest that the average returns versus average costs would still be positive for a while *after* the marginal costs exceed the marginal returns and would thus lower the average return. This is a more stringent perspective than the focus on averages. But the company can increase the returns to its shareholders by attracting and retaining more value-creating customers; and also by improving the performance of its existing customers, in particular of those customers that yield less than they cost to serve.

Implementing relationship management entails certain changes in the way that companies view their customers and manage their contact with them. These are summarized below.

A customer relationship perspective will shift towards customer value analysis and away from product profitability or single-period customer profitability analysis. Value

analysis is forward looking, unlike profit, which relies on historical data. Existing management accounting systems may have to be adjusted to accommodate this change. To analyse the economic value of their customers, companies will need to make forward projections of income, costs and risk. This will entail investment in data warehouses to collect and manage customer information and customer-facing technology to facilitate communication.

Positive management of customer relationships as an asset of the business will mean developing customer strategies over the lifetime of the customer relationship. To manage all aspects of the value of the customer, these strategies should deal with maximizing returns, minimizing risks and obtaining benefits from the customer relationship.

Customer relationships do involve significant cultivation and represent a real investment of marketing effort, one that would be worthy of recognition – for there are real, tangible costs to building these intangible but economically valuable and exploitable assets.

Place

Place is the 'P' in the mix that reflects the distribution aspects of marketing: how the product or service gets to the customer – what kind of distribution channel to use, how many outlets or channels should be used, where and when the product should be available. This is particularly true in service industries; location is often the critical strategic decision made in the hospitality and tourism industry, at times completely dominating virtually all other aspects of business marketing and operation. In many cases, the 'place' is a given – a fixed geographical site or location that provides the prime attraction for the business's customers. Frequently tourism businesses operate from a single location, and choosing the right one is critical for their success.

With operations that may be spread over multiple sites many of the same location concerns and issues still apply – a poor location

is never an attractive proposition for any business, regardless of its size or number of sites or outlets. In expanding from a single to multiple sites there are numerous strategic issues to consider and ideally these additional sites will complement the first in terms of offering a recognized or established service in a new locale, or perhaps extending the current service offerings within a more restricted area – for example, a motel without catering facilities may acquire a nearby restaurant and then offer meals there along with its rooms.

Large-scale, multiple-site operations are frequently found with chains and franchises; these will attempt to provide their customers with a wide coverage through numerous dispersed markets. Again, the location of specific sites is subject to the same considerations as are single-site decisions, but these are also affected by concerns with providing a comprehensive network that covers the major or attractive areas or regions. In these cases the organization will first develop a strategy that identifies those areas for exploitation, and then seek locations within those areas that best meet its requirements. For multiple-site operations there may be significant economies of scale derived from spreading their substantial overheads, administration and marketing costs over a large number of operating units. No one location could provide the marketing capabilities that a chain consisting of hundreds of sites can readily support. A chain operation may allow numerous attractions besides physical convenience to its customers, for example: (i) a brand name with consistent service standards; (ii) pricing policies; and (iii) more efficient handling of service demands. Such consistent chain policies and practices help customers avoid having to make individual arrangements with businesses about which they know little and whose services and pricing policies may be poorly understood.

The place decision is one that may be critical for tourism businesses, both for those that are tied to specific attractions and more

generally for those whose market is not so geographically constrained.

ASSESSING EFFECTS

The profit and loss statement is perhaps the most useful accounting report commonly seen. It summarizes the organization's income from sales, the costs incurred in generating those sales and the overhead expenditures necessary to support these activities. This is presented in a coherent format that allows the different pieces of information to be considered individually and in relation to other relevant issues. Managers may easily see what the sales revenues for the period have been. Going beyond that simple information they may then look at related information: (i) how much the costs of making those sales were; or (ii) how the current period's sales changed from the previous periods; or even (iii) how the current period's sales compare with the same period in a previous year if that is more relevant (as it often is in tourism businesses affected by seasonal factors). The profit and loss statement can be constructed to provide a more precise focus too if necessary – it may be broken down to show specific services or regions, or any other aggregation in which the manager may have a specific interest. A close working relationship with an organization's accountants can help design systems that allow this information to be effectively collected and reported from the mass of accounting information handled.

Table 9.5 illustrates a common format for profit and loss statements. This also provides a line-by-line synopsis of each entry for management. Besides the raw figures there are a number of relationships that may also be used to explore the organization's performance. These interesting relationships are most often identified through financial ratio analysis, an important tool used for assessing performance. Some ratios reflect an organization's competitive and marketing performance, while others focus on gauging the efficiency of more internal activities.

A frequently used measure of marketing performance and operational efficiency is the gross profit margin: gross profit/sales revenue. This effectively is the difference between the selling price and the direct costs of the goods or services provided. The key recognition is that this shows 'symptoms' of a problem and is not itself the problem. For example: the gross profit margin may fall from one year to the next, but without further investigation the appropriate response cannot be identified from that simple measure. The margin may have fallen because prices have 'softened' due to competitor pressure: (i) price-cutting by existing competition; (ii) improved competing services; and/or (iii) new entrants into the market, etc. Or it could also be due to customer behaviour: (i) tastes may change; (ii) incomes may not rise as expected; or (iii) to even more general macroeconomic factors such as interest rate changes, inflation or exchange rate variations. The ratio provides an insight into performance, but does not explain why that varies. Explanation requires a closer review of revenues, prices, volume sold, unit costs, etc. – the whole range of factors that affect gross profit.

It is common for many businesses in the hospitality and tourism industries to face significant overheads costs associated with their facilities, equipment and even the staff they use. In these cases there may be significant benefits to a clear understanding of how sales and demand promotions can affect the overall short-term financial performance of the organization. In these cases financial management can play a significant role.

While selling and administrative expenses are generally presented as an aggregate, an analysis that breaks these down so that the selling costs may be considered on their own is most useful. In this the ratio of selling overheads to sales revenue would be a critical interest. Advertising and other promotions often require expenditure prior to

Table 9.5. Profit and loss statement and implications for management.

Profit and loss statement	Current year (£)	Previous year (£)	Implications for management
Sales revenue	1500	1250	This is the level of sales in monetary terms. Are sales reaching desired levels? Is there a minimum level of sales necessary? Are sales increasing, decreasing or stable? Related questions include: Are revenues per unit sold stable, increasing or decreasing? Is the item's price 'right'? Is it being discounted? Are competitors affecting sales – and if so is it volume or price most affected? Not only are changes in value considered but also proportionate changes are usually considered too. A £1 million increase in sales might be great for a small company but not so impressive for a much larger one. Comparative changes are important too, for a company may find that its results should not be considered in isolation but also in reference to its nearest competitors and the industry or economy more widely. Thus a set of 'good' results may lose some of their shine if others are doing even better yet, or gain more if those competitors are doing more poorly.
Cost of goods sold	750	650	This reflects the unit costs of the items or services sold. These may include purchase or production costs, distribution costs and direct sales commissions. Are these increasing or decreasing proportionately with sales? These can be a measure of efficiency in production, or a measure of how effectively suppliers are controlled.
Gross profit	750	600	This is also called a contribution margin. This is a broad measure of the profitability of the goods and services sold. Its interest to managers is that it is a better guide for sales promotions than simple price or volume. Increasing the sales of the most profitable services is one financially oriented objective that managers may identify.
Selling and administrative costs	500	400	General administrative costs would be a concern for managers – these represent the office and support staff that facilitate operations; most organizations try to utilize these as efficiently as possible, although there is no direct link between them and the sales volumes achieved. Some marketing and selling overhead costs certainly would be closely considered. These would include such issues as advertising and other promotional costs and their link to sales generated, with implications for future marketing effort.

(Continued)

Table 9.5. Continued.

Profit and loss statement	Current year (£)	Previous year (£)	Implications for management
Other fixed costs	100	100	These are usually outside the day-to-day control of managers, though they may be varied over the longer term by investment or disinvestment or changes to the assets base of the organization. Examples of such costs could be items like depreciation of assets, insurance, rent or utility costs. One point to recognize is that investment in new service development may be classified as an overhead in this category. Expanding, or upgrading facilities would generally involve investments that would affect these.
Profit	150	100	This value is how much money is being made from the organization's operations before interest and tax. This is an important number for it represents a measure of the organization's performance independent of the manner in which it has financed itself. Thus two companies might be equally successful in their activities but find that the choices made in financing their operations create cost differentials. This value is thus more suitable for comparisons between periods or companies that finance themselves differently.
Interest charges	50	50	These are the costs of money borrowed to sustain operations. This too may not generally be a concern for managers.
Taxes	50	25	
Net profit	50	25	How much money is made after tax; it is then available for distribution to the organization's shareholders or owners as dividends or profits; or it may be retained to provide additional working capital or money for reinvestment within the business in the future.

the realization of sales – these fixed costs then need to be recovered by the sales they help generate. If the level of sales is greater than expected, then a lower cost:revenue ratio may be seen; if sales are not stimulated as much as desired a lower ratio may be observed. The 'target' or desired ratio may be set arbitrarily or taken from past experience. A disaggregated set of revenues and costs would then attempt to link specific overhead expenditures for a given product's or service's selling, advertising, promotion and development costs to the revenues it yields.

Although service industries do not usually have significant inventories, those they do hold may be critical. Frequently, managers have to consider the most effective inventory policies for perishables and consumables. In restaurants particularly it is vital to control wastage of food stocks bought in anticipation of sales – a delicate balancing act between having too much and incurring higher costs and having too little and enduring lost sales and/or customer dissatisfaction.

There are organizational credit policies to consider. Many organizations will operate using inventories bought on credit from their suppliers. This may be an effective means for raising working capital, but it may be expensive in terms of the cost of the goods. Supplies acquired on credit might be priced higher than they would be otherwise. Does the organization pay a premium for the easy credit it enjoys? Similarly, an organization may offer credit terms to its own customers as a means for stimulating sales. The benefits of increased sales revenues will be reduced somewhat by higher costs of providing credit as well as the cost of the capital used. For example, an organization may sell blocks of its capacity to other organizations at a lower price and with payment due later; as distinguished from sales made to individual customers more irregularly at higher prices and paid for at the time ordered or when the services are delivered. A number of managerial issues arise in these situations. These effect may be seen not only

in the profit and loss statement but are also reflected on the balance sheet, as shown in Table 9.6.

This information can be compared with previously developed plans, and performance assessed. Questions may then be posed: Was the plan successfully implemented? If not, what problems were there? (Higher than expected costs? Delays in promoting the product? Delays in delivery? Problems in distribution?) In essence, the effectiveness of both the plan and its implementation may be assessed.

The profit and loss statement and balance sheets are just financial tools used to help manage an organization.

CONCLUSIONS

This chapter has presented a perspective on the financial consequences of common management decisions and policies. No tourism managers can ignore the economic effects of their decisions and actions and a better understanding of these should improve both decision making and performance. The focus on the marketing mix of price, promotion, place and product/service helps reveal the financial impacts of decisions made in those areas. These financial analyses provide useful tools in considering and choosing between alternatives.

This has been achieved through the chapter's discussions of:

- Analyses of the financial effects of management decisions and policies.
- An investigation of alternative pricing policies and their effects.
- An analysis of the implications of service and product design issues for financial performance.
- A consideration of the financial consequences of alternatives available for promoting an organization's services and products.

Table 9.6. Balance sheet and implications for management.

Balance sheet	Current year (£)	Previous year (£)	Implications for management
Fixed assets (at cost less accumulated depreciation)	110,000	120,000	Fixed assets are the long-term capital used by the organization in the form generally of physical facilities – buildings, equipment, shop fittings, etc. Intellectual property like patents is included as are such things as acquired 'rights' to produce products or use a franchise. Whether a 'brand' constitutes a fixed asset is somewhat controversial. And the suggestion that customer relationships too are assets is one totally alien to accounting although any marketing manager would regard these as critical.
Current assets:			The basic criterion is whether the asset will last longer than 1 year, or be fully used up or sold in less time.
Inventories	25,000	20,000	Inventories are goods produced and held for later sale. They may be created on purpose to decouple sales activities and production processes, or to provide an immediately available supply to support sales. There are two dimensions of particular interest for management: (i) the volume of stock available; and (ii) the variety of stock available. The balance sheet simply shows the total value and a disaggregated view may be more useful. One useful relationship is inventory turnover (i.e. how quickly these stocks could be sold). In service industries such as hospitality and tourism inventories are usually quite small in value – consumables used to support service delivery.
Creditors (less bad-debt allowance)	15,000	8,000	Creditors are customers who have bought on credit and this reflects the money owed to the organization. Credit policies may be a critical issue in supporting sales, with 'loose' credit stimulating sales. Such policies have associated cost: (i) the opportunity cost of the money so lent (it could be deposited in a bank and earning interest); and (ii) a cost is the possibility of non-payment (bad debt). Sales made to larger organizations may suffer from significant delays in payment, so close control of the creditors' turnover period can be important.
Cash and securities	2,000	2,000	These funds are almost immediately available to settle the organization's own debts and liabilities.
Total assets	152,000	150,000	

Liabilities:			Current liabilities are those that will demand payment within 1 year – long-term liabilities are those that do not have to be paid that quickly.
Current portion of long-term debt	6,000	6,000	While the bulk of long-term liabilities do not require payment in the current year there is usually some obligation to service the debt by making periodic payments on the debt. This figure represents the amounts due in the current period.
Debtors	12,000	10,000	The organization may have bought on credit itself. This represents the amounts owed. This may be of some interest to marketing if the credit taken on purchases is reflected in higher purchase costs that will be reflected in higher cost of goods sold in the profit and loss and lower profits.
Long-term debt	20,000	22,000	This is the outstanding balance of the long-term debt excluding the portion currently payable. The long-term debt represents borrowings and reflects the organization's financial strategy – whether to use debt or equity in funding its operations. Debt incurs fixed payments while equity does not.
Share capital	100,000	100,000	Organizations typically have shareholders who have invested. The share capital describes the sums of money so invested.
Retained earnings	14,000	12,000	Retained earnings are profits earned in previous periods that have been kept by the organization for its own investments and to support its future activities. Such profits could have been paid to the shareholders as dividends, but most organizations find that keeping these for reinvestment is more effective than having to raise new equity funding or borrowing.
Total liabilities and equity	152,000	150,000	

Case Study 1: The Expressly Espresso Co.

The Expressly Espresso Co. is a medium-sized organization operating in the UK food and drinks industry. The company sells a range of coffee-based products in its own coffee shops, and through retail outlets like supermarkets and delicatessens. These products include standard lines (e.g. whole beans, ground coffee, branded cafetières and crockery and accessories) and specialist lines (such as seasonal themed flavours and luxury hot chocolate). Expressly Espresso competes with large organizations such as Starbucks and Costa and also with small, specialist outlets selling directly to customers through single-site or local, small chain cafes and restaurants.

Mary Smith has been appointed managing director to revive the organization. Sales recently have been decreasing as the environment has become more competitive, with a proliferation of small competitors as well as growing numbers of outlets tied to the major chains. Despite these difficulties, Expressly Espresso has retained many of the earlier systems, structures and decision-making processes from when it was a much smaller and less complex business. Their past success and focus on making substantial growth has, perhaps, left them a little complacent so they have not paid much attention to the efficiency of their operations or their service and product cost information. Mary has joined a company whose marketing generally needs long-term development, and even whose survival is dependent on better understanding and managing the costs and benefits of its varied activities, product lines and sites. Mary has asked you to help with developing better systems for this; and most particularly, for improving the organization's profitability.

The company is in danger of becoming a victim of its own success, with the expansion in the number of sites, the increase in the variety of items and services provided, and the increasing variety of customers (individual consumers in its own shops, other small shops and major supermarket chains) all presenting distinct marketing and operational challenges.

It would be useful to understand the profitability and value that each class of customer generates; and then to refine that analysis to focus on individual business clients and on its own shops. Each product line too may be reviewed and its costs and benefits considered, both individually and as part of a service and goods 'package'. For example, it may be that one item sold may not generate sufficient profit to be attractive on its own; but it may still yield a positive contribution to operations overall, and thus be acceptable. Some products or service might also be justified if they stimulate or are linked to the sales of higher-margin goods or services; for example, baked goods might be sold at a low margin, recognizing that customers like to have these with their drinks.

The new Director would need to ensure that the company's accountant and their accounting systems can provide the necessary disaggregated information to assess performance. Once the contributions of the various goods and services are better understood that knowledge may then support pricing and promotional activities. That is, if having seasonal goods provides higher mark-ups or increased sales volumes, then the company may more actively promote those. If not, these items may not be considered viable, unless their provision stimulates other sales in season, or attracts customers year-round, too. The contributions of different classes of customers may be assessed, too. For example, sales to supermarket chains may have very low mark-ups, but may offset that with very high volume and steady sales. Sales

(*Continued*)

Case Study 1. Continued.

to other small coffee shops may be considered one-by-one, and perhaps pricing or delivery charges might then be adjusted to yield a beneficial relationship.

Strategically, the company can judge whether its past growth has benefited it; and better understand which products and services may best allow future development and growth; and it might consider whether expanding different customer relationships would be worthwhile (more sales to independent shops, promotions linked to the supermarkets, etc.); and even geographical regions or cities warranting expansion of development.

Case Study 2: Restaurant Manager

The restaurant manager is excited by the prospect of introducing new equipment. This will allow a new menu with a wider choice for customers. However, effectively using the new equipment will need investment in staff training and also in stocks of 'raw' (literally!) materials. As the managing director responsible for making such investment decisions, discuss the major issues involved in assessing the economic viability and impact of introducing such equipment and the greater variation in food served.

The impact on ongoing activities will arise due to the greater variability in the menu. This will entail greater stocks of materials that would likely be sold in lower volume, thus creating difficulties with ensuring quality and freshness; and with the possibility of greater levels of wastage. The preparation and cooking processes, too, may become more complex involving higher levels of staff training and more staff time in 'production'. There may be a need for more junior staff for relatively unskilled work to allow the chefs to concentrate on the more demanding activities.

Discussions of the investment analysis should look at its impact on the balance sheet and profit and loss. Students should provide an overview of the appropriate NPV analysis with potential revenues assessed and the future value of those compared to the current investment required. Its impact on financial statements would be:

On the balance sheet, the investments in operating assets would be seen in the fixed/long-term assets. This capital investment would increase the fixed assets on the balance sheet. In addition, the increased variety in the menu choices and greater 'raw' materials stocks could lead to greater demands on working capital, and possibly greater levels of credit from suppliers.

This leads to the impact of operations on the profit and loss. Any changes in efficiencies in operations would be reflected in direct costs (cost of goods sold). Higher efficiencies should yield higher gross profits, but those are not mentioned and seem unlikely – in fact greater variety may actually increase unit costs by being more labour intensive. Higher prices should more than compensate. Investments in equipment would be depreciated, and shown on the profit and loss within the overheads. Ideally the greater variety would yield increased revenues from greater sales volumes in units and higher prices per unit.

QUESTIONS

1. You are considering rationalizing the company's services – eliminating unprofitable ones and emphasizing those which have the greatest profitability. The operations manager objects, complaining that the lower volume will actually reduce the overall profitability of

their facility. Is this a valid point? Consider when it might be and when it might not; and, if possible, use a numerical example to illustrate your discussion.

The point to recognize is that contribution rather than profit should be the criteria used to evaluate the economic viability of a service or facility. A service (or facility) may make a useful contribution without necessarily recovering all of the overheads imposed. If more remunerative alternatives were available it would then be sensible to produce those instead; however, if the consequences were lower volume then the remaining services would have to carry those overheads and may then become 'unprofitable' too.

2. Your company is currently experiencing cash flow difficulties. Briefly outline the impact that its operations has on their demand for working capital. Discuss the policies that might improve a company's cash flows considering both their financial benefits and potential problems or difficulties for operations and distribution.

The effect of a company's operations on its cash flow may be seen in its demand for working capital to support inventories for both finished goods, work in progress and distribution stocks; capital will also be needed for wages and other operating expenses. Policies intended to conserve working capital and extract monies from inventories may impact on the ability to hold stock for sale and reduced raw materials and work in progress may disrupt production. Cost cutting efforts may also lead to overhead costs being imposed on a smaller base of operations with implications for production costs and profitability.

3. Managers are concerned primarily with planning, organizing and controlling their organizations. Briefly outline how accounting information may be used to help support management in those roles.

The chief focus in an answer should be on accounting information that links cost data to operational decisions so that operations managers better understand the economic effects of their decisions. For example, ordering costs are a key variable in economic order quantity models but their determination can be highly suspect. Standard costs may be based on assumptions about production volumes and equipment utilization rates that are unrealistic or forecast. Accountants often use averages when operations managers may require information that is more specific.

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Technology Management in Tourism

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LEARNING OBJECTIVES

- To explain today's main technological innovations and their influence on tourism.
- To be aware of some experiences of technological innovation and its implementation in the tourism industry.
- To emphasize the opportunities and benefits of incorporating new technological advances in tourism.

INTRODUCTION

The future will be as fascinating as it is different from the present, and challenging mainly because of the revolution led by accelerated technological change. Tourism is no exception, and new technologies are transforming (or reinventing) the travel experience, with deep strategic implications for companies and the whole industry. This is why technology management deserves close attention. Effective use of technology has the potential to represent a major brand differentiation factor.

Many definitions of technology management are available in the scientific literature, as stated by Badawy (2009). Despite this he offered his own, trying to be very concise but covering all the core concepts involved. Technology management is defined by this author as the 'process of effective integration and utilization of innovation, strategic, operational, and commercial mission of an enterprise for gaining competitive advantage' (Badawy, 2009, p. 224). In this way, technology and innovation are intimately bound, as shown in chapter 7 of this book.

Although tech evolution – or even revolution nowadays – is not the only avenue for innovation, its growing importance leads us

to pay particular attention to it. Nevertheless, it is known that technologies alone are not a source of sustainable competitive advantages. In fact, it is the combination of technological and non-technological resources (human and managerial) that can provide this kind of advantage over rivals, and we should remember the '3Ts' proposed by Florida (2002): technology, talent and tolerance.

Today, innovation is undoubtedly at the heart of the discourse on strategy and competitiveness; it is the main pillar of the strategic architecture of any leading company. The pattern of change is exponential, innovation is disruptive and resilience a central attribute for organizations to survive and thrive.

Strategic management is all about the creation of the future, and technological change is now likely to be the most powerful force to move from one state into a different (better) one, reshaping the industry and the rules under which the business works. Strategy is more and more about managing change, and strategists are more and more change provokers through innovation. It is well worth bearing in mind that innovation is a capability, a process that needs to be managed. A capability is the result of the combination and interaction of resources of diverse nature within a particular organization, usually hard to explain and replicate because of its casual ambiguity. Innovation is much more than brilliant ideas (Johnson, 2010), although it is built up on them.

Obviously, the tourism industry is not an exception, and within it companies must rethink what they do as a result – mainly, but not exclusively – of tech changes. Nonetheless, other sources of change should not be forgotten, such as climate change, ageing populations, migrations, global commuters, changes in family structure and solo travellers. As a matter of fact, tourism is responding to new social drivers, essentially: individualization, flexibility and the ageing of society, which will fundamentally change social relations. In addition, patchwork families, single

households, serial partnerships and jobs (flex-jobs, business colonies and project-oriented engagements) will replace traditional structures based on full-time jobs and will change how people holiday, with whom and when.

It is argued that the future of tourism is about '3Es' – emotions, experiences and exchanges – the emotion of a unique experience which makes possible the integration with the host community and a mutually enriching exchange. Today there is an increasing emphasis on what you want, expect and need from holidays, and how you can benefit the destination and the people who live there through your experience. Travel in the future will therefore have a greater, more profound meaning; and not just for us, but also for destinations and the people who live there. This kind of travel could be called 'profound travel', as a token of trends in tourism based on human values such as: eco-chic, tech-free travels and digital detox (detoxification), multigenerational travels, 'framily' travels (travels undertaken by groups of friends who feel as close as family) and communal leisure.

The challenge is that 'what you do' is more important than 'where you do it'; in other words, experiences, not destinations, count. In addition, travel-savvy visitors expect more than earlier generations, specifically authenticity: they demand authentic travel experiences.

Another side of the challenge is that there are no neat segments any more. As an example, the same tourist can fly with a low-cost company, stay in a luxury hotel and grab a burger for lunch. The consequence of an increasingly diverse customer base, and a technology able to customize the tourism experience, is that guests no longer fit into the clean segments of yesteryear. As pointed out by Talwar (2012), 'over time, the traditional customer segmentation approach will instead be replaced by personalized service spectrums and a "total service model"'. This model means that customers will be offered an entire spectrum of options from which to make their choice.

In any case, every aspect of tourist interaction must be scrutinized; each moment of the experience provided must be dissected, analysed and continuously improved.

New technological solutions are very useful for this analysis and the corresponding improvement. In fact, technologies have brought a number of changes to tourism: the transformation of the tourism experience and new business models, hand in hand with the collaborative economy and personalization processes such as:

- The emergence of a personalized service spectrum. By 2020, personalization will have been embraced wholeheartedly by the sector and customers will have the ability to choose the size of room, type of bed, amenities, audio-visual facilities, business equipment, etc., on booking and pay accordingly (Talwar, 2012).
- Personalized environments. The proliferation of sensors, data and automation are creating reactive environments that can sense anything from weather patterns to user behaviour, and automatically adapt the space and service experience (Rao, 2014).
- We should be aware that by 2020 the number of connected mobile devices is likely to be 24 billion (Rao, 2014), and the records of people interacting together enable the quantification of behaviours. These digital traces lead to many opportunities, both for tourists, services providers and public bodies.
- To create a detailed analysis of tourists' experience (marketing and evaluation tool).
- To create tourist activity/infrastructures accordingly.
- To design real-time applications for tourists.

This represents a new and fascinating twist in the application of intelligence in the tourism business, with 'intelligence' understood to mean the capacity for learning and adapting. It brings the opportunity to understand our society, combining knowledge and interacting to achieve objectives in a wide variety of environments. The future of tourism is being significantly impacted by new technologies that are in permanent evolution, including augmented reality (AR); touchwalls; eMotion walls; sensor tiles; natural language processing; real-time translation; green technologies; use of 3D; human–computer interaction; remote control tourist (RCT); biometrics; voice prints; voice recognition; facial coding; communicating objects; interactive electronic papers; radio frequency identification (RFID); virtual reality + augmented reality = mixed reality; near-field communication (NFC); fingerprint scan; eye scan; DNA scan; and QR codes.

Let us dive a little deeper into the future of tourism for some examples:

- The constant advances in processing power and resolution of digital cameras have even allowed a mobile phone to be able to recognize the features of its owner. Facial recognition technology is now used around the world, usually for security purposes. Cameras in public areas allow searching for suspects, reading licence plates in car parks, etc. There are also stores that use it to recognize thieves at the entrance and alert security; or to offer customized solutions to loyal customers when they enter the store.

The hotel world can also greatly benefit from this type of technology: greeting a customer who returns using his/her name, when he/she arrives at reception; avoiding queues waiting at the breakfast/dining room by recognizing the faces of those who arrive without having to stop first; opening the doors of the restricted areas to the staff; notifying the waiter of the pool bar that someone is waiting at the bar, while he is in the back doing other tasks; alerting the night porter that a car has stopped at the entrance with a client who has been identified and that, therefore, he should

go to open the door; advising the security of the hotel that a blacklisted player is in the casino; or that there are people on the premises who are not registered as clients.

We no longer need the mobile phone or Bluetooth to trace the itinerary of the customers in the hotel and its facilities; we just need their faces. Nevertheless, legal and privacy issues have to be taken seriously into account.

Human sensing is an innovative technology which develops new machine learning algorithms to model and understand human behaviour from sensory data (e.g. video, motion capture, audio). In the field of tourism, capturing people's emotions would help to:

- Continuously obtain the pulse of the tourist.
- Understand your tourists not only from the outside, but also getting tourists from the inside, to capture their real feelings for what they want, expect and experience in real time.
- Create, design and deliver emotional experiences that go beyond mere simple tourist satisfaction.

With this kind of technology, by scanning faces, computers can decode a tourist's unspoken reaction (surprise, fear, happiness, etc.) to everything. It has given birth to what has been called 'Gladvertising': advertisements that adapt to people's moods ('gladverts'). Based on emotion recognition software (human–computer interface technology), this system can work out a person's gender or estimate their age, and serves up advertisements that suit the demographic profile.

For Gartner Inc., the 'Top 10 Strategic Technology Trends for 2017' are: artificial intelligence (AI) and advanced machine learning (ML); Intelligent apps; intelligent things; virtual reality (VR) and AR; digital twin; blockchain and distributed ledgers; conversational system; mesh app and service architecture (MASA); digital technology platforms; and adaptive security architecture (Gartner, 2016).

The first three in this list embrace 'intelligence everywhere': how data science technologies and approaches are evolving to include advanced ML and AI, allowing the creation of intelligent physical and software-based systems that are programmed to learn and adapt. The next three trends focus on the digital world and how the physical and digital worlds are becoming more intertwined. The last four trends focus on the mesh of platforms and services needed to deliver the intelligent digital mesh.

It has to be noted that Gartner Inc. (2016) defines a strategic technology trend 'as one with substantial disruptive potential that is just beginning to break out of an emerging state into broader impact and use or which are rapidly growing trends with a high degree of volatility reaching tipping points over the next five years'. The report contains other useful information.

This is a generic list of tech trends, but certainly has applications in the field of tourism. This is the case of IzzynGo™, a software based on techniques of AI and big data which allows the creation and automatic recommendation of customized dynamic packages combining transport, accommodation, leisure, car rental and transfers (Iplusd Innova, 2013). It is also relevant to Airbnb (an example of how big data is used to disrupt the hospitality industry), which implemented a ML platform called Aerosolve (Marr, 2016).

TECHNOLOGIES AND INNOVATIONS: INFLUENCING TOURISM

Having experienced the evolution from the World Wide Web in the 1990s to the mobile Internet at the beginning of the 21st century, we are heading towards the Internet of Things (IoThings), a term that denotes the linkage of 'the objects of the real world with the virtual

world, thus enabling anytime, anyplace connectivity for anything and not only for anyone. It refers to a world where physical objects and beings, as well as virtual data and environments, all interact with each other in the same space and time.' (Sundmaeker *et al.*, 2010).

Therefore, the IoThings, with its exponential growth, is likely to be the tech phenomenon with a deeper influence in the years to come. It is estimated that the number of connected devices will exceed 50 billion by 2020 (World Economic Forum, 2015). This development implies, for instance, that individual payments systems can be designed based on smartphones and tablets, as well as that wireless connections and touch screens have the potential to enhance the tourism experience (Wang *et al.*, 2013).

However, and at the same time, the IoThings is already moving to a new level: the Internet of Emotions (IoEmotions). To understand this extraordinary transformation, let us start with affective computing (AC) which, according to Picard (1997), is 'computing that relates to, arises from, or deliberately influences emotions' or other affective phenomena. In other words, AC is the ability for a computer to produce emotional responses, to recognize and express emotions as humans do. To make progress in this field, research combines engineering and computer science with psychology, cognitive science, neuroscience, sociology, education, psychophysiology, value-centred design, ethics and so on.

There is strong motivation to imbue machines with subjective feedback from humans with respect to our emotional lives. It is why fields of technology like human–computer interaction (HCI) and positive computing are becoming more widespread in the effort to ensure intelligent machines are aligned with human values.

In the near future multiple devices equipped with facial, vocal and biometric sensors utilizing AC will be competing to analyse and influence our feelings. Algorithms will be developed to combine these data sources to determine emotions or other feelings.

Machines that think and learn will not be science fiction any more, and they will soon be of frequent use in sectors like tourism. Facial recognition or analysis of people's reactions in an environment where security is a key factor, such as an airport, will be only one of the immediate practical applications of these intelligent machines.

The IoEmotions is accelerating: the Internet has started to be emotional, which will generate a new user experience. It reflects our daily likes, dislikes, subscriptions, locations, tags, comments, ratings, recommendations, etc., by showing us more of what we have clicked on before, for instance. As a matter of fact, emotional responses ('wow!', like, dislike, happy, sad, angry, dumb, numb) are now integrated into our online emotional vocabulary.

Designing ways to pair human intelligence and AI will be a hallmark of emotionally intelligent design; and designing technology that collects data, maps them to emotions and then conveys or evokes emotion in various ways, means developing a greater overall sensitivity to emotion.

With IoThings becoming more and more dominant and emotionally attuned to us, designers will need to become more sensitive to emotional granularity: not just happy or sad, pain or pleasure. Developing a working vocabulary around emotional nuance will be essential. Understanding differences between emotion, mood and cognition will not be optional. 'This is a world in which highfidelity, ubiquitous sensors and advanced data analytics make it possible to gain deep insight into human emotional experiences, a kind of insight that until roughly 2020 will be extremely difficult for humans to assess at scale' (CLTC, 2016).

These new technologies will be important and based on how they can expand our capacity for emotional experience.

This is the case of emotion-sensing technology (EMS), which relies on more than just text, images or even emojis (ideograms and smileys used in electronic messages and on

web pages). It is more than what appears on a screen. This technology relies on expression, gesture and voice to understand emotion, so designers need to think beyond a visual experience. Physical spaces, from retail stores to urban transportation (potentially any physical space frequented by tourists), are designed for the senses.

EMS is taking a paradigm shift: from experimental phase to a reality. Imagine an 'emotion chip' like a GPS locations chip that is now part of many consumer devices. An emotion chip would have many sensors such as an optical sensor to read your facial expressions, tone of voice and physiology. These small chips would passively collect data about your emotional state and would leverage ML on devices or in the cloud to make real-time inferences about your emotions. As examples of this technology:

- 'EQ-Radio™' is a device that can detect a person's emotions using wireless signals. It transmits a RFID signal and analyses its reflections off a person's body to recognize his/her emotional state (excited, happy, angry, sad). The key enabler underlying EQ-Radio™ is a new algorithm for extracting the individual heartbeats and respiration from the wireless signal at an accuracy comparable to an on-body electrocardiogram monitor. The advantage is that it can do so without on-body sensors (EQ-Radio™, 2016). In the tourism industry, it could be used to measure tourist satisfaction in a more objective and reliable way, instead of traditional measures such as a questionnaire. In addition, tourists could be segmented based on their emotions, helping to design and offer personalized experiences, or even as an instrument for gladvertising, that is to say, advertisements that adapt to people's moods.
- The Feel Wristband™ and the Mood-Metric Ring™ use sensors that read galvanic skin response, pulse and skin temperature to detect emotion in a limited way.

- EmoSPARK™ is a smart home device that creates an emotional profile based on a combination of word choice, vocal characteristics and facial recognition. This profile is used to deliver music, video and images according to your mood. Could you imagine the use of this device in hotels, for instance?

If we ask ourselves what an emotion is, and assume that an emotion is a complex state of feeling that results in physical and psychological changes that influence thought and behaviour, then we can notice the inherent difficulty in the development of this type of technology. A literature review on emotions, focusing on its nature, breath, depth and intensity, can be found in the work of Volo (2016).

SMART TOURISM

The smart city approach, which has received considerable attention in recent years, has been applied to the tourism sector under the term 'smart destination'. Its foundation is in the potential of the advances in information and communication technologies (ICTs) to address issues of great impact such as sustainability, universal accessibility and innovation, with solutions based on these technologies.

In general, smartness (or intelligence) is related to the ability to understand and solve problems using knowledge (based on data and information) in the best possible manner. In this effort, recent developments in the capacity to integrate and treat huge volumes of structured and unstructured data (big and open data) have been extremely useful.

Nevertheless, it is still a confusing term in practice, often used in political agendas and by tech companies to sell their solutions. Thus, its conceptualization is essential, together with its implications on tourism governance, once it is assumed that:

> despite these concerns, smart tourism is an incredibly promising scenario that results

in more convenient, safe, exciting and sustainable living spaces for both residents and tourists, more personalized and therefore more relevant tourism experiences, and even greater opportunities for new services, business models and markets to emerge as a result of more flexible structures and different perspectives on value creation
(Gretzel *et al.*, 2015b)

Or, more synthetically: 'a strategic tool for tourism development' (Gretzel *et al.*, 2015a). We will now examine that conceptualization effort.

A literature review of smart tourist destinations can be found in Vargas-Sánchez (2016), who in addition offers the following definition, which was based on the contributions of two panels of experts formed by academics and professionals:

A Smart Tourist Destination (STD) is one that, from a shared vision by the actors involved in it, is based on an extensive use of cutting edge technologies in order to create an advanced digital space – through an integrated network of management systems, platforms and, in short, of all kind of data (on mobility, energy consumption, etc.) – able to improve the whole management of the destination and, therefore, its differentiation and competitiveness. This will enable a more effective and efficient accessibility to products/services that make up the offer, adding value through their customization and promoting tourists interaction (before, during and after the visit) with the destination and their integration in it. A STD is built on the values of innovation and sustainability, working to improve the tourist's experience and enhance the quality of life of local communities (residents).
(Vargas-Sánchez, 2016, pp. 189–190)

According to Yoo and Gretzel (2016):

Smart destinations rely on a number of 'smart' technologies, most prominently sensors, beacons, RFID (radio frequency identification) and NFC (near-field communication) in combination with smart phones and mobile apps to allow the integration between physical and virtual destination layers.

Spain has been the pioneer country in establishing the requirements of a management system for STDs through the norm UNE 178501:2016, accredited by the Spanish Association for Standardization and Certification (AENOR, 2016), and Benidorm the first municipality in which this norm has been tested. More specifically, this standard:

- Specifies the requirements to establish, implement, maintain and improve a management system for an STD that adequately considers innovation, the use of technologies, universal accessibility and sustainability in that destination (innovation, technology, accessibility and sustainability are the four pillars on which the management of an STD stands). It is applicable to all types of tourist destinations, regardless of their character (holiday, urban, natural, etc.), size (municipal or supramunicipal) and nature of their managing body.
- Has been designed to be used independently, although it can be aligned or integrated with other management systems.
- Can be used to demonstrate compliance with the requirements established therein against a third party.

Figure 10.1 displays the structure of this norm, from which a managing body with enough competencies can develop and implement a management policy for the tourist destination and establish objectives, goals and action plans linked to the above four pillars. It is guided to continuously improve the experience of the tourist (before, during and after the trip), as well as increase the competitiveness and strengthen the positioning of the destination, improving at the same time the quality of life of residents.
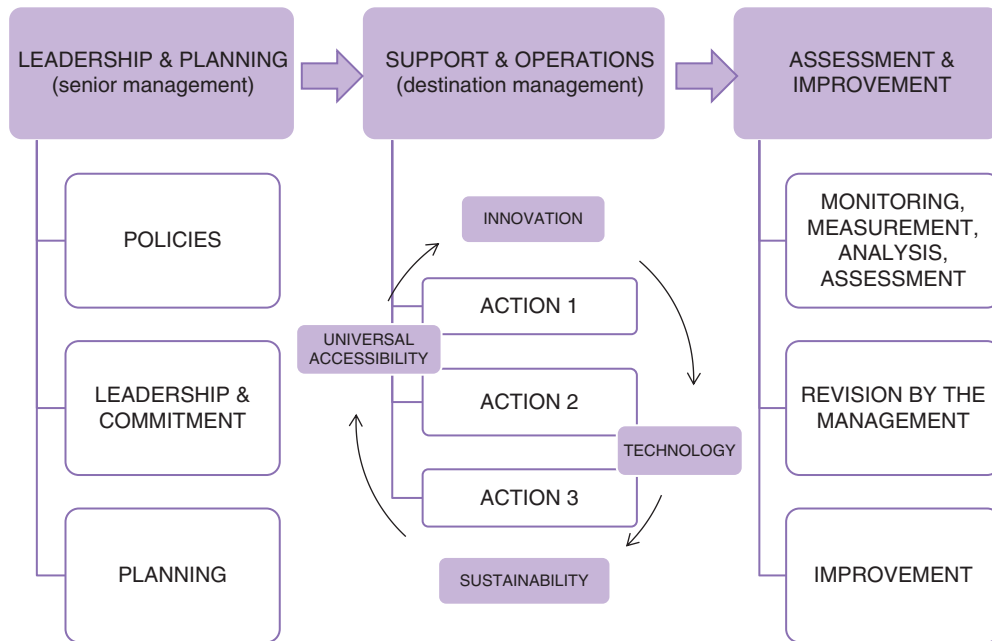
Fig. 10.1. Structure of the Spanish norm UNE 178501:2016 on management of Smart Tourist Destinations.

TECHNOLOGY SOLUTIONS FOR TOURISM: SOME EXPERIENCES

The future of tourism is determined by a range of new technologies, which are in permanent evolution. Specifically, new technological solutions are intended to improve the experience of tourists and increase their level of satisfaction with our products and services.

In addition, new technological solutions can particularly serve some tourist segments, such as people with disabilities and reduced mobility. For example, technological advances that promote accessible tourism appear to offer the most promising new solutions for enhancing our travel independence, that is, our ability to move around one place. More specifically, they can facilitate travel around cities, airports, hotels, etc. providing alerts and information on possible barriers or obstacles. Technology solutions (such as RFID-based

systems, talking signs, systems combining GPS and GIS, camera-based devices, verbal landmarks and smart walkers) can develop personalized environments for tourists with mobility and disability problems. In fact, there has been growth in the development of Bluetooth-based iBeacons to help blind and visually impaired passengers to navigate independently in a number of airports. Other early adopters of similar systems include retail establishments, theatres and museums (Bosch and Gharaveis, 2017).

Other technology-dependent experiences relevant to the tourism industry include:

- AR which, as an enhancer of visitors' experiences, is blurring the boundaries between the physical and the digital world. For example, the Royal Ontario Museum in Toronto, Canada, hosted a 2012 exhibition named 'Ultimate Dinosaurs', in which, according to the museum's website: 'Not only will you see new dinosaurs

in the exhibition; you'll experience them in new ways through AR. AR layers virtual experiences over the real environment to bring our great Southern dinosaurs to life!' (Royal Ontario Museum, 2016). AR technologies 'provide visitors with new experiences beyond what was physically possible in the museum' (Yoo and Gretzel, 2016).

- The Louvre museum in Paris offers its visitors an interactive audio guide called 'Louvre-Nintendo 3DS™ XL'. The visitor can choose among more than 700 descriptions of the Louvre's galleries and artworks. The audio guide also tracks the position of the visitor, guiding him/her step by step through the museum. In addition to the audio commentary, it offers 3D photos of the galleries, high-definition pictures of the artworks and 3D reconstructions to help identify the exhibits and give additional information.

- Enhancement of tourist city visits, thanks to AR. In Spain, Guideo App™ is an application for mobile devices with routes of monuments and themes through the cities of Seville, Malaga and Cadiz. The device can display information about the tourist route and – what is more novel – buildings that no longer exist, or any content of interest associated with each point on the routes can be observed through the screen of the device in use. The identification of a real object is the only marker that this technology needs to be able to reproduce its contents.

- SmartSantanderRA™, an AR app that provides information on about 2700 places or points of interest in the city of Santander (Spain), along with real-time access to traffic and beach cameras, weather reports and public bus information.

- Sony's promotion of its new headphones using AR for the creation of a complete experience at a concert. To activate the AR functionality, users must launch the headphone music festival (HMF) app and point their handheld device at the street poster. Once the marker is activated via the device camera, the app then launches the stage and the bands start playing.

- MobiAR, a platform of tourist information services based on AR technology, offered to users through their mobile devices without the need for any additional hardware. Users of this service will be able to make use of the mobile device's display to exhibit enriched information about what they are seeing, superimposing virtual information on the elements of the real world (Kourouthanassis *et al.*, 2015).

- Bottari, a remarkable AR application for personalized and localized restaurant recommendations, experimentally deployed in Insadong, Seoul, Korea (Kourouthanassis *et al.*, 2015).

- Word Lens™, an application for real-time translation that employs AR technology to translate any text. This app allows users to translate a printed text just by directing the camera towards it, so they can easily understand any tourist information (menus in restaurants, signposts of monuments, etc.). In 2014, Google acquired the Word Lens™ application to incorporate it into its Google Glass (Google, 2016).

- OpeNER, an interesting example of the application of NLP technology. In the current tourism industry, the ability of a destination or a provider of tourism services to correctly identify the image of its brand represents a competitive advantage. Due to the great expansion of social media, user comments are a very important factor in the decision making prior to the purchase of a trip. The large volume of data and its multilingual nature make it difficult to manually analyse these comments correctly, consuming a large amount of staff resources. To overcome this barrier, OpeNER has been created as a tool for linguistic analysis

and detection of the polarity of multilingual textual comments available in different social media, in a semi-automatic way. This tool is the result of a collaborative project among different European agents, whose preliminary results have already been validated by global distribution systems such as booking.com or HolidayCheck.

- Qing™ (Qing, 2016) supported by the use of an intelligent bracelet based on NFC technology. Qing™ is a platform that allows the design of personalized experiences through the use of wearable technologies, generating new income models and increasing customer awareness. It provides a better consumer experience by offering security and convenience when making payments, accessing restricted areas or consuming personalized services. The key to open the room in hotels and resorts can also be included. This platform can also be applied in other scenarios such as cruises, festivals and events, and it can become a new form of customized tourist card for visitors to a destination.

- NFC technology, used in the transport sector at airports and by airlines for the purchase of tickets, passenger and luggage identification, boarding passes and even purchases at the airport. It can also be used to move within cities by metro and bus (Rio de Janeiro, London, Paris, etc.). NFC allows tourist cards to be purchased from home, and are safer, easy to carry, rechargeable and always accessible for the visitor when available in a mobile device. A few examples of these include Leisure Pass, City Pass, Le Pass Incity, Budapest Card and Oulu City Card. According to Egger (2013), other trials with NFC technology in the tourism context are: mobile payments (e.g. at the 2012 London Olympic Games, by Visa and Samsung), information supply (Museum of London; Frankfurt Transport System; Expo 2012 Yeosu, Korea), access authorization (Clarion Hotel, Stockholm; Nordic Choice Hotels; Scandinavian Airlines; Holiday Inn London-Stratford City) or identification (e.g. Hertz Car Rental).

- HCI, which can boost the development of creative tourism and unique experiences; 'geocaching' is a good example. This is based on technology-enabled location by GPS devices. The geocachers are adventurous tourists who, armed with GPS devices and coordinates, look for objects, record their visit and enjoy a special place. Today, there are approximately 3 million active geocachers worldwide, with more than 830,000 active users in the USA, more than 375,000 in Germany and more than 160,000 in the UK (Groundspeak, 2016). For example, a new way to explore unique destinations is with the official GeoTours of Geocaching.com. These customized tours are an attractive showcase of geocaches designed to showcase new places. The geocachers can create a local community guide to introduce geocache places and local culture (Ihamäki, 2012).

- VR, which is also being introduced into tourism. An example is Marriot Hotels, which introduced Samsung VR Gear at the disposal of guests in some of its hotel rooms. By using VR gear, guests can immerse themselves in unique panoramas ('Marriott postcards') from around the world. The experiences can also be accessed from the VR room service of Marriott through the Samsung Gear app.

- Facial recognition technology, which allows the identification of a person who accesses an installation. For example, the Borgata Hotel Casino and Spa in Atlantic City, New Jersey, USA, implemented a facial recognition solution to help identify card cheaters and unwanted guests. Disney World theme parks, in Orlando, Florida, USA, use two-finger geometry solutions to increase the speed of admittance and the security of membership passes for individuals over the age of ten (Mills *et al.*, 2010).

- Foot recognition systems. In 2016, Disney patented a new system that scans visitors' shoes to track how people move around its theme parks and provide them with a personalized experience (Orlando Sentinel, 2016). This uses a sensor and camera to map guests' feet when they enter the park. The information on the user's shoes can be used to uniquely identify each visitor; and, after tracking the guest as they walk around the attractions, the next time they return they can receive customized information. The company can already track guests at Walt Disney World, which uses MagicBands; these are RFID bracelets that function as theme-park tickets, FastPasses, hotel keys and credit cards. For more information see the Resources section.

CONCLUSIONS

One of the findings obtained by Talwar (2012) in his Hotels 2020 study commissioned by Amadeus (which, in our view, could be transferred to any other tourism company) is that new technologies will be increasingly used to drastically raise efficiency, reduce costs, personalize the customer experience and improve service. Nevertheless, 'highly trained staff backed up by technology will be key to delivering personalized service and experiences'. Once again the idea is underlined that technology – despite its undoubted importance – cannot provide a sustainable competitive advantage on its own.

AI is probably the most fashionable expression today in the most advanced travel and tourism environments. However, only a very few tourism players are especially noteworthy in this field, such as Google, IBM – with its Watson project (IBM, 2016), together with the developers who use it as a base – and Expedia. In reality, the greatest efforts are being made in the areas of ML, NLP, voice recognition and chatbots. All are related and

AI can play a key role in all. We have tried in this chapter to move beyond this and present a wider variety of tech developments and to visualize their potential for and connections with the tourism industry of the 21st century.

Within the current hyperdynamic environment, experimentation is the new planning. To be honest, we have no idea what is going to happen next. That is why any organization has to be transformed into an engine of possibilities. Technology is chaotic. It affects every industry, often in ways that are difficult (if not impossible) to anticipate. So, what is needed is an evolving portfolio of strategic experiments.

Emergent strategy is an organic approach to growth, which lets tourism companies learn and continually develop new strategies over time, based on an ongoing culture of hypothesis and experimentation. This is the critical link between technology and management.

QUESTIONS

1. Thinktur, a Spanish Tourism Technology Platform, in its document 'Technology Trends in Tourism for 2016', listed the following tech trends: big data-open data; digital marketing; mobile environment; immersive virtual reality; Internet of Things; trans-commercialization; natural language processing; gamification; personalization systems; 3D printing. (Thinktur, 2016). We encourage readers to get involved in those tech trends not familiar to them, and find current and/or potential applications in the tourism industry.

The rise of virtual experiences (virtual tours on demand) is an example. 'Already through webcams, virtual worlds, augmented reality, 3D virtual reality and other immersive technologies I can get a feel for a destination and travel experiences through the eyes of other visitors' (Talwar, 2012).

VR is continuing to move into immersive VR, as advances in science and technology will

continue to extend the potential of virtual experiences. Memory transfer, which means the transfer of electronic information directly to the human brain, is a process based on capturing every aspect of the multisensory experiences of a physical tourist, encoding them and enabling others to download those experiences directly to their memories. This makes it much harder to distinguish real from virtual experiences.

2. Can you guess how e-textiles can be used in the tourism industry?

E-textiles – also known as smart garments, smart clothing, electronic textiles, smart textiles or smart fabrics – are fabrics that enable digital components (including small computers) and electronics to be embedded in them. Smart textiles are fabrics that have been developed with new technologies and provide added value to the wearer. What makes smart fabrics revolutionary is that they have the ability to do many things that traditional fabrics cannot, including communicate, transform, conduct energy, grow and even detect emotions!

3. What will the hotel of the future look like? Release your imagination. 'The High-Tech Hotel on The Horizon', based on the Hotel-Gen3 project, has been advancing over the years. The Hotel 2030 platform can also be very valuable. For example, among other features, future accommodations will allow people to check in before arrival to avoid waiting; have Bitcom technology (a kind of Bluetooth) to control the flow of people, offer them the best at any time and also optimize resources; make possible to customize the room from a mobile phone, from the temperature of its jacuzzi to the background music in it. According to Talwar (2012): 'The potential to deepen customer insight with technology is almost limitless'.

ACTIVITY

People's behaviours are often determined by emotions, which can be defined as a complex state of feeling that results in physical and psychological changes which influence thoughts and behaviours. Emotions involve feeling, thinking, activation of the nervous system and physiological and behavioural changes such as facial expressions. Imagine if those emotions were detected by a wearable tech garment. This will be a reality in the near future, through projects such 'Emowear' (Moutinho, 2017).

The 'Emowear Project' is the conception and development of a wearable tech garment that records human emotions. For example, a jacket that can analyse biological reactions, movements and detect human emotions: not only in a marketing/commercial environment and context, but also with many other possible applications in the monitoring of human lives. It has many different applications ranging from health monitoring; consumer behaviour monitoring; permissible 'shadowing' in, for example, tourism environments; to sports viewing and attendance, as well as other possible contextual realms.

This project is based on the use of wearable technology. Wearable devices – a good example of the Internet of Things – are part of the network of physical objects or 'things' embedded with electronics, software, sensors and connectivity to enable objects to exchange data with a tourism organization, tourism operator and/or other connected devices, without requiring human intervention.

In this sense, the 'Emowear Project' has been developed on several platforms:

Platform 1

Data Mining Biosignals: biodata measurements (sensing from heartbeat, pulse, degree of sweating, palms, etc.):

- Vital signals, for example monitoring heart rate and asking questions based upon detected variation (Moutinho, 2017).
- Physiological data: measuring subconscious behaviour as electrical skin conductance through the moisture released

by the sweat glands controlled by the sympathetic nervous system – to measure the person's psychological state of arousal (positive and negative excitement). For example, to chart the influence of tourism events on a person (Moutinho, 2017).

Today, software has been developed for standard PocketPC to acquire data and context-specific feedback from people, and this could be in a tourism-related environment.

Platform 2

Data Mining Biosignals – Locationcasting/Mobilecasting tools are based on sensors and biosignals. iBeacon and other technologies allow the sensing and monitoring of people and their activities in real time. Developed with wireless motion sensors, low-cost accelerometers, etc., the technology can detect on-off, open-closed and object movements. Its benefits are that it represents:

- Location-based detection, activity monitoring and physical sensing. For example, remote control hotel, airport access, event control.
- Context-aware experience sampling. MIT algorithms and software for standard PocketPC/phone/computer/PDAs, etc. to acquire data and context-specific feedback from people. This could be in a tourism-related environment, to develop and test technology that automatically presents information based upon a person's tourism activities. For example, instantaneously regulating public transport.
- The ability to trigger questions and capture data.

Platforms 3, 4 and 5

Analytical platforms such as wearable tech garment formed by the FEV framework, as shown below:

- F stands for facial coding. The facial action coding system (FACS) is a system to taxonomize human facial movements/microexpressions by their appearance on the face.
- E stands for eye tracking. It consists of measuring either the point of gaze (where one is looking) or the motion of an eye relative to the head.
- V stands for voice prints (utterance analysis/voice-pitch analysis). It is possible to capture and analyse speech signals and elicit emotions from the signal data. The purpose of the voice emotion response is to give computers affect recognition abilities, ideally at a level that enables researchers to label the emotional states of other people.

Platform 6

Electroencephalogram (EEG)/Near-Infrared Spectroscopy Neuroimaging Device (NIRSIT) located in the hood of the Emowear garment. This wearable device consists of measuring biosignals (similar to the electroencephalogram (EEG) headsets that can measure brain waves, sweat, heartbeats, etc.).

EEG, combined with a device related to functional near-infrared spectroscopy (fNIRS) and diffused optimal tomography (DOT), known as NIRSIT, is to be placed in the hood of the jacket. NIRSIT is a device based on the Near-Infrared Spectroscopy (NIRS) principle, which uses light to detect haemodynamic changes in the cerebral blood flow and visualizes brain activation regions in the prefrontal area of the brain in real time.

NIRSIT is probably the one and only portable and wireless NIRS device designed to be used for brain research and clinical research purposes.

A software application developed by the Korean Advanced Institute of Science and Technology (KAIST) team, in South Korea, allows the raw data extracted from the haemodynamic changes in the brain to be shown in real time on a tablet wirelessly connected to NIRSIT.

The technology in the Emowear garment will revolutionize consumption patterns and daily habits, representing a milestone.

Questions

1. Without any doubt, these wearable devices suppose a promising foundation for innovation and improvement in the tourism industry, but what possible difficulties can be identified and risk its failure to be accepted and used by stakeholders (tourists, companies, operators, etc.)? What initiatives would you recommend to overcome them?

2. The future of tourism is being significantly impacted by new technologies and wearable devices. Do you consider that this technology will improve tourist experiences? How? Please share your thoughts.

3. If the 'Emowear project' were a reality today, how would you imagine your next visit to a hotel? Would it improve your level of satisfaction?

RESOURCES

For more information on Disney's patent to track guests through their feet': http://www.orlandosentinel.com/business/tourism/os-cfb-tourism-08012016-20160729-story.html.

Video on EmoSPARK: https://www.youtube.com/watch?v=odQw5BDnCRs&spfreload=10%29

The use of augmented reality to enhance the visitor experience: http://www.smithsonianmag.com/innovation/augmented-reality-livens-up-museums-22323417.

Audioguide Louvre-Nintendo 3DS™ XL: http://www.louvre.fr/en/museum-audio-guide/audioguide-louvre-nintendo-3ds-%E2%84%A2-xl.

SmartSantanderRA: Santander Augmented Reality Application: http://www.smartsantander.eu/index.php/blog/item/174-smartsantanderra-santander-augmented-reality-application.

Video on the Sony headphones that use augmented reality: https://www.youtube.com/watch?v=IUab2HJoy5o.

Video on Open Polarity Enhanced Named Entity Recognition: https://www.youtube.com/watch?v=Tus9eYmuyPg and http://www.opener-project.eu/.

Video on the Marriot hotel's VR room service: https://www.youtube.com/watch?v=fT2p4EBXYSg.

The high-tech hotel experience: http://blog.nh-hotels.com/tourism-trends/the-high-tech-hotel-on-the-horizon/ and http://hotel2030.org/.

This following paper on EmoSPARK presents the technological implications of this innovation. We suggest that the reader considers the paper and imagines the possible uses of this innovation for the tourist industry.

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Strategic Thinking in Tourism

Alfonso Vargas-Sánchez and Luiz Moutinho

LEARNING OBJECTIVES

- To go behind the current meaning of management.
- To dissect reasons for failure related to strategic plans, making clear the difference between strategic planning and strategic thinking, within the framework of systems thinking.
- To explore further the concept of strategic agility, and sense and respond models.
- To create a strategic intent based on an exchange for value, instead of keeping focused on maximizing profits.
- To introduce novel conceptualizations like betapreneurship, strategic cadence, strategic experimentation and management with meaning.

INTRODUCTION

This chapter dissects strategy problems and raises issues about corporate identity within the tourism industry and beyond. It defines a number of orientations, roles and responsibilities. It also introduces a discussion behind the failure of traditional management and strategic plans. The new normal, linked to the concept of strategic agility, is revisited. Innovation is considered, as well as betapreneurship and the need for disruption in the organization. Sense and respond (S&R) models are also covered, as well as emphasis on management with meaning, strategic cadence, systems thinking and strategic experimentation.

THE MEANING OF MANAGEMENT

Management matters. The decisions that are made by any management, whether good or bad, impact the quality of life for most people attached to any company or employer. Management is an essential part of life: without it nothing would be deliberately achieved, and so management determines the quality of life of most people in society.

If management is not efficient and effective, then most people will be miserable for most of their working lives, but this does not just affect the employees; it can affect anyone who is at all in contact with the company. If management is right for its time, and working well, most people will live fulfilled lives.

Currently, we mostly suffer from wrong management for our time. The management that we have now is dysfunctional. For far too long, people have just assumed that this situation is 'the way things are done' and that this will continue, no matter what. The current approach to management is aimed at making money and is seen as the only viable modus operandi. As a matter of fact, any efforts to improve management never result in any permanent improvements.

Redesign is essential

As things currently stand, any effort to improve and restructure management fails because management is suffering from a dysfunction, not a malfunction. Repairing a malfunction can cause things to get back on track and improve the function of the organization. A dysfunctional organization is beyond this: repair is not the answer, a more radical change is required.

What is required is not a 'better' management of the same type but, quite simply, a different style of management. The good news is that we now know what makes up this different management. It comprises different ways of organizing, different goals, different values and ways of communicating. It is better not only for the employees and employers but for all concerned with the prosperity of the travel company, including the shareholders and in fact the organization itself. Travel companies that operate in such a manner are phenomenally profitable.

A great awakening

Implementing change to any management style requires a great awakening. Are the leaders and managers today ready for such a huge step? Do they have it in them to recondition themselves to think differently and introduce the paradigm shifts necessary for actual change to occur? Do they have the foresight to envisage the prosperity in the returns from such a monumental change?

People all over the world are beginning to wake up to the realization that it is not better management that is needed, but different management. People are realizing that maybe the way they were always told things have been is not necessarily the way they have to be. There is another tried and tested way readily available to them if they can just make the adjustments. There is a glimpse of recognition and a growing realization that traditional management within travel organizations does not have all the answers and we can simply liberate ourselves by doing things differently.

The emerging process of societal change has played a huge part in the shift in management, where the structures we currently live with can be improved and enhanced to improve and enhance our lives.

'Managing by meaning' is recognizing that people are humans: they have rational, cultural and emotional dimensions, and they appreciate the person who creates a meaning for them to embrace (Verganti, 2011).

You are no more than a data point: people's analytics

As it is said in *Watch Dogs* (a video game): 'You are no longer an individual, you are a data cluster bound to a vast global network.' (Seif El-Nasr *et al.*, 2013)

Picture a futuristic corporate executive. One who does not need to ask his or her subordinates what is happening in the company, one who can find out these details simply by consulting a digital dashboard that has every ounce of information he needs, from productivity to employees' attitudes.

Any anomaly outwith normal parameters is flagged up. The manager is informed of any issues and can focus on rectifying them immediately. Institutional management fears culture and humanities. As it is difficult to measure these, they cannot be placed in a single process. They depend on each individual employee.

To sum up, management is under pressure of change, but manage this dilemma through:

- Flexible decentralized empowered networks within a structure of strategic intent.
- Learning through immersive experiences, scenarios and rapid prototyping.
- Acceptance of uncertainty with intuition as a valid contributor to clarity.
- Strategic sense-making beyond operational problem solving.
- Uncoupling 'winning' from the need for a solution.
- Engagement with complexity.

THE CHANGING FORTUNES OF STRATEGIC PLANNING

When strategic planning appeared in the 1960s, it was heralded as the single best way to implement strategies that were thought to create competitiveness within business units. This 'one best way' was put forward as the ability to separate thinking from doing, at the same time creating a function controlled by specialists, the strategic planners. Planning systems were created to produce the best possible strategies; and, alongside them, step by step instructions to complete the tasks with as little error as possible. With hindsight, we now know this has not always worked out for the best.

It is worth noting the contingency framework developed by Nutt (1989), and the potential causes of failure in the case analysis undertaken by Sutterfield *et al*. (2006), in which stakeholder theory serves as the

theoretical underpinning. In addition, and according to our own experience, some significant reasons why strategic plans usually fail in tourism companies are: (i) inaccurate financial estimates; (ii) insufficient data inputted to plans; (iii) undefined or inflexible roles and responsibilities; (iv) not understanding the staffing requirements; and (v) strategic project scope inflexible to change.

Although strategic planning is far from obsolete, it has long since been proved that it is fallible (chapter 13 goes deeper into the reasons why companies fail to implement their business strategies, considering this issue from different angles). Even now, however, few people understand the reason for its downfall, which simply is that strategic planning is not strategic thinking. This confusion often ruins strategic thinking, allowing managers to mistake real vision for the manipulation of numbers. At the heart of this confusion lies the fact that the most successful strategies are visions, not plans. In Henry Mintzberg's words: 'Strategic Planning often spoils strategic thinking, causing managers to confuse real vision with the manipulation of numbers' and that 'the most successful strategies are visions, not plans'. Strategic planning, then, is better characterized as 'strategic programming, the articulation and elaboration of strategies, or visions, that already exist' (Mintzberg, 1994).

Strategic planning and strategic thinking are not one and the same

As it stands, strategic planning, as it has been practised, is really strategic programming: the elaboration and articulation of strategies that already exist. When a company can understand the difference between the planning aspect and the strategic thinking, it can return to the productive strategy-making process, encapsulate knowledge from the personal experiences of the manager and the market research of the company, and then come up with a vision about which direction the company should take.

Travel companies struggling with strategic planning should not give up altogether and discard their planners or decide that there is no place for programming. Instead, organizations should redesign the model of planning that is required.

Strategic thinking is about synthesis. It requires creativity and intuition. The end result is an integrated perspective of any enterprise, a simple vision of the direction a company would like to proceed in. These strategies cannot be perfectly conceived on any given schedule. Generally, they are created with informal learning and after a period of disruption and change, where many people at all levels are involved with the specifics.

Formal planning is dependent on the rearrangement and preservation of existing categories. The current levels of strategy and the relevant types of products are added to the current structure. But true strategic change does not simply rearrange the current categories, it creates new ones.

Strategy making requires functionality outside the usual boundaries. This will encourage informal learning which results in new perspectives. The failure to exceed normal expectations is the reason why serious organizational change has not taken place. This is why formal planning has often encouraged strategies which are simply copies of older models. Strategic planning has never encouraged or created strategic thinking; in fact it has often hindered progress. Once managers realize this, they can divert away from other costly ventures that may be doomed to failure, by applying a formal technique to problem solving. The issue is that planning requires a calculating style of management. The difference is that the committing style used by many managers engages people on their journey. This leads to everyone contributing to the course of that journey. This leads to enthusiasm building along the way, resulting in a committed and hard-working team. The calculating style requires a fixed destination and the required calculations of what must be achieved to get there, without regard for the members of the team.

The real change within effective planning will come when the mental models that the decision makers use can be changed. As De Geus said: 'Planning means changing minds, not making plans' (1988). When applied to change, systems thinking will mean that:

- Systems are defined by the interactions of their components, not just by the components themselves.
- Processes rather than snapshots are seen: systems thinking is the discipline for 'seeing wholes'.
- Value for customers is produced by the interaction of the many parts of a business (people/organizations, work to be performed, processes, etc). In human systems, the structure of the system includes how people make decisions – the operating policies for translating perceptions, goals, rules and norms into actions.

Finally, strategy making is not a remote process, far removed from the rest of the company. In fact, strategy is intertwined with all other processes required to run an organization. Systems cannot make decisions or think for themselves and if they are used for anything other than facilitating human thinking, they can actually prevent thinking.

SYSTEMS THINKING: WHEN MANAGEMENT MAKES THE RIGHT DECISION

To understand how organizations have changed and continue to change, we must be aware of the influences that human behaviour have on an organization, and how changes are inevitable according to this behaviour. Behaviour is based on the information that people have, and the knowledge of what they are supposed to do and what is acceptable and what is not. Some factors are far more influential

than others and experience has shown that many different factors influence people's behaviour.

More understanding is needed, therefore, about what governs people's behaviour so we can improve our methods of change. When there is no change the behavioural patterns remain the same. The performance needs to change in order to initiate a change in the system.

There is a fundamental difference between doing the right things and doing things right. As most of the effort in change is put into 'doing things right', the question 'are they the right things to do?' seems to get lost.

A system is made up of many different parts: each part affects how each other part performs, and how well the system as a whole performs. The results of this statement are challenging to traditional management thinking. Previously, management was achieved by managing each sub-section of an organization separately. By managing this way there may be sub-optimization; each separate section must achieve its targets, but perhaps at the expense of the entire system.

The valid argument of the 'compartmentalization' theory of traditional thinking is not only used in the design of organizational structures. If a tourism organization was to show the conceptualizing performance of its systems, it would clearly show the false notion that performance issues were people issues. This should not be considered a separate feature. Lack of cooperation, conflicts within the travel organization and poor morale are all symptoms, and the issues and their causes will be found buried in the system itself. Teams must be trained and cooperation must be instilled in the workers for these issues to disappear. However, while these can treat the symptoms, generally the causes will remain. Managers seem to have been trained to think that the issues with the staff are in a different category from actual tasks; they might get along better if these were thought of as interdependent issues.

Managers who use 'traditional systems' find themselves imposing conditions and rules with limits and constraints. This leads to people being prevented from performing as they should be able to, through lack of empowerment.

Accepting that traditional systems cause sub-optimization comes with a powerful lesson to be learned. To fix something, it is imperative to understand *why* something has gone wrong, and not just that it *is* wrong. A manager who has relied on measures of activity to manage their productivity would soon understand the necessity of giving it up when they knew how damaging this can be to productivity levels.

If a manager is willing to understand the causes of failure then they can be introduced to the fundamentals of systems thinking. Studying past failures is the best way to learn how an organization works as a system.

Great travel organizations carry a strong vision of what they are striving to be, where they plan to move forward and what they plan to achieve, and there is a myriad of ways to portray these benefits and anticipate the necessary decision making. The necessity of planning and the usefulness of the knowledge, interactions and judgement of your planning team cannot be underestimated. These people are required to create the right definition of the consequences and causes of a complex problem. They acquire, propose, debate and set goals and strategies for continuous improvement. They require a set of attributes to be able to successfully carry this out, including:

- An open forum for constructive communications. The ability to listen, understand, communicate and respect other variations of philosophical positions on any complex issues. Different people have their own opinions and knowledge bank and these are all viable and valid in different ways.
- Creativeness. If the same system works there is no need to change anything.

However, if this is not the case then planning is necessary to create the innovation. Planning must be creative or nothing will ever change.

The intrinsic nature of strategic planning is to move away from the daily grind of the management that every organization must endure. The organization must dig deeper to find the solutions it requires. The planning team is an integral part of this. For strategic planning to be a success, you are not looking for one single solution; more, you are examining the complex systems of problems and this requires taking apart the entire entity and starting afresh.

STRATEGY AS A WICKED PROBLEM

Many tourism companies have superseded the annual top-down planning ritual, using macroeconomics forecasts, with new and far more sophisticated processes. They organize planning meetings often, crunch huge amounts of consumer data and use competency modelling and similar techniques to develop strategy. This is an improvement based on the customer and is capability focused, allowing organizations to change their strategies with ease (although often still missing the mark).

Organizations in general have a knack of ignoring one critical issue: they are unable to develop more and more complex environments in which to successfully operate. The result of this is that enterprises cannot cope with issues that arise, because the strategic planning processes are not equipped to deal with them. Following Camillus (2008), many CEOs are admitting that they cannot resolve issues that arise simply by gathering additional data, defining them more clearly or breaking them down into small problems. The planning techniques do not produce fresh ideas. Wicked issues stand alone, because they cannot be defined within traditional processes.

Rittel and Webber (1973) formally described the concept of wicked problems, a term derived from social planning and political science. They contrasted 'wicked' problems with relatively 'tame' problems: the latter are soluble problems; the former are difficult or impossible to solve (denoting resistance to resolution) because of incomplete, contradictory and changing requirements which are often difficult to recognize. Moreover, because of complex interdependencies, the effort to solve one aspect of a wicked problem may reveal or create other problems.

Wicked problems have countless causes, are difficult to define and do not come with only one correct answer. They arise when tourism companies have to deal with constant and unparalleled challenges, and they occur in a social context: the bigger the issues between stakeholders, the more the problem can be defined as wicked. The social complexities of these problems provide as many issues as the technical difficulties that arise, resulting in a situation hard to manage. Each solution thrown at a wicked problem is a one-shot effort; there is no opportunity for trial and error, and so every solution matters hugely.

The problem arises with many stakeholders having many different values and priorities. A wicked problem is set without precedent; previous knowledge and experience do not assist with each situation. Each wicked problem could be a result of an ordinary, self-contained problem mingled with the wicked effect, but these problems may not come from one source.

Tourism companies must manage the strategic wickedness by involving stakeholders in growing and developing future outlines for new strategies. The intention should be to create a shared understanding of any problems and issues, and use collaboration and joint commitment to resolve them. These situations can also be exploited to strengthen collective intelligence, reduce the force of the groupthink and cognitive bias, and enable the group to tackle the problems in a more effective

manner than individuals can. Increasing the numbers of stakeholders involved in the planning process adds complexity but generally raises the potential for creativity.

Tourism companies have the impression that customers and shareholders are critical stakeholders, but that employees are even more important. Their commitment and knowledge can often play a huge role in developing innovative strategies.

When tourism companies find themselves with wicked problems to deal with, they must try many strategies to adhere to the original sense of purpose. Mission statements lay the foundations of strategy but, in the present fast-paced world, the scope of activities, statement of purpose and concepts of the business may change much more frequently than at any time in the past. The company identity is usually a more enduring statement on intent.

Any organization's identity comprises values, aspirations and competencies. What is important to the company? What does this company achieve better than other companies? How does this company measure its successes?

In the wicked environment with complex possibilities, companies do not know if their strategies are appropriate or what the consequences may be. It would, then, be wise to forget the conventional options and, instead, experiment with a number of feasible strategies, even before they are clear what the outcome could be.

Finally, it is worth remembering that the design of planning systems is based on feedback; plans are compared with results and corrective actions are implemented as a result. Feedback is a powerful source of learning but has limited relevance in the wicked environment. Feedback allows companies to streamline their strategies, whereas wicked problems demand that executives invent new solutions; they demand agility, which is manifested through practices, guided by principles, defined by values and emerges as a result of a mindset.

Sense and Respond (S&R) systems

As most disruptive technologies have a huge impact on enterprise, the Sense and Respond (S&R) system plays a critical role in lessening the impact this phenomenon will have on enterprise in the next decade. The data explosion will, no doubt, complicate information management for most travel companies. As the amount of data and the speed of business increase, the need to create a real-time response becomes much more critical. However, rapid advancements in the performance and cost of technology are enabling the achievement of this to become a real possibility. The S&R model is becoming an achievable goal in a wide range of scenarios, as mentioned by Haeckel (1995) as an adaptive enterprise design.

With the availability of data comes the ability to drive business outcomes. But there must be a link between the data and the insight to fully harness the potential of the outcomes. This is a crucial first step to building a comprehensive S&R system within any travel company. With the initial mapping complete, then advanced analytical technologies will define the sophistication level, accuracy and speed that would simply have not been possible before. The driving forces behind this requirement for S&R systems are:

- *The availability of insight that moves the competitive advantage to those who can embrace it.* The potential to provide an unprecedented ability to create effectiveness and efficiency.
- *The need to make optimal and rapid decisions, which becomes more critical.* Over the next decade the ability and need to make such decisions will allow S&R to show its true potential; delighting customers and closing deals will be driven by this.
- *The need for effectiveness in a complex value ecosystem.* As many ecosystems grow more complex, effectiveness is imperative for the operation to become a success. The overwhelming volume of data flowing through the ecosystems can complicate

the task of making operations sufficiently fast and agile enough to be successful.

- *The growing demand for agile tourism enterprises.* Future operations will require the speed and agility that is simply not found in traditional companies. S&R systems will be introduced as a fundamental part of systems engagement in the future.

- *The critical importance of actionable insight.* At present travel companies struggle to find actionable insight; data are delivered in useful packages, but these do not always have the type of insight that action can be taken from. This harnessing of insight will become critical in the future, to drive the growth agenda and realize the potential to enable differentiation into the next generation through experiences.

- *The harnessing of real-time data flows to improve insight and decision-making outcomes.* Assuming it is possible to tap into the Internet of Things and social ecosystems, these would be prime examples of real-time data flow.

- *Expansion of the information management.* The vast majority of tourism companies still believe themselves to be at the level of descriptive analytics: their analytical journey is based on reporting of the past. The move from hindsight to foresight requires rapidity and insight, together with the ability to harness advanced analytics and the ability to cost effectively store large amounts of data.

- *The development of automated closed-loop systems.* In the past it was assumed that there were certain jobs only humans could do. As computers are taking over these tasks, and the work is becoming automated, so are the closed-loop systems. These can leverage insight and knowledge to automate the action required. S&R systems will increasingly be shown to be automated closed-loop systems.

- *Instruments.* S&R will be greatly enhanced by the Internet of Things. The use of instruments and sensors will allow companies real-time access to data that can be acted on. Travel companies should seek to enable the mechanism to allow access and benefit.

- *Elimination of data silos.* The current pace of technology has required travel companies to use organizational and data silos. S&R can effectively respond to this with a holistic view of data. A key tactic in an S&R programme is to eliminate these silos.

S&R companies take current contextual market information, compare this to the existing model and then adapt the business to the new conditions. These conditions can be characterized as an 'open system'. In this regard, Doz and Kosone (2010) review the underlying determinants of the core meta-capabilities (strategic sensitivity, leadership unity and resources fluidity) to make any organization more agile.

The inputs could come from many different sources. There is a wide range of useful information from social media monitoring to interactions, comments and customer feedback, competitive information and any other relevant social data. Economic data and general markets are important inputs, as are traditional transaction systems, which are vital for the decision-making process to take place. Some of the most critically important information could appear at the intersection of the transactional, social and market data.

From here, responses could take many forms. A response may be as uncomplicated as resolving an issue for an upset customer, discovered from trawling a social network; or it could be as challenging as altering an entire business model because of a new competitor changing the landscape. The system is open, and so the responses can be as flexible as necessary to provide stability. In the S&R model changes can be repeated if necessary, as each change or improvement produces more data that can be used to adjust any changes in real time. It is important to find the right outcome to each change, the correct solution necessary

to improve things, whether this stays on a predefined plan or not. Rather than implementing a business plan with a definitive time scale, the S&R-controlled business constantly adjusts and responds to changes in real time.

Agile mindset

A large number of organizations has recently introduced the use of 'Agile' practices to deliver technology solutions. Agile has adapted and grown over the years. Starting as a software development, it is now used in a wide range of projects in many organizational environments, primarily to reduce risk and deliver value to a project. Its incremental and iterative approach, however, can create many challenges for managers and it is often misunderstood.

At face value, Agile can be a daunting prospect as it disregards traditional project management steps, which follow a linear design process from start to finish and leave very little adjustment to the path followed. Agile repeats cycles of a project, repeating the parts of a project in smaller sections. It takes steps forward in the project and pauses to check if the small amount completed has been correctly managed and delivered; fixes any issues there; and then proceeds to the next step. This can sometimes feel like a way of controlling chaos.

The Agile way of working presents many opportunities and challenges to change managers, business leaders and the end user; basically to anyone who is used to working with a more traditional method. Agile works successfully when the key project people can adapt and effectively proceed on an unpredictable, wild ride.

Agile is not a concept that can be adopted half-heartedly. It is about 'being' agile, not about 'adopting' an agile approach. The project has to be completely immersed in 'agile' to have any chance of being a success.

Many organizations have, in the past, tried to adopt an agile practice in isolation. These companies struggle to grasp the concept correctly and can end up looking for amendments at the wrong times of the process. While trying to make an effective contribution, they can miss out on crucial flexible approaches made available to them through the market conditions necessary for a modern business.

An agile mindset leads to cultural changes in any business when properly adopted though the processes and practices; and some new terms have emerged, such as 'radical management' (Denning, 2011). To sum up, by adopting a people-centred goal, a people-centred role for managers, a people-centred mechanism for coordinating work, people-centred values and people-centred communications, the tourism firm is able to operate at a new level: making money for its shareholders by delighting the people for whom the work is done while providing deep job satisfaction for those doing the work.

Whenever you introduce a radically different idea, there is always the uncertainty of the reaction it will receive. There will be the inevitable scepticism and resistance from those who favour the status quo. But in general, the need for the change is widely recognized.

STOP MAXIMIZING PROFIT IN EXCHANGE FOR VALUE

It is a sad fact that the obsession with profit maximization has been detrimental. Many travel companies have reduced their worth in the eyes of their customers, employees and society as a whole.

To change the current trend and return the economy to a stronger position, companies need to be persuaded to rethink their priorities, to give back to the employees who helped get them on top in the first place. In fact, they need to be encouraged to reward all of their constituencies, not just the small numbers of shareholders.

It is simply the case that companies need to pass on more of their profit to their employees. It is all well and good raising a 'maximized' profit, but a reasonable profit would be far more beneficial to the wide spectrum. For full benefit, these companies should also re-invest excess profits into creating more value for all and improving their reputation with their client base, employees and society.

Any forward-thinking company must understand that it is in its best interests to increase employee wages. A company offering higher wages will have increased loyalty, reduce staff turnover and the relatable costs involved, and get better employees. This will, in the long run, reduce the need for hiring costs and training. Increasing wages would also increase public spending, by enabling the public to buy products and services, thus improving and accelerating the growth of the economy as a whole. With an improved and growing economy, the long-term shareholder value will increase.

Simply put: to restore the economy and any society to maximum strength, a new corporate mission is needed!

All innovation is divergent

Travel companies required to, or aspiring to, enhance their innovation must develop new skills on top of the existing flow of convergent implementation projects. These skills must be connected to their pre-project networking, development model pluralism and project convergence. More specifically:

- Mechanisms of transition must be refined from divergent technical ideas to actual focused projects.
- Mechanisms of transition must create space for individual creativity to flourish; there must be a mechanism to allow the exploration of networking ideas.
- It should be emphasized that the need for building knowledge around time-focused projects must be managed and

adapted to the level of innovation and technological complexities.

Ideas that have new functions, products and solutions are the essential starting point for any innovative development. These require nurturing by their innovators before any formal project can be established. The term 'innovator' refers to researchers or developers in a certain field who are consistently generating proposals and designs and are therefore more advanced than inventors. This title is understood to be used for a unique technical invention with very little practical use.

For innovators to thrive and become successful it is of paramount important that their managers defend the ideas and technical solutions against cost-cutting measures or conservatism.

BETAPRENEURSHIP

A spirit of betapreneurship is empowering people and businesses to make change happen by fostering collaboration around a new 're-design and rethink' culture. It also means seeing failure as a learning curve.

'Betapreneurs' ('beta' refers to interactively adapting and constantly changing) are known for spreading their knowledge base and skills over many projects and initiatives rather than just one goal. Obviously, not all their ideas will be successful, but the concept is that there will be more flexibility and fewer overheads at the start up and continuation of these projects.

This positive thinking is implicit in purpose-driven organizations. A travel company may introduce a 15% 'time to think' programme, and many great initiatives and innovations can be the result. Similarly, other tourism companies may launch a programme that allocates 20% time to foster in-house entrepreneurial thinking and encourage collaboration. Tourism organizations simply must foster disruptive innovation to thrive, as

new people-led alliances will be the fuel that drives successful businesses of the future.

Betapreneurship promotes growth

In the second decade of the 21st century it is clear that fresh approaches are urgently needed to accelerate sustainable global economic growth and job creation to advance human welfare. In this context we need to stimulate innovation by fostering a culture of entrepreneurship, and this must start from an early age with creative learning.

Creative learning should be a process of trial and error, rather like an evolving jazz jam session; in fact, this is also how betapreneurs operate.

Innovation is not just for start-ups. In fact, many big companies promote a culture of fresh thinking by employing 'intrepreneurs' (in-house entrepreneurs) to stay ahead of the game and act as a recruiting tool. Some travel companies may launch a 20% programme that engenders an entrepreneurial spirit within the company by inviting employees to work 1 day a week on their chosen projects – no wonder they have over 1000 job applications a day!

Disrupt your organization and ensure people are given what they actually want

Leading tourism brands and companies already recognize the value of disrupting their sector before disruption is forced upon them, and it has been suggested that economic survival depends on improving creativity and entrepreneurship teaching, fostering new companies instead of banking on old giants.

For travel small and medium enterprises (SMEs), it is imperative to adjust to a climate where technology brings disruption. Initially, innovations may sound crazy and uneconomical and then they turn out to make business

sense. Misunderstanding and failure lie on the road to success, so when you take on the role of betapreneur and disrupt your organization, take comfort from the fact that great ideas are said to pass through three distinct phases: ridicule, violent opposition and, finally, acceptable and self-evidently worthwhile.

Gap analysis is a simple way to make sure people are actually getting what they want: the need to find a travel company that can supply something for the people who are looking for it. Creative entrepreneurs often struggle with the ability to transform an 'idea' into reality and to create a profitable business out of it. Often the missing link appears once the creative idea has been conceived but there is no strategy or business to implement it.

A nicer way to see creative entrepreneurship being a profitable entity is to use gap analysis to connect people with what they want and to deliver precisely that tourism product to them.

Making the entrepreneurial dream a profitable reality

Creative entrepreneurs often struggle with the concept of turning their idea into a profitable business concept. These creative minds are brilliant at inventing the concepts with the ability to transform the travel market but, all too often, the missing link in this process is the business or strategic mind to embrace and follow through the idea to a profitable business.

The advice given for cultural and creative entrepreneurs in the travel industry is simple: find a business partner who excels in strategy and apply the beta concept, embrace your projects in the beta way. Look at the links and try to envisage the perception of being the connector for the people and the projects. You may have the experience, skill set or knowledge that bigger companies do not yet have. Take your ideas and make them concepts: they will continue to grow and develop as long as you have a customer base.

CONCLUSIONS

This chapter has as its main remit the coverage of key issues and concepts such as the failure of strategy and strategic plans, corporate identity, the new normal environment, strategic agility, organizational design and new corporate formats, organizational disruption, the new role of people management, betapreneurship, S&R models, systems thinking, strategic experimentation and management with meaning.

The new normal is that there is no normal any more. Business issues have shifted from discrete problems to holistic messes (requiring holistic, networked, collaborative approaches to resolve). We cannot use the past to predict the future. Creative disruption is becoming a constant.

To close this chapter, a brief reference at least is needed to the recent economic downturn which, obviously, has also affected the tourism industry. In our view, this crisis has seen more a restructuring of the economic order than the usual ups and downs of business cycles.

What is a certainty is that when we do finally enter the post-crisis stage, the economics and business context will not return to its previous form. To succeed in the new normal, executives must focus on what has changed for their customers, companies and the travel industry in general, while still having an awareness of what has remained unchanged. There is no doubt that while the environment will be very different, there are just as many possibilities for those who are prepared.

Many global businesses will have found it necessary to change their outlook, operations and prospects after the recent financial crisis. Some companies are still adjusting to the severity of the downturn while others have found it necessary to consolidate and shrink their costs to prepare for future growth. The economic situation spread across the entire globe but responses and resilience to the crisis varied by geography, business function and sector. There have, however, been a number of reactions that most companies have experienced:

- The average time allowed for changes in commercial decision making has, by necessity, decreased. Companies have found themselves having to think and act much more rapidly to anticipate future trends.
- A more flexible approach to change has been adopted, leading to faster implementation of necessary changes.
- To produce quicker decisions and changes, companies have needed to focus on the building of a more solid foundation of advanced IT systems, dynamic endowment of personnel and robust finance function.
- Critically, all implementation must be undertaken by a strong and decisive management team.
- The global recovery phenomenon has not been felt worldwide; variations have remained by country and sector.
- It is not to be expected that the conditions previous to the economic crisis will return to normal. Many companies and experts have commented that it does not expect business to recover to the previous output.
- Emerging markets do expect a stronger return than developed economics but it has been discovered that this is not global.
- Many positive performances in the emerging markets are from companies that have managed to quickly build and change their 'business as usual' model.
- Factors such as the rise of economic giants like China and India, additional regulation, potential return of inflation and increased taxes are all factors that make any business less profitable. These issues need to be addressed effectively to turn this around.
- Increased volatility and complexity is a consistent theme that continues to show

itself. There are expected to be major swings in future growth, with both volume and depth of change expected to be a persistent factor.

Travel companies are struggling to find a way to address the emerging factors and changes. In this respect, two factors have come to light as critical for future corporate success:

- The speed necessary to adapt to threats and opportunities.
- The in-built flexibility to allow for speedy responses.

After economic downturns the norm is for companies to concentrate on their core business. There is also a trend to swap to a more decentralized organization to connect and respond to customers in a quick and flexible way. Where change is more prevalent and rapid, global innovation management is the key to success, particularly for companies trying to survive in a mature market. Future market leaders will need to have significant entrepreneurial skills, and with that comes the agility to execute quick decision making; this is the critical factor, as this skill has never been so important as it will be in the future.

Case Study: Strategic Planning

Strategy planning has been under assault for years. But good strategy is more important than ever. What does that mean for the strategist?

Many companies have an executive to guide their strategies. This discipline's professionalization, which began in earnest in the 1980s as it evolved from the chief executive's domain into a core corporate function, prompted the creation of heads of strategy, strategic-planning directors and, more recently, chief strategy officers (CSOs). Who better than a strategic strategist to help meet the big new uncertainties of the 21st century?

Yet today's unpredictable environment is utterly incompatible with what, historically, has been one of the chief responsibilities of many strategists: leading the annual strategic-planning process. While nothing new, the weaknesses of traditional strategic planning – characterized by a lockstep march towards a series of deliverables and review meetings according to a rigid annual calendar – have been amplified by the importance of agility in a rapidly changing world.

Strategists have responded by increasing the scope and complexity of their roles beyond planning. In a recent survey of nearly 350 senior strategists representing 25 industries from all parts of the globe (Birshan *et al*., 2014), an extraordinary diversity of responsibilities (13 by our count) was found. But running the planning process still loomed large, ranking second in priority on that list, even if many respondents said they would prefer to spend significantly less time on this part of their role.

There is a way out of this box for chief strategists and other senior leaders, particularly CEOs, CFOs and board members, whose roles are deeply intertwined with the formulation of strategy. The starting point should be that of thinking differently about what it means to develop a great strategy: less time running the planning process and more time engaging broader groups inside and outside the company, going beyond templates and calendars, and mirroring the dynamism of the external environment.

But this is not enough. Achieving real impact today requires strategists to stretch beyond strategic planning to develop at least one of a few signature strengths. Several important facets of the strategist's role have emerged, including reallocating corporate resources, building strategic capabilities at key places in the organization,

(Continued)

> **Case Study.** Continued.
>
> identifying business development opportunities and generating proprietary insights on the basis of external forces at work and long-term marketing trends. A number of these roles are more appropriate for some strategists and organizations than for others. But the core notion of stretching and choosing is relevant for all.

QUESTIONS

1. Redefine the role of the strategist today in a tourism destination. If the way organizations learn and regenerate strategy is a key issue today, how can this process be understood and described in a tourism destination?

2. How would you explain the difference between strategic planning and strategic thinking?

3. Apart from the content of this chapter, what other attributes do you think are fundamental to trigger a level of strategic ability?

4. Dissect and analyse the concept of beta-preneurship.

5. To what extent can machines replace humans in the process of strategic decision making? Take as a foundation for this reflection the following article: Press, G. (2014) Big data debates: machines vs. humans. *Forbes*. Available at: http://www.forbes.com/sites/gilpress/2014/01/31/big-data-debates-machines-vs-humans/#7d510f15127a (accessed: 5 October 2016).

ACTIVITY

Based on Denning (2011), compare the application of the main principles of traditional management and the principles of his radical management proposal in the particular context of tourism companies, such as hotels. Discuss the process of change, barriers and suitability to move from traditional management into radical management.

Based on the following interview, discuss its main implications for sound strategic thinking:

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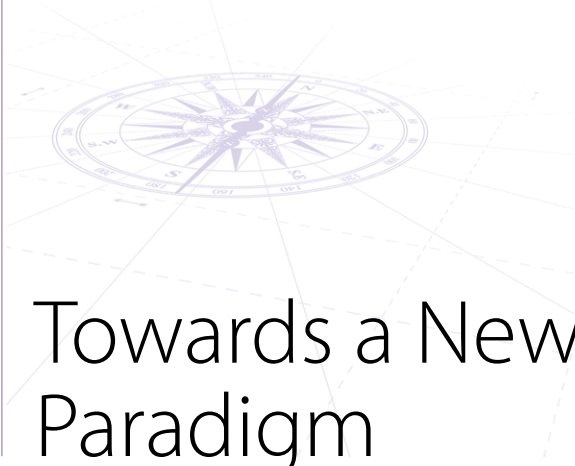
Towards a New Strategic Paradigm

Rafael Alberto Pérez and Alejandro Pérez-Ferrant

LEARNING OBJECTIVES

- To report on the more significant changes in approach to strategy over the past 25 years.
- To focus on the two re-foundation projects: the New Strategic Theory (NST) and the Half Moon Bay (HMB) Group.
- To determine to what point we are faced with a new emergent paradigm of complexity, non-linearity and fluidity, guided by the NST.
- To verify how the complex ideas behind the NST correspond to the complexity of the world of tourism.

INTRODUCTION

The idea of this chapter is to inform readers about how strategy has undergone radical transformations over the past 25 years and that we now possess an alternative strategic theory conceived from a perspective of complexity, non-linearity and fluidity. While this is a general theory that

is applicable to any context or sector, one could say it has been designed for the tourism sector. It is known as the New Strategic Theory (NST) and is the focus of this chapter.

TOURISM AND ITS CIRCUMSTANCES

It was Ortega y Gasset (1914) who said 'I am I and my circumstance', a phrase that subsequently grew in popularity. However, it was not until Niklas Luhmann that this philosophical idea became epistemological in nature. Luhmann teaches us that any object of study becomes meaningless if analysed outside its environment, to the point where, for Luhmann (Luhmann, 1984; Luhmaun and De Georgi, 1993), the system and its environment:

> make up a single element of study in which the environment confers meaning on the entity and the entity is permanently obligated to discover this meaning in order to construct a mutually constitutive relationship.

While it may have seemed like a simple idea, this manner of reinterpreting systemics changed our understanding of reality. Tourism ceased to be seen as merely an economic sector and began to be understood as a multidimensional, complex social system that forms part of our way of life – a system that evolves as rapidly as the world to which it is inexorably linked, and both exerts an influence over it and is affected by it. As Edgar Morin (2011) reminds us, 'complex' comes from the Latin 'com plector', or that which is sewn or braided together. The world of tourism consists of many elements sewn together, and it is precisely this sector complexity that requires a manner of perceiving strategies that takes into consideration this vibrant multidimensionality.

This new way of perceiving and understanding strategy called for a new style of management, and all indicators point to the fact that the journey towards this complex, cross-disciplinary style of strategic management in the tourism sector has only just begun. While this journey offers new opportunities it also reveals new areas that require attention. The format of this book, thus, works well since it defines the four areas in which we need to bring ourselves up to date: (i) observation of the changes in environments and trends that will lead us towards the future; (ii) integration of the various management forces, of which innovation is one; (iii) the manner in which we perceive strategy and visualize the paths to our goals; and (iv) the new business ecosystem.

But it is important not be misunderstood here. The fact that contexts change does not mean that theories have to change; this is only the case if the previous theories have become obsolete and no longer offer a suitable explanation for the current scenario. As Thomas Kuhn (1962) explained in his day, when this happens the tendency is for other more comprehensive theories that explain both past and present to emerge. This is precisely what is happening with strategy, and while we may or may not agree with the ideas behind these theories, to ignore them is a luxury we cannot allow ourselves.

For this reason this is an essentially informative chapter that includes the idea that strategy as we know it today is not one but rather two strategies: a traditional strategy based on the linear economic paradigm that we all know, and a modern strategy that arose in 2001 and operates from a perspective of complexity, non-linearity and fluidity. The latter is known as NST.

1994: THE YEAR IN WHICH STRATEGY DIVERGED

While strategy has been around for some 2500 years, our particular story begins in 1994. Aside from the World Cup being staged in the USA and the release of *Forrest Gump* (the film starring Tom Hanks), 1994 could be described as discreet year in which nothing of particular note took place. In contrast, however, and this is the reason for including it here, 1994 was a key year for strategy. As Schendel (1994) points out in the introduction to the special supplement of the *Strategic Management Journal* dealing with 'Chaos theory and strategy' 'in 1994 the state of the art of strategy was both the best and worst of all time'. The same year saw the publication of three of the most outstanding critical works in the journal's history and was the first time that a change of paradigm had been proposed.

Criticism

Since finding its way on to the university curriculum in 1965, strategy has been a growing discipline that, according to Ansoff (1979), would conclude by classifying *management* as 'strategic'. Some would even go so far as to refer to it as the science of success.

While critiques are rare in this context, in 1960 one of the great economists, and theorist of nucleur strategy, Thomas C. Schelling, spoke out against the reductionism with which strategy was being configured and studied:

> If we confine our study to the theory of strategy, we seriously restrict ourselves by the assumption of rational behaviour – not just of intelligent behaviour, but of behaviour motivated by a conscious calculation of advantages, a calculation that in turn is based on explicit and internally consistent value system.
>
> (Schelling, 1960)

In 1983 Rosabeth Moss Kanter would criticize the rigidity of strategic planning and champion the flexibility of the strategist – an idea that Mintzberg would expand on 11 years later.

Later, in his 1989 book *More Heat Than Light: Economics as Social Physics*, Philip Mirowski would condemn the fact that neo-classical economics remained anchored in 17th–century physics.

However, it is in 1994 that the three most significant critical works emerge:

- *The Death of Economics* (Ormerod, 1994).
- *The Rise and Fall of Strategic Planning* (Minztberg, 1994).
- '*Strategy as a Field of study: why search for a new paradigm*' (Prahalad and Hamel, 1994).

The work that most interests us here is the third of these, as Prahalad and Hamel question the economic paradigm that had been dominating strategic management up to this point. And if any doubt remained, one year later Prahalad and Hamel (1995) – in their successful book *Competing for the Future* – would reaffirm the need for a new paradigm:

> While the voices demanding a new organizational paradigm are many and loud, what has not been requested is a new paradigm for a new strategy. We believe, however, that the way in which many companies plan their strategy is as antiquated and pernicious as their way of organising themselves.

Pandora's box had been opened and criticism would not abate. In his *Financial Times Guide to Strategy* (1995), Richard Koch would comment that:

> We know more about strategy than 10, 20, 30 or 40 years ago but never has the subject been so frustrating and confusing for both professionals and students alike. Greater knowledge has not signified greater clarity or usefulness.

Eight principal criticisms may be levelled at conventional management:
Criticism of:

- the dominant paradigm;
- the dehumanization of the principal people involved;
- the rigidity of strategic planning;
- elitism;
- the lack of ethics;
- the disorientating nature of strategic management;
- theoretical weakness;
- strategic models.

Not only has criticism continued to this day, it has become more acerbic. French (2009) wrote that 'In recent years, there has been a growing body of opinion among scholars in the field of strategic business management that some of the tenets of classical strategic theory are no longer appropriate'; and Shrivastava and Persson commented that:

> There are research studies, conferences, journals, and Ph.D. programs devoted to strategy. The Academy of Management alone has over 8000 Members who teach research and strategy, and the Strategic Management Society members have close to 3000. Yet, there is no widely accepted, coherent, and pragmatic theory of Strategy.
>
> (Shrivastava and Persson, 2014)

FAILURES

To these criticisms we can add the element of failure; or, at least, that is what available studies would have us believe. Despite conventional strategies having been implemented in different countries using a variety of methodologies

and sample designs, they tend to coincide on three disturbing points:

- Five out of seven strategies fail.
- Barely 56% of new products reach their economic and financial objectives.
- Ninety per cent of new businesses close after 5 years.

Criticism combined with this failure rate make an explosive cocktail: the strategy crisis was served.

The consequences

Reactions were not long in coming. It would be wrong to think, however, that this was a scientific revolution in the style of Thomas Kuhn, as no alternative was available to replace the dominant economic model of the time. All that happened was that a series of experts realized that the building in which they were taking refuge was beginning to show serious structural weaknesses so they took to the streets in search of a safer, more convenient shelter. Along the way they came upon a series of crossroads and it was not long before their ways parted.

The first split took place between the 'immobilists' and those 'receptive' to criticism.

Immobilists

Insensitive to criticism, they maintained their traditional viewpoint. Their argument is that the economy is both very powerful and, with the aid of just a few constructs and theoretical ideas, is capable of explaining a wide variety of phenomena. In addition, the economy allows for robust empirical checking based on well-established mathematical models. While some of them recognize that the influence of the economy on strategic theory has its pros and cons, they are of the opinion that the positive effects outweigh the negative and that the economy has demonstrated its capacity to overcome these biases in its application to management and strategy.

Receptives

This group consists of those who reacted to criticism, though not all of them reacted equally.

THE REPAIRERS. Some experts offered solutions that reinforced the weaker points of the model while leaving the paradigm intact. According to this group, strategy evolves in parallel to the management of which it is a constituent part, and it does so and will continue to do so as changes occur to:

- The requirements of the company.
- The economy as both an activity and a science.
- The core ideas behind the concepts and theories relating to human behaviour.
- The prevailing cultures of our societies and the values and principles that govern them.

In this manner they turn the argument around and, rather than rejecting criticism, they take it on board and even go so far as to improve it. On doing this, however, they fall into a trap: by presenting their alternatives as proof of the dynamic nature of the discipline, they offer a strategy that is always one step behind events. How can a discipline that trails behind events guide us towards the future?

THE INTER- AND TRANS-DISCIPLINARIES. The perception that issues handled by means of strategic management transcend the merely financial, led some experts to study strategy from other perspectives, taking into account theoretical developments. These trends posed a challenge to the economic paradigm and implied some level of interdisciplinarity. The idea already had a precedent in the contingency theory of Burns, Stalker and Woodward and Lawrence and Lorsch, who, in their book *Organization and Environment* (1967) introduced an ecological perspective on the organization. Ecology, however, was just the beginning. Having opened the door, over the past 20 years management has sought complementarity in

disciplines as wide-ranging as: chaos theory (Schendel, 1994; Levy 1994; Laszlo and Langel, 1998); communication (Pérez, 2001); linguistics, narrative studies (Vaara *et al.*, 2004); emotions (Goleman, 2006), and neuroscience and neurostrategy (Braidot, 2008, 2009; Wang, 2006; Powell, 2011).

As Professor Alfonso Vargas (2012) indicates: 'The appearance of these attempts to develop more realistic and, in consequence, more complex models means abandoning the simplification and artificiality on which the predominant models have been based so far'.

In this manner the initial interdisciplinarity evolved into transdisciplinarity and the underlying relationship between strategy and complexity became ever more evident (Pérez, 2005; Cunha and Cunha, 2006). In a somewhat similar manner, the following words that Edgar Morin (2008) said to chapter author Rafael Alberto Pérez during a meeting in Chateau d'Orion, France, became a reality. Morin said: 'The adventure of strategic thought is inseparable from the adventure of complex thought' (personal communication).

THE RE-FOUNDERS. On the journey towards complexity some experts were of the opinion that the problems inherent in strategy were so serious in nature that they could not be resolved by means of isolated fixes and proposed the re-foundation of the discipline from its roots.

What re-foundation projects are we talking about? These can be limited to two: (i) the NST, proposed by Rafael Alberto Pérez in 2001; and (ii) the Ibero-American Forum on Communication Strategies (FISEC). Another of these projects would be the HMB group of 'management renegades', as the 31 experts led by Gary Hamel called themselves when they assembled in Half Moon Bay resort in California in 2008 to debate the future of strategic management. The result of this gathering was a 25-point manifesto which Hamel himself (2009) included in 'Moon Shots for Management' in the February 2009 edition of the *Harvard Business Review*. This consists of two distinct though parallel and coincident considerations, one on the future of strategy, the other on the future of strategic management. Both are worthy of consideration.

THE 1ST RE-FOUNDATION MOVEMENT: THE NEW STRATEGIC THEORY (NST)

The first time an NST was proposed in writing as an alternative to conventional theory was on page 711 of *Estrategias Comunicación* (*Communication Strategies*) by Rafael Alberto Pérez (2001): 'We require a less geometrical, more hermeneutic strategic theory that is less rational and more relational'.

This is a story that is very close to the heart of chapter author Rafael Alberto Pérez, and while, by his own admission, this prevents him from being neutral, he will make every effort to be objective. It all began in 1995 when he was Professor of Communications Strategy at the Universidad Complutense, in Madrid, and the article responsible for it all was the one by Prahalad and Hamel (1994). That text confirmed his worst suspicions: the strategy he was teaching was suffering from serious problems that had required resolution.

Pérez promptly turned his attention to serious research and writing and, 6 years later, found himself presenting the NST. This was the beginning of a lengthy process that can be synthesized in six decisive moments:

- 2002: The debate comes to light. The 1st Meeting on Communication Strategy is held in the Autumn Cycle of the Universidad Complutense, in Madrid. Experts from five countries meet for re-construction.
- 2003: FISEC is founded as a non-profit association with the primary objective of promoting the exchange of ideas among experts on the subject of strategy and

communication. In 2007 FISEC would eventually head the NST.

- 2007: The theory is defined. In the presentation entitled 'The 7 signs of identity of the new strategic theory', presented at the 5th FISEC gathering at the Universidade do Algarve (Faro, Portugal) in June, the seven modifications that would establish the differences between the NST and conventional formulations were defined. Looking back, I think this was a crucial moment.

- 2009: NST is developed. While FISEC was still debating the NST, in the Madrid head offices the Secretary-General of the Ibero-American Secretariat (SEGIB), Enrique V. Iglesias, was presenting 'Towards a General Theory of Strategy' (2009), written by Rafael Alberto Pérez in collaboration with Sandra Massoni of the Universidad Nacional de Rosario (Argentina) and several other renowned experts. This document describes the development of NST from its underlying concepts to its methods and models.

- 2010–2016: Verification. To date FISEC has celebrated 12 annual international meetings in universities in Brazil, Chile, Colombia, Spain, Mexico, Portugal and the Dominican Republic. Since 2009 the meetings have focused on the proposal of strategic models for the eradication of serious social issues, so that public representatives can subject them to empirical verification, as is currently the case.

- 2010–2018: The 2nd and final part of the NST is still under development and its conclusions are eagerly awaited.

Seven changes are included in the NST:

1. In the central paradigm: *from fragmentation to complexity*. The NST proposes working with current scientific paradigms as opposed to those of the 17th century. In contrast to a vision of a dual, fragmented, static reality, it offers a multidimensional, complex, fluid and sometimes chaotic vision.

2. In the subject: *from rational actor to the relational human being*. The key to any strategic theory lies in recovering the human element that has currently been replaced by artificial constructs: *Homo oeconomicus*, rational actor, player, etc. In terms of the NST the human being is the fundamental element that allows the strategy to touch base, materialize and take on a more real and useful form.

3. In the organization: *from production unit to network of innovation and meaning*. The old conception of organization – rational, hierarchical and functionalist – needs to be replaced by one that is systematic, co-evolutionist, innovative, connective, meaningful and socially and environmentally responsible.

4. In the focus: *from the science of conflict to the science of articulation*. In contrast to the concept of 'competition' as a 'duel' and 'the market' as a 'war', the NST proposes the voicing of the plural perceptions of those involved, i.e. listening and dialogue in an effort to redirect positions that are presented as incompatible towards the same goal. This requires putting oneself in the place of another, understanding that different rationalities exist and trying to harmonize them. Instead of concerning ourselves with offering paradigmatic and exact rules, the 'NST' attempts to offer hermeneutic and articulatory solutions.

5. In the study matrix: *from a basis in economics to a basis in communication*. By offering an orientation more focused on dialogue, negotiation, cooperation and consensus, the NST reconstructs strategy from a communication perspective. To achieve this, it adds to economic factors – which will always be there – other more relational and intangible factors. To this end the NST proposes combining all the knowledge offered by the various disciplines (transdisciplinarity) on the phenomenon of strategy into the 'unitary matrix' that is the study of communication. This is a proposal that Ruesch and Bateson (1951) previously applied to psychiatry.

6. In the method: *new tools*. New ways of approaching a subject require new methods.

The NST offers new methods of strategic analysis, such as RAPC (Connectivity Pattern X-Ray) and GIV (Evaluative Information Gaps).

7. In the methodology: the NST proposes new models, such as *Estrategar,* a term that relates to a model of the strategic process (and how to form strategies) and GIV.

While the changes demarcate the differences and help us understand the NST, the fundamental principles may best express its reconstructive spirit.

The NST as seven principles (Pérez, 2013):

1. Life is relation-based. We construct ourselves on the basis of this dynamic relationship. We are more 'phenomena' (adaptation) than 'genome' (programming).

2. Strategy is a biological phenomenon. As far as the life sciences are concerned, strategies are the homeostatic responses with which (all) living things react to the opportunities (sex, food, etc.) and dangers (predators, climate changes, natural disasters, etc.) that come about as the result of changes in their environment.

3. We inherit a strategic system, but we modify it with new capabilities. As we progress in terms of phylogenetics the strategic system incorporates new, emergent capabilities, thereby making these responses increasingly complex. This is how human beings have inherited the strategic system from our ancestors, though we have modified them by incorporating current capabilities that accompany the emergence of the human being: semantics, hermeneusis, mind theory, imagination, foresight, *ad futurum* calculation, etc.

4. The human strategic system aspires to 'better living'. Thanks to this peculiar strategic system humans are the only living beings capable of considering the future (not just the present and the past). We also select (not just decide), transform (not just adapt) and aspire to 'better living' (not just survival). All this affects our capacity to strategize: in other words, the manner in which we perceive

our strategies. While our ancestors limited themselves to scanning their surroundings in search of possible discontinuities, we are able to:

- Imagine the range of possible futures (futurables).
- Anticipate these before they occur (either to grasp or evade them).
- Select the futurable that we feel is best for us (the one that will become our goal).
- Imagine different paths to attaining this futurable (as many as we are capable of imagining).
- Select one of these paths.
- Travel the path and implement the futurable.
- Evaluate the results and learn from the experience.

5. The object of all strategy is the configuration of a network of relationships. If the objective of all strategy is to attain a futurable (the one we have made our goal), the object of all strategy (that which we wish to transform to attain this goal) is a (network of) relationship(s). What we seek is an alternative configuration of our relational network that will best help us attain our intentions, purposes and goals.

6. Strategy is not a formula, much less a successful one. No expert or strategy, however good, can guarantee the attainment of our goals. There is no sure path to success. The famous 'one way to succeed' and 'the seven (or however many) sure ways to success' are a ruse. Anyone wishing to change the future, or influence it, has to know that they will be entering a territory dominated by structured uncertainty. The explanation is simple: the result, the relational network we wish to reconfigure, does not depend solely on us; other persons, forces and systems – not forgetting chance – can modify the result. If this is the case, then why strategize? Well, because it is better to do so than not to do so. And despite the fact that our capacity for transformation is limited, we have to try, as this is our margin of manoeuvrability

and to do the contrary would be a return to fatalism, in which we leave our lives in the hands of the gods.

7. We are what we choose. We began by saying that we become ourselves through relationships, and this is the moment to add that, to the extent that strategy modifies relationships, at the end of the day we are what we choose. We become ourselves on the basis of choices, and we do so with a dual meaning that is on the one hand reaffirmative and, on the other, exclusive. Every time we select an option we are pruning our tree of life, leaving aside options and paths that we can no longer travel (fate). Consider the howl of Lorca's Yerma when she kills her husband: 'I've killed my son!' (Garcia Lorca, 1981). In other words, having killed her husband, Yerma, a faithful woman, has eliminated the possibility of having children by eliminating that particular future in her life.

What happened to NST and where is it today?

Three recent events may help us outline an answer:

- *Paradigm*: 31 renowned experts from 11 Ibero-American countries expressed their conviction that NST is the paradigm we have been looking for since Prahalad and Hamel (1994), and included statements to this effect in a book entitled *La Nueva Teoría Estratégica: El Paradigma Emergente* (Herrera and Pérez, 2014) and published in Chile by the Universidad Mayor. The book has been presented at academic events within universities throughout Latin America and Europe.
- *Academic recognition*: The NST has been the subject of seminars and other interventions in more than 130 universities in 13 countries, highlights of which include the inaugural address for the 2014/2015 academic year in the University of Huelva, in Huelva, Spain,

presented by Professor of Organizational Theory, Alfonso Vargas, and published by the university in 2014 (Vargas Sánchez, 2014). The following are two of the many examples of favourable testimony included in the paper:

- ○ 'Both FISEC and the New Strategic Theory apply Complexity to Communication (and Strategy). I have done the reverse and applied Communication to Complexity' (Morin)
- ○ 'In its agenda, the NST lays out one of the most ambitious conceptual and methodological revision programmes in the history of formal communications thinking … Complex thinking acts as its guide throughout its journey'. (Galindo Cáceres, 2011)
- *Empirical verification*: With regard to the NST and its application to real-world problems, we can highlight the declaration made by the head of the Child Labour Programme of the Chilean Ministry for Employment and Social Security, Valentina Ilic Vigil (2015), who, in her address to the 12th FISEC Forum held in Bogota, Colombia, confirmed that 'on preparing the Ministry's strategy for the eradication of child labour, 4 of the 7 changes proposed by the NST were taken into account and the remaining 3 represent a pending challenge'.

THE 2ND RECONSTRUCTION MOVEMENT: HALF MOON BAY 2008/2009

The 1994 spark was the cause of more than one fire. If the NST was the first of these, the second occurred 7 years later and almost 10,000 kilometres away in Half Moon Bay (HMB), California. There, Prahalad and Hamel, the same two who initially questioned the paradigm, gathered together a group of

renowned experts (Mintzberg, Senge, etc.) to express their true feelings about certain 'unorthodox' ideas they had been toying with on an individual level and which required a debating platform. The diagnostic was one of mutual agreement:

> the management model that predominates in the large organisations is obsolete. It arose in the 19th century as a means of getting semi-qualified human resources to be more effective when repeating the same operation over and over again. Evidently this is not the challenge for businesses today. (Hamel, 2009)

Their conclusions were compiled in a 25-point manifesto in which they proclaimed the death of management as it is perceived today, something that Gary Hamel had proclaimed a year earlier in *The Future of Management* (2007), the first chapter of which bears the provocative title, 'The End of Management?'

Hamel (2009) himself sums up the ideas that came to light in Half Moon Bay:

> To successfully address these problems, executives and experts must first admit that they've reached the limits of Management — the industrial age paradigm built atop the principles of standardization, specialization, hierarchy, control, and primacy of shareholder interests.

These are strong, powerful criticisms designed to provoke a revitalization of strategic management. Above all, however, they are brave criticisms. Firm evidence of the fact that they were aware of the risks they were taking on making these declarations is borne out by the fact that they referred to themselves as 'A global community of management renegades brought together by Gary Hamel's Harvard Business Review article' (Hamel, 2009).

The 25 points of the manifesto from the HMB meeting (Hamel, 2009) are:

1. Ensure that management's work serves a higher purpose.
2. Fully embed the ideas of community and citizenship in management systems.
3. Reconstruct management's philosophical foundations.
4. Eliminate the pathologies of formal hierarchy.
5. Reduce fear and increase trust.
6. Reinvent the means of control.
7. Redefine the work of leadership.
8. Expand and exploit diversity.
9. Reinvent strategy making as an emergent process.
10. De-structure and disaggregate the organization.
11. Dramatically reduce the pull of the past.
12. Share the work of setting direction.
13. Develop holistic performance measures.
14. Stretch executive time frames and perspectives.
15. Create a democracy of information.
16. Empower the renegades and disarm the reactionaries.
17. Expand the scope of employee autonomy.
18. Create internal markets for ideas, talent, and resources.
19. Depoliticize decision making.
20. Better optimize trade offs.
21. Further unleash human imagination.
22. Enable communities of passion.
23. Retool management for an open world.
24. Humanize the language and practice of business.
25. Retrain managerial minds.

What happened to HMB and where is it today?

While the NST is currently being applied to serious social problems, empirically verified by official institutions and progressing into a second phase, regrettably the fruits of the HMB gathering are becoming diluted. 'Reinventing management' is not the same as 'the death of management', and writing about 'strategy innovation' does not carry the same clout as 'rejecting' conventional strategic management. For reasons unknown, the breath of fresh air that HMB represented is now being repackaged in conventional formulas. It is preferable

to imagine this is not true and that HMB constituted a seed of renewal for those who truly believed in that initial 25-point catalyst.

DOES NST HAVE ANY SPECIFIC ADVANTAGE IN THE CONTEXT OF THE TOURISM SECTOR?

While all attempts will be made to respond to this question, it will not be chapter author Rafael Alberto Pérez who provides the answers. Until this point in the chapter, he has been trying to tell a story, and in doing so, has tried to remain as close as possible to the facts. But now it is the time to express an opinion and in this case he must, by his own admission, abstain. This task will be handed over to Alejandro Pérez-Ferrant, founder, director and owner of the tourism marketing and communications consultants The Blueroom Project – TBP Consulting, who will explain his point of view and illustrate it by means of examples.

TOURISM AND THE NST: MORE THAN JUST A MARRIAGE OF CONVENIENCE

As long as tourism was considered a business sector, approaches based on conventional strategies seemed to work perfectly. However, given that tourism is today rather more than just business, chapter author Alejandro Pérez-Ferrant has seen from his own company, which handles some 21 clients with very diverse involvement in the tourism sector, how the changes of the NST can provide a new type of approach, thought, analysis, action and finally of interaction and integration between organizations, companies and people of different cultures, as part of a world which is overwhelmingly globalized and highly complex. Offering a general view of present-day tourism in a single paragraph would be impossible, so an outline of some of its most common features follows.

Tourism is rather more than just a business

NST is actually a general theory which can be applied to any kind of activity. According to Rafael Alberto Pérez (2008) in this inaugural address to the VI Encuentro Iberoamericano in Málaga:

> all men of action need a general strategic theory to help them take the best possible decisions in the face of uncertainty, not only in business but in all aspects of our lives, education, health, development, tourism, etc.

Tourism, besides being one of the world's most important economic sectors, is much more than a business in the way it influences, affects and especially contributes to the construction, management and growth of populations, societies, the environment, politics, reputations, innovation, welfare and so on.

Tour operators, travel agencies and travellers themselves all benefit from the 'necessary' economic and cultural exchange and relations with other regions, countries, places and idiosyncrasies, different customs, languages, religions, stereotypes and taboos.

In common with the ideas behind the NST, the success of international tourism organizations in promoting their towns, provinces, regions or countries, that of the private sector (tourism operators, traditional and online travel agents, hotels, resorts and airlines) and that of the traveller or tourist (for business or pleasure) depends on the willingness and ability to constantly adapt to new situations (new technology and communication channels, new practices, new roles for tourists as the centre of 'everything' with their new needs and demands; changes in the law and ways of making laws; new commercial threats, whether natural, political, financial, energy-related or terrorism).

Tourism is human and complex

Two of the key factors of NST are: (i) the reintroduction of the human element in the strategy, which had previously been replaced by constructs; and (ii) the introduction of complexity as opposed to linearity. It is enlightening that when the father of complex thinking, Edgar Morin, learned of NST he identified so closely with it that he participated actively in the two following 'Congresses': in Málaga (Spain) (2008); and Cartagena de Indias (Colombia) (2009).

Tourism has similarly replaced the construct 'Tourist' for the human traveller and has singled out three tendencies that defined the needs of contemporary tourism: (i) an ever greater *demand* from the traveller; with all information available and within reach – wants it all, looks for it all, asks for it all – and at a good price; (ii) the need to have *life experiences*; authentic, genuine, traditional and endemic, of health, luxury, comfort and pleasure; and (iii) the need to appreciate and especially *share* these experiences and opinions with the providers of the information and tourism services, with their families, friends and even strangers – followers on social media, travel forums, blogs – immediately.

In little more than a decade, we have gone from camping and visiting zoos to see elephants and to taking courses in Mahout (caring for and accompanying pachyderms); from trying different exotic food in restaurants to taking cooking courses in their places of origin; from buying wine to learning how to make it in the vineyards, taking a wine-tasting course and relaxing with a spa treatment which uses the properties of grapes; and from going for a check-up with our family doctor to having an express check-up on the other side of the world.

It is a more demanding, specialized and micro-segmented world: 'adults only', 'kid friendly', 'gay friendly', 'non-smokers', 'nudist', 'for vegetarians'. In short, on this planet everyone is a unique, highly complex traveller who is hyperconnected to the world.

This is where the opportunity lies to put new ways of thinking into practice, and to come up with a strategy, like NST, for a better approach to tourism, from the public sector and from business.

Tourism is communication and innovation

It has been said of NST that it reformulates strategy from the relational aspect of communication.

The new strategies for tourism communications also aspire to offer complete, panoramic, circular (360º), interactive, innovative and evolving answers to these challenges which, as we mentioned before, find much faster and more emphatic expression in the tourism industry than in other business fields.

In barely 15 years we have progressed from having a single channel for selling tourism

(Consumer > Travel agency > Travel wholesaler > Destination management company > Hotel and end services)

to multiple formats for arranging and buying a trip: through a traditional travel agent; from an agency specializing in a specific region or destination (Latin America, the USA, Asia, the Caribbean); from an agency specializing in activities or niches (business, mountaineering, skiing, sailing, diving, safaris); new operators for new markets (social and solidarity tourism, communities, warzones and conflicts, yoga, religion or medical tourism); and tour operators and self-employed guides in the chosen destination, etc. Of course, there is also the booming online travel sector: online travel agents (OTAs); meta search engines; comparison sites; websites for hotels, resorts, leisure centres; forums; holiday rental websites; home swaps; crowd-funding, etc. Tourism in Spain is the sector which generates the most e-commerce and which makes the most use of social media, according to the Barómetro del Social e-commerce in Spain (Hosteltur.com, 2012).

Startups, which are a new development in the tourism industry and its management, are using the capacity and versatility of new technology to take significant market share from the traditional sectors in an uncertain struggle between their enhanced communications, data management, technological contact and interaction with the user against specialization and knowledge of the product.

We will certainly see a significant movement in coming years as talented professionals *from* the startups move to the traditional tourism companies, and specialists in tourism are attracted *towards* the startups which will need their expertise to provide quality content for their webs and mobile apps.

And the human being, the traveller at the centre of this universe, has to choose from this saturated market; but, above all, is able to judge, censor, criticize and share experiences and opinions about tourist institutions and businesses (positive and negative) through the new channels of communication and information (social media, blogs, forums, etc.).

Tourism is relational

Tourism in itself is the future. We do not buy a journey, we buy an idea of an experience relying on a broad base of details (always more and better quality), images, wishes and so on, that our minds have shaped; and also because, unlike other services, we pay in advance before we try the service we have paid for. We do not settle for any old experience: we want the best and can compare it with others (better trip than my neighbour, my colleague, my competitor, the blogger who lives around the corner, etc.).

The satisfaction of today's tourist, like the success of tourist institutions and businesses, depends above all on relational behaviour (between visitors and the local people, between companies from different places and complementary services).

For all the above, strategic responses cannot be static or provisional. They must anticipate, flow and permanently evolve (we cannot cling to outdated models) through contact, studying and analysing our feedback and data, using our systems and mechanisms for responding to predict and project new developments to prepare ourselves beforehand for what is coming: the future!

Tourism is flexibility

NST recycles the Strategy of the science of conflict (Schelling, 1980) as the science of flexibility (Pérez, 2001).

Preferable within tourism are the lessons of NST in flexibility and cooperation over confrontation; accepting plurality and other people, and learning from others and from their differences.

And although NST has hardly made any inroads at all in the tourism sector, there are, encouragingly, some projects and experiences where aspects that are aligned with the precepts of NST can be detected, including some cases in which chapter author Alejandro Pérez-Ferrant has had the privilege of taking part and making a professional contribution.

2016: Costa Rica – sustainability, welfare and hospitality

To communicate, educate, create and inspire the distinctive qualities of a destination and its range of experiences to tourists and the media through the personal values of a famous sportsperson, and through an online university on 'Pura Vida' (Pure Life, the expression most used by the people of Costa Rica to describe their boundless vitality and hospitality), viral content, highlighting the joy that one can find in a country without an army, with 5% of global biodiversity and one of the happiest countries with one of the highest health indexes in the world. Instituto Costarricense de Turismo (ICT) (www.elporteromasfelizdelmundo.com 2016; www.puravidauniversity.eu 2016).

2016–2013: Thailand tourism – quality, 'Thainess' and the art of living

How to communicate and spread the word about 'Thainess' (the hospitality and lifestyle of the Thais), the diversity and quality of the destination and its natural attractions for tourism of emotions and human relations, using high-level traditional travel journalism and the world of blogs and social media. Tourism Authority of Thailand (TAT). (Europa Press, 2013; TAT, 2015; El Blog de Tailandia, 2013; Top Comunicación, 2014).

2016–2015: Tourism in the Canary Islands – singular climate and experiences

The production of a high-quality original, articulate and creative documentary *La Sonrisa del Sol* [The Smile of the Sun] won several awards and was distributed in 14 languages. It was produced by PHD media for Promotur Turismo de Canarias and can be viewed on the tourism authority's website: www.elmejorclimadelmundo.com (Promotur, 2015). The documentary communicates the concept of the best climate in the world, to connect with the main reason why people visit the islands.

The piece shows the experience of 11 Inuit from Kulusuk, a village on the east of Greenland, during their visit to the Canary Islands in May 2015.

2015–2014: HomeAway – leadership, reputation, rigour and data

Manage the reputation of a brand and the sectorial communication of a leading online multinational in an emergent, innovative sector such as holiday rentals, handling aspects such as legislation, economic development and changes in the established sales structures which are involved. By creating special content such as the barometer of holiday rentals in Spain (in collaboration with the University of Salamanca) and the HomeAway Lab (www.homeaway.es/info/homeaway-lab) with the aim of informing about holiday rentals and relevant data that help to raise awareness of a sector that offers significant social and economic benefits in Spain. (HomeAway España, 2014).

The proposals of NST can and must serve to improve approaches to tourism strategies and communication in this new environment because, as Rafael Alberto Pérez stated:

> Strategy is the daughter of imagination and has to generate surprise and subversion. At the same time, though, it relies on calculation and is ordered by planning. It is better (and easier and more manageable) to change oneself (improve our products and services, etc.) than to try to change others. Better to transform the relation than try to change the other.
>
> (2003)

CONCLUSIONS

We have attempted to draw attention to the appearance of the NST, considered an emergent paradigm in the context of Latin America, but less well known in the English-speaking world: an approach that we consider to be particularly appropriate for tourism.

QUESTIONS

1. Are you aware of any of the nine conventional strategic process models catalogued by Mintzberg *et al.* (1998) in their book *Strategy Safari*?
2. Do you employ any of these models when planning your strategies?
3. Do you use any other models?
4. Which one? Is it your own, or from another school?

ACTIVITY

We invite readers to:

1. Identify a behavioural pattern that you consider 'strategic' in your everyday rituals (for example the choice of clothing you are going to wear to a social or work-related event).
2. Define the mental steps you have taken in order to select this particular behaviour (as opposed to another).
3. Describe this mental steps model in writing.
4. Describe the areas in which the mental steps coincide and in which they differ.

5. Define the positive and negative qualities of each model.
6. Outline the principal traps and mistakes that one encounters when planning a strategy and the measures one should take to avoid them.

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- Instituto Costarricense de Turismo (ICT) (www.ict.go.cr).
- Promotur; Turismo de Canarias (www.turismodeislascanarias.com).
- HomeAway España (www.homeaway.es).

RESOURCES

Websites

Further information on the New Strategic Theory: www.tendencias21.net.

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New Performance Measurements

Luiz Moutinho and Alfonso Vargas-Sánchez

LEARNING OBJECTIVES

- To clarify the content of strategic control.
- To highlight the usual barriers to be overcome when making strategy work.
- To present various techniques for measuring the performance achieved, helping managers find out to what extent the vision and objectives of the organization are being fulfilled.

INTRODUCTION

Tourism operators function in a dynamic but volatile business environment. The pace of change – in technology, globalization, the economic and social climate, consumer demands and competitive structures among other factors – has created an increasingly turbulent environment. This means that we can expect movements of increasing significance. To operate under conditions which present such uncertainties, effective planning processes are critical. Yet many organizations fail to plan; and many others, in spite of planning, are unsuccessful when implementing their strategic plans.

The growth of the tourism industry has been exponential and the rate of growth has encouraged a trend towards short-termism; yet economic downturns, fluctuations in market demand, increased terrorist activities and unforeseen natural disasters all highlight the importance of a long-term, strategic approach to decision making.

Within this context, managers need to realize that there are two discrete performance systems or zones:

1. The system of ordinary incrementalism and business-as-usual. By definition the company is well practised at this, but business-as-usual is no longer a strategy for success. The point now is to move from the fight to gain temporary market share into the search for earning customer long-term sustainable preference (LTSP), which can provide a way for business to connect more deeply with culture, address social issues, get close to customers and their deepest interests and

perhaps even be part of something worthwhile and important.

2. The zone of extraordinary breakthrough and step change. Currently, companies probably only experience this in a crisis, but they need breakthrough thinking and breakthrough action. They also need a breakthrough in sustainability. In other words, tourism business has to be thought beyond the established box. To do that, be prepared to find opportunities in the unexpected, in changing perceptions, in new knowledge, in process weaknesses, and capitalize on industry/market changes. So, 'keep the piano in tune: practice continuous renewal' (Longenecker and Simonetti, 2015, chapter 6).

The purpose of this chapter is to outline the importance of managing the implementation of strategy as well as the stage of strategic control; that is, the process of measuring and monitoring the performance of strategy, with its corresponding targets, results, undesirable deviations (if they occur), reasons for these gaps and corrective feedback with appropriate actions. Therefore, the aim of it is twofold: (i) to highlight the usual barriers to be overcome when making strategy work; and (ii) to present various techniques for measuring the performance achieved, helping managers find out to what extent the vision and objectives of the organization are being fulfilled.

To this end the chapter initially examines four barriers that can explain why many companies fail to implement their business strategies: vision barrier, management barrier, resources barrier and people barrier. Afterwards, a number of metrics for the performance measurement will be offered, based on tools such as the 'balanced scorecard'. In short, the acid test of a good performance measurement system is if the measures chosen are able to furnish the data needed to answer the questions managers need to answer to be effective.

A metric is a performance measure that top management should review regularly (the term comes from music and poetry and implies periodicity). It is a measure that matters to the whole business. Metrics should always be relevant, precise, consistent and sufficient (i.e. comprehensive) for review purposes.

WHY DO COMPANIES FAIL TO IMPLEMENT THEIR BUSINESS STRATEGIES?

It is broadly accepted that a successful strategy has to be based on three main pillars: (i) simple, consistent and long-term objectives; (ii) a profound understanding of the competitive environment; and (iii) an objective appraisal of the company's resources. Nevertheless, an effective implementation is also essential, as well as control of the strategy outcomes and dynamic update of the whole strategic process through the corresponding feedback. Next in this section we will deal with issues related to effective implementation of the strategic attempt.

Among the various contributions that could be mentioned, Hrebiniak (2006) identified six top obstacles to strategy implementation: (i) an inability to manage change; (ii) poor or vague strategy; (iii) not having guidelines or a model to guide implementation efforts; (iv) poor or inadequate information sharing; (v) unclear responsibility and accountability; and (vi) working against the organizational power structure.

An irrefutable performance principle is that strategic business units (SBUs) with a clear sense of purpose outperform those that do not have a clearly defined vision, mission and strategic intent. To be more specific, an outstanding performance requires:

- Making vision and values work.
- An externally oriented culture.
- Emphasizing superior customer value.
- Distinctive capabilities in market sensing and anticipating the future.
- A structure responsive to changing customer and market requirements.

So, 'market-driven' is a good start, but it is not enough. A compass, remember, is not an end; it only provides a sense of direction, a means to a variety of possible ends.

As quoted by Paladino (2007, p. 11), one of David Norton's key findings is that '9 out of 10 companies fail to implement their strategies'. And this is because of four barriers, which are displayed in Fig. 13.1 and are described here briefly.

The vision barrier

The first is the vision barrier. The question is: why is it so hard for employees to understand the company's direction?

Basically, because strategy is rarely communicated in terms that relate to people's everyday objectives, roles and responsibilities. Performance measurements (and their corresponding targets) at individual levels are critical to stimulate personal behaviours well aligned with the requirements of the company's vision. Each individual has to understand how to contribute to make it real, what the company expects from him/her. Execution of the strategy is for everybody in the organization: each one has a significant role to play, but remember that people respond to measurements. Metrics send people messages about what matters and how they should behave.

When the measures are consistent with the organization's strategies, they encourage behaviours that are consistent with strategy.

As Senge (1990, p. 9) said: 'Many leaders have personal visions that never get translated into shared visions that galvanise an organisation…What has been lacking is the discipline for translating individual vision into shared vision'. So, the problem is not if managers have a good strategy, but if everyone else understands it and contributes to it.

The management barrier

The question here is: why do leaders spend so much time in company meetings focused on operating results (historical data and replaying history) instead of looking forward and discussing strategic issues? Does strategy really matter, then?

In the current business environment it matters more than ever, but the creation of the future is a much more complex task than trying to explain what happened in the past, and it also implies going out from the comfort zone. To set a metrics able to provide valuable insights into the future of the company is much harder than to establish models able to look backwards perfectly and explain the consequences of past decisions, but which are of little value if one is making decisions for

Why do 9 out of 10 companies fail to implement their business strategies? Due to:
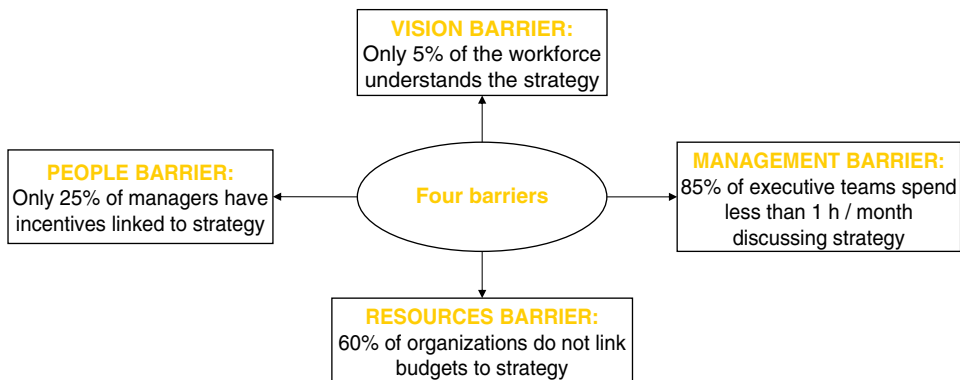
Fig. 13.1. Four barriers to strategy implementation (from Norton, D. and quoted by Paladino (2007).

the future considering society (and market) dynamics with uncontrollable factors. These models regularly seem to reward short-term demand generation tactics rather than long-term true value based on brand equity. As a result, companies frequently have disconnects – or lack of equilibrium – among financial, customer and operational objectives, measures and targets. The balanced scorecard, which will be presented below in a section containing examples, is an attempt to promote a metrics which combines both gazes.

The resources barrier

The question for this barrier is: why do most companies not link budgets to strategy?

Without this link the strategic plan lacks credibility and becomes a source of frustration. When the construction of that bridge is considered unnecessary or simply not done, companies may be pursuing financial strategies that differ from or, worse, may be in conflict with their operational and customer strategies. A fair resource allocation is essential for consistent action in the various fields.

The people barrier

Here we should ask: why are management incentives not linked to company strategy?

In fact, many companies are rewarding management for activities not linked to company strategic and operational plans. If so, this is another source of inconsistency and lack of understanding of the importance of creating a strategy-based organization. It can also reveal the so-called agency problem, as a result of a misalignment between managers' objectives and owners' objectives.

It is useful to summarize the main reasons able to explain failure when putting strategies into practice. Usually, companies fail when implementing their strategies because:

- Strategy is rarely communicated in terms that relate to people's everyday objectives, roles and responsibilities.
- Companies frequently have disconnects among financial, customer and operational objectives, measures and targets.
- Companies may be pursuing financial strategies that differ from or, worse, may be in conflict with their operational and customer strategies.
- Most companies are rewarding management for activities not linked to company strategic and operational plans.

Finally, a very significant lesson learned is that effectiveness in strategy execution requires a perfect alignment with the two following dyads: (i) processes-structure; and (ii) people's behaviour-organizational culture. Indeed, these variables are considered of enormous importance when managing a process of strategic change. Only this alignment leads to success; incompatibilities between them will lead to failure or poor performance.

STRATEGIC CONTROL

Like death and taxation, change is one of the certainties of life; or; as Alvin Toffler put it: 'Change is not merely necessary to life - it is life' (Bradley, 2010, p. 4). This quotation serves also to introduce the situation of the tourism industry. The climate of turbulence in which tourism operators function today, and its pace of change and complexity, is such that a framework for day-to-day as well as future decision making is fundamental to survival. The data gathering, measurement, analysis, investment decision making and structuring of strategic initiatives are challenging. So too is achieving the total acceptance and respect that the vision is futuristic and that many important things achieved do not immediately result in higher revenues or lower costs.

Perhaps the most important element of the planning process is strategic control. This concept is beyond that of management control of tactical financial decision making; it represents a wider approach to measuring

success of overall strategy. Yet this idea of managing performance is not clearly defined, nor is it consistently implemented. There has been growing criticism of a reliance on traditional management control which is too narrowly focused on financial measures (Olve *et al.*, 2004). Indeed, calls for more complete reporting on business performance have led to the development of a number of approaches to performance management.

In simple terms the implementation of a strategy is monitored and measured through a series of metrics throughout the different levels of the organization. The challenge is to put in place measures or metrics that truly reflect and help to drive the organization's strategy. We need to evaluate constantly whether our measures are the right ones for the organization. And, if not, we need to find a way to get rid of them so we do not waste time and effort capturing data that no one is using. We need to practice 'metricide' (i.e. not let any measure persist beyond its natural and useful life) (Neely *et al.*, 2002).

Historically, measures of performance have been overly focused on financial performance, and so were not known until the planning period was complete, the underlying assumption being that the company had a deliberate strategy as opposed to an emergent strategy that would respond to environmental concerns. As the pace of change has accelerated, key financial measures are now monitored continuously, allowing early warning signals to be forecast and addressed. For example, in terms of profitability, an analysis of any company's financial performance reveals that its profits will group or 'pool' around a discrete selection of opportunities within its overall portfolio. Sustaining high performance over the long term now depends on a company's ability to develop a clear and real-time understanding of its current profit pools, the impact of emerging trends on those profit pools, and potential profit pools (including their timing, magnitude and possible risks) so the company is always changing ahead of the curve.

The best managers and the best-run companies in the world all share one thing in common. They consistently deliver superior returns to their shareholders. But beating the market or the industry average is not in itself superior performance. Becoming a value creation leader means posting shareholder returns in the top quartile of industry year after year. This typically requires a doubling of economic profit every 3–5 years.

Like a coin, shareholder value has two sides:

- On one side, shareholder value is a hyped concept, and inevitably invites questions about other stakeholders. Internally it is measured by 'economic profits', which can also be known as economic value added. It should be a long-term measure, taking into account the return that shareholders expect from you, and so focuses on exceeding their expectations (the cost of equity).
- On the other side, shareholder value is a meaningless concept to most employees; it never creates passion and human involvement. Managers have to find ways to give people meaning at work, well beyond just making money. Indeed, most people have far wider interests and passions that most organizations recognize. A new mindset, in short, is required.

Clearly a sound understanding of financial performance is necessary; however, it must be stressed that seeking the 'solution' exclusively from financial metrics is not enough. Moreover, they may not capture all of the company's strategic objectives and are not very diagnostic in that they only report the symptoms of underlying problems. As such, the general pattern of evolution of metrics appears to be broadening its scope with a miscellany of financial and non-financial metrics, finding some rationales to reduce the number of metrics to a manageable set of about 25 or less.

For instance, in the field of marketing key metrics have emerged, including: customer

satisfaction; loyalty/retention; conversion (leading to sales); number of new products; number of new customers; brand product knowledge; perceived differentiation; and brand salience. Davidson (1999) identified the ten most valuable metrics according to four criteria: (i) importance to analysts; (ii) practical ability to report; (iii) importance to management; and (iv) economic importance. These are:

1. Market trend.
2. Market share.
3. Major brand trends.
4. Customer retention levels.
5. New products/services in the past 5 years as a percentage of sales.
6. Unit volume trend (%).
7. Research and development as a percentage of sales.
8. Capital expenditure (CAPEX) as a percentage of sales.
9. Marketing as a percentage of sales.
10. Distribution trend (%).

To be more specific, Table 13.1 lists the most common marketing measures used by a company's board and by its finance department.

The very nature of some of these areas (i.e. their intangibility) has led to some criticism in terms of the validity of such measures. Nevertheless, what has been experienced over recent decades has been a shift of company valuation, from being based primarily on financial or physical assets to an emphasis on its intangible assets.

Nearly half of the value of the company is now based on these intangible assets. Three of the most highly valued intangible assets

Table 13.1. Common marketing measures.

By board	By finance
Awareness	Brand product knowledge
Brand product knowledge	Distribution availability
Number of complaints	Percentage discount
Customer satisfaction	Perceived differentiation
Distribution availability	Image/personality/identity
Percentage discount	Number of leads generated
Perceived differentiation	Loyalty/retention
Price sensitivity/elasticity	Number of new products
Gross margin	Number of products per customers
Image/personality/identity	Commitment purchase intent
Number of leads generated	Purchasing on promotion
Loyalty/retention	Market penetration
Conversion (leads to sales)	Perceived quality/esteem
Margin on new products	Relevance of consumer
Number of new customers	Revenue of new products
Number of new products	Salience
Number of products per customers	Marketing spend
Commitment purchase intent	Share of voice
Purchasing on promotion	
Market penetration	
Perceived quality/esteem	
Relevance of consumer	
Revenue of new products	
Relative price	

are: (i) intellectual property; (ii) brand (assets associated with the brand account for a large and increasing proportion of stakeholder value); and (iii) company customers. Other recent advances include, for example, the lifetime value of customers. Interestingly, managers often argue that what they do cannot be quantifiable; however, as company valuation is increasingly based upon intangible assets, the onus will be on them to demonstrate returns on investment and, as such, they will need to develop meaningful metrics.

Everyone is talking about metrics these days as if it were some new discovery. Yet with all the dialogue there still seems to be some confusion about how to create meaningful metrics. Maybe it is because so many managers just do not get it. It is easy to find things to measure; it is altogether different to measure the right things. So what are the right things to measure in an organization? The things to measure are those that make you successful. And what makes a company successful? Simple: delivering value to stakeholders (customers, owners and employees, to name the big three). Therefore it only stands to reason that all metrics should be stakeholder-value driven.

To sum up, the usual shortcomings of performance measurement systems, which should be avoided, are:

- Being overly focused on the past, on the short-term and on financial performance.
- Information overflows.
- Information not being available in time.
- Being easy to manipulate.
- Being too aggregated.
- Being imprecise (often providing erroneous information).

PERFORMANCE MANAGEMENT

To understand the types of measurement required and how they should be used, here we will introduce two important topics: the strategic audit and the methods of measurement used for this.

Strategic audit

The strategic audit consists of analysing and evaluating all areas affected by implementation of the strategy within the organization. It may have been decided that a very broad view should be taken, evaluating all the facets of the strategic management; or else a very specific approach, evaluating only a limited part of the process, may be taken.

One of the best-known methods for carrying out the strategic audit is that of the critical areas. The starting point for this approach is the idea that one of the most frequent errors when implementing a strategic control system is that of setting out to monitor and evaluate everything. Apart from being very difficult to achieve and probably unnecessary, it would be extremely costly. It is, therefore, much more feasible and efficacious to define a series of general activities or areas where the control system should be applied. These areas are precisely those essential aspects of the company or relevant problem areas where satisfactory outcomes or behaviour are critical for the success of the company's strategy and operations.

Each company must define which particular areas are critical for its strategic success, and the company's sector of activity will strongly influence the definition. Although the concept of the critical area is much broader, the functional areas can be a good approximation to its study.

Methods of measurement used in the strategic audit

One way of classifying these methods is to divide them into two categories: qualitative and quantitative (although sometimes both types are used in combination).

Qualitative measurements

These result from questions such as:

- Is the strategy internally consistent?
- Is the strategy consistent with the company's environment or business context?
- Is the strategy correct given the resources available?
- Is the strategy too risky?
- Is the proposed duration appropriate for the strategy adopted?

Qualitative measurement methods can be very useful, but their application involves significant amounts of personal judgement. The conclusions based on these methods should be considered very carefully for this reason, since if they are used incorrectly they can invalidate the strategic audit.

Quantitative measurements

These result from data that are numerically organized. Although the data obtained by these measurements are generally easier to organize than those obtained by qualitative measurements, they are not always clear and sometimes a high degree of subjectivity is involved in interpreting the real significance of the data from quantitative measurements. This qualification applies equally to the corrective actions that may be indicated.

One useful way of making explicit the behaviour and results of each critical area is through observation of various important aspects that give an idea, as a whole, of the functioning of the area under scrutiny. These aspects or facets are the so-called key indicators. A set of indicators creates a metric.

The architecture of the enterprise 'performics' (performance metrics) has been too biased in favour of financial measures. But:

- Most financial indicators are backwards looking.
- Financial performance tends to be measured over the short term and induce short-term 'fixes'.

- Scorecards retain a strong emphasis on outcomes, and on financial outcomes in particular.

This is necessary, but not enough. Three important reasons why financial measures alone are not enough follow:

- They may not capture all of a company's strategic objectives.
- Bottom-line measures are after the fact; they are unable to anticipate.
- They are not very diagnostic.

In fact, the financial performance (and its corresponding shareholder-oriented metric) is nothing but the final result of decisions made in other areas of the company. So, to understand its financial health, the company has to be analysed from other angles, which means that other metrics are needed to assess the performance of decisions related to other stakeholders. Clearly, these various metrics are interwoven, in the sense that there are causal interrelations among them.

This need of a more holistic metric led Kaplan and Norton (1992, 1996) to propose the so-called 'balanced scorecard' (BSC), which has its greatest impact when it is used to drive organizational change. Several reasons to justify this assertion are:

- Management must select measures of progress and set targets for each of them, which should represent a discontinuity in business unit performance.
- This tool not only measures change, but also fosters change.
- Its capacity to enable organizational learning is what distinguishes it and makes it critical for those who wish to create a strategic management system.

Another feature that deserves to be emphasized is that the BSC can be used to address many of the barriers to effective strategy implementation referred to above:

- Mission and strategy which are not known, actionable and understood.

- Strategy is not linked to departmental, team and individual objectives.
- Strategy is not linked to resource allocation.
- Feedback is tactical, not strategic.

The standard physiognomy of the BSC is presented in Fig. 13.2.

As mentioned above, it is most important that everyone in the organization knows why we are doing what we are doing. BSC helps managers to overcome this barrier. It is also focused on identifying strategic objectives, not just on picking things to measure (see Qin *et al.*, 2013, in the Resources section).

It is well worth stating that information systems play an invaluable part in assisting managers to analyse beyond the summary level of BSC measures. When an unexpected signal appears on the BSC, managers need access to underlying data to investigate the cause of any problem or to analyse trends and correlation. If the information system is unresponsive, however, it can significantly impact the effectiveness of performance measurement.

Such an information system must, therefore, incorporate the following key features:

- Rapid access to summarized data.
- Ability to drill down to successive levels of detail.
- Easy to follow dependency paths to identify the causes of performance.
- Reporting of impacts of underlying objectives upon scorecard measures.
- Support for dynamic re-planning for change.
- Graphical trending.
- End-user configuration and analysis options.
- Integration with existing corporate data sources.
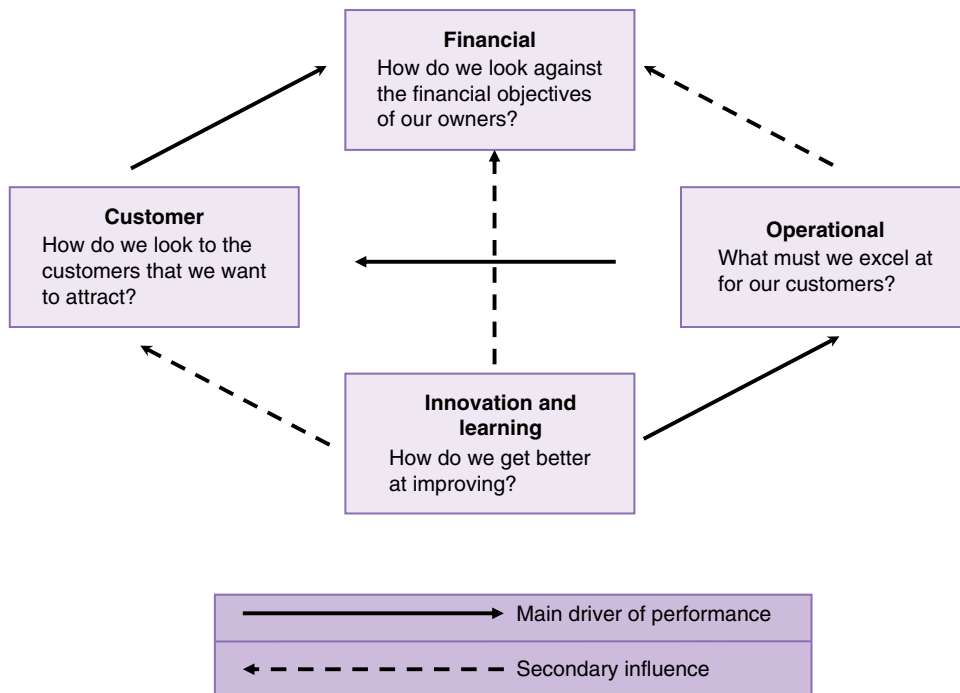
Fig. 13.2. Perspectives of the balanced scorecard. The perspectives of 'Innovation and learning' (or Learning and growth) and 'Operational' (or Internal processes) are under the managers' control. The other two ('Customer' and 'Financial') are consequences of decisions made in these two spheres.

Another attempt to offer a more balanced approach is the triple bottom line, which is used as a framework for measuring and reporting corporate performance against economic/financial parameters, social parameters and environmental parameters. This is, in other words, a threefold approach known as the '3Ps': profit, people and planet. An alternative is the 'performance prism' by Neely *et al.* (2002), which seeks to integrate five related perspectives: (i) stakeholder satisfaction; (ii) stakeholder contribution; (iii) strategies; (iv) processes; and (v) capabilities.

In general, a snapshot of performance metrics should (without the intention of being exhaustive) comprise:

- Environmental scanning.
- Resource allocation.
- Employee satisfaction and performance.
- Quality of services perceived.
- Operating efficiency of internal processes.
- Customer satisfaction.
- Market share.
- Financial performance (profitability, etc.).

Each company must use its own method for deciding the best measurements (indicators) of its key organizational objectives. Nevertheless, there is a valuable guideline that managers should follow: measure the company's performance in all the critical areas in which objectives have been set.

The BSC technique is an extremely useful tool for such purposes, with its different perspectives and relationships between them (financial, customer, internal processes, learning and growth). These perspectives and their corresponding relationships could be adapted, depending on the company's character as defined by its activity.

Frameworks for measuring performance

There are growing concerns over the narrow focus of financial measurements, with a kind of thinking based on diverse types of ratios (profit ratios, liquidity ratios, leverage ratios, activity ratios) and measurements of cost and price behaviours. In response, a number of frameworks have been developed in an attempt to better capture all of a company's strategic goals and to overcome the lack of spotlight on the many other aspects of strategic performance.

As already stated, something of a turning point was achieved by Kaplan and Norton (1992), who developed their 'scorecard' approach based on the principle that an array of metrics should be used, not only to measure performance against specific strategic goals (discussed at the end of this section) but also in the development of the strategic plan itself. In other words, this scorecard should be a driver to the overall vision and strategic thrust of the organization. Furthermore, the metrics employed should be 'balanced', whereby they reflect the focus of the organization and emphasize those activities critical to success, and not simply financial measures (from financial measurement to balanced measurement and back again). Other experts have also attempted to model performance management processes in a rounded manner, such as Maisel's (1992) work on the balanced scorecard, McNair *et al.*'s (1990) 'performance pyramid' and Kennerley and Neely's (2002) 'performance prism'. While these models all take a different approach, the underlying philosophy that performance measures should dictate and encompass all aspects of strategy remains constant.

Thus, the specifics of which measures should be used in performance management are dependent on the context of the organization, its vision and the industry within which it competes. As indicated, Kaplan and Norton (1996) recommend four perspectives that should drive the choice of performance measures: (i) financial; (ii) customers; (iii) internal processes; and (iv) learning and growth (named 'innovation and learning' on other occasions). However, the problem with scorecards is that at corporate, business unit and divisional levels different measures will be relevant to different activities of the value chain. At the functional level, care must be

taken to ensure that the use of customized measures does not result in developing 'functional silos'. Marketing owns the customer data, Human Resources owns the employee feedback, Quality owns the monitoring data and Operations creates and drives the daily metrics. These all protect their data, unwilling to share or allow others to control the analysis, impeding the development of a true customer-driven value delivery platform.

In addition, as more and more emphasis is rightly placed upon processes and value chains, it may be inappropriate and counterproductive to focus measurement within an individual function. To avoid this, organizations will often create cross-functional measurements based on their value delivery systems or end-to-end business processes. Such thinking has generated new types of scorecards such as the 'intangible assets monitor', which divides intangible assets into external structure, internal structure and competence of people; the 'intellectual capital (IC) index', which combines value drivers into a distinction hierarchy; the 'inclusive value methodology', which combines financial and non-financial hierarchies of value for the measurement of the assets of projects and organizations; the 'IC rating', characterized also by a hierarchy but adding a risk factor; and the value added intellectual coefficient (VAIC) method (see Batabyal, 2015, in the Resources list).

Whatever the approach, there are some rules of thumb: (i) measures should not be set in stone – as the strategy and its goals evolve, so should the measures; (ii) do not implement too many measures which dilute their overall effectiveness. Equally, too few may be manageable, but they may not encompass the entirety of the strategy; and (iii) ensure that the measures are measurable.

In addition, of most importance is that they should be stakeholder-led, taking account of the return that stakeholders expect from the firm. The performance model of the future is based on profit sharing among company, shareholders, employees, customers, local community and society in general.

As a means of managing different metrics, the corresponding 'dashboard' can be used as a measurement platform. It is a tool that requires a single set of performance measures which are applied to different activities at different levels. It pulls together a rainbow of data – key performance indicators, graphic analysis and modelling – into a coherent and focused picture which can be disseminated throughout the organization, becoming a shared reference point for everyday decision making. It is a visual display of the most important data required to meet and measure objectives and is captured on one screen for ease of use. In stormy weather, marketers need to learn to 'fly by instrument' and, as such, dashboards should have real-time information and allow simulations and 'what if' tests of different strategies.

Assessment needs to be made against standards. The ratios or other measurements applied only acquire significance when they refer to a target value set by the company: the standard. Logically, once the results achieved by the organization have been measured, they must be compared with certain standards: it is not possible to evaluate any result if it is not compared with some reference value. The standards, therefore, have to be devised and adopted. They are criteria that indicate acceptable levels of organizational results. Setting of these desired levels can be based on a number of factors: historical situation of the company, circumstances foreseen, levels of the industry and business objectives.

TOURISM METRICS

In the specific field of tourism, the OECD Tourism Papers 2013/02, authored by Dupeyras and MacCallum (2013), propose a number of key indicators that have been developed to address common challenges in the analysis of competitiveness in tourism. These indicators are organized around four categories: (i) indicators measuring tourism performance and impacts; (ii) indicators

monitoring the ability of a destination to deliver quality and competitive tourism services; (iii) indicators monitoring the attractiveness of a destination; and (iv) indicators describing policy responses and economic opportunities. In addition, the measurement framework comprises three types of indicators: core, supplementary and for future development. The result is shown in Table 13.2.

Table 13.2. Competitiveness in tourism: list of indicators.

Core indicators	
Tourism performance and impacts	**1.** Tourism direct gross domestic product (GDP). A leading international measure of the tourism contribution to GDP
	2. Inbound tourism revenues per visitor by source market. A measure of the economic activity of visitors
	3. Overnights in all types of accommodation. A measure of tourism flows in accommodation
	4. Exports of tourism services. A measure showing the contribution of tourism to exports
Ability of a destination to deliver quality and competitive tourism services	**5.** Labour productivity in tourism services. A measure providing evidence of the productive potential of the tourism economy
	6. Purchasing power parity (PPPs) and tourism prices. A measure showing tourism price competitiveness using PPPs
	7. Country entry visa requirements. A measure of entry visa requirements including methods of visa issuance
Attractiveness of a destination	**8.** Natural resources and biodiversity. A measure of a country's stock of natural assets
	9. Cultural and creative resources. A measure of a country's cultural and creative attractions, activities and events
	10. Visitor satisfaction. A measure of demand-side attractiveness value, based on current and future competitiveness
Policy responses and economic opportunities	**11.** National tourism action plan. A measure indicating effectiveness in assisting to improve the competitiveness of tourism
Supplementary indicators	
Tourism performance and impacts	Market diversification and growth markets. A measure to capture the broad basis of performance in several source markets. Countries with a wide range of source markets and a focus on growth markets would receive higher scores than countries with a narrow market dependency focus

(*Continued*)

Table 13.2. Continued.

Ability of a destination to deliver quality and competitive tourism services:	Employment in tourism by age, education levels and type of contracts. A measure that would assess ability to attract, retain and develop talent in the industry to enable improved competitiveness
	Consumer price index for tourism. A complementary measure to others such as PPPs
	Air connectivity and inter-modality. A measure of competitiveness revealed in air routes, flight time from main markets and passenger numbers
Attractiveness of a destination	OECD Better Life Index. A measure using a tourism-focused version of the index
Future development indicators	
Ability of a destination to deliver quality and competitive tourism	Government budget appropriations for tourism. A measure of national government tourism expenditure per capita
	Company mortality rate. A measure of the enterprise activity and business churn
Policy responses and economic opportunities	Use of e-tourism and other innovative services. A measure on innovation and use of social media in the tourism industry
	Structure of tourism supply chains. A measure of industry thickness, clusters and competitiveness, existing/potential

To assess the performance of a tourism destination, the Office for National Statistics in the UK (White, 2010) proposes the indicators shown in Table 13.3, which are organized into four blocks.

Whatever the model to be implemented, some common limitations should be taken into account:

- The validity of the measures and the measurement systems used.
- The cultural acceptance and understanding of the approach/initiative across the organization.
- The time it takes to collect the base data.
- The assumption that the base data exists (as opposed to experiential knowledge).
- The time it takes to embed the approach with an organization.

- The legacy of total quality management (TQM), which focused only on continuous improvement, ignoring other critical success factors (such as organizational and cultural change).
- The assumption that an organization has a deliberate business strategy as opposed to an emergent strategy in response to environmental drivers.
- The assumption that an organization is process-driven as opposed to being departmental/hierarchically organized.
- Budgeting confused with strategy.
- Reorganization confused with business strategy.

On the basis that the measurements must reflect the strategy, a number of practical suggestions to be considered when determining

Table 13.3. Performance of a tourism destination: list of indicators.

Satisfaction indicators	% of visitors who rate the overall visitor experience as good or excellent % of customers who consider the overall impression of the TIC service to be good or excellent % of stakeholders who consider the general promotion of the destination to be good % of stakeholders who consider the tourist information service to be good or excellent % of stakeholders who consider the destination website overall to be good or excellent % of users who consider the destination website overall to be good or excellent
Economic indicators	Number of day visitors (or trips) (+ % increase/decrease) Number of overnight visitors (or trips) (+ % increase/decrease) Value of staying visitor spends (+ % increase/decrease) Value of day visitor spends (+ % increase/decrease) Staying visitor spend per head (+ % increase/decrease) Day visitor spend per head (+ % increase/decrease) Net LA spends on tourism per staying visitor Net LA spends on tourism per day visitor Net LA spends on tourism per head of population Net cost per user of stand-alone TIC (through-the-door, phone, email) Number of unique weekly visitors to the main destination website Number of bookings generated by the local DMS % of DMS bookings made online Value of bookings generated by the local DMS Value of the online bookings Return on investment for marketing campaigns (as a ratio) Annual average % bed space and bedroom occupancy of accommodation No. of FTE tourism-related jobs
Sustainability indicators	Existence of an agreed and monitored sustainable tourism and action plan % of residents indicating that they are satisfied with the local impact of tourism Number of bed spaces per 1000 population Ratio of number of visitors in 1 year to local population Ratio of number of visitors in each quarter to local population % of visitors arriving by train, coach or bus % of tourism enterprises (accommodation, attractions, activities) participating in quality accreditation schemes % of tourism enterprises (accommodation, attractions, activities) participating in green tourism accreditation schemes % of tourism enterprises (accommodation, attractions, activities) with a recognized environmental certification % of tourism enterprises (accommodation, attractions, activities) that have commissioned an accessibility audit from an accredited assessor with a view to enhancing provision for disabled visitors FTE tourism-related jobs as a percentage of total local FTE jobs

(*Continued*)

Table 13.3. Continued.

Organizational indicator	% of local businesses that belong to a local tourism association/ partnership

TIC, tourist information centre; LA, local authority; DMS, Destination Management System; FTE, full-time equivalent.

measures are: measure causes, not effects only (the identification of cause-effect relationships is essential); look for trends, patterns and structures, not events; introduce new measures each time you introduce new goals; develop composite measures if necessary; and bear in mind the generation of real options, as explained next.

To the extent that the business environment is increasingly volatile and unpredictable, the principles of evaluation of real options are becoming increasingly important. Flexibility has become a critical value. For example:

- Traditionally, the degree of attractiveness of a sector has been linked to its potential for generating profits. However, when the instability of the competitive structure of the industry makes it impossible to forecast its capacity for generating profits, we must adopt a different perspective. It is more in line with the present reality to say that an industry is attractive if it is rich in options (if there are many distinct segments, a diversity of technological choices, alternative sources of raw materials, etc.).
- From this perspective, analogously, the resources and capacities of the company will be of higher strategic value if they support diverse strategic alternatives, target an array of segments, etc.

This is a new aspect to consider in the evaluation of a corporate strategy in tourism firms, for instance when deciding the mode of entry in a foreign market by hotel chains (from franchising to full ownership). The various modes of entry, associated with different levels of commitment in the control of assets, will provide real options – that is, flexibility with diverse intensities – depending upon the level of uncertainty and risk factors in the new market.

More important than selecting the indicators is our ability to build linkages between the key metrics, the discovery of interrelationships through statistical models, which become the basis for predictive metrics. And please remember: metrics drive behaviour and thus drive value, they do not just measure it.

In addition to selecting the right measures and understanding their interactions, selecting the right time frame is also important. We, as human beings, need time to learn and earn.

CASES ILLUSTRATING THE BSC

As an introduction, we can say that BSC:

- Is like the dials in an aeroplane cockpit: it gives managers complex information at a glance.
- Shows how results are achieved.
- Tracks the key elements of a company's strategy.
- Puts strategy – not control – at the centre.

The following examples are focused on the hotel industry, as a genuine actor in the tourism industry.

Phillips and Louvieris (2005, p. 209) propose a hotel BSC based on the aggregation of metrics used by two hotel case organizations, as shown in Table 13.4.

Table 13.4. Hotel sector balanced scorecard.

Category	Critical success factor	Key performance indicators
Financial	Profitability	Gross operating profit Net operating profit Sales achieved
	Budgetary control	Adhering to budget Meeting financial targets Achieving predicted room and occupancy rates Revenue per available room Cash flow
Customer related	Quality of service	Guest surveys Mystery guest Participation in grading schemes
	CRM	Anecdotal feedback via staff Customer satisfaction levels Average spend
	Customer profiling	Customer satisfaction levels Customer retention rate
Internal business	Having clear objectives	Meeting financial targets
	Tracking objectives	Internal auditing Completion of capital projects
	Investing in staff	Staff satisfaction surveys Staff development reviews Staff retention rate percentage
	Productivity	Wages (%) to achieve turnover Staff incentive schemes (e.g. performance-related pay)
Innovation/ learning	Staff as drivers of innovation	Number of new products/services Process improvement initiatives
	Cross-sector comparison	Networking relationships Membership of trade/professional bodies Participation in grading schemes
	Encouraging teamwork	Courses completed by staff Level of multi-skilling Productivity

CRM, Customer relation management

In fact, critical success factors should guide strategic objectives, because performance indicators are the corresponding measurement tools of those objectives. The confusion between success factor and strategic objective has to be avoided, although sometimes can coincide. For instance, profitability can encapsulate both concepts, but customer relation management (CRM), as a critical success factor, should lead to particular strategic objectives, such as (hypothetically) an increase in the level of loyalty (customers' repetition).

With regard to strategic objectives, a very significant part of BSC is the so-called 'strategic map', which displays the causal relationships among the strategic objectives presented in each perspective (or category, as named in Table 13.4). We suggest that readers analyse Fig. 2 carefully in Evans (2005, p. 381); this is devoted to the causal linkages among balanced scorecard components in a hotel context.

The application of this managerial tool to the particular case of White Lodging Services can be consulted in Denton and White (2000).

A final reminder of the complete sequence of elements able to create a strategy-based management and company, which includes identification of:

- BSC perspectives.
- Key factors of success.
- Strategic objectives.
- Cause-effect relationships among them.
- Indicators (for each strategic objective).
- Targets (for each indicator).
- Initiatives (actions) to make those targets real.
- Budgeting (resources allocation for each initiative).
- Responsible actors for each action.

CONCLUSIONS

In this concluding section we would like to emphasize the genuinely strategic approach of the control function.

In essence, strategic control has the object of ensuring that all the ideas and proposals agreed and planned during the strategic management process are put into effect and become reality.

The function of control/supervision based on feedback allows corrective actions to be taken, based on the information provided by the analysis of detected deviations. But an a posteriori control system is too weak in the context of an anticipatory strategic attitude. What is also needed, therefore, is the application of an a priori control that allows preventive rather than corrective measures to be taken.

Therefore, the purpose of control in strategic management is not only to ensure compliance with the plans, but also to drive a continuing process of strategic reflection.

Once the content of strategic control is clear, each company must use its own method for deciding the best measurements (indicators) of its key organizational objectives, bearing in mind that they acquire significance only when related to target values set by the company.

QUESTIONS

1. In a hotel, how do you calculate the average daily rate and the revenue per available room?

2. The following indicators are included in the BSC of a restaurant: revenue/cost ratio, beverage/food ratio and items per check. Which perspective of the BSC do they belong to? Why?

3. Which perspective of the BSC do the revenue/employees, voluntary turnover and employee satisfaction indicators belong to, and why?

4. Considering the following critical areas, propose a number of key indicators for each of them: financial situation, position in the market, personnel, relationships with community and society.

ACTIVITY

We invite readers to get a deeper insight into other measurement systems such as: the Hall–Tonna values map (Hall *et al.*, 1986) (using the well-researched and independently validated values measurement instrument based on Hall–Tonna values theory, companies can understand the collective values of employees, leadership and the organization); the value platform by Hubert Saint-Onge (a 'knowledge assets' model to optimize the performance of an organization through the integration of business plans with branding, leadership and people-management approaches); the intellectual capital management model (Sullivan, 2000); the value-based measurement (VBM) and economic value added (EVA) emotional capital model (Thomson, 2000); the Skandia navigator (Edvinsson and Malone, 1997); or the intangible asset monitor (Svieby, 1997).

RESOURCES

Websites

Two websites for readers to gain more information on the 'balanced scorecard' (BSC): www.scorecardreport.com; www.balancedscorecard.org.
Video outlining main ideas of Evaluation of Strategy: http://unitv.uhu.es/1/watch/333.aspx.

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Process-based Management in Tourism

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LEARNING OBJECTIVES

- To understand process-based management (PBM) and business process re-engineering (BPR).
- To understand the four primary generic business processes that encompass traditional functions of management.
- To realize how tourism futurecast and innovative technology significantly influence strategic thinking and should be taken into account while developing and implementing PBM and BPR.

INTRODUCTION

In this chapter we will be looking at process thinking in travel and tourism, referring to much of the academic and populist literature on the topic. We first consider what is meant by a business process, the PBM and the act of 're-engineering'. We then describe management movements that led to the breakthrough in the early 1990s in BPR and other developments since then. Finally we consider the role and relationship of the traditional functions of management (finance, organizational behaviour and human resources management, operations management and marketing).

Throughout the chapter cases will be used to relate the concepts, theories and techniques of process thinking to tourism.

WHAT IS A PROCESS?

In general, a process is a system in operation to produce an output of higher value than the sum of its inputs.

Most texts on BPR begin by defining what a *business process* is.

Peppard and Rowland resort to the dictionary for their definition: 'a continuous and regular action or succession of actions, taking place or carried out in a definite manner and leading to the accomplishment of some result; a continuous operation or series of operations' (*Oxford English Dictionary*, as quoted

in Peppard and Rowland, 1995, p. 6). But this definition is qualified by adding that the accomplishment might just be simple safe retention of goods (storage), and they question whether this is a process. They then say that organizations adopting a process approach may find that it is sometimes difficult to figure out why many steps exist at all.

Armistead and Rowland, in *Managing Business Processes: BPR and Beyond*, also refer to a dictionary: '(a) a series of actions or proceedings used in making, manufacturing, or achieving something; (b) progress, course; (c) a natural or involuntary operation or set of changes' (Armistead and Rowland, 1996, p. 57). They also narrow their definition, arguing 'in an organizational context the first is best' (Armistead and Rowland, 1996, p. 58).

Turning to the seminal papers on BPR we get the following definitions for a business process: (i) 'a collection of activities that takes one or more kinds of input and creates an output that is of value to the customer' (Hammer and Champy, 1993, p. 35); and (ii) 'a set of logically related tasks performed to achieve a defined business outcome' (Davenport and Short, 1990, pp 11–27). While there is general agreement on the definition of a process, and on the need for BPR, the views of these two teams of experts on how to get to a 're-engineered' state differ appreciably. Hammer advocates a 'big bang' approach, starting from a clean sheet and suggesting that we 'don't automate: obliterate' existing processes and systems. He believes that it can only happen from the top down, and that it can never happen from the bottom up. Davenport stresses the compatibility of BPR with more incremental approaches to change such as continuous improvement within total quality management (TQM). Davenport also seems to emphasize that technology is a driver of change, while Hammer considers it to be an enabler, although both come from a background in technology (Watts, 1994b).

Hammer and Champy in their first text (1993) cite four recurring processes, defining them by a change of state:

- Concept to prototype (in tourism: developing new products).
- Prospect to order.
- Order to payment.
- Enquiry to resolution.

These processes mirror Porter's earlier work on the generic value chain, where the primary activities of inbound logistics, operations, outbound logistics, marketing and sales, and service are supported by the activities of firm infrastructure, human resource management, technology development and procurement (Porter, 1985).

They may have to be modified in tourism, but we also propose four recurring activities:

1. Informing potential customers of travel products.
2. Getting sales.
3. Delivering travel products.
4. Coordinating activities.

While we define these as primary processes in tourism we also recognize that there are many sub-processes, some of them within the primary processes and others providing an overlap between them. We have defined three secondary processes:

1. *Targeting past customers* is currently termed customer relationship management (CRM), and covers the overlap between 'informing potential customers' and 'getting sales'. This concentrates on building client relationships and ensuring return customers.
2. *Preparing customers* for their tour covers the overlap between 'getting sales' and 'delivering travel products'. This creates customer expectations and informs clients of their responsibilities, factors that relate to the SERVQUAL 5 gap *service quality model* of Zeithaml *et al.* (1990).
3. *Developing service products* could possibly be designated as a primary process, but it has been placed between 'delivering travel products' and 'informing potential customers' as it *relies on input from both of these*, and when a new (or improved) product has been designed needs action from both to implement.

The relationship between our primary and secondary processes is shown as a process map in Venn diagram form in Fig. 14.1.

Considering the relationship between Hammer's generic processes and our tourism process model

Hammer's 'prospect to order' has been modified to form two processes in tourism: (i) 'informing potential customers of travel products'; and (ii) 'getting sales'. We argue that these are fundamentally different processes with a degree of overlap; indeed, Hammer appears to overlook our first process to some extent.

Hammer's 'order to payment' corresponds to our 'delivering travel products', but we have placed payment between 'getting sales' and 'delivering travel products' on the

grounds that in tourism customers pay upfront before the product is delivered.

Hammer's 'inquiry to resolution' process has been divided into the sub-processes 'enquiry system' and 'complaints procedure', and we believe they fit into 'getting sales' and 'delivering travel products', respectively.

We believe that, in tourism, Hammer's 'concept to prototype' constitutes 'developing new products'. These are primarily in terms of destinations and transport, although new ancillary products (e.g. insurance and currency exchange) may also be added to an organization's product portfolio. These are, perhaps, relatively less important in tourism than in other commercial sectors such as manufacture.

The 'coordinating activities' process has been added to Hammer and Champys' set of processes. We have emphasized it and made it central in our model. Within this process exists the means of developing strategy and
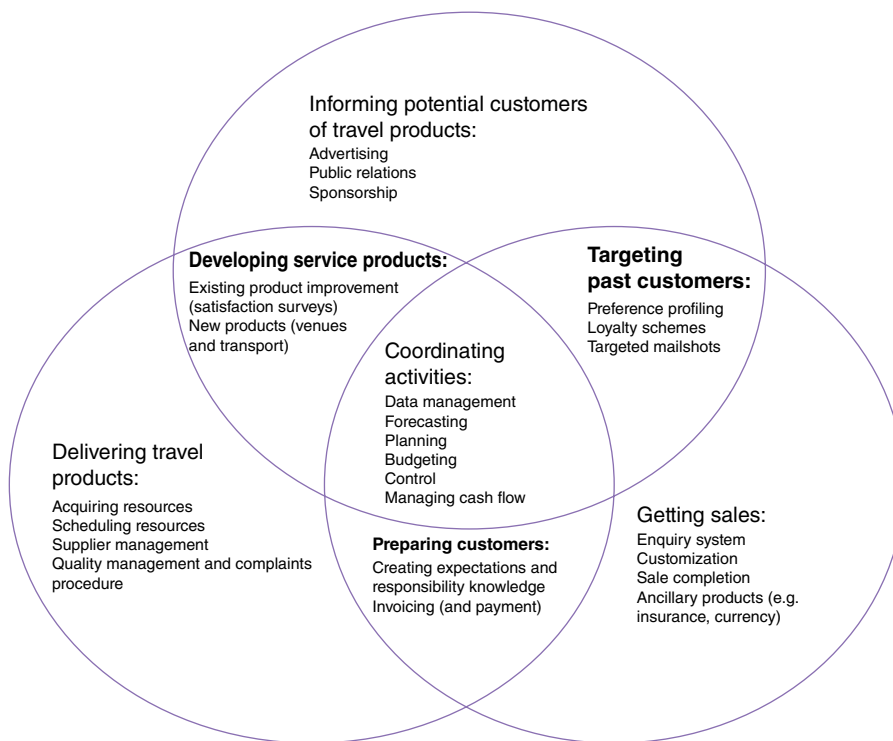
Fig. 14.1. Process map for a tourism company.

delivering it by providing and maintaining necessary resources. Hammer and Champy, and indeed Porter, place less explicit emphasis on it in their models, although it is obviously implied.

Our 'tourism' generic processes will be used as the framework for the remainder of this chapter, and will offer opportunities to elaborate on what process-based thinking offers to a re-engineered organization. In addition case studies falling into one or a combination of these seven categories will be used to illustrate benefits to be gained.

WHAT IS PBM?

PBM is a management approach that governs the mindset and actions in an organization. It is a philosophy of how an organization manages its operations, aligned with and supported by the vision, mission and values of the organization. It is the basis on which decisions are made and actions are taken. It is also oriented towards achieving results rather than targeting specific activities and tasks of individual functions.

PBM in tourism industry is a management approach that views a tourism business as a collection of processes, managed to achieve a desired result. A clear correlation between processes and the vision supports the tourism company to plan strategies, build a business structure and use sufficient resources that are required to achieve success in the long run.

From a process perspective, an organization regards its business as a system of *vision-achieving* vertical processes rather than specific activities and tasks of individual functions. The system is not a method or tool for a particular process, but a *holistic approach* to manage all the processes in one tourism organization. The general management system focuses on specific work knowledge and direct solutions for cost and budget; the primary output of any business is therefore conforming product and service – hence the preoccupation with product quality. On the other hand, PBM systems are not only focused on product quality; they apply these financial measurements but in an operational way considering how each performance affects the tourism company as *an amalgam of different processes*. Therefore, to manage processes effectively, the tourism organization must have an effective team network/business ecosystem of partners and full knowledge of their vision. PBM helps define the policies that govern the operations of the tourism company while ensuring that the travel and leisure company is not just functioning on a platform of efficiency alone, but one of effectiveness, too.

As a result of recent advances in technology and increased international competition, more travel and tourism companies aim for better methods of grouping and integrating organizational activities. If designed properly, PBM systems enable an organization in tourism to optimize multiple dimensions to compete effectively and to *satisfy needs of all stakeholders*.

WHAT IS BPR?

Having defined what a business process and a PBM are, we can now define 're-engineering'. The most cited definition is that of Hammer and Champy (1993): 'Re-engineering is the fundamental rethinking and radical design of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed'.

In 1994 Hammer was asked to respond to people who said there was actually nothing new in BPR (Watts, 1994a). He began his response by saying 'I'd say they're probably right!'

Indeed, the established techniques of system analysis and development are described and called upon in many BPR texts. These include techniques of work study

(method study and work measurement) begun by Taylor and Ford in the 1920s (Witzel and Warner, 2015), TQM concepts and techniques from the 1970s, and systems theory and change management material from the 1980s.

Hammer called upon TQM to illustrate his view of the novelty of BPR, saying:

> Re-engineering borrows two concepts from the quality revolution, namely the focus on customers and the notion of process. They are not original to re-engineering. Those I think, go back a long way, but certainly they are the fundamentals of the quality revolution. What's new about re-engineering is its radical nature. The notion of a clean sheet…. So that's what I think is really distinctive and new about it.
>
> (Watts, 1994a)

But at the same time Davenport had a less radical view, and saw a greater role for existing management concepts and techniques in the analysis of processes and implementation of new or amended ones. In response to Hammer he said:

> he [Hammer] takes a very strong view of the differences and almost the opposition between re-engineering and the more incremental approaches to change – things like quality and so on. My experience has been very much that these are very compatible approaches to change and in fact most organizations end up mixing and matching and combining them, even on a single project.
>
> (Watts, 1994b)

Developments after the mid-1990s have mainly focused on supply chain management and performance management, both supported by rapid development in technology. In supply chain management Porter's concept of the value chain has been exploited and the effectiveness and efficiency of supply chains have particularly been improved by better technology. Perhaps in tourism we should be talking about supply networks rather than supply chains, as leisure providers

will call upon a larger number of suppliers, and suppliers will service a larger number of customers than in other sectors. In performance measurement the balanced scorecard approach (Kaplan and Norton, 1996), concentrating on developing measures to support improvement, has been introduced.

However, in these developments, the underlying principles of BPR are still being applied. The underlying principles are:

- *Concentrating on processes* and the change in mindset from specialist (knowledge-based) functional silos to cross-functional completion.
- *Focusing on customers* throughout the organization's supply chain.

Organizational boundaries, also in tourism, are becoming less important. One of the hallmarks of the new process-driven business is the intense struggle to work out what it really means to be customer-facing. Cross-functional management process should be designed to encourage and support interdepartmental communication and cooperation throughout a company, when a company-wide team manages cross-functional processes such as quality assurance, cost control, product development, personal training or information integration.

Main reasons why management systems should be integrated are to: reduce duplication and therefore costs, reduce risks and increase profitability, balance conflicting objectives, eliminate conflicting responsibilities and relationships, diffuse the power system, turn the focus onto business goals, formalize informal systems, maximize and optimize practices, create consistency, improve communication and facilitate training and development.

WHAT MAKES BPR HAPPEN?

BPR is fundamentally a systems change process. Of particular importance in both the managing change and the BPR literature

are the reason and imperative for change. In a technique attributed to Lewin, and developed further by others (e.g. Paton and McCalman, 2008) the forces driving and restraining change are analysed to determine the nature of the change. All agree that change only happens when driving forces are greater than restraining forces. Paton and McCalman differentiate between internally and externally generated change, demonstrating that the latter is more difficult to apply and control. The BPR literature, on the other hand, concentrates on a need to do BPR resulting from changes in the environment in which the organization operates, usually on a re-engineer-to-survive basis. This is a useful starting point when considering what makes BPR happen.

Unpublished work by chapter author Geoff Southern considered 12 companies who claimed to have re-engineered their organizations, and found three types of driving/enabling forces that made BPR happen: (i) internal factors; (ii) external factors; and (iii) changes in technology.

An example of *internal factors* is the appointment of a new CEO, as happened when a new principal at the University of Glasgow was appointed who immediately began to restructure the organization on the basis of processes in a search for efficiency and effectiveness. However, even here it can be argued that changes in the financial environment and increasing expectations of both students and funding bodies are the real driving forces behind the restructuring exercise, as recognized by the new principal.

External factors include changes in the environment such as changes in the law or the economy. Other changes in the marketplace, such as new market entrants or a change in customer needs or expectations, are also included here.

One major development in *changes in technology* is the development and expansion of the World Wide Web, enabling improvements in communication systems. Other examples include satellite positioning and tracking systems for logistics management, and new product developments such as Internet streaming and flat-screen TVs. The question of whether changes in technology drive process re-engineering or just enable a good idea to be implemented is an interesting one.

Of the 12 companies considered 11 were driven by legal and/or market changes (three had both); only one company was driven by internal factors, a fear of losing core skills. In all cases the presence of a strong and committed CEO (namely, top management sponsorship) was important as an internal driver once the external threat was recognized.

However, it must be reiterated that strategic support alone is inadequate to make the philosophy of PBM a success. Middle management and employees, too, need to recognize their part in the process and take ownership of it for optimal results. Working towards a common goal helps achieve harmony across different work groups and departments.

Identifying a process-based tourism organization

A process-based tourism organization would have a few inherent characteristics that make it instantly recognizable. For instance, such a tourism company would view the business as a collection of processes and have strategic plans that drive the processes with commitment from the top management downwards. Such processes would be aligned to the goals and key business outcomes of the tourism organization.

Standardization of processes, high dependence on data accuracy and the continuous quest for sustainable improvements are further hallmarks of a process-based tourism organization. Improvement of business processes, radically or stepwise, is essential and should be supported by a *holistic process performance measurement system* (Kueng, 2000). Such organizations:

- See every interaction with a customer (tourist, traveller, supplier, internal, etc.) as a learning opportunity.
- Develop and encourage flexible cross-functional teams to deliver value to the customer.
- Reward employees for improving and increasing customer value.
- Reward information sharing and knowledge transfer across functions and also across teams.

Thinking tourism organizations with the holographic organization design are those in which each interdependent part reflects the essence of the whole. Every part of a holographic organization is aligned towards the same comprehensive set of governing ideas. The unique governing ideas of any part are nested within, and consistent with, those of the successively larger wholes of which they are a part.

TOURISM FUTURECAST INFLUENCING PBM

Tourism is the booming industry of the future, a driving force for economies that generate wealth, and probably one of the most important economic sectors of the 21st century. PBM and BPR could be helpful tools for leaders to improve tourism effectiveness, profitability and competitiveness.

The big companies of the future will all be shape-shifters. The destruction of a company's traditional business model causes a variety of emotions and the need for 'change management on steroids' (Nelson, 2017).

It requires new ways of doing business!

Business as usual in tourism nowadays still values the wrong things, rewards the wrong people and behaves in the wrong ways. Right now business must make sense of new technologies, generational differences, geopolitical shifts in power, continued economic crises and the needs of a planet that is increasingly ravaged. But, most of all, business must adapt to a world where people (customers –

tourists and travellers) are beginning to demand much more from it – where *the pursuit of profit alone is no longer enough*. A tourism industry 'revolution' is needed.

Essential social drivers as key megatrends in the tourism planning and organization - individualization, flexibility and the ageing population – will fundamentally change social relations. New structures of families, single households, later retirements and serial changes of jobs (so-called flex-jobs, business colonies and project-oriented engagements instead of the well-known full-time jobs) will replace traditional structures and change how people holiday, with whom and when. All of this will affect the 'new tourism industry customer' in the ageing world.

A general *profile of tomorrow's tourist and traveller* includes, among many features: fluid identity; educated, multi-cultured and knowledgeable; heightened sense of personal freedom; experimentalist and volatile; and looking for simplicity and simple experiences. For the more demanding and unpredictable consumer, 'experiences' count more than 'destinations'. They expect more than earlier generations, and cannot be placed in any of the neat tourism segments. In short, the new luxury in tourism is not related to wealth but to use of time, simplicity and richness of experience that create long-lasting memories.

Increasingly important questions within the tourism industry will become: *Why* (would a tourist want to go)? and *How* (would a tourist like to spend his or her holidays)? Tourism in the future will therefore have a greater, more *profound meaning* – and not just for the industry, but also for destinations and the people who live there. Every aspect of tourist interaction must be scrutinized. Each moment of the customer experience must be dissected, analysed and constantly improved, improved, improved.

Twenty-first-century businesses have a higher purpose, creating meaning that goes beyond the work itself and the creation of profits. They stretch to solve the great problems that matter to society, and have a *purpose of significance*.

Table 14.1 comprises *paradigm shifts* which may influence both PBM in tourism and re-engineering of business processes.

Innovative technologies impact BPR

The human being again is in the spotlight, can be heard and seen, is confident and creative in

Table 14.1. Paradigm shifts influencing PBM and BPR.

From	To
Economic egoism	Multilateral consideration
Walling to enforce separation	Sharing and collaboration
Secretive business	Trust and consumer generation
Control economy	Transparent and cooperative
Display	Search
Attention	Attention economy and the age of reconnection
Mentions	Meaning
Simple structures	Complex platforms
Device-centred	Person-centred
Interruption, intervention, intrusion, insistence	Engagement
Directing	Connecting
Shouting	Delivering content
RO investment	Return on involvement
Reacting	Interacting
Big promises	Intimate gestures
Explaining	Revealing
Linear	Non-linear
Separateness	Relatedness
Component thinking	Thinking in wholes
Task analysis	Complex adaptive systems
Problem solving	Butterfly effect
Structure creates process	Self-organizing patterns, shapes and structures
Forecasting through data analysis	Foresight through synthesis
Collecting	Perceiving patterns
Sequential models	Simultaneous happening

such a new Renaissance! The future of innovation is person-to-person:

- Collaborative, customized, and self-expanded: individual Wikipedic knowledge knows no barriers, no borders.
- Kaleidoscopic, hybrid, mobile, connected, distributed, articulated, flexible and begins now.

Hybridization of the digital and the physical ('blending') by use of personal informatics is already ongoing. This enables records of people in interactions (intentional or implicit), enables the quantification of behaviours and creates new indicators. These digital traces lead to many opportunities: detailed analysis of tourists' experience (as a marketing and evaluation tool), creation of tourist activities and design of real-time information applications for tourists, services providers and public bodies.

The proliferation of sensors, data and automation are creating reactive environments that can sense anything, from weather patterns to user behaviour, and automatically adapt the space and service experience.

The future of tourism using new technologies implies a broad range of possibilities, from augmented reality, real-time translation and travel-guide communication to biometrics, etc. Innovative technology helps organizations:

- To understand the tourist not only from the outside, but also from the inside, to capture their real feelings for what they want, expect and experience in real time.
- To create, design, deliver and *measure emotional experiences* that go beyond mere simple tourist satisfaction while *radically change people performance measurement.*

PBM IN TOURISM MARKETING

Process-based marketing management involves:

- Changes in the genetic foundation of the company.

- Company 'cells' (cross-cell functional teams) versus previous 'silo mentality' cells.
- Integrated marketing (integration, agility and flexibility).
- Dispersal across the organization of the classic functions of the marketing department. Elements of the marketing function are migrating elsewhere (e.g. logistics handling, interest marketing, pricing, new product development and corporate advertising).

A few years ago the marketing function was in the midst of a revolution, in 'a mid-life crisis' or 'at the crossroads'. A veritable army of trends, business buzzwords and new concepts looked set to transform the face of marketing. Recession and cost cutting was leading to the downsizing and delayering of the marketing department. BPR and TQM would mean that the marketing department would be absorbed into horizontal processes such as order generation and order fulfilment. Cross-functional team working would leave marketing increasingly as a secondary, support function.

The rising importance of the delivery channel would prompt the increasing integration of sales and marketing. Internationalization and global branding was forcing national marketing departments to cede their territorial powers to global centres of strategic brand management, leaving local marketers as mere tactical implementers. And, of course, the rise of 'total-company' marketing would result in diffusion of marketing across the whole company.

While downsizing the marketing departments, companies cannot downsize the importance of marketing. They have begun to realize the marketing is almost too important to be left to the marketing department alone; it has to be a core competence of the company.

There are two types of companies: those with *a marketing department*, and those with *a marketing soul*. The most progressive organizations in tourism increasingly work in a networked or cross-functional way. This enables

the company to look in a holistic way at delivery of the brand promise. Traditional distinctions between product, service and delivery/distribution dissolve into new all-embracing concepts like 'customer solutions'. Familiar job titles disappear to be replaced by a bizarre assortment of new tags such as 'development manager, market to collection' or 'manager, customer satisfaction, quality and re-engineering'. In short, the marketing department of old finds itself sliced, chopped and dispersed across the whole business.

The concept of process management in tourism marketing is driven by the idea that decisions and actions should flow horizontally across an organization from supplier inputs to customer outlets, rather than flowing up and down functional departments. It is vital that senior management view marketing as a value driver. One has to be expert not only in the silo of marketing, but to be able to demonstrate a skill, knowledge and understanding of how the organization works as a whole. This is a case of thinking organizationally and seeing the bigger picture.

New PBM in tourism marketing integrates demand chain management, customer acquisition, brand experience delivery, strategic brand management, time to market, innovation management, order generation and order fulfilment, solutions design, CRM and customer-managed relationships.

Key common traits of marketplace leaders are:

- *Operational excellence*: making certain that all components of the business are linked on an operational basis, an environment that allows the cross-pollination of ideas, extensive communication and collaboration among management, departments and people across all functions and disciplines.
- *Focus on innovation*: recognizing that in every business function the most obvious way of doing things is probably not the most efficient approach; thinking outside the box to discover the way to stand out from the competition.

Experimentation is the new planning

Be sceptical of strategies premised on certainty! No two people will connect to the tourism brand in the same way, for the same reasons, through the same story or via the same channels.

At its best, strategic intent facilitates agile response to unanticipated events through a consistent take-charge mentality within the framework of the intent. How organizations learn to regenerate strategy is the key issue today; but they need speed and a way to identify and anticipate future changes, moving without inertia from strategic insight, to execution and back, to strategic insight. That is the essence of strategic agility – the ultimate strategy – it requires sensing and responding to change at the edges of an organization.

Let us be honest: we have no idea what is going to happen to the tourism industry. That is why we should *build organization into an engine of possibility*.

Technology is chaotic. It affects every industry, often in ways that are difficult (if not impossible) to anticipate. So, what is needed is an evolving portfolio of strategic experiments. Emergent strategy is an organic approach to growth that lets tourism companies learn and continually develop new strategies over time, based on an ongoing culture of hypothesis and experimentation.

EXAMPLES OF BPR IN TOURISM

This section will briefly describe a number of examples of BPR and then comment on them in terms of the process changes (referring to the 'tourism' categories defined earlier) – whether the change was radical (Hammer) or evolutionary (Davenport) – and the driving forces.

Online reservations

This process is now well established and requires no explanation, except perhaps to consider it in the context of process thinking. It represents the re-engineering of the customer acquisition process, using new technology (the Internet) to cut agents out of the traditional supply chain and allow the resulting savings to be passed to the consumer either as lower prices or as discounts for using the more direct purchasing route.

Larger organizations such as no-frills airlines (Ryanair, easyJet, Southwest), economy hotel chains (Holiday Inn, Travel Lodge), car rental companies (Hertz, Budget) and package holiday companies (Thompson) have developed their own websites. Many of these organizations use links from their websites to those of a network of allies offering complementary services; for example, almost all airlines provide a link to car-hire company and hotel-chain websites offering services at the customers' destination.

Smaller organizations such as family-owned hotels can sign up to an independent travel website (e.g. www.bargainholidays.com), frequently geographically based (e.g. www.visitmalta.com), that acts as an intermediary between clients (the hotels) and consumers (hotel guests) and offers secure money transfer transactions. Financial security is thus maintained on both sides of the contractual agreement, concluding the 'deliver' (order fulfilment) process (see Table 14.2).

Table 14.2. Online reservations: comments in terms of the process changes.

Aspect	Commentary
Process re-engineered	While this is primarily a re-engineering of the 'getting sales' process, the data management sub-process (within the 'coordination' process) supports it. The information gained frequently immediately contributes to the forecasting sub-process (again within the 'coordination' process), and thus to the 'delivery' process by allocating or acquiring operational resources. It also contributes to the 'coordination' process as input to budget development and control
Radical or emergent change?	It could be argued either way. Direct selling (i.e. cutting out agents or retailers) was established as early as the 1950s when John Bloom began selling low-cost washing machines to people who replied to newspaper adverts (Wikipedia, 2010). (The lowering of credit restrictions was also a factor here, and hire purchase was invented.) So direct selling here is not radical. In addition most organizations mentioned in the 'Online reservations' section started by running traditional agent selling and web-based selling in parallel. Ryanair and easyJet now sell solely by electronic means; perhaps that was a radical step, and technology became an enabler to fully control their ticket distribution
Driving forces	The original driving force was probably the expansion of the travel market, a direct result of economic growth, presenting opportunities for more people to travel and for companies to grow. However, increased competition then became the driving force, with direct electronic selling enabling companies to cut prices and hence increase sales and profits at the expense of travel agents. In the case of transport companies, improvements in technology and electronic banking then enabled this to develop further into ticketless systems and elimination of check-in procedures

Malabar Beach Hotel

In 1985 Chris Voss reported a case in service management that is worthy of review in the context of process thinking (Voss *et al.*, 1985). The Malabar Beach Hotel was in decline at the time and needed – paraphrasing the words of Hammer – to 'radically design its business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed' (Hammer, 1990). The hotel owner decided to follow the (then novel) marketing concept of a 'no-money' holiday, where customers pay an inclusive fixed fee upfront to cover all accommodation, leisure and consumable costs of the holiday, plus a profit for the company. The change in policy had implications for all generic processes:

- *Developing service products:* The service product of the hotel had to be changed from a traditional US-style room letting or half-board (UK-style) offering, with all other purchases individually billed to each guest, to one where a single payment entitled a guest to all food, alcoholic drink and leisure amenities of the hotel. The new regime had implications for all other generic business processes.
- *Getting sales:* For example, on careful consideration of tourist segments, it was decided that families would benefit least from the proposal, and that single young people would be the most difficult to deal with. It was therefore decided to limit customers to established couples, and the owner entered into a franchise agreement with an appropriate hotel group.
- *Delivering travel products:* In terms of food and alcoholic beverage availability the no-money regime allowed the hotel to limit choice of menu and bar offerings, but to offer better-quality food on average, and branded drinks. Economies of scale resulted. Leisure activities had

to be upgraded as guest expectations of both availability and variety increased, and pre-booking systems were introduced to create a perception of fairness. In fact the financial 'drive' of the hotel changed, from a series of departmental profit centres trying to attract spending from customers, to a series of cost centres attempting to delight customers with a better-than-expected service, but still controlling food and drink consumption.

- *Coordination:* The focus of coordination and control activities therefore switched from profit maximization and individual billing, to material and leisure activity volume control, given a minimum service quality specification. In fact, control of the business was simplified. Some problems were predicted with staff motivation, given the propensity for guests not to tip. Greater care was taken in selecting and training staff, and appropriate salary adjustments were implemented. Input from the 'couples' franchise was useful here, based on the experience of franchise sister companies. Profits were more easily forecast in the short term from the booking system, and resource management in bars, restaurants and other leisure activities became easier to plan. In addition data management was greatly simplified, as indicated by the comments above (see also Table 14.3).

EasyJet/hotels/cruises

EasyJet has taken the expansionist route of creating core products that meet and anticipate customer needs, and has created new companies within a holding group offering no-frills hotel rooms, car hire and cruises to complement its low-cost flights. All group companies can be accessed through the easyJet web pages. The company has also collaborated in the production of reality TV programmes that create low expectations of remedial action if customers do not

comply with check-in and baggage requirements, and that can be considered to educate potential customers in company processes. In comparison Ryanair has concentrated on its core product – low-cost flights – but has developed network relations with hotel chains and an international car-hire company, all of which can be accessed via the Ryanair web page (see Table 14.4).

Hong Kong pan-Pearl River Delta (PRD) tourism market

In May 2005 an announcement in www.tdctrade.com described opportunities for Hong Kong tourist organizations in its nine neighbouring provinces in mainland China.

As a tourist venue Hong Kong emphasizes its urban characteristics as an international

Table 14.3. Malabar Beach Hotel: comments in terms of the process changes.

Aspect	Commentary
Process re-engineered	This case represents a report of BPR in hindsight (the theory followed the practice), perhaps supporting Davenport's views (Davenport, 1993). It also represents a case of 'total' BPR (after Hammer and Champy (1993)), and a demolition of 'functional silo' thinking. Thus a multitude of business processes covering all aspects of Fig. 14.1 were re-engineered
Radical or emergent change?	For the individual company this was a radical change in everything it had done before, from selling and the market segment to service delivery and budgetary accounting systems. However, within the industry it can be seen as an emergent trend, and the company was able to draw on new franchise partners to help with the changes
Driving forces	These were entirely financial; it was making a loss, but having decided to go for the no-money proposal this drove all resulting changes in the generic processes. As far as technology was concerned the internal accounting system was simplified and selling was transferred to a franchise operator, so the complexity of internal IT systems was lowered. Hence, as far as the fundamental change was concerned, changes in technology had no real significance

BPR, business process re-engineering

Table 14.4. easyJet/hotels/cruises: comments in terms of the process changes.

Aspect	Commentary
Process re-engineered	The 'getting sales' process was re-engineered to widen the product portfolio and create a single one-stop shop for customers, a (customer-focus) primary principle of BPR?
Radical or emergent change?	This was an emergent step-by-step approach as new services were introduced. Banks cross-sell financial products in the same way
Driving forces	The driving force was an internal drive for greater profits, enabled by improvements in IT systems and company skills in employing them

BPR, business process re-engineering

hub for commerce and air connections. These characteristics complement those of its neighbour's relatively unexploited ecological, cultural, historical and ethnic tourism attractions. Hong Kong is also endowed with extensive experience in tourism management, services and promotion.

Under a regional cooperation agreement signed on 3 June 2004, the nine provinces, Hong Kong and Macau have agreed to promote regional cooperation in tourism, and to jointly formulate development and marketing strategies and hence build a strong branding for tourism in the region. The agreement aims to build an international tourist belt in the PRD by creating a barrier-free tourism zone. Companies are allowed to open branch offices freely, and reputable travel companies are encouraged to launch intercity operations.

Prior to this initiative, tourism organizations in Hong Kong had been limited to organizing mainland-bound package tours. They can now participate directly by forming joint ventures with their mainland counterparts, operating without geographical restriction. They can also engage fully in the construction and operation of hotels and restaurants, and set up wholly owned engineering consulting companies in support of tourism development. Hong Kong, as a world-class performer

in tourism, is well placed to facilitate the development of tourism in the wider region (see Table 14.5).

THE ROLE OF TRADITIONAL TOURISM MANAGEMENT FUNCTIONS IN BPR

Let us now consider the relationship between the traditional functions of management and our generic business processes, in other words where the work was done and who was primarily responsible:

- *Informing potential customers* (of travel products) was – and still is – primarily the concern of the marketing function, supported by the delivery and service product development processes, to inform the organization of customer preferences to best direct marketing expenditure.
- *Targeting past customers* (or CRM), although part of the marketing function, is a growing specialist activity in its own right, recognizing that knowledge of customers and the development of loyalty to an organization can vastly reduce the cost of getting a sale.

Table 14.5. Hong Kong pan-Pearl River Delta tourism market: comments in terms of the process changes.

Aspect	Commentary
Process re-engineered	'Getting sales' and 'delivering travel products' were the processes re-engineered to create a wider portfolio
Radical or emergent change?	This was a radical change requiring political backing (enabled perhaps by the transfer of sovereignty of Hong Kong from the UK to China in 1997)
Driving forces	The driving forces were for greater regional profits following the transfer of power, and possibly to draw Hong Kong into central Chinese national culture

- *Getting sales* is the responsibility of the sales department, although in the past this has been paired with the marketing function in many organizations. However, with technological development and increased customization of products (especially in the tourism industry) this is becoming increasingly recognized as a separate area of expertise.
- *Preparing customers* (for their trip) falls between the marketing (including sales) and delivery processes. It informs customers what to expect on their trip, and also of their responsibilities on such aspects as visa, passport and health insurance requirements. It will also inform them of additional attractions they may wish to visit and may offer to sell tickets for these (in addition to products they have purchased already). In terms of service quality this process is very important and is represented by one of the gaps in the SERVQUAL 5 gap customer service model.
- *Delivering travel products* was, and primarily still is, a concern of the operations function. It consists of subsystems to define resource needs, acquire resources (travel seats, accommodation), schedule use of resources and ensure that quality standards are maintained. It works on estimates of organizational activity levels from marketing, delivered via the co-ordination process (or strategic planning function).
- *Developing service products* is usually undertaken in most organizations by a specialist department calling upon expertise from all departments on a need basis, or by a cross-functional team drawn from existing departments. In tourism, however, completely new products that compete on pure innovation are rare and there is a continuous development of existing products or a move into new destinations or ancillary products.
- *Coordinating activities* is traditionally undertaken by strategy and finance departments. The operating mechanism for this (at least in the short to medium term) is the budgeting process, where inputs come from marketing (activity levels) and operations (resource costs).

SUMMARY

BPR is the 'fundamental rethinking and radical design of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed' (Hammer and Champy, 1993).

BPR draws upon concepts and techniques from other management strands of thought. It encompasses ideas from, for example, systems thinking, TQM and supply (and value) chain management.

BPR takes a holistic approach to management which concentrates on processes while also focusing on customers.

The authors of this chapter have identified four primary generic business processes: (i) informing potential customers of travel products; (ii) getting sales; (iii) delivering travel products; and (iv) coordinating activities. Three secondary (overlapping) generic business processes were also identified: (i) targeting past customers; (ii) preparing customers; and (iii) developing service products.

These encompass traditional functions of management, but put into practice a culture of cross-functional completion rather than one of specialist-silo mentality with responsibility handovers.

Both tourism futurecast and innovative technology are significantly influencing strategic thinking in the area; they should be taken into account while developing and implementing PBM and BPR in tourism organizations today and in the future.

BPR in tourism marketing and planning processes within the tourism sector is passing

through significant changes with flexibility, fluidity and uncertainty as the most important characteristics.

QUESTIONS

1. Explain the difference between PBM and BPR. What makes BPR happen?

2. How do specific sector needs influence the implementation of BPR processes in organizations in travel and tourism (primary and secondary generic business processes, and their relationship with traditional management functions)?

3. How can the presence of PBM in tourism organizations be easily identified?

4. Which ongoing changes and futurecast influence PBM and BPR in the thinking of tourism organizations (i.e. the role of 'Purpose of Significance')?

5. Which metrics and corporate measurements will be able to radically influence the performance management of people/employees in tourism?

6. Which changes involve process-based marketing management?

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International Strategies in Tourism

Eduardo Parra-López, Vanessa Yanes-Estévez, Mercedes Melchior-Navarro and José Alberto Martínez-González

LEARNING OBJECTIVES

- To assess the importance and the need to adopt, in the tourism sector, an international strategic approach.
- To know and understand the evolution, factors, current situation and prospects of the international and strategic framework of the tourism sector and companies.
- To make decisions concerning the international strategic development process that can follow the tourist companies.
- To identify, understand and evaluate strategic internationalization processes that various tourism companies have followed in their actual practice.

Please read the chapter in the order in which the material is presented, and then follow the proposed activities.

INTRODUCTION

The tourism environment has undergone many changes recently. Tourism companies find themselves in an increasingly competitive environment and, whether or not internationalization is and will continue to be an advantageous step for any company, it seems reasonable to think that it is an opportunity that should at least be explored. The nature of competition and shifting economic conditions have made possible the development of approaches that combine the theories related

to the environment and those that have to do with the company and its resources or capabilities; that is, external and internal factors (Camisón and Forés, 2015).

International competitiveness in tourism

It is difficult to define the concept of international competitiveness in tourism because it is a complex variable that depends on the characteristics of its country (or region) of origin and other environmental factors. We should start by mentioning that the national (or regional) characteristics of national tourism firms can hinder or facilitate their international development.

It is useful to examine the reasons for the international activity of a tourism company. We find that, historically, they are based on the macroeconomic theory that trade between nations occurs because each country has a competitive advantage in the production of one or several products.

Heckscher (1919, cited in Ingram and Dunn, 1999) and Ohlin (1933) developed the factor proportions theory, which was no longer based on the work factor as the principal determinant, but provided a model proposing that a country's competitive advantage stemmed

from the relative abundance of resources and the intensity of their use through technology.

However, the 1960s saw a great change in the international scenario: multinational firms played an increasing role in international trade. As a result, new theories were proposed in an attempt to explain international trade. The principal exponents of these included Vernon (1966), Kravis (1970), Jacquemin (1982) and Krugman and Obstfeld (1994). The theories attached special importance to the role that national technological differences play in the generation of comparative advantage and in international trade and, similarly, in the processes of tourism internationalization.

In the 1990s, those theories were no longer able to explain trade because the conditions of the international context had changed once again. It was Porter (1991) who indicated that firms attain positions of competitive advantage by means of innovation processes, understood not only as new technologies but also as new ways of doing things. He considered that it is the firms, not the countries, that constitute the part that is, or is not, internationally competitive. He created a model with four large factors as determinants of the competitiveness of nations ('Porter's diamond', see Fig. 15.1). The model considers not only the characteristics of the home country but also the attributes of the country that is
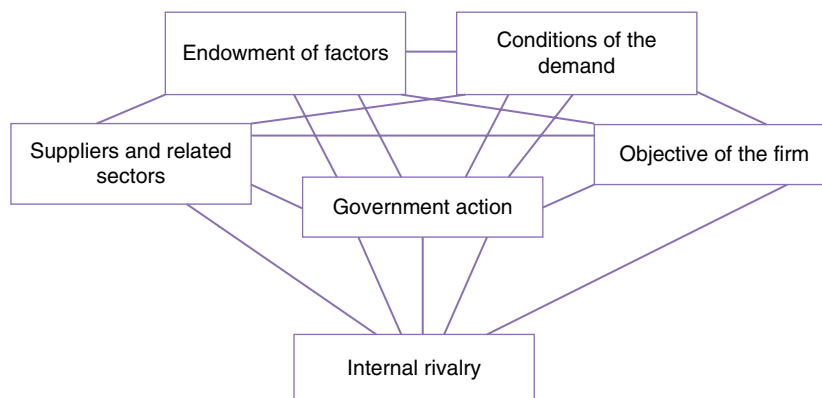
Fig. 15.1. National diamond (based on Canals, 1991).

its most important trading partner. However, although the contributions of Porter (1991) have also been unable to explain trade because his diamond has limitations, they have been of great importance to the current explanation of international trade in tourism.

Those initial aspects led to the proposal of new approaches to the international process in the tourism industry. The promotion of international tourism will improve with a deeper and more precise knowledge of what drives firms in the tourism sector to initiate and maintain the process of geographical expansion and of the variables that affect business decisions in that direction. Following the classification established by Young *et al.* (1991), there are various approaches to the internationalization of firms and these are: (i) a sequential approach; (ii) an economic approach; and (iii) a business strategy approach (see Table 15.1).

From the 1990s the study of international competitiveness of tourism focuses on tourist destinations. Crouch and Ritchie (1997) proposed a model in which natural resources initially induce tourists to carry out the trip. However, the success of the international competitiveness of a destination mainly depends on attraction and supporting factors and resources. The attraction factors include the physical geography, the culture and history, ties with the market, activities, special events and the superstructure. The existence of these factors is a necessary but not

Table 15.1. Classification of approaches to the internationalization of the firm (by the authors, following analysis of the different approaches).

Approach	Schools/theories	Characteristics
Sequential approach	Uppsala Innovation School	**1.** A sequential or phased model **2.** Defence of the sequential process and not of internationalization **3.** Exclusion of firms with vast leisure resources and organizations with accumulated experience (Johanson and Vahlne, 1990)[a]
Economic approach	Transaction costs theory	**1.** Importance attached to the international strategy **2.** Intermittent approach: indicates a lack of feedback and the possibility of development[b]
Business strategy approach	Business strategy theory	**1.** Based on continuous dialogue between the organization and its environment **2.** The Root model (1987): the firm takes into account both the internal and the external factors when deciding on the mode of entry

[a]Taking these exceptions into account, it is understood that the concept of the tourism internationalization process is a sequential strategy of approach to overseas markets that is mainly applicable to small and medium firms in the sector that are taking their first steps in international business (Young, 1987). See also Kim and Hwang (1992).

[b]In light of the previous conclusions, it can be stressed that the internationalization process is and will be a highly complex phenomenon that can only be understood if the context in which it takes place is considered. The environment in which today's tourism firm moves, as well as the internal variables that influence the process, can be so different that it is very difficult to follow any general rule (Buckley, 1995).

sufficient condition, as the supporting factors and resources are also needed: infrastructure, accessibility, suppliers, travel agencies, transportation, lodging, restaurants and other services provided by the companies (González and Mendieta, 2009).

It is also important to have an environment in which tourism can be developed and a planning and development destination policy. The factors identified in this regard are: system definition, philosophy, audit, positioning, development, competitive analysis, benchmarking, monitoring and evaluation of the tourist destination. There are also factors that can be conditions or amplifiers such as location, safety, awareness, image, brand and cost/value ratio. Finally, the local environment (micro) and the global environment (macro) cannot be neglected if you want to keep the competitiveness of an international destination. The micro competitive environment refers to residents, employees, citizens' groups, media, financial institutions, members of the travel business and government agencies; the macro environment raises issues, concerns and global problems that can affect the competitive advantages such as demographic trends, economic restructuring, environment and sustainable development (González and Mendieta, 2009).

Other models of the international competitiveness of tourist destinations, such as those proposed by Dwyer and Kim (2003) and Dwyer *et al*. (2004) also consider national and firm competitiveness theory and many of the variables and category headings identified by Crouch and Ritchie (1997).

Finally, the last contribution to the international competitiveness for tourism has been the 2015 Travel and Tourism Competitiveness Index of the World Economic Forum (WEF, 2015). The WEF travel and tourism rankings in this index provide useful comparative information for making business decisions and additional value to governments wishing to improve their travel and tourism environments.

Factors determining a commitment to tourism internationalization

After analysing the internationalization process of firms in the tourism sector and proposing that the internationalization process is usually sequential for most small and medium tourism firms, the next step is to identify the factors determining the internationalization activity.

The literature on the internationalization of tourism firms is rich and complex. According to the establishment model chain the internationalization is a scale-up process in which commitment and knowledge are essential. Thus, a company begins exporting and ends up taking more commitment and risk. The school of thought generally combines elements from several disciplines, including transaction cost, agency theory, corporate knowledge and organizational capability theories. Other authors introduce the Uppsala model, which assumes the internationalization of a firm to be a learning process considered as the result of increasing commitments and evolving knowledge about foreign markets.

The factors influencing the internationalization commitment of companies in general, including those in tourism, can be grouped into two broad categories: (i) business or internal; and (ii) environmental or external (Aaby and Slater, 1989; Alonso and Donoso, 1994, 1998). However, it should be remembered that the content of each factor has not always been defined in the same way (factors are addressed in greater depth in the section 'Strategic Analysis as a Key to Internationalization in Tourism' of this chapter, below). There is no single classification of these determinants since, while some may coincide in general, they sometimes differ in the variables that are considered. Environmental factors should be understood as cultural, political, social, macroeconomic, etc., while the business factors are those key aspects of the firm's strategy and organizational capabilities that are under the firm's control and are necessary

for the export activity. The importance of internal factors in explaining the export behaviour of firms is highlighted by Cuervo García (1993, p. 363) when he stated, in relation to sources of competitiveness, 'it is the heterogeneity of firms that ultimately explains sustainable competitive advantages and results'. Within the determinants in the business context, other authors, such as Kamath *et al*. (1987), differentiate between the characteristics of the firm itself and those of the decision maker.

Although the most frequent criterion to classify determinants of commitment to internationalization is the differentiation between business or internal factors and environmental or external factors, Alonso and Donoso (1994, p. 114) establish that 'it is, however, necessary to add a third important factor: the analysis of *management* attitudes and aptitudes'. These same authors state that another perspective could consider this factor to be one of the firm's competitive resources, but that its nature (which is more subjective than objective), its relative autonomy compared with the other factors and its decisive influence on the firm's behaviour indicate that it should be treated differently. (For an in-depth view of the concepts, see Alonso and Donoso, 1994, p. 115, and also the empirical works of Bilkey, 1978; Axinn, 1985; and Aaby and Slater, 1989.)

Thus, a tourism firm's inclusion of internationalization in its strategic behaviour does not depend solely on it having the capability to compete in overseas markets: the business and environmental factors must also be present since they are what decisively change the scope and quality of the decision. In this respect, while the tourism literature on strategic behaviour is fairly recent, the idea of seeking the internal foundations of a tourism firm's competitiveness is not. It is the core of the resource-based approach originally proposed by Penrose (1959), who defined the firm as a set of production resources, some physical or tangible and others human.

The review of the analysed works revealed a series of factors in the tourism firm that are associated with commitment to internationalization, and three types of research work on that commitment:

- Those focusing on analysis of the internal factors that influence the tourism firm's decision to enter overseas markets.
- Those focusing on the differences in the internationalization commitment of a group of tourism firms wishing to produce abroad.
- Those focusing on explaining the intentions of tourism firms to internationalize or to increase international activity.

The following section examines the key strategic aspects in the internal and external analyses and their importance to internationalization.

STRATEGIC ANALYSIS AS A KEY TO INTERNATIONALIZATION IN TOURISM

The strategic direction in the internationalization process of tourism is of vital importance regarding:

- The strategic direction, because the environment is immersed in a series of substantial changes that greatly affect the performance of businesses and tourist institutions, demanding its strategic direction.
- There is an increasing internationalization of the environment in which tourism firms must operate to be competitive, which means they must expand their focus beyond their national borders to operate in this era of globablization (Claver and Quer, 2001).

However, the key is: (i) to have clear objectives to be achieved; (ii) to constantly

analyse the external factors; (iii) to be aware of the organization's strengths and weaknesses; and (iv) to implement and control the direction to take. These stages form part of the strategic process and help the firm to be successful and so attain international competitiveness. Thus, tourism firms must apply strategic management as the system of philosophy not only to lead them to positive results, but also to survive in the sector.

The first phase in the strategic process is usually strategic analysis. This entails seeking and processing relevant information about the internal and external characteristics of the firm (Table 15.2). This enables a firm to identify: (i) the opportunities within its environment that its strategy should exploit; (ii) the strategic resources and capabilities that will support its expansion; and (iii) its weaknesses and aspects that need improvement.

Strategic analysis of the environment

As well as the above, the importance of undertaking an accurate analysis of the environment in tourism is supported because it leads to improved results (Olsen *et al.*, 1994). It is even more critical in the case of internationalization since most of the determinants that have been examined are external factors (Perks and Hughes, 2008).

It is precisely the environmental scanning that helps a firm in the key decisions in its internationalization process, which is no more than to identify the international destination in which a market opportunity exists, and generally follows customers' likes and demands. This analysis could be facilitated by the Porter (1991) approach, known as the 'diamond':

* *Conditions of the factors*: such as training, aptitudes and experience of the workforce specialized in the sector; physical resources (water, climate); geographical location; knowledge of tourism and its

Table 15.2. The strategic constellation (adapted from Brotherton and Adler, 1999).

Internal factors	External factors
Costs	Competitors
Organizational complexity	Cultural diversity
Product/service conceptualization	Corporate image and credibility
Standards and conformance	Customer participation
Centric orientation	Competitive conditions
Internal change	Channels of distributions
Coordination and control	External communication
Capabilities and competences	Markets and customers
Capacity management and asset productivity	Environmental change and complexity
Product/service configuration	Revenue potential and cash flow
Internal communication	

importance in the country; amount and cost of the capital available to finance the tourism sector; transport system; communications network; generalization of the different methods of payment; health infrastructures; modernization of public works; and the presence of the home country's authorities or commercial offices.

* *Conditions of the demand*: the demand for the tourism service in the home country, in terms of its composition, quantity and quality, is usually one of the factors that determines the advantages for

international firms to establish themselves in the host country. This analysis must also consider the distribution channels and their suitability.

- *Related support sectors and other management areas*: these would include suppliers and related sectors: industrial machinery suppliers, the construction and installation sector, car rental companies, and the agrifood sector; as well as development and innovation, promotion of outdoor sports and cultural activities, or how to incorporate sustainability into the corporate strategy (see next section).
- *The firm's strategy, structure and rivalry*: the country's social norms or history make it important to analyse their possible implications for the ways of managing firms in the target country. These aspects include worker attitudes towards management; individual and group behaviour; attitude towards learning; rivalry between domestic firms; and the possible presence of 'national champions' that make it difficult to enter and remain in the country.

Incorporation of sustainability into corporate strategy

The incorporation of sustainability into a hotel's corporate strategy, as well as its orientation to the hotel's development, is not only a matter of image; it can improve a company's positioning and financial performance. The incorporation of a proactive environmental strategy (and the degree of differentiation by improving efficiency and positioning) depends on a set of variables, such as regulatory pressure to incorporate a voluntary model of sustainability certification and a high level of internationalization. The main factor that restrains the environmental initiative is the lack of training and vision of the directors of the chains, thus condemning them to lack of competitiveness (adapted from Hosteltur, 2015).

External factors that influence the entry mode

Once the destination has been selected, another extremely important decision must be taken: the choice of entry mode into the foreign country and the desired level of commitment and control. In making that decision, a number of external elements that influence it must be considered (internal factors that affect the mode of entry are considered in the section 'Internal strategic analysis', below). The decision makers have to pay special attention to the following factors (Quer *et al.*, 2007):

- *The target country risk*: this includes the social, legal, economic and political traits of the target country and is usually used to identify potential sources of volatility and *downside risk* to avoid investments in high-risk situations (Di Gregorio, 2005).
- *The cultural distance* (or the way in which the way of life of the home country's inhabitants differs from that in the target country): this includes such aspects as the predominant values of society, customs, language, education and the dominant religion.
- *The target country's level of economic development*: this is important since adequate infrastructure and efficient communications, together with the development of the new information and communications technologies, are essential for simplifying and streamlining the strategy, especially in its initial implementation phase.
- *The presence of foreign investment*: this is important since it indicates that the public administration and organizations in the target country have experience of similar processes and do not need to design specific procedures and rules.

In spite of the complexity of an environmental analysis for a firm operating at an international scale, internationalized tourism firms are more aware of the importance of

such an analysis than those operating only in a national context (Olsen *et al.*, 1994).

The process of environmental scanning

Apart from the results of the environmental scanning, the very process of carrying it out also provides firms with intellectual stimulation and helps in the development of a proactive attitude (Costa *et al.*, 1997). Thus, the process should be seen as a succession of activities and phases, the development of which maximizes the profits for the firm. Some of the recommended phases (Costa and Teare, 1996) are: (i) specify the firm's information requirements; (ii) specify the relevant sources of information; (iii) select the participants in the process of analysis and allocate tasks; and (iv) develop a process of information storage, processing and distribution.

1. To develop a process that is as efficient as possible, and considering the limited rationality of individuals (Simon, 1947), the firm will have to specify the data that it needs about the target country (legislation, infrastructure, risk, political system) as well as about its customers, the competitors already operating in the country and those who may follow the same strategy as the firm.
2. Once its information requirements have been specified, the firm must decide where to obtain that information by assessing its reliability, its cost and the time it will take to obtain it. For example, in the case of country risk, the firm must consider which indicator to use since the large international banks have departments specializing in the analysis of that risk, and there are specialist agencies and consultancies such as Credit Risk International, Institutional Investor and Euromoney (Di Gregorio, 2005).
3. The next step is to identify the individuals or groups that will take part in the process. To facilitate the process, the participants should comprise those individuals more directly

related to the sources of information to be used or those with some experience of or link with the target country.
4. The effort made up to this point serves for nothing if the information is not interpreted and conclusions reached that aid the decision-making process. Therefore, the information must be stored, processed and delivered to whoever needs it so that it can be fully exploited both now and in the future.

Tools for conducting the external analysis

Some of the tools that may be useful in conducting the external analysis are:

* *Typology of environments by means of cognitive maps*: this is based on Duncan's (1972) typology of environments. The objective of this technique is to diagnose the environment according to the uncertainty perceived by individuals. To that end, the technique considers the perceptions of the complexity and dynamism, as components of uncertainty, of the most relevant variables. After they have been evaluated, they are represented on a graph whose axes will measure the perceptions of both dimensions (Oreja-Rodríguez and Yanes-Estévez, 2007).
* *Analysis of sector rivalry*: this perspective of the environmental scanning analysis focuses on the task environment and aims to test the negotiating power and influence of the five components that comprise it (according to Porter, 1982), namely: (i) suppliers; (ii) customers; (iii) current competitors; (iv) potential competitors; and (v) substitutive products (Olsen *et al.*, 1994).
* *Strategic groups or the analysis of the most direct competition*: this is to obtain information about the most direct competitors, the rivalry within each group and the differences between groups, as well as the possibility of identifying the barriers for each group and the opportunities

or unoccupied segments (Johnson and Scholes, 2001).

- *Scenarios*: the creation of scenarios is based on the assumption that, in an uncertain environment, it is best to identify the principal uncertainties and propose a set of possible future uncertainties. These hypothetical scenarios permit us to consider and test the viability of the internationalization strategy in different future scenarios.

Internal strategic analysis

Apart from identifying the opportunities and threats, the firm also needs to know its potential ability to face this new environment. It is equally important to conduct an internal analysis that enables us to consider not only the strengths that the firm must exploit but also the weaknesses and deficiencies that it must solve.

With regard to the internal environment, the firm must evaluate its available resources and capabilities according to the extent to which they meet the requirements to be a possible source of competitive advantage, such as being relevant, inimitable, rare and non-substitutable (Grant, 1996).

Some of the following techniques could be used for diagnosis of the internal environment.

'Audit' and evaluation of resources and capabilities

For the internal diagnosis, the tourism firm itself would have to evaluate the following groups of resources and capabilities (Barney, 1991; Grant, 1996):

- *Tangible resources*: include physical resources (land, facilities, machinery and stores in the destination country) and financial resources (liquid assets and debt capacity), which are the easiest to identify and evaluate.
- *Intangible resources*: comprise technological and human resources, reputation and organizational resources. Although the study and evaluation of these resources are more complex, they constitute the principal source of competitive advantage for a firm.
- *Organizational capabilities*: defined as the firm's ability to perform a specific activity, they are the result of the combined application of resources. Among these capabilities, we can highlight the innovation capability, organizational capability in a foreign country and, given the ever-increasing competition, the managers' capability to recognize international opportunities (Dimitratos and Jones, 2005).

Strategic profiles and benchmarking

Profiles add the possibility of benchmarking or making a comparison with some reference point, such as the firm's situation at a prior date, the sector leader or firms in the same strategic group or sector. For example, Grupo Melia bases its confidence in the future on its business model, which is based on: (i) its internationalization strategy; (ii) a fast strategic approach, which has enabled the company to combine strong growth and maximize margins in the most dynamic markets and maintain its short-term contingency plan, as well as improving average room revenue thanks to the increase in price; (iii) market confidence in the business model of Melia; (iv) products with high rankings; (v) a growing replacement of markets issuers in crisis by emerging markets; (vi) people management as a team with high motivation and commitment; and (vii) social responsibility and sustainability as key to the management of the company (adapted from Hosteltur, 2013).

Internal factors that influence the entry mode

One of the most important decisions in internationalization is the choice of entry mode

into the foreign country, and a number of internal factors that influence it should be considered (Pla and León, 2004):

- *Firm size*: this is one of the principal features that stand out among the internal characteristics of firms and has most influence on the internationalization strategy and the managers' perceptions (Johnson and Vanetti, 2005).
- *International experience*: although each country and process may have its own peculiarities, there is no doubt that previous experience of an international strategy means that the firm internalizes the past experiences that serve as references, and acquires knowledge about the necessary information, where to look for it and what sources to use, as well as about the stages to be developed.
- *Competences*: these become more difficult to imitate and contribute more to the achievement of a competitive advantage as their intangibility (due to orientation to service and organizational complexity) increase (Erramilli *et al.*, 2002).
- *Strategy and control*: the main points to consider are the importance attached to economies of scale, reservations systems, the trade name and investment in training.

INTERNATIONAL STRATEGIES IN TOURISM

The tourism industry is currently very sensitive to globalization, due to the existence of social and economic relations between countries. In this situation, organizations and tourism companies are forced to tackle the problems of internationalization within their strategic management processes (Torquemada and García, 2013). Some of the issues they must address in their strategic internationalization process are: (i) the strategic priorities pursued in the international development process; (ii) the decisions taken in different functional

areas (human resources, operations, marketing or information systems and technology); and (iii) the decisions taken at the corporate level related to the way in which the matrix or central office manages the business group.

Askenas *et al.* (1995, p. 273) consider that firms committing to globalization have to address a number of critical challenges. They have to:

- Establish a workable global structure.
- Hire global super-managers.
- Manage people for a global environment.
- Learn to love cultural differences.
- Avoid parochialism and market arrogance.
- Design a unifying mechanism and a global mindset.
- Overcome complexity.

Choice of the international entry mode

The mode of entry to a foreign market is defined by Root (1987) as 'an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country'. There are two principal ways for a firm to expand internationally: (i) the equity-based entry mode; and (ii) the non-equity-based entry mode. Within equity-based modes, the choice is between wholly owned operations or partially owned equity joint ventures. Within non-equity-based modes, the choice is principally between different contractual agreements. The choice of entry mode depends both on external factors (i.e. country-specific factors such as country risk, cultural differences) and on internal factors (i.e. risk exposure, control, profit return).

However, in the new business scenario and given the complexity, competitiveness and uncertainty that firms face when they become geographically dispersed, the last two decades have seen the strong emergence of two new modes based on collaboration

between firms, namely: (i) joint ventures; and (ii) strategic alliances such as the management contract and the franchise. Table 15.3 shows how entry modes are classified by ownership characteristics and Table 15.4 outlines the management control for the different modes of ownership.

The management contract

A management contract is a long-term agreement between the owners of the real estate and a firm that takes on the day-to-day management. For example, if a hotel chain wishes to enter foreign markets, this type of contract enables it to maintain a certain control over the management and quality of the establishment while it contributes the knowledge, experience, processes and standards of the chain, which enables it to maintain control over its brand and image. For the hotel chain, this entails less risk of leakage of tacit knowledge since, although the operational personnel are hired locally, the management posts are designated by the international chain. An example of this took place in 2009 when Marriott International (Bethesda, Maryland, USA) signed 21 management contracts for hotels and resorts in its Asia-Pacific region. The 21 hotels (which were scheduled to open

Table 15.3. Entry modes: classification by ownership characteristics (adapted from Sharma and Erramilli, 2004, p. 3).

Ownership by entrant	Mode
Full	Wholly owned subsidiary (acquisitions, mergers and wholly owned new ventures)
Partial	Joint ventures
None	Contractual modes (management contract and franchising)

Table 15.4. Dimensions of management control in equity and non-equity modes (adapted from Contractor and Kundu, 1998, p. 330).

	Mode			
Control	Fully owned	Partly owned	Management contract	Franchise
Daily management and quality control[a]	Strong control	Weak control	Weak control	Non-existent control
Physical assets[b]	Strong control	Weak control	Non-existent control	Non-existent control
Tacit expertise[c]	Strong control	Weak control	Weak control	Weak control
Codified strategic assets[d]	Strong control	Strong control	Strong control	Strong control

[a]Daily operational and quality control in each hotel property.
[b]Control over physical assets or over the real estate and its attendant risks.
[c]Control over tacit expertise embedded in routines of the firm.
[d]Control over codified assets, such as a global reservation system and the firm's internationally recognized brand name.

by the end of 2013) represented four of the company's lodging brands and added nearly 7000 rooms to the company's Asia-Pacific pipeline of 37 hotels and 9400 rooms under construction in that region. This expansion represented part of the company's global development of 110,000 rooms (Farrell, 2009).

The owner of the establishment does not take operational decisions but, in all important respects (including financial), retains ownership. In return for its services, the management firm, in this case the hotel chain, receives a sum stipulated in the contract that is often linked to revenue and performance. The owner receives the residual profits after expenses. In general, such an agreement implies maximizing the return on investment for both parties. For a hotel chain, the main advantage of this mode of entry is the possibility of international expansion with no great initial investment and access to new markets or products without great capital requirements. The management contract is one of the formulas most used by hotel chains in their national and international expansion (Fig. 15.2).

The franchise

The franchise is a long-term agreement under which the owner of a brand, for example a hotel chain (the franchiser), licenses another firm (the franchisee) to use its brand name
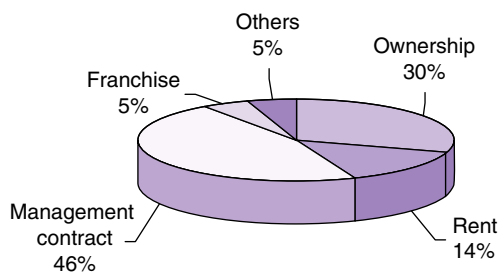
Fig. 15.2. Portfolio of Sol Meliá hotel chain indicating the proportion of the company that is owned, franchised, under management contract, rented or other (Sol Meliá, 2006).

or a certain form of management and practice in the provision of a service, under specific conditions or within determined limits. In exchange for that licence, the firm pays the hotel chain fees or a percentage.

In this case, control of the management and quality, as well as ownership of the assets, remains in the hands of the franchisee. A fundamental decision is the choice of the 'right partner in foreign nations' (Geringer and Hebert, 1991). One of the principal reasons why international chains might not opt for the franchise in its international expansion is the difficulty of transmitting know-how; professional skills and abilities; and the application of standards of quality and conduct common to all hotels in one brand, especially when there is a considerable cultural difference in the country of the franchisee. When the chain franchises, it loses control over those intangible resources.

In light of the above, franchise contracts have evolved to include customer expectations of the service. The franchiser has increased its control over product standards to favour its brand or image, which also benefits the franchisees, to whom the brand and image that they are paying for are also important. The advantage to the chain lies not only in the high fees that it charges, but also in controlling and achieving economies of scale on a global scale in 'logistics, supplies, architectural design, reservations, training and brand recognition' (Contractor and Kundu, 1998, p. 331). The advantages of this type of contract to the franchisee comprise: (i) the right to use a brand; (ii) access to supply or distribution channels through the franchiser; and (iii) the business consultancy service that it receives, which is especially important for firms with little experience in the market.

Organization networks

To be able to address today's competitive environment, strategic alliances in the form of international joint ventures have become a

widespread mode of entry into overseas markets. In general, the objective of an international joint venture is to combine the complementary resources of existing companies. Those resources may be financial, technical and human as well as intangible, such as know-how.

In principle, many of the activities that a firm's internationalization process entails could already be defined as network activities since the firm forms systems of relationships with foreign agents such as customers, suppliers, competitors and governments (Welch and Welch, 1996). As the firm internationalizes, the number and the strength of these relationships between different network agents increase.

Many firms outsource or subcontract those activities that do not constitute core competences, thus forming a broad network of relationships and cooperation agreements with other firms or individuals. These multiple cooperative links have introduced new, flexible organizational forms to respond to the increase in the internal, external and spatial complexity that the firm faces and that obliges it to reconsider:

- Activities that are to be subcontracted or outsourced and activities to be produced by part of the firm (because they are essential to the firm).
- The problem of differentiation and integration, to assign roles and responsibilities and design the necessary mechanisms to coordinate.
- The problem of control and trust.
- The problem of choosing a multi-domestic strategy because the joint venture constitutes low-cost strategy to enter foreign markets.

Globalization strategy and multi-domestic strategy

The challenge for all firms in their internationalization is to find the best balance between local adaptation and global optimization. In that respect, Daft (2004) identifies two types of strategy: (i) globalization; and (ii) multi-domestic.

The *globalization strategy* is one in which the firm works in a standardized fashion across all its locations, both in the design and in the production of the product and in the market strategy. The aim is to achieve economies of scale and efficiency by proposing a coordinated global operation in which standards, suppliers, technology and other aspects are shared. The structure that supports this type of strategy is a divisional structure by products, where the product/services divisions take responsibility for all the operations related to their product (planning, organization and control of production distribution), including those on an international scale. In that way, the divisional managers conveniently organize the international operations that concern their product. Thus, they focus on global objectives and the strategy provides them with a clearer view of competence and response to changes in the global environment.

This design is particularly indicated for firms with technologically similar products that can be standardized to be sold worldwide, which means cost efficiency (especially in production) and improved transfer of resources and competences, including technology and innovation, between geographical regions (Johnson and Scholes, 2001). However, it entails one great disadvantage in that it ignores the peculiarities and needs of each country or region; communication and coordination problems arise and the different product divisions of the same parent company may even end up competing with one another operating in one country.

The *multi-domestic strategy* seeks to compete in each country independently of the others, with the prime objective of adapting to and reflecting the idiosyncrasies of each market. A global geographical structure divides the world into regions, and a division with full control of the functional activities in its area is established in each of them. This formula is usually adopted by firms with lines of mature products with stable technology

who focus on offering custom-made products to meet better the specific needs that require a local and regional response.

The main disadvantage of this structure is related to the parent company seeking global control since it would require great planning and a good information system to coordinate the activities of the different independent geographical divisions with full autonomy in their regions, as well as the design of relations and processes that facilitate the flow of knowledge and resources between those units. Sharing a culture and some corporate values, the use of multicultural teams and recognition of the contributions of the different subsidiaries can often improve coordination and communication.

QUESTIONS

1. In your view, what are the advantages and disadvantages of the three approaches to the internationalization of the firm included in Table 15.1? Provide an example of a real or fictitious company.

2. Can you explain in what way three internal and external factors (see Table 15.2) may affect the strategic decisions of a company?

3. Search for information on the strategic process of internationalization carried out by a travel agency or a hotel chain, and describe it in terms of:
- o Type of entry carried out.
- o Multi-domestic or global strategy.
- o Internal and external aspects that may have been relevant to this process.

4. Review the contents of the chapter and write a portfolio stating the main aspects that a company should consider when developing a strategic process of internationalization.

5. Describe the profile of a manager who should lead the internationalization strategic process of a tourist company. Include related attributes about the manager's personality, training, experience and skills (i.e. cognitive, technical, emotional, social, and related behaviours and habits).

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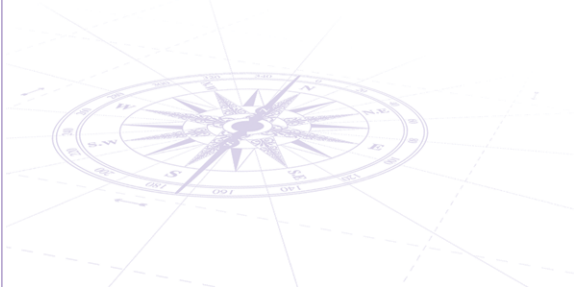
Crisis Management and Strategic Implications

Yawei Jiang, Noel Scott and Brent W. Ritchie

LEARNING OBJECTIVES

- To discuss the development of crisis management.
- To relate crisis management and strategic management.
- To provide areas for further research.

INTRODUCTION

Tourism is a key component of development in many countries but is also highly vulnerable to internal and external shocks as diverse as economic downturns, natural disasters, epidemic disease and international conflicts (Sönmez *et al.*, 1999). The global and interlinked nature of tourism means very few destinations are safe from internal and external threats. Internally, the tourism industry relies on interrelated and interdependent businesses such as restaurant, transport, accommodation and attraction companies (Pottorff and Neal, 1994). The interconnectedness of its sub-sectors (Laws and Prideaux, 2005) means

that negative impacts on one component can easily spread to other unaffected ones within the network. Tourists also can easily choose alternative safer destinations but leave the local tourism industry to suffer from the damage (Sönmez *et al.*, 1999).

From an external perspective, tourism products are embedded in cultural and natural systems that may experience frequent changes and can be easily destroyed. Even small-scale crises in one place can have negative impacts on tourism in other parts of the world (Ritchie, 2004). This can be understood as a 'ripple effect' (Heath, 1998), which means that a simple disaster or crisis may trigger a major tourism crisis due to tourism's interactive links. The spread of foot and mouth disease in the UK triggered a crisis in the farming industry that impacted on the tourism industry through this 'ripple effect' (Miller and Ritchie, 2003).

Natural disasters (e.g. forest fire, earthquake, floods) can destroy unique tourism resources such as rainforests, national parks and cultural heritage attractions. Fires in the state of Victoria, Australia, affected an area

equivalent to 5% of the land area, with 1100 tourism businesses seriously affected and an estimated AUS$20 million lost in the first month alone. A review found that the fire exposed a vulnerability and lack of preparedness for dealing with a hazard of this magnitude. On the other hand, it also demonstrated the resilience of real-world operators and their reliance on accumulated experience to manage their own recovery (Cioccio and Michael, 2007).

Many scholars have highlighted the importance of strategic planning and management in dealing with the tourism industry's vulnerability with regards to the destructive impacts of crises and diasters. It is widely accepted that a comprehensive crisis management approach is critical to reduce ripple effects (Santana, 2004) and can lead to more effective recovery (Henderson, 1999). This chapter examines the literature of crisis management in the context of tourism businesses and destinations from a strategic perspective. A review of the literature on tourism crisis and disaster management has moved from defining, describing and responding to crises, to integration of strategic management theories and concepts, and holistic systems approaches (Ritchie, 2009).

DEFINITION OF CRISIS AND CRISIS MANAGEMENT

According to Keown-McMullan (1997), a universally accepted definition of what constitutes a crisis has not yet been developed and is unlikely to emerge in the near future. Selbst (1978 in Faulkner, 2001, p.136) defines a crisis as 'any action or failure to act that interferes with an organization's ongoing functions, the acceptable attainment of its objectives, its viability or survival, or that has a detrimental personal effect as perceived by the majority of its employees, clients or constituents'. Thus the root of a crisis can be viewed as failures of organizations in coping with gradual or sudden changes (Faulkner, 2001).

Several other authors have defined a crisis using a variety of terms and concepts often used synonymously with examples including disaster, negative event, catastrophe, problem or turning point, risk, chaos, vulnerability, safety and security (Paraskevas and Altinay, 2013). Faulkner and Russell (2001) distinguished between crises and disasters based on the cause of the event – whether the cause is some internal organizational failure to act (a crisis) or an external event over which the organization has no control (a disaster). In this chapter, for simplicity's sake and because these concepts have similar strategic implications, they will be treated as the same concept.

As with the generic crisis management literature, Santana (2004, p. 307) concluded that 'the [tourism] literature provides no generally accepted definition of crisis' (e.g. Faulkner, 2001; Beirman, 2003; Ritchie, 2004; Henderson, 2007). The Pacific Asia Travel Association defines a tourism crisis as 'a disaster, whether natural or man-made, that has the potential to totally disrupt the tourism industry' (Pacific Asia Travel Association, 1991).

In Chinese the symbol for crisis is composed of two symbols meaning 'danger' and 'opportunity' (Scott *et al.*, 2008). Researchers have argued that both crises and disasters have transformational effects on organizations and can become a turning point for either a better or a worse situation (Faulkner, 2001; Santana, 2004). Effective crisis management may minimize negative impacts and leverage opportunity to achieve a completely new outlook. Crisis management is closely associated with the concept of sustainable development in terms of economics, social culture and environment (Ritchie, 2008), through reducing negative impacts and improving recovery for a local region.

THEORETICAL FOUNDATIONS

Within the tourism literature, a large number of different types of tourism crises have been

studied, with Hall (2010) providing a review. Early papers on tourism crises examined their effect on particular tourism destinations. Examples include the effect of crisis communication connected to an aeroplane crash in Singapore (Henderson, 2003a), management of crises and hotels (Barton, 1994; Wang and Ritchie, 2015), political instability in Thailand (Campiranon *et al.*, 2011), global pandemics (Dombey, 2003; McKercher and Chon, 2004), the Asian financial crisis (Prideaux, 1999, 2000), floods (Faulkner and Vikulov, 2001) and earthquakes (Huang and Min, 2002).

Another stream of literature has examined planning for and management of crises (Murphy and Bayley, 1989) although other authors may argue that there are limits to planning for unknown and unexpected events (Prideaux *et al.*, 2003). This latter criticism has led to papers examining the possibility of developing indicators (de Sausmarez, 2007) or signals of potential crises (Paraskevas and Altinay, 2013). Scenario planning has been examined for its usefulness in preparing for crises (Yeoman *et al.*, 2005; Orchiston, 2012). Within the planning literature a number of topics have been examined such as planning and resilience (Lew, 2014), crisis management for small to medium size enterprises (Vargo and Seville, 2011) and integrating tourism into emergency management structures (Becken and Hughey, 2013).

A variety of different concepts and theoretical approaches has been applied in the study of crisis and crisis management. One influential paper explored a case study of floods in Katherine Gorge, Australia, to examine how a disaster may lead to a positive change in a destination's tourism (Faulkner and Vikulov, 2001). The crisis process and outcomes of this case study are related to complexity and chaos theory (Faulkner and Russell, 2001). Another case study examined organizational networks in Christchurch, New Zealand, before and after a major earthquake applied network theory to examine destination resilience (Becken *et al.*, 2015). However, research on tourism crises are mainly descriptive case studies and a strategic view of crisis and crisis management is largely missing from the literature. Most tourism crisis management studies continue to concentrate on reactive response and recovery, with only a limited number highlighting a proactive strategic planning approach (Ritchie, 2004, 2009). Therefore, this chapter will now turn to a strategic approach to crisis management for tourism, and argues for a more strategic approach to understanding and researching crises.

A number of management models have appeared to provide direction and guidelines for effective management. Huang *et al.* (2008) group 11 crisis management models into four main approaches: (i) life cycle approach (Fink, 1986; Roberts, 1994; Faulkner, 2001); (ii) strategic crisis management approach (Preble, 1997); (iii) action-orientation crisis management approach (Mitroff and Pearson, 1993); and (iv) integrated approach (Ritchie, 2004). Models of a tourism crisis tend to be based on identification of a number of stages within a crisis process (Faulkner, 2001; Evans and Elphick, 2005). There is considerable debate or discussion on the number of these stages.

In discussing organizational crisis management Coombs (1999) developed a three-stage model, which includes *pre-crisis*, *crisis event and post crisis*. Although it is easy to understand, and random events can be placed in this model, this lacks the detail necessary for fully understanding the life cycle of crises and the response of individuals and organizations (Ritchie, 2009). Gonzalez-Herrero and Pratt (1998) developed a four-stage model by separating the *pre-crisis* stage into *issues management* and *prevention and planning*. In the hazards field, Smith (1995) used a four-phase model: *pre-disaster planning*, *preparedness*, *response* and *recovery and reconstruction*. Later, Faulkner (2001) developed a six-stage model (*pre-event*, *prodromal*, *emergency*, *immediate*, *long-term recovery and resolution*) in the first tourism-specific disaster management framework. This combines the Fink (1986)

four-stage model and the Roberts (1994) five-stage model.

Faulkner's (2001) model has been applied in multiple studies from 2001 to 2008. Faulkner and Vikulov (2001) first refined the tourism disaster management framework by adding details that are particularly relevant to flooding. In 2003, Henderson (2003a, b) applied the model to a terrorist attack (the Bali bombing) and an industry crisis (the Singapore Airline plane crash). It was acknowledged that, for a terrorism attack, the attempts to pre-identify threats were almost impossible and management commenced from the emergency stage and progressed quickly to the intermediate phase, followed by long-term recovery. Similarly, because an airline crash can quickly unfold and precipitate an immediate crisis with no time for avoidance, Henderson (2003b) compressed the first three steps (pre-event, prodromal, emergency) from Faulkner's framework into a single event phase. Miller and Ritchie (2003) applied the framework to the outbreak of foot and mouth disease in the UK, and noted a general agreement with the stages model at a national level. However, at a regional or local level, some areas were unaffected although they were impacted by national level policy and tourist perceptions.

These cases suggest that every crisis/disaster is unique and must be studied within its specific context and industry sector (Henderson, 2003b; Miller and Ritchie, 2003). Some authors have developed models based on specific types of crises or disasters. For example, Stafford *et al*. (2002) put forward a response and recovery model for a terrorist crisis, although Paraskevas and Arendell (2007) argued that such frameworks provide little help in prevention and mitigation of terrorist attacks for tourism authorities and outlined a specific anti-terrorism strategy framework. This model highlighted the importance of destination stakeholders in the planning and implementation of the anti-terrorism strategy and the pivotal role of the Destination Marketing Organization (DMO) in coordinating the efforts.

Ritchie (2004) has sought to examine strategic approaches to tourism crisis management following trends within the business management literature (Preble, 1997; Burnett, 1998). This framework is an expansion of the tourism disaster management framework by Faulkner (2001) and includes proactive pre-crisis planning through strategic implementation, evaluation and feedback. However, all current models have tended to be broad and prescriptive at a destination management level (instead of at a lower firm level), reducing their ability to relate directly to some industry sectors and specific types of crises or disasters (Ritchie, 2009). As types of incidents, scales and magnitude will impact upon strategy development and implementation, specific strategies will have to be developed to deal with an evolving crisis or disaster as it progresses through its lifecycle (Ritchie, 2004).

ADVOCATING FOR A STRATEGIC APPROACH

A crisis can happen to any type of organization (large or small, public or private) with little warning. The complex and unpredictable nature of crisis has resulted in devastating impacts on tourism businesses and destinations. For tourism organizations, it is no longer enough to consider 'if' a system will fail but rather to estimate 'when' that failure will occur, 'which type', 'how it will develop', 'where' in the system, and 'who' and 'how' it will affect (Kash and Darling, 1998; Santana, 2004). Therefore, scholars have indicated there is a need for managers to move from the current dominant reactive paradigm to a proactive, holistic approach to dealing with unexpected changes (Smallman, 1997; Pforr and Hosie, 2008; Ritchie, 2008). The strategic management approach can be used to help achieve this goal (Ritchie, 2004).

The development of strategy and of strategic planning and management in organizations has grown since the 1960s as organizations attempt to take a more longer-term view and consider the impact of the external operating environment (Ritchie, 2009). Early on, strategy was defined as 'determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals' (Chandler, 1962, p. 13). Strategy in this definition is considered as a series of deliberate actions to help achieve the pre-established long-term goals within the organization management system. Later, an adaptive definition was provided by Hofer (1973, p. 53), suggesting that strategy is 'concerned with the development of a viable match between the opportunities and risks present in the external environment and the organization's capabilities and resources for exploiting those opportunities'. This adaptive definition takes into consideration the unexpected changing external environment of an organization (both industry/micro and wider macro environment), and indicates that well-established strategies can help an organization to deal with risks and exploit opportunities. Mintzberg's (1987) five elements of strategy (plan, ploy, pattern of behaviour, position and perspective) illustrate that strategy can be both planned – through a deliberate 'plan', or emergent – through developing consistent 'patterns of behaviour' leading to success. These strategies can exist in relation to the organization itself, its competitors or its customers. A more comprehensive definition was given by Johnson and Scholes (1993) who integrate several key elements in understanding strategy as 'the direction and scope of an organisation over the long term: ideally, which matches its resources to its changing environment, and in particular, its markets, customers or clients to meet stakeholder expectations'.

A lack of strategic planning can lead to strategic drift when an organization fails to monitor and keep pace with its changing external environment (Ritchie, 2009). Strategy requires thinking medium to long term and can be developed at a general strategic, tactical or at an operational level connected through specific measurable goals, objectives or targets (Ritchie, 2009). Elliot (2006) suggested there are strong parallels between strategic and crisis management, and there are several reasons why strategic management should be better integrated with tourism crisis and disaster management: (i) there is a need for organizations and destinations to move away from responding or 'managing' crisis or disaster incidents towards identification and reduction (Ritchie, 2008, 2009). Strategic management and planning can encourage destination managers to establish a series of proactive actions based on a medium- to long-term view. As crises and disasters are unpredictable and hard to control, effective planning is needed to identify and manage the potential risk in advance; (ii) as the nature of crises and disasters is chaotic and complex (McKercher, 1999), individuals may have limited capability compared with a collaborative system (Waugh and Streib, 2006). Therefore, strategic management can provide a more holistic and integrated approach towards crisis and disaster management in tourism systems for both enterprises and destinations ranging from site, local, regional, national, transnational and international levels (Ritchie, 2009); and (iii) strategic planning and management may reduce the likelihood of linked events, 'escalation' (Heath, 1995) or the 'ripple effect' (Heath, 1998).

Although past studies rarely integrated strategic management concepts in tourism crisis management, many have noted strategic planning or strategic response as a key to success. For example, Faulkner (2001) and Ritchie (2008) suggested the importance of the cohesion between the tourism sector and other areas of strategic planning (e.g. tourism marketing, regional economic planning). Pforr and Hosie (2008) highlighted that proactive crisis

management – as a strategic key to recovery – should form an integral part of contemporary tourism business. Decision-making processes following a crisis event tend to be simplified and fast, thus may involve less in-depth analyses and the consideration of fewer strategic alternatives (Bonn and Rundle-Thiele, 2007). A strategic approach could help organizations develop more rapid crisis response strategies (Tsai and Chen, 2011). Most national tourist organizations do not include crisis management in their strategic planning (Henderson, 1999) and many tourism operators have little capacity to engage in strategic planning for disasters due to their day-to-day focus (Orchiston, 2013). Clearly, a coherent strategic response is needed in dealing with crises (Leslie and Black, 2005), and strategic reflection on tourism products is important for both private and public sectors after a crisis (Sheldon and Dwyer, 2010).

SIMILARITIES BETWEEN STRATEGIC MANAGEMENT AND CRISIS MANAGEMENT

Strategic management has developed as a discipline quite separate from crisis management, and yet the two have much in common (Preble, 1997). Wang and Ritchie (2010) have argued that crisis management should be integrated into the strategic management process because of their several similarities: (i) a focus on the external environment; (ii) numerous stakeholders; (iii) the need for top management involvement; (iv) concern for the entire organization; and (v) both consistent and emergent processes (Smith, 1992; Preble, 1997; Pollard and Hotho, 2006). In both fields of crisis management and strategic management the primary concern is about the long-term survival and well-being of the organization (Preble, 1997). Vargo and Seville (2011) indicated that both: (i) deal with the future; (ii) deal with vulnerability

and threats; and (iii) involve creating a plan and organizational structures and resources to carry out the plan.

Strategic planning and management involves 'formulating, implementing and evaluating cross-functional decisions that enable an organisation to achieve its objective' (David, 1995). Strategic planning and management is usually concerned with four main elements: (i) strategic analysis; (ii) strategic direction and choice; (iii) strategy implementation and control; and (iv) strategic evaluation and feedback (Richardson and Richardson, 1992; Johnson and Scholes, 1993; Viljoen, 1994). Other similarities are found between the life cycle of a crisis and the strategic management framework (Ritchie, 2004), as shown in Table 16.1.

Despite these similarities, Burnett (1998) indicated there are considerable challenges in the integration of crisis management and strategic planning: (i) time pressure: crises may have to be dealt with immediately, while strategic planning normally would occur in time frames of months or even years; (ii) control: strategic planning normally assumes a reasonable level of control over organizational processes and relationships, while a crisis may significantly inhibit such control; (iii) threat magnitude and severity: in a crisis, the magnitude and severity of the threats can overwhelm management to such an extent that it prevents the formulation and implementation of strategy; and (iv) response options: strategic planning tends to maintain a range of options; the reality in a crisis may be that only one or a few options may be left to the organization to choose from. These four inhibitors need to be factored in during the response and recovery phases of a crisis and in the prior reduction and readiness phases. Burnett (1998) suggested seven types of opportunities that may arise in a crisis: (i) heroes are born; (ii) changes are accelerated; (iii) latent problems are faced; (iv) people can be changed; (v) new strategies evolve; (vi) early warning systems are developed; and (vii) new competitive edges may appear. Through incorporating

Table 16.1. Strategic management and life cycle of crisis.

Life cycle of crisis	Stage of process	Key tasks
Pre-event stage allowing the development of strategy and plans	*Strategic analysis*	Examining the macro- or micro-operating environment
A stage immediately before or after a crisis or disaster occurs which requires the implementation of strategies to deal with its impacts	*Strategic direction and choice*	Developing and selecting strategic directions and specific generic strategies to achieve organizational goals
Continued implementation of strategies to control or reduce the severity of the crisis/disaster	*Strategy implementation and control*	Developing suitable organizational structures, human and financial resource strategies Providing leadership to control and allow for the implementation of specific strategies
A long-term recovery or resolution phase allowing for evaluation and feedback into future prevention and planning strategies for destinations and businesses	*Strategic evaluation and feedback*	Continuous improvement is an important part of strategic planning and management Organizations learn how to improve the effectiveness of strategies through evaluation, monitoring and adaptive management

crisis management into an organization's strategic planning processes and vice versa, strategies can be developed to take advantage of these 'silver lining' opportunities in the midst of crises, and are consistent with the view that strategy can be emergent (Mintzberg, 1987).

INTEGRATING STRATEGIC MANAGEMENT IN TOURISM CRISIS RESEARCH

A number of strategic planning techniques have been identified by researchers and practitioners to help in proactive planning and strategy development for the prevention or reduction of crises and disasters through sensing potential problems (Gonzalez-Herrero and Pratt, 1998; Ritchie, 2004). Authors such as Darling (1994) suggested that developing processes to deal with future crises as they arise is more efficient than continually scanning for all potential impacts. Problem recognition through environmental scanning and collecting data on the political, economic, social and technological environment can provide information on possible trends and their likely impacts on the organization. Other tools identified by Kash and Darling (1998) include strategic forecasting, contingency planning, issues analysis and scenario analysis.

The rationale for forecasting is based on the assumption that past relationships will carry on into the future and that a standard

trend analysis can be used to manage future events (Prideaux *et al.*, 2003). Orchiston (2012) used an 'isoseismal modelling methodology' to describe a range of specific vulnerabilities in the tourism sector and highlighted the tourism-related physical outcomes that are likely to result from a future M8 earthquake in Alpine Fault. This scenario-planning technique helps to incorporate sustainable tourism strategies in dealing with natural disasters and crises. For example, in the case of Scotland, the National Tourism Organization (VisitScotland) used a scenario-planning process to untangle the complexity of the forthcoming war in Iraq and to help understand its possible impacts on tourism. VisitScotland constructed four scenarios that were given the names: (i) How the West was Won; (ii) Global Northern Ireland; (iii) New Dawn; and (iv) Into the Valley of Death. These scenarios helped the organization to develop policies and actions to deal with contingencies in each scenario. (Yeoman *et al.*, 2005).

For natural disasters, proactive planning could also consider risk analysis and hazard mapping, such as the history of natural disasters in the area and likelihood of reoccurrence, and integrated emergency planning. The latter could include pre-planning of advance warning systems, creation of a disaster management command centre and prepared coordination between emergency services and tourism authorities (Ritchie, 2004). Catastrophe risk assessment modelling (Tsai and Chen, 2010) is mainly used to assess the probability of the occurrence of catastrophic incidents for the tourism industry in a region, as well as potential losses. Two different risk assessment modules were outlined: (i) rapid assessment – a hazard map (Islam and Sado, 2000) to help small tourism operators quickly gain an understanding of the disaster-forming characteristic and then put in place disaster response measures (Tsai and Chen, 2011); and (ii) detailed assessment, which is more suitable for high-value tourism facilities, important recreation areas and international hotels (Tsai

and Chen, 2010). Turbulence analysis (Ismail *et al.*, 2011) examines how industry trends and turbulences can be examined to identify the potential for failure of firms from either internal and external factors. Factors for failure could be human resources, production, organizational, technological, macroeconomic, etc. Similar analytical tools such as STEEP (social, technological, economic, environmental and political) are effective in auditing an organization's environmental influences to guide strategic decision making properly, with the assumption that if the organization is able to audit its current environment and assess potential changes then it will be better placed than its competitors to respond to these events. Paraskevas and Altinay (2013) created a crisis signal detection process to build a 'first line of defence' with five main elements: existence of crisis signals, scanning for crisis signals, signal detectors, signal capture and signal transmission.

Apart from strategic planning, many concepts and theories related to strategic management have not yet been applied actively in the area of tourism crisis and crisis management. One example is the concept of learning organizations and structured participatory dialogue drawing on 'single' and 'double-loop' learning (Richardson, 1994). The concepts of organizational learning training (Blackman and Ritchie, 2008) and knowledge management (Paraskevas *et al.*, 2013) have been applied to the study of tourism crises but with a considerable lag in time. Henderson (2003a) is one of the few tourism crisis management researchers to note explicitly the importance of organizational learning, including in the final stage of airline crisis management, directly after the resolution phase. Blackman and Ritchie (2008) also argued the important role of organizational learning in enhancing the potential effectiveness of crisis management strategies, especially at the resolution phase of tourism crises for DMOs. Ghaderi *et al.* (2014) provided more detailed benefits of integrating organizational learning: it will

most likely put organizations in a better position in detecting crisis signals, developing action plans for preventing and handling a crisis situation, effectively learning from a crisis situation and applying new learning to improve future practice in crisis management.

Organizational learning is mostly discussed during the resolution phase. Blackman and Ritchie (2008) indicated that organizations need to take time to evaluate and gain feedback on the effectiveness of their strategies and responses. This means a thorough review and evaluation of all resources. Single- and double-loop learning are fundamental parts of this process and should engage internal as well as external stakeholders. Frameworks by Faulkner (2001) and Ritchie (2004) highlight the loops throughout the system as strategies are modified over time based on evaluation and learning. In the resolution stage, double-loop learning and single-loop learning can help generate a feedback loop back to proactive planning and prevention (Ritchie, 2004). Another model of crisis management developed by Smith (1990) (further developed by Smith and Sipika, 1993) and adopted by Evans and Elphick (2005) includes organization learning in their crisis management model. A feedback loop represents the resolution of the crisis and allows for lessons to be learned (double-loop learning) before organizations are able to return to the pre-crisis stage (Pforr and Hosie, 2008). An application of this model to a UK tour operator provided an illustration of its potential utility (Evans and Elphick, 2005).

While organizational learning is used explicitly within the model of some authors (Faulkner, 2001; Henderson, 2003a; Ritchie, 2004), it is clear that a broader knowledge management process could assist tourism organizations to develop better crisis and disaster plans and responses, in a way that would be beneficial to the organization and their tourism stakeholders. Blackman *et al*. (2011) noted the importance of crisis knowledge management and argued that strategies need to be implemented by DMOs to generate, capture, store and retrieve relevant knowledge. Paraskevas *et al*. (2013) identified the types of crisis knowledge that tourism organizations employ in the advent of a crisis and explored the crisis knowledge management processes and flows within these organizations. In the broader literature on human resources, Wang (2008) incorporated learning concepts from knowledge acquisition, knowledge diffusion, knowledge utilization, organizational learning and organizational memory, and developed an integrated model of organizational learning for crisis management. Ghaderi *et al*. (2014) adopted Wang's (2008) model to examine crisis management in Malaysia's tourism industry. In more recent studies, Orchiston and Higham (2016) investigated the responses of tourism agencies to earthquakes by discussing knowledge management in crisis communication.

CONCLUSIONS AND FUTURE RESEARCH

This chapter has provided definitions of crisis and crisis management, discussed the vulnerability of tourism to unexpected crises and outlined negative impacts of different types of crises/disasters on the tourism industry. However, crises may also have transformational effects and can become turning points for businesses with effective management. Thus this chapter suggests that a strategic and integrated approach to crisis and disaster management can help limit the potential negative impacts, an area of little attention in tourism crisis/disaster research. This chapter provides definitions of strategic planning and management from a broader literature and its importance for tourism crisis. We have outlined the elements of a strategic planning and management approach and discussed the life cycle of crisis, including strategic analysis, direction and choice, implementation

and control, and evaluation and feedback. Several similarities between strategic and crisis management were then discussed, including the challenges of integration. Current crisis models tend to be broad and prescriptive at a destination management level and lack integration of strategic planning and management concepts and elements. Current strategic approaches in tourism crisis management focus on forecasting techniques, and strategic management – organizational learning and knowledge management.

Future research should explore more strategic approaches using theories and concepts from the field of strategic management. Such research can inform a more comprehensive understanding of effective tourism crisis and disaster management. Many potential research avenues are available, but two potential research topics are specifically outlined below.

Organizational resilience (OR)

The resilience concept emerged from the ecological sciences and has attracted increasing attention among tourism researchers as a framework for understanding society's ability to cope with crises, systemic shocks and change (Farrell and Twining-Ward, 2004). Resilience as a concept can be explored to help develop a sustainable strategic plan (Stoltz, 2004). The concepts of organizational resilience (Orchiston *et al.*, 2016) and strategic flexibility (Dwyer *et al.*, 2014) have also been applied in the crisis literature. Currently, the study of resilience is associated with established activities such as crisis management, business continuity planning or strategic management, but it allows for new perspectives of 'adaptive capacity and planning' (Stephenson, 2010). Scarpino and Gretzel (2015) proposed an integrated framework combining an organizational resilience model and the tourism crisis and disaster management framework (Ritchie, 2004). This highlights areas where

an organizational resilience strategy could be used to expand or complement current tourism crisis management strategy. Further research on tourism crisis management could integrate the concepts of organizational resilience to gain a better understanding of adaptive and flexible management strategies before and during a time of crisis.

Dynamic capabilities (DC)

Dynamic capabilities are defined as 'the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments' (Teece, 2007). Similar to the concept of resilience, dynamic capabilities emphasize the flexible management of organizations. Research could explore how dynamic capabilities could help improve the effectiveness of disaster management for the tourism industry. For example, different levels of dynamic capabilities can be applied according to the type of environmental dynamism (Castiaux, 2012). A higher level of dynamic capabilities is needed for disasters and crises as they exemplify extreme environmental turbulence. Two key elements discussed within the dynamic capabilities concept are: (i) the development of dynamic capabilities by firms (determinant factors); and (ii) the components of dynamic capabilities. A mix of learning behaviours (organizational learning) and knowledge management are important for the development of dynamic capabilities (Nieves and Haller, 2014). Three components of dynamic capabilities: (i) sensing; (ii) seizing; and (iii) managing threats/transforming (Teece, 2007) may be linked to the concepts of '4Rs' in disaster management – reduction and readiness (sensing and seizing), response and recovery (transforming).

Clearly a strategic approach in managing tourism crises and disasters is an important area of further study and these three avenues for research are suggested as ways to move forward.

QUESTIONS

1. Construct a hazard map for a recent crisis you have read about. Could it have been predicted?

2. What do you think a tourism destination management organization could learn from analysis of a past crisis?

3. Can you find an example of a crisis where there was evidence of a clear and effective communication strategy?

RESOURCES

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Stakeholder Engagement in Tourism

Scott McCabe

LEARNING OBJECTIVES

- To understand the significance of stakeholder engagement to strategic management in tourism.
- To become familiar with theories of stakeholder engagement and management.
- To apply stakeholder engagement approaches to tourism contexts.

INTRODUCTION

Tourism can best be thought of as an amalgamation of diverse actors working independently towards a common goal, to provide valued experiences for visitors. Of course there are some critical facets to this conceptualization. The extent to which a large number of actors are involved in the delivery of tourism experiences depends on the type of tourism. Cruise tourism, for example, or all-inclusive packaged tours, may involve fewer actors than more conventional forms of travel, and the diversity of actors is wholly dependent on the degree of integration of the industry in a particular region or destination context. It is also possible to question the commonness of the goals, since these may depend on a wide range of factors including the segments of tourists served, the extent of contact between visitors and the service providers, and others. For example, a public sector transport service provider might be expected to have different goals from hoteliers. A final thought in this conceptualization is the nature of and orientation to valued experiences. Yet all of these diverse aspects epitomize the complex characteristics of tourism as a service and the nature of stakeholder involvement. That tourism is such a fragmented sector, encompassing such a diverse range of actors, necessitates a strategic approach to stakeholders for all parts of the industry. This includes: understanding the array of stakeholders touching on the business; assessing and developing strategies to manage stakeholders; and developing an approach to stakeholder engagement that can leverage competitive advantage for the firm.

Among the huge challenges facing modern businesses of any sector, but in particular tourism due to its profound vulnerability to external forces that could affect profitability, is the highly competitive nature of the market. Globalization and the Internet have been two major forces that have opened up the tourism market such that there is an increasing number of providers in the system, greater competition in terms of the numbers of destinations/operators and consumers have access to an enormous range of information and choice. These factors have amplified competitive forces, placing an increasing emphasis on the value that is created and delivered. Service providers are more interested in what customers value from their tourism experiences, marketers are interested in understanding value determinants in experiences and this has led to a growing emphasis on value creation activities which recognize that tourists perceive their experiences in a holistic and seamless way. There is growing recognition that, to gain competitive advantage in the current information-rich and crowded marketplace, firms need to collaborate with customers and other stakeholders to enhance value through co-created experiences (Prebensen *et al*., 2013; Sfandla and Bjork, 2013). Therefore there is a greater incentive – indeed, a greater imperative – for individual actors in the tourism network to cooperate and collaborate in a variety of ways to provide distinctive opportunities for value creation.

However, one effect of the increasing competitiveness in the international tourism market is the strain this places on the resources and capabilities of firms. Stakeholder engagement may be viewed in this context as peripheral to the strategic aims of the organization. Thus at a time when more efforts need to be put into incorporating stakeholders in a wide array of an organization's activities, there are often intense pressures to curtail this to focus on core activities. This leads us to the aims and objectives of this chapter, which are to argue for considering stakeholder engagement as a critical and core activity of strategic management that will ultimately lead to competitive advantage. The chapter begins by defining stakeholders and outlining stakeholder theory. It then goes on to discuss the literature on stakeholder engagement in tourism. The following section outlines approaches and strategies to stakeholder management and the final section presents some strategies for stakeholder engagement in tourism.

DEFINING AND THEORIZING STAKEHOLDERS

What is a stakeholder? Freeman (1984) is generally considered to be the earliest organizational theorist to recognize the fundamental role that diverse actors, who are not directly employed or connected to a business, play in contributing to its success. Freeman defines a stakeholder as 'any group or individual who can affect or is affected by the achievement of the organization's objectives' (Freeman, 1984, p. 46). Going beyond conventional and widely held beliefs about the spheres of influence of a firm, as well as the ethical responsibilities of businesses, Freeman argued that firms can only achieve sustainable competitive advantage by recognizing the legitimate interests of individuals and groups who may be affected by a firm's activities. Subsequently, stakeholder theory has been applied more broadly in recognition that many issues, problems, projects and organizations, not solely for-profit enterprises, have a range of stakeholders. In this view, a stakeholder can be any actor with an interest in a common problem or issue. Stakeholders can include all individuals, groups or organizations that are directly influenced by the actions other individuals or groups take. There are two defining characteristics of stakeholders; they have a 'stake' (interest or benefit) in the outcome of a project or in the performance of the firm, and can affect the outcome of a project or the performance of an organization (Freeman, 1984).

Underpinning Freeman's theory of the stakeholder approach to the firm is an understanding that the firm's essential role is to create value for different interest groups. Each of these groups affects the success of the firm. So, for example, we might consider that a stakeholder group with a high degree of interest in a firm are shareholders, whose concerns regarding the activities of the firm are derived from their financial stake in the firm's performance. Contrasting shareholders with customers, we realize that the value derived is entirely different and is connected to the delivery of goods and/or services, which are needed or desired. Therefore the firm needs to understand the various interests of stakeholders and manage relationships between them all, so that it can understand the sources of value for each party, and thus manage the outcomes to create profits.

In tourism, we can critically evaluate this view because we are not just dealing with firms, but with networks of public and private sector organizations (including communities), where the sources of value are not simply concerned with profit or customer value. There is the issue of planning and sustainability in tourism destinations: for example, the quality of the natural and built environment, the quality of life of residents and a range of wider socio-economic factors that interplay in the stakeholder context of tourism. Yet Freeman's ideas provide us with the basic foundation from which to explore stakeholder engagement and management.

SOCIAL EXCHANGE THEORY

A further theoretical consideration relates to the nature of relationships between people (and organizations). Social exchange theory provides a useful framework to understand the motivations and behaviours of stakeholders in social matters. This theory is grounded in the idea that social relationships are formed through a process of cost-benefit analysis and an evaluation of alternatives. The theory is based in concepts derived from economics, psychology and sociology. Ideas about social exchange and relationships can also be traced to Levi-Strauss's anthropological writings on structuralism of kinship relations (1963). The theory was developed by Homans (1961) who defined social exchange as any form of exchange, which is more or less rewarding or costly, between at least two people. All exchange relations involve costs for individuals, and so in deciding what and how much of a thing they are prepared to exchange, people will weigh up the potential costs and benefits of entering into the exchange process.

There are two central concepts to social exchange theory: self-interest and interdependence. People act in their own interests, but in many situations different people share interests such that outcomes can be based on complementary arrangements. A further complication is that there are often differences in power between parties in an exchange process. Sometimes power mediates exchange relationships; and, at other times, power is separate from exchange. This is important because some parties to social exchange relationships have more power to influence others and/or outcomes of the process. A final consideration is the idea of reciprocity, particularly in dyadic relationships. This means that one actor provides something of value into the process and the other reciprocates. While this brief overview of some of the key components of social exchange theory is necessarily simplistic, it highlights some of the underlying principles affecting the ways in which stakeholders, their relationships and the outcomes of engagement can be understood.

This is particularly important in a tourism context because mutually beneficial partnerships are essential for the successful planning of tourism within communities (Murphy, 1985) and to achieve a more sustainable tourism development outcome. Yet many authors have recognized that collaboration in general and in tourism planning and development in particular is complicated due

to the existence of multiple and diverse stakeholders that often hold very different views on the issues (Gray, 1989; Inskeep, 1991). Similarly, the challenges in developing sustainable tourism have been identified as a lack of awareness, difficulties in coordination and problems of bureaucracy, feelings of disempowerment, fragile common ground between interest groups, an inability to establish clear goals and an unwillingness to change behaviours (Waligo *et al.*, 2013). These challenges are stakeholder-related and linked to the organization and mobilization of resources needed for stakeholder engagement. It is essential, therefore, to understand the fundamental principles that underpin social relations as these provide a context to theory and practice in stakeholder engagement.

STAKEHOLDER THEORY

Donaldson and Preston (1995) argued that the extant literature on stakeholders and organizations at the time used the concepts of stakeholder, stakeholder theory and stakeholder management arbitrarily, uncritically and based on contradictory evidence and arguments. Their goal was to clarify and unpack the stakeholder concept and to justify its essential content. They found that stakeholder theory could be approached in four different ways, but which were mutually reinforcing and supportive:

Stakeholder theory can be said to be descriptive, since it aims to present a model of the corporation 'as a constellation of cooperative and competitive interests possessing intrinsic value' (Donaldson and Preston, 1995, p. 66). Thus stakeholder theory seeks to describe a type of firm that can be observed and tested through empirical research.

The second approach to stakeholder theory is that it is instrumental. This means that the theory provides a framework for exploring the relationships between the practice of stakeholder management and an improved economic performance of the firm (i.e. that

firms that engage in stakeholder management effectively are more competitive than those that do not).

The third basis for stakeholder theory is that it is normative. This refers to the fact that stakeholders can be identified by their interest in the firm, and that these interests have intrinsic value (i.e. they should be considered for their own sake, rather than because of their ability to further the interests of another group, such as shareholders).

Finally, the stakeholder theory is managerialist, in that it not only describes situations or predicts cause-effect relationships between variables, but also it provides a set of recommended practices and structures that constitute stakeholder management.

The stakeholder perspective is contrasted to the conventional input-output model of the firm. Here Donaldson and Preston argue that the main inputs into a firm are shareholders, suppliers and employees. The organization operates as a 'black box' into which inputs are transformed into outputs, goods and/or services, which are then passed onto the other main stakeholder, customers. Donaldson and Preston identify that, under normal competitive conditions, the main benefits accrue to customers and other stakeholders receive only marginal benefits. The stakeholder model argues that 'all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and there is no prima facie priority of one set of interests and benefits over another' (Donaldson and Preston, 1995, p. 68). Therefore, there is a much wider range of stakeholders compared with the input-output view of the firm and the stakeholder relationships are of equal weight and importance. Where relationships are bidirectional, the stakeholder model recognizes that value accrues to each stakeholder *and* to the firm.

Although many commentators have questioned the status of the stakeholder perspective as a discrete theory, Donaldson and Preston argue that it is not an empty concept that has little to say beyond that firms

have stakeholders. Regardless of whether the stakeholder perspective has true conceptual properties, there are clear and justifiable reasons why firms and organizations can and should engage with the notions of stakeholder theory. Inevitably the interests of some stakeholders may be greater or dominate the relationships and decisions/actions of the firm, and the value gained by each stakeholder will vary according to a range of factors. As a greater focus on corporate governance and social responsibility becomes embedded in organizational practices at the international level, however, so the stakeholder perspective has gained traction for its underlying moral principles.

STAKEHOLDER RESEARCH IN TOURISM

The tourism industry has always understood the importance of collaboration and cooperation between stakeholders to be able to deliver holistic experiences to tourists. The literature on stakeholder collaboration has focused on the issues around tourism planning (Jamal and Getz, 1995; Bramwell and Sharman, 1999; Arnaboldi and Spiller, 2011). Hall (1999) mapped the key developments in tourism planning and governance and argued that, in the recent history of tourism planning (at least in the Western perspective), the main trend has been to reduce the role of the state and to put responsibility for tourism development onto collaborative partnerships of stakeholders. The growing literature in tourism on stakeholder engagement has emphasized that successful tourism planning and development is dependent on an ability of planners and developers to ensure that all people and organizations affected by a development are fully engaged in the decision-making process (Hall, 1999; Stokes, 2006). The importance of collaboration between stakeholders is also necessary due to the composite nature of tourism destinations.

Tourists visit destinations, but these are necessarily made up of a wide diversity of different types of businesses and not-for-profit organizations across the public, private and voluntary sectors. All these need to work together to present a coherent offer to tourists and to be able to compete in an increasingly crowded and professionally organized destination sector (March and Wilkinson, 2009).

The literature on stakeholder involvement in tourism can be broadly categorized into two distinct approaches: (i) the public policy perspective, which has focused on the stakeholder roles in tourism planning and development (e.g. Jamal and Getz, 1995; Bramwell and Lane, 2000); and (ii) the marketing perspective, which has broadly focused on collaboration in marketing alliances (Palmer and Bejou, 1995; Fyall and Garrod, 2005). Two common sets of ideas connect these approaches: (i) that there is a need to involve a wide range of stakeholders if sustainable tourism development is to be successful (Sautter and Leisen, 1999); and (ii) that the role of the public sector is critical in playing a coordinating or facilitating role in bringing stakeholders together on a specific issue (Jamal and Stronza, 2009).

Bramwell and Sharman (1999) identify three important benefits of collaboration in tourism: (i) a reduction in the costs associated with adversarial activities or conflict resolution; (ii) a greater political legitimacy in policy and planning decisions; and (iii) more efficient and effective organizational outcomes as a result of added value brought through the collaboration. The value that collaboration brings to organizations comes from a shared understanding and an ability to create a common purpose or shared vision. This does not necessarily mean that collaborating organizations must have the same goals, but that they agree on the value derived from working together to plan, manage or market tourism destinations; this is known as the exchange perspective (Jamal and Getz, 1995). Alternatively, organizations form groups to gain or improve control over scarce resources in the environment;

this is known as the resource dependency perspective (Bramwell and Sharman, 1999).

Much of the literature on tourism collaboration has highlighted the barriers and challenges to successful partnership building, across both the policy and marketing alliances perspectives (Bramwell and Sharman, 1999; Yuksel and Yuksel, 2005; Wong *et al.*, 2011). Wong *et al.* (2011) found that barriers to collaboration among Association of Southeast Asian Nations (ASEAN) partners included:

- A desire to maintain control among the individual participants, coupled with changing priorities.
- A lack of coordination among government departments which created barriers to inter-agency coordination.
- A lack of collaborative mindset in some areas despite a general sense of trust and goodwill among the network partners.
- The dialectic between cooperation and competition among members.
- A lack of private sector involvement.

Other studies have assessed the contributory factors leading to successful collaboration, partnership or network activity (e.g. Bornhorst *et al.*, 2010). Selin and Myers (1998) found a number of factors that contributed to the effective working of tourism marketing alliances, and member satisfaction:

- Adequate representation of interests.
- A shared vision.
- Goal accomplishment.
- Good working relationships.
- Open communication between members.

A further strand of research has focused on collaboration in small business networks, which have been shown to be effective in developing innovations (Novelli *et al.*, 2006). In the context of destinations, collaboration has been effective in process innovations (D'Angelo and Go, 2009), although there have been recent calls for more collaboration in product innovation in destinations (Hjalager, 2010). Further research has shown how strategy can be developed among networks of organizations in specific contexts such as events tourism (Stokes, 2006). Research on stakeholder collaboration in tourism is at an early stage, however, and more detailed knowledge is needed on how networks form and how effective partnerships can be created to help drive forward innovation in destinations and other tourism contexts (Scott *et al.*, 2008). The 'network' perspective is becoming more influential in the discourse on collaboration. Networks are complex adaptive systems of interactions between individuals and organizations (Scott *et al.*, 2008).

A final area of research within the marketing perspective has emerged in relation to the co-creation of value (Prahalad and Ramaswamy, 2004). This paradigm-shifting conceptualization of marketing takes the position that the source of value creation is no longer the firm, since the firm can only offer inputs to value creation, which are then transformed and given meaning by customers. Therefore it is only through the interaction of firms and customers that value is co-created. Studies have explored the application of service dominant logic and the potential for co-creation in the hotel sector (Shaw *et al.*, 2011); the role of company support in customer satisfaction in facilitative co-creation in travel agencies (Grisseman and Stokburger-Sauer, 2012); the use of IT in value co-creation through the use of an open voucher system to encourage low-season tourism in Sardinia (Cabiddu *et al.*, 2013); the scope for co-creation in community-based tourism planning (Hamilton and Alexander, 2013); and exploring the capacity of a tourism destination organization's capacity to integrate customer co-creation (Tussysdiah and Zach, 2013).

Of course, tourist's experiences not only compromise the interactions they have with tourism industry representatives and organizations. It can be argued that the main co-creative actions, which realize value for tourists, lie in the interactions that take place between tourists and a wide array of actors such as local residents (hosts) and other tourists (guests) in what Binkhorst and Den Dekker term the

tourist experience network (2009). This makes a stakeholder approach even more important in enhancing the possibilities for greater success in value creation. The value co-creation concept has two distinct qualities: (i) value co-production, whereby firms seek to incorporate consumers' skills, resources into the development of value innovation; (ii) value-in-use, whereby tourists produce and consume experiences simultaneously, together with inputs from service providers, other tourists and actors (Minkiewicz *et al.*, 2013). In terms of the former, where specific resources of customers (and suppliers and other stakeholders) are sought as a means to co-produce value innovation, much of the research focuses on the types of strategies and outputs of firms, rather than on the processes of engaging with relevant stakeholders as an intrinsic mechanism to achieve it. And where specific resources of customers (and suppliers and other stakeholders) are sought as a means to co-produce value in-

novation, much of the research focuses on the types of strategies and outputs of firms, rather than on the processes of engaging with relevant stakeholders as an intrinsic mechanism to achieve it. The following sections now turn to discussion of practices of stakeholder engagement in tourism.

STRATEGIES FOR STAKEHOLDER ENGAGEMENT

Taking a strategic approach to stakeholder engagement first of all requires a commitment from the management team to consider its activities in the context of the wider society and to embrace opportunities to harness the potential for meaningful input into current and future activities (Fig. 17.1). Once top management decisions have been taken to allocate resources for meaningful stakeholder
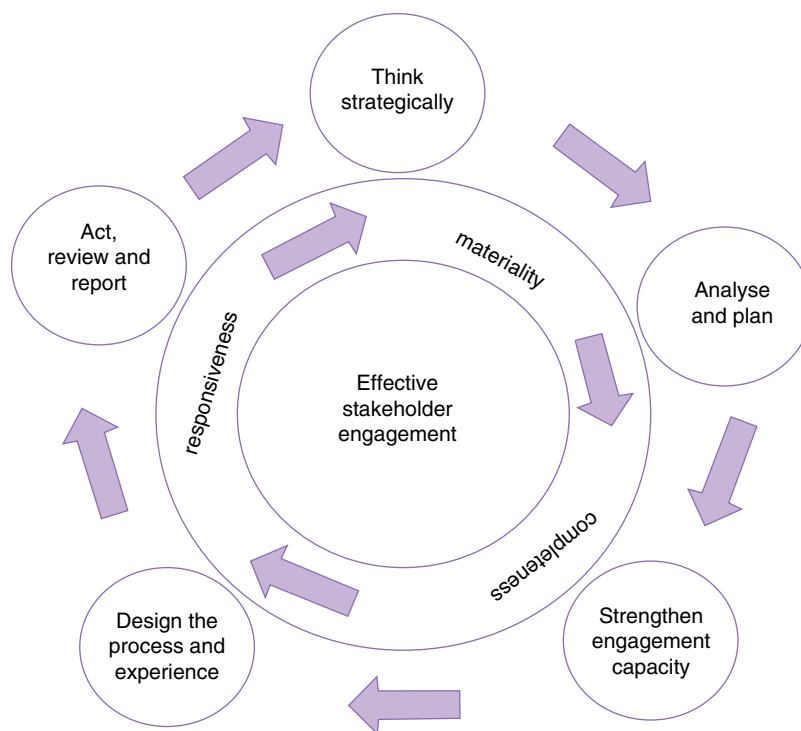
Fig. 17.1. Processes for effective stakeholder engagement (adapted from Krick *et al.,* 2005)

different relationships (or none at all) with various internal and external players. It is important to remember that networks operate at the individual, not the organizational level. However, the downside to this is that in long-term initiatives people and their roles are subject to change, and it is critical that continuity is maintained.

Critical questions to ask concerning the stakeholders you have identified:

- What type of interest do they have in the outcome of your work (e.g. financial, emotional, other)? Is it positive or negative?
- What motivates them to be involved in the project/organization?
- What information do they want/need from you?
- How do they want to receive information from you? What is the best way of communicating your message to them?

- What is their current opinion of your project/organization? Is it based on accurate information?
- Who influences their opinions, and who influences their opinion of you? Do some of these influencers need to be considered as stakeholders in their own right?
- If they are not likely to be positive, what will win them around to support your project?
- If you do not think you will be able to win their support, how will you manage their opposition?
- Who else might be influenced by their opinions? Do we need to consider these people as stakeholders in their own right?

Analysing

Stakeholder analysis is a process that defines aspects of a social and/or natural phenomenon
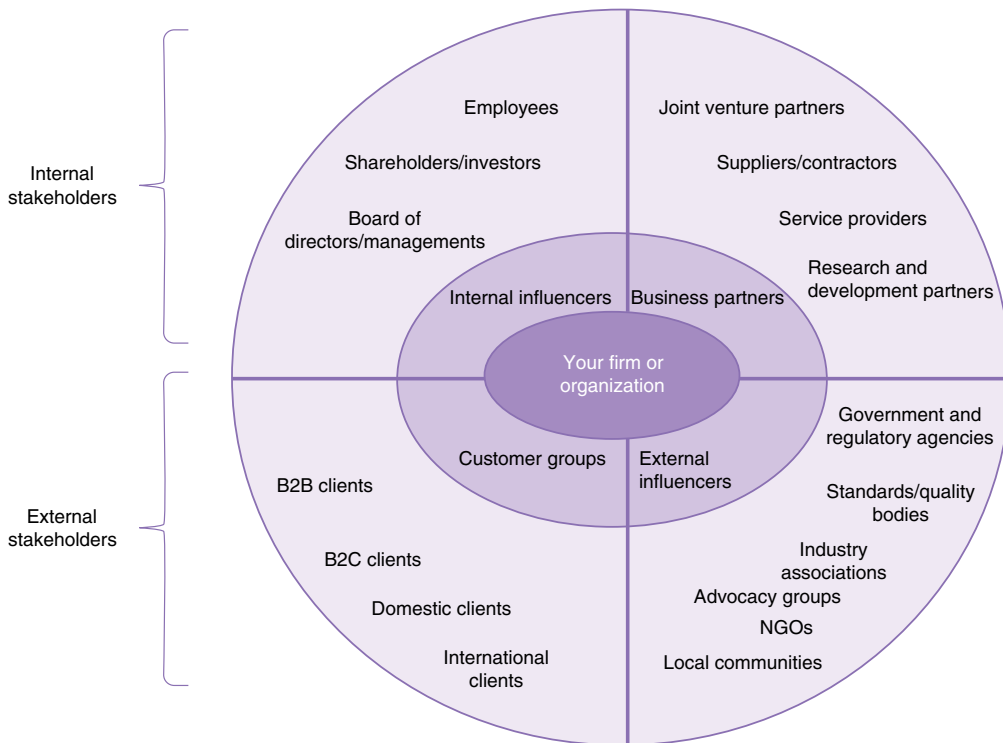
Fig. 17.2. Typical stakeholder groups for tourism organizations.

affected by a decision or action. Through this process, individuals, groups and organizations that are affected by or can affect decisions or actions are identified and evaluated so that we can prioritize individuals and groups for involvement in the decision-making process. The management team will need to prioritize stakeholders in terms of how critical they are in helping deliver the outcomes of the project. This will help to identify a range of communication and engagement activities with the people most likely to affect the success of the project.

Using the stakeholder analysis and management tool (Fig. 17.3) will enable teams to identify specific people and their level of involvement in the issue, considering such items as their likely attitudes/interests; their level of power (high, medium or low); and whether they are in favour of the issue or against it. The team can then consider what changes may be required in how to engage with each

type to minimize any risks and/or to increase their appreciation of, and commitment to, the project.

Managing

The model classifies different individuals and groups according to their level of interest and power in the issue. The management team can then decide how to manage communications with each set of individuals and groups and to make decisions on how to manage engagement.

The 'watch' quadrant contains stakeholders with low interest and low levels of power to influence the issue. These stakeholders cannot be ignored, but the level of resource required to integrate them into the engagement process is too great initially. For this group, therefore, more general communications such as newsletters and an updated website can be sufficient. However, at specific stages of the decision making, or a point in
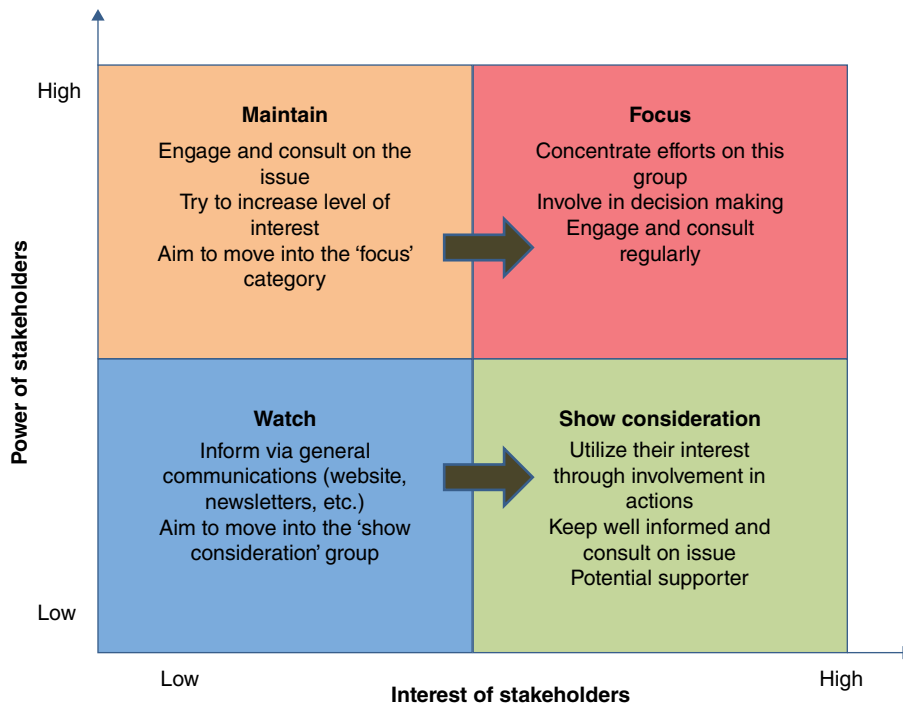
Fig. 17.3. Stakeholder analysis and management tool (adapted from Eden and Ackermann, 1998).

time of a specific project, it may be possible to increase the level of communication and involvement of this group of stakeholders to move them into the 'show consideration' quadrant. Those stakeholders already in the 'show consideration' category, with a high level of interest in the project but low level of power, should be targeted with a greater range of communications, and their interest should be harnessed through measures to involve them with consultation measures. The stakeholders in this group have the potential to be fully supportive.

We may categorize those stakeholders with higher degrees of power and influence in the outcomes of an action according to their level of interest. Those with low levels of interest but high levels of power are placed in the 'maintain' category. These stakeholders need careful management to engage and consult on the issue so their level of interest can be increased and they can move into the 'focus' quadrant. This last category should be the centre of the efforts of the management team. We should engage fully with this group, and consult them regularly, since they are highly interested and wield influence within the communities of interest they serve. This group are encouraged to take an active role in the decision-making process.

A final issue to consider is that once stakeholders have been identified and analysed, the engagement activities need to be identified and resourced. This requires setting goals and identification of costs, allocation of resources and responsibilities for each communication task. It is essential to factor in some form of evaluation and control measure, which should be undertaken regularly throughout the life of the project. It is most beneficial when a stakeholder analysis is regularly updated to identify whether there are potential new stakeholders, changes in current stakeholder importance or influence or if perceptions of the project have changed.

As mentioned previously, the stakeholder management process requires time and costs, yet there are a range of advantages that accrue to the organization. The activity leads us to get to know and understand our stakeholders better, particularly in terms of their interests. Once bridges between stakeholders have been built, we can manage relationships more effectively; and, because the process involves a strategic dimension, it is possible to place individual projects and decisions within the wider context of the organization and its place in the community. Risks can be identified and strategies put in place to mitigate against negative outcomes. By mapping the relative power and importance of different individuals and organizations to the effectiveness of a project, it is possible to make more informed decisions and more effective use of the communications and management resources. However, the most important outcome is that stakeholders have the possibility of deriving greater value from the organizations in a more equitable way; and, at the least, there should be a greater acceptance of the decisions and actions of the organization among its stakeholder groups.

Naturally, there are also some potential disadvantages associated with a stakeholder approach. The analysis may be open to subjectivity and bias, which might have negative impacts or skew the consultation and engagement process. The engagement process is best done continuously, but there are not always the available resources to do so, which may lead to gaps or inconsistencies arising. Perhaps not all stakeholder interests can be met at the same time and so choices have to be made which might disadvantage some stakeholders or sets of interests. The main implication arising is that the organization should focus on the most important stakeholder groups, although this can lead to an imbalance and a need to reconcile all interests according to urgency.

Although stakeholder management implies a different mindset to the concept of engagement, there are management processes that aid in the organization and delivery of engagement actions, and it is this style of approach that is advocated in this chapter.

The final section provides a long case study on stakeholder engagement in a destination marketing context.

CONCLUSIONS

Stakeholders are an important consideration for all types of firms and organizations in tourism. From a range of perspectives, it is generally acknowledged that the recognition of the interests of stakeholders should be taken into account in the planning and organization of tourism projects, development and services. Stakeholder involvement is necessary in a much broader range of contexts beyond sustainable tourism planning and community-based projects, including the co-production of tourism services and in innovation in tourism marketing and product development. Stakeholder involvement must also go beyond simplistic forms of stakeholder management to incorporate more effective and meaningful forms of engagement, in which the resources and inputs of all relevant stakeholders are sought at appropriate points. It is in this way that participants in the network of actors associated with an issue or project can contribute to the achievement of successful outcomes. The full value of tourism can then be realized by all stakeholders equitably and responsibly.

Case Study: Scenario-based Design in Stakeholder Engagement

(An edited extract from McCabe et al., 2012.)

Scenario-based design (SBD) (Carroll, 1995) is a method for envisaging and developing new technology-based systems for work or leisure. It is a method that usually brings together computer systems developers, topic experts and potential users to envision and design future human-technology systems, which are then developed through an iterative cycle of implementation and user testing. SBD starts with the writing of short narrative descriptions of how people might interact with technology in the future. The value of a user scenario is that it acts as a bridge between designers and stakeholders in the project, providing an informative 'day in the life' of a typical user of some future technology, while indicating to systems developers the social and contextual factors that need to be considered in developing the new technology. The scenario then becomes a 'design object' that can be extended or revised as the technology is developed. The authors of this research used scenario development as a means to highlight the opportunities for new forms of visitor experience presented by mobile digital and context-aware computing.

The aim of the project was to generate interest and involvement of a broad range of stakeholders from the tourism sector in Nottingham (a city in the UK) in envisaging how personal technologies could be integrated into their products and services, as well as to create new opportunities for city visiting. Such technologies are not part of current business models, so the research team had to try and stimulate interest from diverse stakeholders and to include a 'learning' element to develop their understanding of the potentials of the technology. The Experian Robin Hood Nottingham Marathon (Brasher Leisure, 2017) was chosen as a scenario, since events of this type are becoming popular, and are becoming increasingly instrumented: runners wear computer chips and GPS tracking devices that can collect race data and create an online visualization of the progress of a race. A sketch storyboard was used as the basis for a photo shoot around Nottingham and the images were edited.

(Continued)

Case Study. **Continued.**

Seven interviews were also conducted with key stakeholders who were identified as having interest in technology-enhanced visiting. The final phase of the data collection culminated in an interactive 'sandpit' workshop with broader tourism stakeholders drawn mainly from the city, to explore multidisciplinary problems and uncover innovative solutions. At the start of the event, participants were split into four groups of around six people ensuring a complementary mix of backgrounds and interests. Groups were also assigned two research facilitators to help support discussions.

The sandpit involved two key sessions:

1. *Oases* – each group progressed around four 'islands', each of which featured a showcase for new creative forms of visiting experience. Two of the four prepared examples were drawn from ongoing research and involved short presentations about digital monuments and geospatially augmented visiting experiences. The third Oasis centred on the marathon storyboard outlined previously. The final Oasis provided stimulus materials in the form of tag clouds, drawn from the initial project interviews, the media and local tourism information. This gave stakeholders the opportunity to ask questions about the visitor experience and investigate the digital technologies on display, as well as getting to know their fellow group members. The process was designed to encourage participants to share their different perspectives. In a follow-up plenary, each group was asked to report on their collective group response to the Oases in relation to what they had considered innovative about the different displays, and what aspects they considered relevant or significant to their own sector as a tourism provider.

2. *Garrisons* – participants were reallocated into different groups and invited to brainstorm separately on novel aspects for future digitally enhanced urban visiting. Each member was asked to jot down a few words on sticky notes to capture their ideas, which were shared and discussed within the group, and clustered around agreed themes. Each group was facilitated by a person with technical expertise and a researcher from a tourism background with knowledge of the sector. Following a group vote, participants had to turn the most popular idea from the group into a scenario based upon a brief of a day visitor's experience to the city. The groups were given 1 hour for the Garrison activity. Each team then presented its final product idea to the rest of the group. The Chair of the plenary invited comments on the desirability, value and feasibility of each scenario.

The value of using a scenario-based process to engage diverse tourism stakeholders was focused on its usefulness as a bridge between different stakeholders; its potentiality in helping to overcome perceived barriers to collaboration; and as a research and development tool that connected the public and private sector stakeholders and the knowledge-based academic community.

SBD was useful in that it acted as a bridge between the designers (academics working in the cross-disciplinary digital economy research hub) and tourism stakeholders in the city. Further, it provided a pivotal connection between the stakeholders in a novel way that went beyond the customary concerns of policy and business practice. Scenarios enabled them to think beyond current issues in operational contexts, to think about the broader destination-level issues and to focus on the perspective of the visitor. They enabled stakeholders to learn more about the value of collaboration for developing digital applications that encompass the whole visitor experience as opposed to applications

(Continued)

Case Study. Continued.

relevant for their own business function. The resulting scenarios projected applications and functions that would be appropriate for a multitude of businesses, while also combining 'guiding' applications from a user-oriented perspective.

Collaboration in digital technology requires people to think beyond current tourism practices, such as sharing marketing resources, towards sharing data, knowledge and infrastructure. This proved problematic for participants. The data generated from the interviews and the workshop event revealed challenges and barriers to collaboration including: lack of congruence between strategic priorities and objectives of different stakeholders (especially between the public and private sectors); lack of trust in terms of sharing customer data and other internal information among stakeholders; possible legal barriers in terms of data protection concerning sharing customer information; and differences in policies imposed centrally by organizations or government on the use of data and access to technology.

The value of the SBD process was that it required participants to contribute to the development of a strategic 'vision' rather than to detailed technological proposals. Furthermore, a shared vision of the future visitor experience is relatively easy to communicate to others, overcoming concerns relating to the level of knowledge of decision makers at the strategic level. However, the authors recognized that while it might be relatively easy to forge collaboration for 'blue-skies' thinking, the practical application might well be more prolonged and difficult to deliver in terms of committed collaborators. The SBD approach was instrumental in extending the networks of tourism stakeholders beyond the existing framework of interactions with the tourism department of the business school to include researchers and designers in education and learning, human–computer interactions and the humanities. SBD enables a user-oriented approach, where users include both suppliers and customers of the urban tourism product.

QUESTIONS

1. What are the main reasons for engaging stakeholders in tourism? Working in groups of 3–5, identify and list the main benefits of engaging with stakeholders and the motivations of companies for using stakeholder engagement strategies. Then list some of the reasons why companies would not wish to engage with stakeholders. Brainstorm some contexts when stakeholder engagement might lead to negative consequences for organizations.

2. Use the stakeholder mapping and analysis tools on an issue, project or organization of your choice. Identify the range of stakeholders and evaluate their position and power in relation to the project/issue/organization.

3. 'Sustainable tourism is unattainable'. Critically evaluate this statement, drawing on stakeholder theory and practice in tourism.

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Authenticity in Tourism

Yvette Reisinger

LEARNING OBJECTIVES

- To define the meaning and origins of authenticity.
- To understand the reasons tourists search for authenticity.
- To identify factors determining authenticity in tourism.
- To understand approaches and conceptualizations of authenticity.
- To identify main types of authenticity and their meanings in tourism.
- To understand the critique of authenticity and the challenges it presents to tourism professionals.
- To suggest strategies for achieving and communicating authenticity.
- To understand the implications for managing authenticity in tourism.

INTRODUCTION

This chapter discusses the concept of authenticity that can be produced or pursued through tourism activities. This chapter examines how authenticity is conceptualized and understood by tourism scholars and highlights how the tourism industry can create opportunities for tourists to experience authenticity.

THE MEANING OF AUTHENTICITY

The term authenticity has been used in different ways and with varying meanings (Leigh *et al.*, 2006). According to Taylor (2001), 'There are at least as many definitions of authenticity as there are those who write about it' (p.8). The term 'authentic' stems from the Greek word *authentiko*s and means real, genuine, original, something that has an undisputed origin, is not a copy, is reliable, accurate, true, and authoritative. In marketing, the concept reflects a product's quality, reputation and trust (Van den Bosch *et al.*, 2005) and has local reference (Dimara and Skuras, 2003). The term authenticity is more complicated to explain when discussing authenticity as a set of characteristics attributed to human beings. In psychology, the term refers to sincerity and honesty (Crosby *et al.*, 1990). In philosophy, it implies authentic being; that is, being oneself, at one with oneself, or truly representing one's self. The concept

is linked to morality, ethics, identity and responsibility.

Authenticity is a popular topic in philosophical, social and political debates; authenticity also impacts tourism. Since we live in an age where authenticity matters (Pearce, 2007), understanding the concept also involves investigating its importance in tourism and the way it presents challenges and opportunities to tourism professionals.

ORIGINS OF AUTHENTICITY

From a marketing perspective, the concept of authenticity developed as the natural progression of an economic offering that was largely agrarian (natural commodities) to one that was industrial (standardized goods), then service-related (customized services) and later included the experience economy (personal experiences) (Gilmore and Pine, 2007). During this process consumers developed a need to engage in pleasurable and memorable experiences that involved them in a personal way and created emotions and sensations. As the experience economy matured, unique and personally meaningful experiences were co-created by a firm and a consumer (Prahalad and Ramaswamy, 2004). Later these experiences focused on personal growth and self-actualization, and on eudemonic experiences that meaningfully transformed human beings (Boswijk *et al.*, 2013) and changed their perspective on the world and on themselves (European Centre for Experience Economy, 2014). Authenticity became an essential element in the construction of the experiences.

REASONS TOURISTS SEARCH FOR AUTHENTICITY

Tourists increasingly make purchase decisions based on how authentic or inauthentic they perceive various offerings to be. However, the opportunity to experience the authenticity of tourism offers has been significantly reduced in the homogenized global world. The postmodern world is essentially inauthentic: it is characterized by unprecedented innovation, an increasing reliance on computer automation and simulation, and virtual experiences (e.g. virtual tours, virtual diving experiences) that are perceived as fake, unreal, and not genuine (Goulding, 2000). The postmodern world creates a feeling of alienation and a sense of loss within the world of mass culture. Now, more than ever, authenticity is what consumers really want (Gilmore and Pine, 2007). Today's consumers seek meaningful insights into life and the industry's offers. They seek a sense of worth beyond material possessions (Gilmore and Pine, 2007). Modern tourists seek something that is real and unique and only found in a particular place and in the local community (Boyle, 2004). Tourists find comfort in experiencing something that has the image of being 'clean' or 'pure', either culturally, naturally or spiritually, and allows them to achieve fulfilment and gain a better understanding the world. Although tourists vary in the degree of sought authenticity (Cohen, 1988; Coltman, 1989) authentic offers give meanings and increase the real value of tourists' lives. The authentic nature of the tourism product represents the primary source of a destination's competitive advantage.

FACTORS DETERMINING AUTHENTICITY IN TOURISM

In tourism, authenticity is determined by tourists and their beliefs, expectations, preferences, stereotyped images and consciousness (Bruner, 1991). Tourists are the ones who ascribe authenticity to the reality they experience, depending on how well offerings conform to tourists' self-image and identity – the mental picture they have of themselves, their perceptions of who they are and

who they want to be, and how they perceive the world. Authenticity is also determined by locals and the degree to which they are willing to display and share their traditional practices with tourists and to preserve what is rare and original in their community. However, the perception, consumption and appreciation of authenticity are not the same for each tourist or local because each person has different possibilities, projects her or himself differently, has a different identity, sense of self and experiences (Heidegger, 1996). The meanings of these experiences derive from a person's worldview (Steiner and Reisinger, 2006). Since businesses do not experience and do not perceive authenticity in the same way as tourists and locals, businesses do not decide about authenticity. Rather, businesses can create opportunities to inspire their customers by the authenticity of their offerings. Other factors that determine authenticity are discussed later in this chapter.

APPROACHES AND CONCEPTUALIZATIONS OF AUTHENTICITY

There are four major approaches that can be used to explain the concept of authenticity and its different conceptualizations. *Objectivism* is based on the belief that there are objective criteria that can be used to assess the authenticity of objects. One can determine authenticity by applying reason and knowledge and eliminating subjective personal feelings and interests. *Constructivism* explains that authenticity is socially constructed (Hughes, 1995) and depends on personal and social viewpoints and the perspectives of those who construct it. Thus, authenticity is a subjective judgement or opinion of value placed on the object. *A post-modernism* claims that authenticity has been destroyed by the advanced technology, which makes the

inauthentic look authentic. The post-modern world is characterized by imitation and reproduction and 'hyper-reality' (Baudrillard, 1981) that reflects the image of something that does not exist in reality, but is a copy, a 'simulacrum' (simulation). Reality and meaning are replaced with symbols, and human experience is a simulation of reality. *Existentialism* claims that the focus of authenticity is on human nature and existence. Authenticity is a human attribute focusing on being one's true self or being true to one's essential nature (Steiner and Reisinger, 2006). It is 'a special state of Being', in which one is being attuned to one's own experiences, one's own identity, and being true to oneself rather than interpreting the world through institutionalized concepts (Steiner and Reisinger, 2006).

MAIN TYPES OF AUTHENTICITY AND THEIR MEANINGS IN TOURISM

There are several types of authenticity in tourism that can be distinguished based on the approaches identified above.

Object-related authenticity

Object-related or objective authenticity in tourism relates to something that is inherently authentic, or made according to original customs or traditions (Wang, 1999). Reisinger and Steiner (2006) define object authenticity in tourism as the 'non contentious genuineness of an observable thing such as an artifact, fossil, dress, or ritual' (p.69), or '…how people see themselves in relation to the object' (p.74). Object authenticity can be objectively verified by testing it according to objective measuring standards, such as preservation guidelines for historic structures, or whether objects are made or performed by locals according to their traditions (Boorstin, 1961; MacCannell, 1973).

Constructive authenticity

Constructive authenticity is the result of socially constructed and interpreted, not objectively measured, quality of tour objects, sites or events. Tour objects and sites are authentic not because they are inherently authentic but because their genuineness is constructed by beliefs, expectations and images of tourists (Bruner, 1991; Schwandt, 1994). Constructive authenticity can be the reflection of tourists' dreams and desires (Bruner, 1991). The most typical example of it is the city of Las Vegas, which was created from fantasy and imagination. Constructive authenticity of toured objects is a *symbolic authenticity* because tourists search for symbols of authenticity, not original objects. By buying souvenirs (e.g. boomerangs in Australia, silk scarfs in China) tourists experience the symbolic objects as authentic even though these objects are inauthentic (Wang, 1999). Although commoditization and imitation change the value and meanings of objects (Cohen, 1988), the symbolic reproductions and replications are popular among tourists. The media influences constructive authenticity. By using specific words (e.g. romantic Paris, old England, original cuisine), they distort the image of the objects. In the absence of objective standards with which to judge authenticity, tourists do not mind experiencing the constructed authenticity (Beeck, 2003) as long as they are entertained and their needs are met. Many cannot distinguish between what is authentic and inauthentic (Kelleher, 2004).

Staged authenticity

MacCannell (1973) developed a theory of staged authenticity in tourism. According to his theory, tourists can visit either 'front' stage places (with resorts, theme parks) that are developed specifically for tourists and where they can meet locals who perform services for them, or 'back' stage places where tourists can see how locals really live and act. Although tourists may enjoy experiencing the 'front'

stage places, they believe the 'back' stage places are authentic and worth seeing. While 'front' stage places can be made to look like 'back' stage places and convince tourists they are authentic, 'back' stage places can also be made to look like 'front' stage places (MacCannell, 1973). In the 'back' stage places locals can modify what is authentic (Boorstin, 1961; MacCannell, 1973), construct fake spaces and recreate objects to reflect traditional customs and values (e.g. stage performances, events, everyday life). Often, it is difficult to separate front from back because these stages have transformed one into the other over time (Goffman, 1959). 'It is always possible that what is taken to be entry into a back may be really entry onto a front region that has been totally set up in advance for touristic visitation' (MacCannell, 1973, p. 597). 'There is always a danger in creating a false back region when making it more inauthentic than a false front, which "produces inauthentic demystification of life" that is "not merely a lie but a superlie"' (MacCannell, 1973, p. 599).

MacCannell (1973) argues that mass tourism creates a demand for staged fake experiences. Commoditization of tourism products does not allow for experiencing authenticity. MacCannell (1973) distinguishes between *authenticity as knowledge* (when tourists search for authenticity of originals) and *authenticity as feelings* (when tourists search for a feeling of having authentic experience).

Pseudo-events and authenticity

MacCannell (1999) claims that it is increasingly hard for tourists to find pure authentic experiences because of the commercialization of destinations, product commodification, disintegration of local cultures and the loss of meaning. According to Boorstin (1961), authenticity does not exist and tourists always experience imitations, simulations and fabrications. The modern global world is filled with fake authenticity and 'pseudo-events' that represent the moments staged for the

purpose of photo taking (Boorstin, 1961). Tourists are passive individuals who only look at touristic places through 'a picture window' (Boorstin, 1961, pp. 77–117). However, pseudo-events allow tourists to change place and time and escape their daily existence. Since pseudo-events can be made dramatic and repeated regularly, they attract tourists (Boorstin, 1961). MacCannell (1973) believes that pseudo-events are important for locals to present themselves to others and redefine their localities.

Non-places and authenticity

Non-places are the places and objects that have no cultural or historical ties or any identity. They are the symbols of modern globalization. They include modern airports, shopping centres, road restaurants, and international hotel and restaurant chains. They are homogenized, standardized and look the same. They are designed and built for the same purpose: to serve people from any culture so that anyone can recognize them and feel comfortable in them. These places are linked to commercial trade and consumption. While tourists can have only little impact on them, the non-places have no impact on tourists. They do not have value, do not create emotions, and have no meaning. Tourists do not have any memories of them other than their encounters with local providers. The non-places exist in stark contrast to the authentic places that are linked to heritage and culture and specific beliefs, have their own identities, are connected with the earth and have meaning (Tourism Theories, 2012).

Existential authenticity

Existential authenticity is concerned with human experiences and activities (Kolar and Zabkar, 2010; Wang, 1999). Existential authenticity in tourism derives from the response that a particular tourism activity generates in the tourist (Wang, 1999). Tourism allows tourists to achieve 'an existential state

of Being activated by tourism' (Wang, 1999, p.359), which is an ideal state, or a way of life, in which tourists can find authentic existence, experiences authentic selves and be true to themselves (Wang, 1999), and make meanings by how to live their lives (Sartre, 1992). By participating in tourism, tourists become existentially authentic; they live and behave according to their own values and are true to these values (Wang, 1999). They experience a more authentic sense of self, develop a sense of their identity, are in touch with their inner authentic self and live in accord with their sense of self (Kierkegaard, 1985; Schlegel *et al.*, 2009). They are in attune to their own experiences rather than compromised by external values (Sartre, 1966, 1992; Tillich, 1952). Berman (1970) suggests that authentic tourism experiences are associated with identity, autonomy, individuality, self-development and self-realization.

For example, Smith (2013) claims that participating in wellness tourism encourages individuals to confront the self and existence and engage in a process of personal development. Brymer (2013) notes that extreme sports re-establish psychological balance, develop humility and courage, offer challenges to cultivate personal growth and lead to a profound sense of life enhancement. Kanning (2013) reports that backpacking activities contribute to the development of a new awareness of self and of the society in which one lives, an improved self-efficacy, an empathetic view of others, re-evaluation of priorities and the reinforcement of perspectives on the world and one's place within it. Heintzman (2013) argues that engaging in religious tourism offers spiritual outcomes and meaning for travellers, including a stronger connection to something greater than oneself, a feeling of sense of justice, commitment to altruistic love, the betterment of self and of the world. Savener (2013) claims that visiting indigenous cultures makes tourists open to critical reflection on their lives. The concept of existential authenticity in tourism reflects the theory of needs for self-actualization and

self-development (Maslow, 1970, 1971) and the concept of a fully functioning individual (Rogers, 1961).

However, Rousseau believed that, in a modern life, the search for existential Being is destroyed by the desire to conform and have value in the eyes of others (Ellwood Atfield Gallery, 2012). By conforming to others, people distance themselves from their norms and are not authentic. There is a natural tendency for people to be inauthentic and to 'leap in' for others to conform (Heidegger, 1996). 'Leaping in' is a way of dealing with others that reflects following others' opinions and horizons and closing off one's authentic potential. Leaping in 'takes away the other's possibilities by solving the other's problems for them, by taking over their concerns, and by pushing the other out of their own place in relation to their possibilities' (Steiner and Reisinger, 2006, p.308). People for whom one 'leaps in' are dominated and dependent. However, those who 'leap ahead' of someone, encourage other people to look to their future, see possibilities, make choices, and be authentic (Steiner and Reisinger, 2006, p.308). Mass and inauthentic tourists usually 'leap in', and are, thus, dependent and inauthentic. They seek advice and suggestions about where to go and what to see, and check travel websites for the opinions of others. Authentic tourists 'leap ahead', are independent, interested in self-discovery and self-expressive experiences and reject others' influences.

Although some claim that the objective authenticity of toured objects is irrelevant or less relevant to existential authenticity (Kolar and Zabkar, 2010), others suggest that existential authenticity relies on object-authenticity (Steiner and Reisinger, 2006; Wang, 1999). According to Wang (1999), being authentic requires a balance between rational and emotional factors. In modern tourism, rational factors often control emotional factors that decide about the quality of authenticity (Beeck, 2003). Thus, object authenticity allows for achieving existential authenticity.

For example, the beautiful and romantic settings of the parks of Paris can bring emotions to which tourists may attach existential meaning. So, it does not really matter whether the existential authenticity relies on objective authenticity or not, as long as tourists can find meaning and a sense of identity. Also, although Wang (1999) suggests that both objective and existential authenticity can co-exist, existential authenticity has more power to explain tourist experiences.

Tourism promotes existential authenticity (Brown, 2013; Steiner and Reisinger, 2006; Wang, 1999). In touristic places tourists can free themselves and behave according to their authentic self (Kirillova and Lehto, 2015), have spiritual, aesthetic and psychological experiences, connect with the world and discover themselves (Reisinger, 2013, 2015). Existential authenticity influences tourist motivation, attitude, and loyalty (Kolar and Zabkar, 2010; Zhou *et al.*, 2013).

Personal and social authenticity

Wang (1999) distinguished between the intra-personal and inter-personal dimensions of existential authenticity. The *intra-personal authenticity* (or *personal authenticity*) is centered on the individual self and concerned with self-making (e.g. building self-identity, self-discovery and self-realization). This type of authenticity is often associated with adventure, sports, volunteer or religious tourism that offers opportunities to experience risk and spiritual connection to something greater than oneself, and are associated with the unknown and the anxiety that is inherent within them. The *inter-personal authenticity* (or social authenticity) is focused on the collective sense of self (e.g. authentic interpersonal relations, sharing and communicating experiences). This type of authenticity is often linked to family tourism that provides the opportunity to strengthen the social bonds between family members and play with each other away from the home environment. Sports, volunteer and

eco-tourism, as well as backpacking, allow for the exploration of the social bonds through sharing sport passions and sport skills, helping other communities, and partaking in their cultural and sustainable practices.

Person-centred or self-authenticity

The person-centred authenticity (personal authenticity) provides the most comprehensive explanation for the existential authenticity construct (Wood *et al.*, 2008). The person's centre – the self – refers to the centre of an individual, a place in which meanings are derived and which depend upon one's world view and the relationship to the society in which one lives. According to the Authentic Personality model (Wood *et al.*, 2008), existential authenticity depends upon *self-alienation* (the subjective feeling of knowing oneself, or the true self); *authentic self-living* (acting in accord with one's personal goals, preferences and beliefs); and *self-influence* or *acceptance of external influence* (not conforming to others' expectations). High self-alienation can lead to the difficulties of living with a discrepancy between the self and the perceptions of the self because individuals can feel distress when they force themselves to be inauthentic. Incompatibility between external behaviour and internal emotions can impair self-worth and self-efficacy and result in unnatural behaviour. External influences can affect self-alienation and authentic living when society prevents understanding of the self and others which, in turn, results in low self-esteem and high alienation.

According to the Authenticity Inventory model (Kernis and Goldman, 2006), authentic people (i) are *self-aware* with regards to feelings, strengths and weaknesses; (ii) engage in *unbiased processing* of their self-aspects; (iii) *behave* in line with their own values, preferences, and needs; and (iv) nurture genuine *relationships* with others. Having a high level of authenticity (self-authenticity) is the aspect that most clearly determines a person's well-being, good physical health, low levels of depression and anxiety, high levels of self-esteem and relationship satisfaction (Horney, 1951; Kernis, 2003; Lopez and Rice, 2006; Neff and Harter, 2002; Ryan and Deci, 2000; Yalom, 1980).

The person's centre (the self) determines the type of tourist a person is and/or the significance of tourism in his or her life (Cohen, 1979a,b). This means that how tourists see themselves affects whether they are authentic or inauthentic. Tourists are inauthentic if they (i) have a tendency to identify with others; (ii) artificially distinguish themselves from others with whom they identify; (iii) try to be average; (iv) exhibit levelling down (restricting one's choice to the same, safe things others may do); (v) accept public views; (vi) accept popular shared views; and (vii) believe their shared views are their own (as per Heidegger, 1996). Inauthentic tourists travel to safe destinations, seek popular travel arrangements, and accept tour guides' explanations and the suggestions of others. On the other hand, authentic tourists want to experience the real self: they journey to other continents, seek distinctiveness and uniqueness, mix with exoticness, are open to experience, and are adaptable and creative.

Tourism and authenticity of living

Tourism also offers a means for authentic living (Steiner and Reisinger, 2006). Living authentically means being non-conformist and willing to face the anxiety brought by a new situation (Steiner and Reisinger, 2006). However, Brown (2013) argues that only everydayness and the familiar warrants authentic living.

According to Cohen (1979a), existential tourists live in two worlds (i) the modern world of the everyday, full of constraints, alienation, stress and inauthenticity that is devoid of meaning; and (ii) the tourism world in which the tourist can be their real self and live authentically. Tourists choose to travel to

new places to flee from the constraints of daily life (Brown, 1996); escape from role-playing (Handler, 1986); look at life from a different perspective (Turner, 1973); and reduce alienation (MacCannell, 1976), which generates tensions (Cohen, 1979a). After tourists return home they are relaxed and refreshed (Graburn, 2001). Brown (2013) argues those who decide to break from daily routine must face anxiety, make difficult choices and experience disruption because they move away from the familiar to unfamiliar (Giddens, 1991). Although these experiences are indispensable to human development (Brown, 2013), they create feelings of worry, nervousness, uneasiness and concern. After returning home from their trips, tourists move back to the inauthenticity of their everyday life. The experiences of everydayness free people from the burden of facing difficult existential questions and anxiety. Everydayness provides psychological comfort and offers a stable self-identity. Only by living inauthentic everyday life are people able to avoid risk and turn away from alienation and emptiness, and experience freedom from anxiety that accompanies authentic living. Wilson (2014) supports Brown (2013) by claiming that 'real authenticity … is not so much to be found in the longed-for ideal, but in the ebb and flow of daily life' (p.297). Brown (2013) also argues that tourism acts not simply as a substitute, but as a catalyst, for existential authenticity.

Trait and state authenticity

Lenton *et al.* (2013) distinguish between state and trait authenticity. *Trait authenticity* refers to a person's propensity to feel, think and behaves in line with a set of criteria indicative of authenticity (Endler *et al.*, 1991; Kernis and Goldman, 2006). Trait authenticity is a signal that one's values have been upheld (Erickson, 1995); one is aware of one's own goals and beliefs, attributes, emotions, experiences and knowledge, behaves according to personal values and is honest and open with others (Kernis and Goldman, 2006). Trait authenticity is associated with greater life satisfaction and self-esteem (Goldman and Kernis, 2002), increased subjective well-being and decreased stress (Wood *et al.*, 2008), and higher mindfulness (Lakey et al., 2008). *State authenticity* refers to the individuals' actual feelings and behaviour in a situation (Endler *et al.*, 1991). Individuals are authentic in a situation when there is a match between their attitudes, values, beliefs and personality, and their cognitions or actions (Endler *et al.*, 1991). They conform to their own ideal selves, not to social norms (Wood *et al.*, 1997); represent their own feelings, needs and goals (Kuhl, 2000) and are not influenced by another person's goals (Bauman and Kuhl, 2003). The sense of authenticity in a given situation comes from feelings of high self-esteem, relatedness, acceptance, competence and autonomy (Deci and Ryan, 2000; Ryan and Deci, 2000; Sheldon *et al.*, 1997; Turner and Billings, 1991).

Authenticity of service encounters

Being able to act according to the true self, consistent with inner thoughts and feelings enhances individuals' sense of self (Erickson, 1995), is essential to eudemonic well-being and reflects the extent to which individuals are fully functioning (Wood *et al.*, 2008). However, in some situations authenticity can suffer when a person's true self conflicts with social obligations or with authority (Deci and Ryan, 1995). In service environments, individuals must express the service role identity according to the service script their jobs demand. However, sometimes they express their own values and act upon emotions regardless of the service script their job demands. Their authenticity is reflected in 'uncalculated honesty' (Yagil and Medler-Liraz, 2013, p.473). When personal feelings prevail over

social obligations they behave inauthentically during interactions with customers. If they mask their true selves which are incongruent with their role identities, they can experience emotional numbness. Thus, in the restricted service environment employee authenticity may be suppressed, which results in the employees' increased or reduced sense of authenticity (Yagil and Medler-Liraz, 2013). For example, waiters are naturally nice to their regular customers; they are themselves in their tone of speech, facial expressions, the language used, the choice of words; and often they do not follow conventions as required. The airport security personnel are often empathetic and protective of young children, the elderly and pregnant women and do not strictly examine them, which does not fit the job and its demands. In expressing their true selves, their compassion and concern, and thus behaving inauthentically in terms of their service roles, service employees may experience a loss of control and a sense of disloyalty to their organizations.

Yagil and Medler-Lirz (2013) identify *transient authenticity*, which refers to temporal expressions of true self and personal identity, and *dispositional authenticity,* which refers to a personality trait that affects individual experiences and behaviours across roles and situations and depends on the feeling of who employees really are and who they feel they are becoming. The dispositional authenticity depends on self-knowledge, objective processing of information, free and natural behaviour and self-disclosure to others.

Five genres of perceived authenticity

Gilmore and Pine (2007) distinguish among five genres of perceived authenticity, each corresponding to one of the five economic offerings. *Natural authenticity* exists in a natural state in or of the earth, and refers to being untouched by humans; is not artificial or synthetic, not processed or refined, is plain, green, native, wild and raw (e.g. organic foods grown with no pesticides and fertilizers, whole foods). *Original authenticity* refers to being original in design, the first of its kind, never before seen by humans, not a copy or imitation (e.g. Egyptian pyramids, Apple iphone). *Exceptional authenticity* refers to authenticity of exceptionally well-executed services performed with feelings and sincerity and unusual care (e.g. treating customers as special and exceptional, immediate responding to their unique tastes). Exceptional authenticity can be called unconventional. *Referential authenticity* refers to authenticity that draws inspiration from human history, rituals and cultures, that taps into shared memories and longings and is not trivial (e.g. participating in the Chinese tea ceremony). It responds to the senses and focuses on experiences. Referential authenticity can be called experiential, sensual and spiritual. *Influential authenticity* refers to authenticity which influences other entities. It reflects on life and the world, and the purpose of life. It calls human beings to a higher goal, shows a better way, with meaning (e.g. interest in sustainability, saving the planet). It inspires and engages to influence the world for the better (e.g. it encourages eliminating loneliness and poverty, improving human health, enhancing morality and justice, achieving harmony and peace, a sense of unity and a connection with others, and contributing to human development and growth). This type of authenticity characterizes the fifth economic offering (personal experiences) that centres on the self (e.g. self-development, self-fulfilment, self-perfection) and human transformation, a sense of wholeness and inner harmony, and having experiences beyond the limitations of time and space (e.g. spiritual travel). Influential authenticity can be called purposeful, aspirational, meaningful, enlightening, humanitarian and visionary.

CRITIQUE OF AUTHENTICITY AND CHALLENGES TO TOURISM PROFESSIONALS

Scholars argue that the concept of authenticity is now obsolete and therefore inappropriate for use in tourism studies (e.g. Cohen, 2007; Dann, 2002; Olsen, 2007; Steiner and Reisinger, 2006). The concept of authenticity lacks a philosophical explanation of its assumptions (Dann, 2002); is complex and multi-faceted (Cohen, 1988); and confusing due to its multiple definitions (Cohen, 2007), such as the genuineness of an unaltered product, sincerity of relationships, creativity of cultural performances, flow of life without interference of the tourism industry and its managers (cited in Pearce, 2007). Some argue that authenticity is stable and consistent across time, situations and behavioural content (Kernis, 2003). Others suggest that authenticity is flexible, negotiable, contextual, changeable (e.g. Cohen, 2007) and influenced by momentary thoughts, feelings and interpretations (Ryan, 1995).

For example, both objective and constructive authenticity have been criticized for relating to the nature of objects being visited by tourists (Wang, 1999). It is argued that, although object-related authenticity motivates tourists to travel, it depends upon external assessment criteria and does not determine who should be responsible for these criteria. Objective authenticity is static and does not take into account that places, societies and their cultures change. There are no 'pure' societies and cultures (Germann–Molz, 2004; Meethan, 2001) and there is no absolute point of reference of what is authentic (Wang, 1999). In addition, in the homogenized world, objects tend to look the same; there is no clear evidence that they have historical and cultural ties and are unique (Tourism Theories, 2012). Further, there is a tendency for object authenticity to change and even disappear; something that initially was authentic can become inauthentic over time, and vice versa. For example, mass produced Mexican pottery is now perceived as fake, and a fake Disneyland theme park is now recognized as authentic (Wang, 1999). Reisinger and Steiner (2006) argue that object authenticity should be abandoned and replaced by less pretentious terms like the genuineness of observable things. However, Belhassen and Caton (2006) argue that the term is very relevant to tourists, residents and business professionals.

Constructive authenticity has been criticized for being negotiable and subjective (Cohen, 1988); dependent on images and the expectations of tour objects (Bruner, 1991; Silver, 1993), and upon the ways in which particular objects are constructed and interpreted (MacCannell, 1989); having different perspectives and different meanings depending upon the time period (Cohen, 1988), historical and cultural context (Bruner, 1994; Wood, 1993) and ideology (Silver, 1993; Wang, 1999). Constructive authenticity has also been criticized for being routinized and standardized (Cohen, 1993), and changeable over time from being inauthentic to becoming authentic (e.g. Disneyland and Las Vegas emerged as authentic representations of American culture). In terms of staged authenticity, it is difficult to tell if the experiences of the back places are authentic or not because there is a possibility of their transformation over time. In tourist settings, in modern society 'it is necessary to discount the importance, and even the existence, of front and back regions except as ideal poles of touristic experience' (MacCannell, 1973, p.597). In terms of the pseudo-events, they insult travellers because they are not spontaneous, create dubious experience and have negative effects on the local community (Boorsitin, 1961; MacCannell, 1973).

There is also a view that the concept of authenticity is culturally dependent; it is more aligned with Western views of the self (being one's true self) and independence than Eastern views of interpersonal relationships and interdependence. This difference is associated with

divergent cognitive processes, especially an analytic cognitive style prevalent in Western culture, and a holistic thinking style prevalent in Eastern culture. Also, the benefits of authenticity, such as higher self-esteem or lower stress, are restricted to cultures valuing individualism and independence rather than collectivism and connecting to others (Slabu *et al.*, 2014).

For the reasons identified above, scholars argue that the concept of authenticity should not be examined as a universal concept. Reisinger and Steiner (2006) argue that the concept has no common ground as to its existence, meaning or importance. Jackson (1999) suggests that instead of talking about 'authenticity', scholars should focus on 'authentication' which is confirming the truth and originality of an object claimed true by an entity. Olsen (2007) claims that new conceptualizations of authenticity are required. A number of researchers suggest expanding on the discussion of what authenticity means in terms of tourists' experience (Brown, 1996; Chabra, 2005; Daniel, 1996; Kim and Jamal, 2007; Mac-Cannell, 1999; Pearce and Moscardo, 1986; Reisinger and Steiner, 2006; Salamone 1997; Selwyn, 1996; Steiner and Reisinger, 2006; Urry, 2002; Wang, 1999; Xie, 2004).

Despite the fact that the concept of authenticity in tourism is open to various interpretations scholars agree that debates about the existence and importance of authenticity derive from the need to find meaning in the inauthentic world characterized by simulation, growing feelings of alienation, a sense of loss (Taylor, 2001). It is noted that due to disappointment with the modern world consumers are changing their consumption practices and moving from being self-centered and focused on egoistic needs to concentrating on more ethical and sustainable consumption forms (Soper, 2007). Therefore, some tourists seeking objective authenticity may wish to focus on products, while others may wish to focus on the multiple meanings attached to products (Cohen, 2002), to develop an authentic sense of self through the purchase of these products (Yeoman *et al.*, 2006) and find the meanings behind them. Existential authenticity and the meanings consumed behind tourism products are and will be important elements of future tourist experiences (Sims, 2009).

STRATEGIES FOR ACHIEVING AND COMMUNICATING AUTHENTICITY

In the global competitive inauthentic world, tourism businesses must change traditional marketing strategies and implement more comprehensive approaches that would relate to the consumer search for authentic offerings. Authenticity is a critical cue in the consumer decision-making process and an important consumption trend. The priority should be to create meaning for tourists by offering authentic experiences, which engage them in a physical, intellectual, emotional and spiritual way; allow for finding the authentic self; and transform tourists and their perspectives on the world and themselves. Tourism businesses can create opportunities for tourists to encounter meaningful authenticity. The authenticity of offerings can be achieved through various means and messages. The strategies for achieving different types of authenticity are presented in Table 18.1.

Some important ways of communicating the offering's authenticity are to show its unique characteristics and communicate its 'true' image. Opportunities should be created for the public and the media to experience the offer so they can validate its authenticity. It is important to show the culture, heritage and history, identity and authentic customs of a place. Places that remain untouched by modernism and civilization and still maintain traditional methods and ways of life should be explored. The protected environment and sustainable forms of tourism and conservation efforts should be highlighted. Focus

Table 18.1. Types of authenticity and strategies for achieving authenticity. (*Source*: Beverland, 2006; Endler *et al.*, 1991; Ferrara, 1998; Gilmore and Pine, 2007; Grayson and Martinec, 2004; Lenton *et al.*, 2013; Spiggle *et al.*, 2012; Wang, 1999; Yagil and Medler-Lirz, 2013).

Object related	Strategies
Objective	Emphasize originality, genuineness, uniqueness, being the first and unlike other offerings, not being able to change (e.g. focus on heritage sites, artefacts, local folkloric dances)
Subjective	Stress the importance given to the object by individuals
Constructive	Create feelings and emotions, recall memories through developing a theme (e.g. sports, landscape), creating impression (of space, place, time, season, scale, technology), and engaging all senses (taste, smell, sight, sound, touch)
Symbol related	Focus on the original and genuine phenomena that represent the visited area and constitute its distinct image (e.g. Mexican pottery, Dutch tulips, Arab coffee), promote its distinct characteristics
Material	Focus on the authenticity of the material used to create an object, the original elements, parts, features of the product (e.g. Chinese silk, Australian wool, French chef)
Conceptual	Emphasize the authentic intention of the object, the original purposes of the product (e.g. churches are places of prayer)
Contextual	Show the ability of the product to be exactly the same in different times, environments (e.g. Italian food in Europe and Asia)
Functional	Emphasize the original function of the product (e.g. churches are places of prayer but can be used for other purposes)
Iconic	Focus on accurate reproduction of the original
Natural	Focus on being untouched by humans, not synthetic (e.g. organic food), offer purer and closer-to-nature products, infuse offerings with the elements of nature, such as the use of raw materials, wholesome ingredients or nutrition, emphasize eating raw and living a natural lifestyle (e.g. going to beach camps, walking) and being green (e.g. green architecture, hotels and restaurants)
Original	Focus on the 'real thing' and 'original' versions of products (e.g. locally made souvenirs); emphasize the originality of the design, being the first of its kind, being unlike other offerings, not a copy or imitation; present business offerings as preceding in time and/or departing from other similar offering; emphasize a sense of discovery, uniqueness, invention, new ideas and improvement; signal authenticity in more subtle ways (e.g. refer to offerings as 'vintage')

(*Continued*)

Table 18.1. Continued.

Object related	Strategies
Human related	
Existential	Focus on authentic state of being enhanced by tourist activities; deliver offerings that allow tourists to reflect on life, find meaning and purpose, and understand how the world is and should be; inspire and engage to allow tourists to achieve their goals and aspirations, and change their self positively. For example, emphasize activities that make a tourist relaxed (e.g. fishing) and show how these activities convert the tourist experience into doing something authentic for his/her inner self (e.g. the fishing experience can become a means for reducing anxiety, learning)
Intrapersonal	Focus on the individual self-making (e.g. self-discover, self-development) in adventure, sports, volunteer, religious tourism
Interpersonal	Focus on the collectives sense of self (e.g. interpersonal relations, sharing, communicating) in family, sports, volunteer, eco-tourism, backpacking
Reflective	Focus on self-validation of tourists to become themselves
Trait	Refer to the tourist's authentic traits (e.g. honesty, fairness), focus on the importance of upholding own values, actions and emotions aligned with personal beliefs and motivations, and rejection of external influence
State	Create situations, in which tourists behave according to their values and beliefs, and can achieve personal inspirations, enhance self-esteem, show own self, and feel accepted
Referential	Focus on experiences and sense, draw inspiration from history and cultures, tap into shared memories, focus on being not trivial (e.g. Japanese tea ceremony), refer to previous places, objects, people, events and ideas already perceived as natural, original and exceptional
Influential	Show the influence of offerings on other entities, call tourists to a higher purpose with meaning (e.g. saving planet); deliver offerings that allow reflection on life and the world, find meaning and purpose in life; infuse offerings with meaningful purpose, promote higher values; call to make a contribution to a better life; inspire and engage to influence the world for the better (e.g. to eliminate loneliness, helplessness and poverty, improve human health and community spirit, enhance morality, learn honesty and respect, achieve harmony, justice and freedom, a sense of unity and a connection with others, and contribute to human growth and development). For example, promote a deeper understanding of national cultures, wildlife, preservation of the physical environment, offer pesticide-free organic food)

(*Continued*)

Table 18.1. Continued.

Object related	Strategies
Service related	
Exceptional	Focus on exceptionally well-executed, genuinely performed and caring service, shape offerings around the unique tastes or preferences of customers, offer unusual service features, anticipate and immediately respond to problems, persevere through difficult circumstances, create unpredicted events, be unconventional, emphasize exoticness and foreignness (e.g. Argentinian beef), be apologetic and frank, treat customers as special and exceptional, encourage slowness of the offering in the fast-pace world to allow customers to notice and enjoy the very details of the offering
Transient	Focus on temporal expressions of true self in service roles
Dispositional	Focus on a personality trait that affects experiences and behaviours across service roles and situations

should be on the identity of the inhabitants of the places, their performances, arts and culture and other unique, distinct and contextual aspects of their life. While it may be difficult to create authentic experiences for tourists in the front stage regions, efforts should be made to allow tourists to develop relationships with the local community, make friends with the residents and gain valuable insights into their culture and society. Tourism places, objects, and experiences should be called exceptional, unusual, unconventional, aspirational, sensual and enlightening. Service providers should be called sincere, genuine, frank, caring, responsive to the unique customers' tastes; exotic, apologetic, moral, ethical and just. The promoted offerings should be compared to the standardized fake global products.

IMPLICATIONS OF CREATING AND MANAGING AUTHENTICITY IN TOURISM

The idea of creating and managing authenticity, although it seems to be exciting, is difficult in the face of the absence of authenticity in a global world. To create and manage authenticity requires experiencing authenticity. Many tourism businesses do not provide authentic offerings although they claim to. Authenticity is not about business ideas and beliefs of authenticity but about what tourists and locals do and what they feel. It is a feeling experienced by tourists of the extent to which their expectations and impressions from an offering hold true. It is also a feeling experienced by locals of the degree to which they want to expose their life and culture to others. Each individual experiences authenticity differently. In order to achieve authenticity one must drive one's own assessment of it (Holt, 2012). There are different levels of experiencing authenticity in different contexts and situations (e.g. a remote uninhabited island versus a service encounter). There is also a natural tendency for people to compromise that allows them to undermine the self and their identity, enabling them to prioritize and decide what they care about and who they really are.

Most importantly, the question is whether it is appropriate to create and manage authenticity. The process of creating and managing authenticity does not allow for being truly

original. When businesses strive to manufacture authenticity they simultaneously prevent it by staging contexts in which it is standardized and becomes fake. Manipulating with objects, feelings and experiences to make them authentic makes them inauthentic. For example, Swarbrooke (1994) claims that in order for tourists to experience authenticity, tourism sites must be marked. However, the very process of marking and identifying the sites as authentic denies them the chance of being truly authentic and of maintaining that authenticity. When businesses are trying to make their offerings authentic, they are not being authentic; they pretend to be authentic and deceive.

The very idea of creating and managing authenticity seems also unethical to the notion of authenticity. Managing authenticity shows concern about business and personal gains and satisfying own preferences. Authentic ethical behaviour can only work if businesses are not motivated by their own goals and satisfaction with their own preferences, but by the well-being of others (Wilson, 2014). Managing authenticity implies being inauthentic.

Despite the above, Wilson (2014) claims that it is 'both possible and necessary to *manage* authenticity for the betterment of individuals, organizations, societies, and our planet with all forms of life that co-exist with us and indeed the whole cosmos' (p. 299). He suggests that authenticity is 'a human quality or capacity involving meta-level awareness' that human beings draw upon in the living of their lives (p. 301). Since authenticity is a reflexive process there is a need to reflect on 'the type of goods produced, how they are produced, their impact on those producing them and on the world…rather than to just sell *more* commodities' (Wilson, 2014, p. 299). There is a need to reflect and consider ourselves in relation to different contexts, which open up the possibility of the being self. The starting point from which to experience authenticity within the existing constraints of the inauthentic world is to pay attention to what is important in life, be aware of others, be mindful, appreciate what one can (and cannot) do, accept the inherent

meaning and value of life and the world, and people's capacity to be creative and innovative, and have courage (Wilson, 2014). Similarly, Gelter (2003) suggests a need to reflect. He argues that 'reflection is an important ethical tool to take control of one's own life, letting the conscious *I* use social and personal values to guide one's actions rather than survival values determined by the *me*, which can easily be controlled by others' (p. 343). This approach to authenticity could 'lead to a more balanced view and understanding of oneself and one's interactions with the world' (Gelter, 2003, p. 343).

CONCLUSIONS

The world is in the process of a transformation in which human values, beliefs and world views are rapidly changing. Individuals transform their life priorities and lifestyle, and the way they use resources and spend time and money (Reisinger, 2013, 2015). Although the purpose of mass tourism is to attract visitors to places, whether authentic or not, it is important for tourism offerings not to lose authenticity because authenticity matters (Pearce, 2007). Tourism relies on authenticity, such as that of original buildings and arts, or native culture and heritage, and these must be preserved and their meanings conserved. Mass consumption and fake objects and sites must not be used to attract tourists because they have no identity and no meaning. Tourism is not about staged and pseudo-events that are devoid of authenticity and packaged for mass tourists (Boorstin, 1961). Tourism is about connecting with the earth and others, developing feelings and finding a meaning. Tourism is about preserving what is unique, distinct, original and genuine. For tourism places to become competitive they must offer authentic qualities, and these should be protected to facilitate the achievement of an ideal authenticity. Fabrication, imitation and simulation should be eliminated and only natural phenomenon

should be on offer so tourists can truly benefit from touristic objects and places as they seek themselves via their experiences.

QUESTIONS

1. Explain what authenticity is and what factors determine authenticity.
2. Why is the understanding of authenticity especially relevant to the tourism industry?
3. Is the evaluation of authenticity always easy and possible?
4. Can one claim that businesses determine authenticity?

5. Why do tourists search for authentic tourism offerings?
6. What are the main approaches to authenticity?
7. What are the main types of authenticity in tourism?
8. Give two examples that demonstrate how inauthentic tourism products became authentic.
9. Give examples that show that tourism offerings can be presented as authentic.
10. How can tourism managers communicate authenticity to tourists?
11. Give some reasons why tourism businesses can experience difficulties in creating and managing authenticity.

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Tourism Resources and Sustainability

Dawn Gibson

LEARNING OBJECTIVES

- To define sustainable tourism and identify natural and cultural tourism resources.
- To evaluate mass tourism, ecotourism and community based tourism and their potential for sustainable tourism development.
- To define pro-poor tourism (PPT) and explain some of the benefits of PPT for poor marginalized communities.
- To discuss the sustainable management of tourism resources and potential sustainability tools.

INTRODUCTION

Sustainable tourism aims to maintain a balance between protecting the environment, maintaining cultural integrity, establishing social justice, promoting economic benefits and meeting the needs of the host population in terms of improved living standards, both in the short and long term throughout the globe, whilst maintaining inter- and intra-generational equity (Liu, 2003) and the viability of the destination for the foreseeable future (Butler, 1993). The tourism industry contributes to sustainable development through job creation and the employment of women and marginalized people who, in developing countries, belong to rural indigenous communities (Gibson, 2013). Tourism in developing countries is important for delivering jobs that build local livelihoods and transform tourism destinations (Sofield *et al.*, 2004). The growth of tourism in these countries has led to increased interest in tourism as a development tool for alleviating poverty. It has also placed a focus on the need for more sustainable tourism planning, policies and programmes that consider tourist expectations of resource management as well as the needs of local communities (UNEP and UNWTO, 2012).

TOURISM RESOURCES

Tourism consists of two main types of resources, namely attractions, and infrastructure

or support services. Attractions vary and can include natural, cultural and built sites as well as special events and festivals, or be associated with recreational activities (Weaver and Lawton, 2014). Tourism inventory also includes accommodation, restaurants, transport and other support services. Weaver and Lawton (2006) outlined a generic inventory of tourist attractions which could be considered as resources for sustainable management (see Table 19.1).

SUSTAINABLE TOURISM

In the late 1980s and early 1990s, tourism academics and practitioners started applying the principles of sustainable development to the tourism industry. This resulted in a proliferation of development plans, policies and guidelines that advocated sustainable tourism. Sustainable tourism remains difficult to define and operationalize, although the concept

Table 19.1. An inventory of tourist attractions (Source: Weaver and Lawton, 2006, p.130).

Category	Site		Event
Natural	**Topography** e.g. mountains, canyons, beaches, volcanoes, caves, fossil sites **Climate** e.g. temperature, sunshine, precipitation **Hydrology** e.g. lakes, rivers, waterfalls, hot springs **Wildlife** e.g. mammals, birds, insects, fish **Location** e.g. centrality, extremity	Protected areas, hiking trails Scenic highways, scenic lookouts, landmarks, wildlife parks	Volcanic eruptions Tides Animal migrations (e.g. caribou, geese)
Cultural	**Prehistorical** e.g. Aboriginal sites **Historical** e.g. battlefields, old buildings, museums, ancient monuments, graveyards, statues **Contemporary culture** e.g. architecture, ethnic neighbourhoods, modern technology **Economic** e.g. farms, mines, factories **Recreational** e.g. integrated resorts, golf courses, ski hills, theme parks, casinos **Retail** e.g. mega-malls, shopping districts		Battle re-enactments, commemorations, festivals, world fairs Sporting events, Olympics Markets

of sustainable tourism development is closely linked to sustainable development (Weaver, 1998, p.5).

Sustainable tourism has been equated to alternative tourism, although many argue that all modes of tourism have the potential to be sustainable, if managed appropriately within a suitable scale and setting (Weaver, 1998). Butler (1999) stated that the association of specialist forms of tourism such as 'alternative tourism' and 'ecotourism' to sustainable development and, in many cases, the use of these terms synonymously with sustainable development, has led to confusion. More consideration should be given to how the concept could be operationalized, and made more appropriate, for different situations. Furthermore, a universally accepted definition of sustainable tourism is improbable, as its success is based on the premise that the term is indefinable and can be applied to different contexts (Butler, 1999).

To the tourist industry, it means that development is appropriate; to the conservationist, it means that principles articulated a century ago are once again in vogue; to the environmentalist, it provides a justification for the preservation of significant environments from development; and to the politician, it provides an opportunity to use words rather than actions (Butler, 1999, p. 11).

Moreover, for the tourist, it allows them to feel they are behaving responsibly whilst on holiday. For Small Medium Tourism Enterprises (SMTEs) operated by indigenous people, sustainable tourism may be impossible to implement, and their development using some of the principles of sustainable development and ecotourism may be a more achievable goal.

In general, definitions are divided into two categories, those that view tourism as an economic activity, and those that consider tourism as a means of achieving broad sustainable development policies. Sharpley argued that, despite the consideration that academics and practitioners have given sustainable tourism development, 'the principles and objectives of sustainable development cannot be [easily] transposed onto the specific context of tourism…' (2000, p.1).

In many cases, for example that of Fiji, 'Ecotourism' is often used interchangeably with 'sustainable tourism', and compared with 'mass tourism'. Ecotourists may be more demanding than mass tourists, because they choose to view endangered species in remote locations. Furthermore, the demands of mass tourists could be better planned for, and managed using economies of scale (see Box 19.1). Liu (2003) maintained that the main goal should be to 'develop conventional mass tourism sustainably and supplement it with all sorts of alternative forms of tourism where and when appropriate' (p. 471). Tourism growth should not be limited, but managed, so that it develops in an appropriate way with regards to tourists, destinations, the environment and the host community.

Attempts at achieving sustainable economic, social and environmental goals have a greater likelihood of success 'when there is an understanding of local resources (e.g. economic, human and physical) and the capacity of residents to manage them' (Matarrita-Cascante et al., 2010, p. 738). Clarke (1997) claimed the concept of sustainable tourism was still evolving, and that the lack of a precise definition was not as important as recognizing the need for all tourism, regardless of scale, to have sustainable tourism as an ultimate goal.

Sustainable tourism clearly supports strong community participation, which in recent years has become part of the sustainable development debate. The involvement of local residents or communities is central to sustainable development, as the local community participates in tourism products and shares both the benefits and the costs (Taylor, 1995). Where community development approaches are superficial, and do not consider inherent local characteristics, even carefully planned projects can set themselves up to fail (Baum, 1996).

Even with the best intentions, 'patterns embedded in local communities create serious barriers to achieving sustainable tourism development' (Holland, 2000, p.20). In the case of Fiji, such patterns can present themselves in the form of local customs and traditional practices.

Various benchmarks have been established to measure the elements that determine sustainability. Similarly, the principles behind sustainability, and the way these are measured, are open to questioning. There is an exercise of power present in the establishment of such measurements, which it is important to question, since those who use sustainability tools may also manipulate them (Mowforth and Munt, 2016). Box 19.1 outlines a number of techniques used for assessing or measuring different aspects of sustainability.

In developing countries, sustainable tourism, in the form of ecotourism or community-based tourism, can provide employment, income-generating opportunities and financing for community projects, which help to preserve social ties and prevent out-migration from rural communities (Kerstetter and Bricker, 2009). However, benefits may accrue to elite factions of the community, with limited benefits to the poor. Even when tourism entrepreneurs are interested in implementing initiatives that help to alleviate poverty, government support and commitment to the welfare of their citizens is essential for their success (Harrison, 2009).

Ecotourism is widely perceived as a subset of alternative tourism, and a form of sustainable tourism (Weaver, 1998, p.33). In the South Pacific, where many small island states lack the development of mass tourism, countries have advocated the development of an indigenous tourism model based on ecotourism and alternative tourism principles. In countries such as Fiji, ecotourism and community-based tourism have been developed as complementary to more conventional mass tourism products, and are found in the form of activities such as village visits, cultural performances and nature treks. More recently, indigenous entrepreneurs and communities have developed budget resorts and village stays, which cater for the backpacker and independent traveller.

ECOTOURISM

The term ecotourism first emerged in the early 1980s. It was generally perceived as a subset of alternative tourism that focused on visiting natural areas (Weaver, 1998, p. 15). Ecotourism referred to a type of tourism development that integrated the goals of development and conservation (Pratiwi, 2000, p. 6). Criticism of ecotourism, has, in many cases, referred to forms of tourism that have deliberately misused the term for marketing purposes. A number of ecotourism definitions are found in the literature (Fennell, 2001, identified 85). Ceballos-Lascurain first defined ecotourism as:

> travelling to relatively undisturbed or uncontaminated natural areas with the specific objective of studying, admiring, and enjoying the scenery and its wild plants and animals, as well as any existing cultural manifestations (both past and present) found in these areas
> (1987, p.14).

This definition focused on educational and experiential factors, and was criticized for focusing on traveller motivations, and not addressing the impacts this travel could have on the cultural and ecological environments of destinations (Fennell, 2001). The International Ecotourism Society (TIES) defined ecotourism as 'responsible travel to natural areas which conserves the environment and improves the welfare of local people' (TIES, 1990). Later definitions have advocated that ecotourism should 'improve local welfare, contribute positively to visitor satisfaction, and incorporate an element of environmental education' (Simmons, 1999, p.1). Other considerations included value-based dimensions such as sustainability, ethics and conservation (Weaver and Lawton, 2007). For example,

Wall stated sustainable ecotourism 'must be economically viable, ecologically sensitive, and culturally appropriate' (1997, p. 483). Weaver (2001) advocated that ecotourism businesses should have three main elements: (i) the main attractions should be natural environments, such as rainforests, grasslands, or specific types of flora and fauna; (ii) ecotourism should provide a learning experience for the ecotourist, thus differentiating itself from leisure-based sun, sea, and sand activities, or adventure-based activities, such as trekking, climbing, and white water rafting; (iii) ecotourism enterprises should operate sustainably, in accordance with best practice principles (see Box 19.1).

Weaver (2001) suggested that, although activities could be classified by type, for example bird watching, whale watching and geotourism, a more suitable typology would be a spectrum of activities that ranged from 'hard' to 'soft' (see Figure 19.1).

'Active' ecotourism, which consists of small numbers of people taking specialist trips, is found at the 'hard' end of the spectrum. These 'hard' ecotourists are physically active and expect limited services. In contrast, 'soft' ecotourists embark on ecotourism activities as part of a multi-purpose trip. They require a high level of comfort and services, and need well-designed interpretation and educational experiences to improve their appreciation of natural environments. 'Soft' ecotourists were also interested in leaving the environment in the same state as they arrived, whereas 'hard' ecotourists were interested in improving the physical environment, for example, through donations or such volunteer activities as tree planting. Weaver and Lawton (2007) claimed the distinction between 'soft' and 'hard' ecotourism has obvious implications for products and resource management. They associated 'soft' ecotourism with 'a high level of services and facilities to mediate encounters between venues and potentially large numbers of visitors more casually engaged with the natural environment' (2007, p. 1170). 'Soft' ecotourism enabled the delivery of mass ecotourism products, whilst remaining true to core ecotourism principles.

The literature reveals that there is much confusion regarding the meaning of ecotourism. Ecotourism has been used interchangeably with terms such as environmental, alternative, nature-based, soft, sustainable, resource-based and green tourism. In an analysis of ecotourism definitions, Fennell (2001) found many contained 'value-based dimensions such as conservation, ethics, sustainability, education, and community benefits' (p.1169).

Weaver (2004, p.15) provides a synthesized definition which states:

> Ecotourism is a form of tourism that fosters learning experiences and appreciation of the natural environment, or some component thereof, within its associated cultural context. It has the appearance (in conjunction with best practice) of being environmentally and socio-culturally sustainable, preferably in a way that enhances the natural and cultural resource base of the destination and promotes the viability of the operation.

Hard (Active)	The Ecotourism Spectrum	Soft (Passive)
Strong environmental commitment	....	Moderate environmental commitment
Enhancement sustainability	....	Steady-state sustainability
Specialized trips	....	Multi-purpose trips
Long trips	....	Short trips
Small groups	....	Large groups
Physically active	....	Physically passive
Few if any services expected	....	Services expected
Emphasis on personal experience	....	Emphasis on interpretation

Figure 19.1. Characteristics of hard and soft ecotourism (Source: Weaver, 2001, p. 106).

Despite its critics, ecotourism has the 'potential to aid in protecting endemic species, and to provide alternative or supplementary livelihoods and thereby potentially alleviate poverty' (Farrelly, 2009, p.2), and empower local communities. There are cases where tourism has contributed to the conservation and revival of endangered cultures, but it also has the potential to damage local cultures, economies and environments (de Kadt, 1979; Weaver, 1998). With suitable planning and management, ecotourism can be used as a tool to promote conservation and sustainable development in poor, remote rural areas. Furthermore, for ecotourism projects to be successful, initiatives should be community-based with businesses owned and managed by the community. Higher levels of participation provide the community with greater economic benefits and decision-making power. Such economic benefits could provide incentives for conserving natural and cultural resources, which act as attractions for ecotourism.

COMMUNITY-BASED TOURISM

The sustainable development of community tourism aims to improve the quality of life of the community residents by maximizing local economic benefits, conserving the national and built environment and providing visitors a high quality, value for money experience (Park and Yoon, 2009; Park *et al.*, 2008). Following the failure of top-down development approaches, increasingly, attempts to implement more sustainable forms of tourism have concentrated on a community development approach (Goodwin and Santilli, 2009). In this context, community refers to people who share a sense of purpose and common goals (Joppe, 1996). These may be geographical, or based on heritage and cultural values.

Community-based tourism (CBT) development is promoted in many developing countries, as a tool that enables the equitable distribution of economic benefits from tourism, encourages local involvement in the decision-making process, and better meets the needs of local communities and indigenous peoples (Brohman, 1996). CBT in the South Pacific is promoted as a development tool for rural and marginalized areas, including remote outlying islands. It is a potential solution to poverty alleviation through sustainable economic and social development. However, CBT development differs from traditional community economic development, in that government, rather than community, generally determines its interests (Joppe, 1996). Furthermore, some suggest that community development in tourism is just more rhetoric, and question the extent to which local residents truly share in the economic benefits of tourism (Joppe, 1996). What involvement will communities have? How will this be done? Will it just be a limited number of low paying seasonal jobs or something more significant? Should communities be involved at all? However, despite such criticisms, for the long-term sustainability of tourism development, community involvement and support is often considered vital (Armstrong, 2012).

Brandon (1993) described two community participation approaches: a beneficiary approach and a participatory approach. In the beneficiary approach, the local community may benefit from tourism programmes, but are not actively involved in the decision-making process. In the participatory approach, local communities were involved in the decision-making process, participated in determining project goals, and benefited from tourism programmes. Cohen and Uphoff claimed that participation could be 'externally' or 'internally' imposed (cited in Pratiwi, 2000, p.23). Where participation was externally imposed, communities play no part in the decision-making process. However, in internally initiated approaches, community participation and self-determination was combined with external agencies. Both these approaches are found in the South Pacific, including in Fiji, although the latter approach

Box 19.1. The tools of sustainability

Area protection
Varying categories of protected area status:
- National parks
- Wildlife preserves
- Biosphere reserves
- Country parks
- Biological reserves
- Areas of outstanding natural beauty
- Sites of special scientific interest

Industry regulation
- Government legislation
- Professional association regulations
- International regulation and control
- Voluntary self-regulation
- Corporate social responsibility

Visitor management techniques
- Zoning
- Honeypots
- Visitor dispersion
- Channelled visitor flows
- Restricted entry
- Vehicle restriction
- Differential pricing structures

Environmental impact assessment (EIA)
- Overlays
- Matrices
- Mathematical models
- Cost–benefit analysis
- The materials balance model
- The planning balance sheet
- Rapid rural appraisal
- Geographic information system
- Environmental auditing
- Ecolabelling and certification

Carrying capacity calculations
- Physical carrying capacity
- Ecological carrying capacity
- Social carrying capacity
- Environmental carrying capacity
- Real carrying capacity
- Effective or permissible carrying capacity
- Limits of acceptable change

Consultation/ participation techniques
- Meetings
- Public attitude surveys
- Stated preference surveys
- Contingent value method
- The Delphi Technique
- Participatory rural appraisal
- Rapid rural appraisal
- H-diagram analysis

Codes of conduct
- For the tourist
- For the industry
- For the hosts
  - Host governments
  - Host communities
- Best practice examples

Sustainability indicators
- Resource use
- Waste
- Pollution
- Local production
- Access to basic human needs
- Access to facilities
- Freedom from violence and oppression
- Access to the decision-making process
- Diversity of natural and cultural life

Footprinting
- Holiday footprinting
- Carbon emissions trading
- Personal carbon budgets
- Carbon offsetting

Fair trade in tourism
- Certification

Sustainable livelihoods framework
- Baseline data collection
- Household survey
- Key informants interviewed

(Source: Mowforth and Munt, 2016, pp. 114–115).

is preferable as it empowers communities to take ownership and adapt projects to suit the local context.

There are a number of definitions of community-based tourism. Brohman defined a community-based tourism approach as:

> Tourism development, which considers the needs and interests of the popular majority, alongside the benefit of economic growth. Community-based tourism development would seek to promote the economic, social, and cultural well-being of the popular majority. It would also seek to strike a balanced and harmonious approach to development that would stress considerations such as the compatibility of various forms of tourism with other components of the local economy: the quality of development, both culturally and environmentally; and the divergent needs, interests, and potentials of the community and its inhabitants
>
> (1996, p. 60).

Scheyvens defined community-based tourism enterprises as 'those in which the local communities have a high degree of control over the activities taking place, and a significant proportion of the economic benefits accrue to them. They may also be characterised by local ownership and a low level of leakage' (2002, p.10). Even with a high degree of control, for local indigenous communities, levels of power and economic benefits are not necessarily equitable. For example, in the case of Fiji, even with community participation, power and control is likely to be in the hands of chiefs, elders, and wealthy elites who are predominantly male.

Definitions of community participation in the development process vary, but most agree that the process should be voluntary, educational and empowering. Participation exists, where people at the grass roots are able to form partnerships with those authorities who are able to help them identify problems and needs, and provide them with assistance to eventually take responsibility to plan, manage and control their futures. Stone claimed active community participation was apparent when development was designed 'in such a way that intended beneficiaries are encouraged to take matters into their own hands, to participate in their own development through mobilising their own resources, defining their own needs, and making their own decisions about how to meet them' (1989, p.207) .

PRO-POOR TOURISM

Since the late 1990s, the concept of pro-poor tourism (PPT), with its potential to contribute to poverty alleviation, has received extensive support 'from development agencies, donors, governments and various tourism organisations' (Scheyvens, 2009, p. 191). PPT is an approach to tourism development, which asserts:

> … greater benefits from tourism can be spread to the poor by encouraging a wide range of players (community, private sector, civil society, government) working at a range of scales (local, national, regional) to spread the benefits of tourism more widely and unlock livelihood opportunities for the poor within tourism and connected sectors. This can lead to improvements, for example, in policy, in labour practices of hotels and resorts, and better linkages between related sectors such as agriculture and fisheries
>
> (Scheyvens and Russell, 2010, p.1)

In contrast to sustainable tourism, which focuses on protection and conservation, PPT aims at increasing net benefits to the poor whilst considering environmental concerns. PPT goes beyond a community focus, by promoting strategies that specifically focus on the poor, although others may also benefit. Pro-poor tourism:

> generates net benefits for the poor (i.e. benefits are greater than costs). Economic benefits are only one (very important) component – social, environmental and cultural costs and benefits also need to be taken into account.

Pro-poor tourism strategies are concerned specifically with impacts on poor people, though the non-poor may also benefit. Strategies focus less on expanding the overall size of tourism, and more on unlocking opportunities for specific groups within it (on tilting the cake, not expanding it)

(Department for International Development, 1999, p.1)

PPT is a set of initiatives or principles rather than a particular type of tourism. It need not be restricted to community-based tourism projects or specific industry sectors. Tourism is a multifaceted industry, driven by the private sector, and in many developing countries is controlled by multinational corporations, thus presenting challenges for implementing PPT strategies. Nevertheless, Ashley *et al.*, (2000, pp.1–2) claim tourism has several advantages for pro-poor economic growth. Firstly, the tourist has to go to the destination, which provides opportunities for selling goods and services. Secondly, tourism can help develop poor, marginal regions, since many tourists are attracted to remote areas with their diverse cultural and natural environments. Finally, tourism is labour intensive, offers small-scale business opportunities, employs large numbers of women and youths, and places value on natural and cultural resources, which may be some of the few assets that the poor possess. Although the poor may gain limited benefits from tourism, and bear many of the costs, PPT advocates suggest that more could be done. Initially, PPT initiatives focused on niche tourism markets such as ecotourism and CBT, but it is now suggested that even mass tourism could increase the participation of the poor, by considering alternative livelihood initiatives such as handicrafts, traditional performances, tour guiding and the supply of agricultural produce. The tourism industry is thought to be suitable for pro-poor initiatives, because it is 'labour-intensive, inclusive of women and the informal sector; based on natural

and cultural assets of the poor; and suitable for poor rural areas with few other growth options' (Ashley and Roe, 2002, p. 61).

As noted in Table 19.2, pro-poor tourism strategies can generate different benefits to local communities, which can be divided into three types: economic benefits, livelihood benefits and intangible benefits, which enhance participation and partnerships amongst different stakeholders. To increase the benefits from PPT, Ashley *et al.*, (2001) argued that although the development of community tourism is important, 'efforts are also needed on marketing, employment opportunities, linkages with established private sector, policy and regulation and participation in decision-making' (p. viii) with stakeholders at all levels. PPT initiatives vary in scale, from individual private projects to national programmes that enhance participation by the poor (see Table 19.2). Although impacts of PPT initiatives may be limited, they can provide invaluable financial and livelihood benefits, such as better access to information and infrastructure and pride in local cultures and traditions. Obstacles to implementing PPT benefits may exist. These include lack of understanding of tourism, lack of skills, poor quality of products and limited access to markets. Negative impacts can be reduced by increased consultation with the poor, especially when developing infrastructure and services for tourists.

Critics identify a number of contradictions between international tourism and PPT. Hall argues, given that most international tourists visit mainly Western European countries, 'the potential of tourism to contribute to the economic development of the developing countries…would appear to be questionable, unless there are massive shifts in flows of international arrivals' (2007, p. 112). Recent statistics show that international tourism generated US$1245 billion in 2014, and an increase in international tourist arrivals in emerging and developing countries (UNWTO, 2015). This could mean that the

Table 19.2. Types of pro-poor tourism benefits. (Source: Pro-poor Tourism Partnership, 2004, p.1).

Increase economic benefits	Enhance non-financial livelihood impacts	Enhance participation and partnerships
Increased local employment, wages, commitments to local jobs, training of local people. Expand local enterprise opportunities – including those that provide services to tourism operations, e.g. food suppliers, and those that sell to tourists, e.g. handicraft makers, guides, cultural performers	Capacity building – training Minimize environmental impacts Monitor use of natural resources Improve social and cultural impacts Increase local access to infrastructure and services provided for tourists, e.g. roads, communications, healthcare and transport	Create more supportive policies and planning framework that enables participation by the poor Increase participation of the poor in government and private sector decision making Build pro–poor partnerships with the private sector Increase flow of information and communication between stakeholders

potential for greater benefits from PPT rises proportionately.

Scheyvens (2009) suggested that PPT, like ecotourism before it, might be nothing more than a fad to maintain the credibility of tourism as a 'clean', socially beneficial and environmentally friendly industry. Others argue that major players in the tourism industry exist to make profits, and may not be concerned with social responsibility and contributing to poverty alleviation (Zhao and Ritchie, 2007). Furthermore, where PPT initiatives have been successful, Scheyvens (2009) claimed the changes were 'tokenistic' rather than 'transformational' (p. 193). PPT initiatives that help impoverished communities are admirable, but for them to work, governments, businesses and advocates need to commit to improving the well-being of the poor. In many cases, in developing countries, local elites are responsible for the distribution of tourism benefits and this is rarely equitable (Gibson, 2013).

Meyer (2009) questioned how much PPT initiatives could achieve, without the support of major industry stakeholders and policy makers. She argued that 'market forces cannot equitably distribute benefits and costs, and therefore, the public sector will have to step in via policies that attempt to redistribute some of the excesses of a market and private sector-led tourism industry' (2009, p. 198). Furthermore, businesses are competitive and profit oriented, so is it fair that they are expected to contribute to poverty alleviation as well? Many development agencies and other stakeholders believe the private sector can contribute positively to poverty alleviation, 'through its core business activities in the workplace, the marketplace, along the supply chain, through their social investment and philanthropic activities, and through their engagement in public policy dialogue and advocacy' (Meyer, 2009, p. 199). Since environmentally and socially responsible business practices are good for business, there is no reason why tourism entrepreneurs and businesses could not implement more PPT strategies that contribute to poverty alleviation within the local communities in which they operate (Harrison, 2009) as part of their corporate social responsibility initiatives.

From a development perspective, all tourism has the potential to provide benefits for the poor, but government commitment to the health and welfare of its people is necessary for this to succeed. Furthermore, PPT is not a model or theory but 'an orientation or approach to any form of tourism which focuses on the net benefits accruing to poor people in tourist destination areas' (Harrison, 2008, pp.855–856). PPT practitioners are not necessarily associated with any particular type of tourism, and usually work with aid donors, NGOs and international tourism organizations to develop small-scale tourism projects (Harrison, 2009). Scheyvens and Russell (2012) and Gibson (2013) discovered that different scales of tourism development have the potential to greatly contribute to the three determinants of poverty alleviation as identified by Zhao and Ritchie (2007) – opportunity, empowerment and security. They identified a number of opportunities where different scales of tourism development can provide direct and indirect benefits to the poor. These are predominantly: lease money, employment, contributions to community development and traditional obligations and education. However, there are a number of untapped opportunities which can increase tourism benefits and expand backward linkages between tourism and the local economy and reduce the heavy reliance on imported goods, especially amongst large-scale properties (Scheyvens and Russell, 2012).

Research by Scheyvens and Russell (2012) into tourism and poverty alleviation in Fiji, established that although the poor may not all receive direct benefits from tourism, these could be more evenly spread if strategies for communal benefits were developed. Therefore, although local chiefs and indigenous owners of SMTEs are likely to receive large economic benefits from tourism, socio-cultural benefits such as contributions to education, church, housing and village infrastructure (water, power, sewerage) may benefit a greater proportion of the community at large. Within indigenous, close-knit, communal, societies, such benefits may possibly be more appropriate indicators of success (Gibson, 2013).

TOURISM AND THE ENVIRONMENT

The environment, which in its broadest sense includes socioeconomic, cultural and biophysical elements, is both a resource that supports and constrains tourism development (Pigram, 1992). The consequences of tourism development have brought about both positive and negative impacts and the relationship between tourism and the environment can be better examined in terms of the nature, scale and pace of environmental manipulation and whether some forms of tourism are considered more suitable than others in certain environmental settings. The realization that more than one form of tourism is acceptable has led to a review of alternative tourism and different tourism typologies that are considered more preferable to mass tourism (Pearce, 1992).

ALTERNATIVE TOURISM

Alternative tourism involves a number of approaches such as ecotourism, community based tourism, agrotourism and responsible tourism, which are considered to be more sustainable and ethical (Mowforth and Munt, 2016). Apart from economic issues, important considerations include socio-cultural factors, relationships to the environment, host community participation and the development of sustainable tourism strategies that provide more equitable economic benefits to host destinations.

For some, ecotourism is considered the approach that provides a panacea and can enable economic development and environmental protection whilst protecting the wellbeing of local communities. Whilst there

Table 19.3. The six main points of ecotourism. (Source: Adapted from Dehoorne and Augier, 2011).

Nature and culture	Preservation of the environment taking into account socio-cultural dimension. Revenue earned helps finance and protect the environment. Tourism activities have a low impact on the environment and host societies
Welfare of host societies	Improved livelihoods and economic diversification
Responsibility of tourists	Respect for environment and visited places. Interest in experiencing other cultures
Participation of host societies	Accountability and participation in decision-making, ownership of the activity and/or host institutions
Sustainability	Control volume of tourist consumption, development of host societies and preservation of resources
Art of encounter	Involvement of tourists, offer experiences and encounters that contribute to the establishment of more equitable and supportive relationships

may be a variety of definitions for alternative tourism, some common characteristics are: environmental, cultural and heritage protection, involvement of local communities and maximization of economic benefits for the host community. A main priority of ecotourism is that visitor numbers are regulated and the consumption of natural resources are controlled. Ecotourism is a form of tourism whose impact on the physical and cultural environment is minimized and resources are conserved. Table 19.3 summarizes the main characteristics of ecotourism. However, the development of ecotourism does not limit the growth of mass tourism at destinations.

The following case study examined Wayalailai Ecohaven resort in the Yasawa Island Group, Fiji, which markets itself as ecotourism, but is better classified as a community based tourism or backpacker resort which attempts to practise eco-friendly and sustainable tourism initiatives. It is an example of an indigenous–owned tourism property which has brought benefits to the local community, but has also encountered negative impacts and used traditional methods to attempt to manage them.

POLICY AND IMPLEMENTATION

There has been a tendency to view tourism as a predominantly private sector industry which is determined by market forces. However, more recently, increased attention has been paid to the role of government and the public sector if tourism development is be sustainable and contribute to poverty alleviation (Harrison, 2008; Scheyvens and Russell, 2012). Harrison (2008) argues that for poverty alleviation to be of any significance it must be supported by the state or governments. He claims that 'the impacts of any pro-poor tourism project, even if on a large scale, are likely to be limited unless a state's entire tourism strategy is constructed around poverty alleviation'(2008, p.71). Furthermore sustainable pro-poor policies need 'strong institutions capable of proactively intervening in market forces and redistributing financial resources' (Schilcher, 2007, p.71). For Fiji, the potential for increased pro-poor tourism initiatives must be supported and underpinned by the government's approach

to tourism development. At present the government's goals claim to 'to develop tourism in a sustainable, equitable manner, while simultaneously promoting rapid growth of the sector, including the doubling of tourist arrivals by 2016' (Scheyvens and Russell, 2012, p.432).

CONCLUSIONS

Tourism destinations undergo continuous transformation and island destinations especially have physical and geographic limitations which require the sustainable management of limited resources. This chapter discussed tourism resources and sustainability, by examining different types and approaches to tourism in general and a number of specific examples from the Fiji Islands as well as a case study of community based backpacker tourism which outlined the benefits and challenges faced by the people of Wayalailai.

Furthermore, the chapter examined the concept of sustainable tourism, pro-poor tourism, the interdependency of tourism and the environment and the need for sustainable forms of tourism that maintain a balance between environmental protection, cultural integrity, social justice and the promotion of economic benefits that meet the needs of host populations. Different types of tourism have been discussed as offering more potential sustainable solutions such as ecotourism, indigenous tourism and community based tourism as well as tools for sustainability that can potentially provide more sustainable resource management.

Case Study: Alleviating poverty and supporting traditional lifestyles through tourism – Wayalailai Ecohaven Resort, Yasawa Islands, Fiji

Wayalailai Ecohaven Resort (WER) is an example of a participatory approach to indigenous tourism. The resort is owned by three local clans and the local community is involved in the decision-making process, participates in determining project goals, and gains direct and indirect benefits from tourism.

WER provides a number of opportunities for the clans, which include employment, handicraft selling, cultural performances, purchasing fish, seafood and vegetables from local fishermen and farmers, tour guiding, storytelling, village visits and boat hire. The resort was opened in the interests of community well-being to provide employment for clan members, and money to facilitate traditional obligations (*oga*), and pay for church contributions, education, village housing and living standard infrastructure such as piped water, electricity and toilets with septic tanks.

Tourism on Wayalailai has provided a number of economic and social benefits for the community, but recently environmental impacts are emerging which are being addressed. Despite the community's best efforts to take care of their environment, over the years, tourism, increased visitors and village developments have begun to have a negative impact on the environment. A *tabu* (ban) has been put on the marine area in front of Wayalailai to protect fishing grounds and encourage the conservation of fish and seafood which have started to decline.

Studies show tourism has social outcomes that can have negative and positive impacts on the local community. For the clans on Wayalailai, positive benefits have been: better access to health facilities on the mainland; improved housing and indoor plumbing;

(Continued)

Case Study. Continued.

piped water; secondary education and discretionary income to spend on consumer goods such as clothing and household goods. The clans on Wayalailai live a simple, frugal, predominantly subsistence lifestyle governed by strict codes of conduct and dress codes within the villages. In general, villagers feel that tourism has brought positive benefits to the community. Village elders and older staff members expressed concern at the changing behaviour of young men and women in the village. However, tourism cannot be the only aspect of cultural change; local people are also influenced by examples of Western lifestyles, as depicted in advertisements, movies, television shows, magazines and social networking sites.

Overall, clan members believe the resort is a success, but place a higher level of importance on village development; livelihood impacts – housing, running water, toilets, payment of church tithes and school fees; increased living standards; and the ability to contribute to traditional obligations and ceremonies; rather than profit maximization, saving and reinvestment in the resort. 'Green' or sustainable tourism at WER has provided extensive economic and social benefits for a once marginalized, remote, island community, and is an example, of how, with planning and consideration of cultural aspirations, tourism potential for alleviating poverty can increase. Future initiatives by the resort include improved waste management, and increased linkages to agriculture by encouraging clan members to produce food for sale to the resort. (Gibson, 2013).

ACTIVITIES

1. Conduct an inventory of tourism attractions and resources in your state or country (see Table 19.1).

2. Explain the differences between sustainable tourism and pro-poor tourism.

3. Outline, with examples, how different types of tourism might be more sustainable than others.

4. Discuss the initiatives that could be implemented to make mass tourism more sustainable.

5. Identify the different types of resource management initiatives that can be used in the following: a national park, the development of a new resort, a wildlife sanctuary and a heritage town.

6. Having read the case study on Wayalailai, locate two or three tourism operators in your area. With regards to the management or use of local resources, identify the extent to which they use/purchase local resources, what benefits they offer the local community, and whether they practise pro-poor initiatives (see Table 19.2). Finally, suggest how you think they could better manage their resources.

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New Strategic Developments in Tourism

Alfonso Vargas-Sánchez and Luiz Moutinho

LEARNING OBJECTIVES

- To emphasize the importance of a new strategic thinking in the current business environment.
- To present the main guidelines of the expected future of business, and the strategic implications of this scenario.
- To emphasize the importance of an ethical approach, and how Corporate social responsibility has adopted this role.

INTRODUCTION

Traditional strategic thinking argues that greater market share equals greater profit. But bigger is not necessarily better; in many cases, it can actually be worse. As most companies use it, market share can be a misleading, and even dangerous, measure. The point is: think beyond the current business offerings and apply the value-creation test. Not all growth is good. In fact, some growth

actually destroys value, as we can detect in overcrowded tourist destinations as a result of an uncontrolled mass tourism, based on quantities only (where is the limit?), and with little or no attention to their carrying capacities. Obviously, these undesirable situations should lead to new priorities in a new wave of tourist planning.

If the reader would like to familiarise themselves with the role of profitability in business strategy, they should refer to *The Profit Zone: How Strategic Business Design Will Lead You to Tomorrow's Profits* by Slywotzky *et al*. (2002). In a nutshell, the market share approach is dead, and it has been replaced by a different one based on value share.

There is no room for complacency. The world has changed in three ways: scope, scale and speed. One example is formed by the cultural movements directly connected to the tourism industry. Cultural movements involve a group of like-minded people banding together around a shared idea or passion (such as travelling), and usually trying to bring about some type of change. For almost every

passion you can think of there is a movement. This proliferation of mini-movements is something new.

There are also social reasons why movements are on the rise. While people are more connected in one sense, they are also more disconnected, from neighbours and from some of the traditional community hubs of the past. Moreover, people seem to be looking for meaning and purpose in a world that has become increasingly turbulent and unsettling. As the world continues to get more volatile and complex in the years ahead, we can expect movements to become increasingly important.

The key for marketers in tourism firms is to stop talking about themselves and their products, and to start listening to what people are talking about and are passionate about, and sharing and facilitating those passions. When that happens, your brand will have earned the kind of respect and credibility with these people that advertising just cannot get you. Your message will be shared among those who trust and listen to one another a lot more than they trust adverts. This is why, increasingly in the future, the movement will be the medium. Strategists will turn into meaning creators, under the assumption that meaning is about improving customers' lives, leading to an impact on the company's bottom line.

An example in the tourism industry could be the birth and first developments of the brand 'Huelva, the light' (Vargas-Sánchez and Dredge, 2011), as suggested in the Resources list.

THE FUTURE OF BUSINESS: STRATEGIC IMPLICATIONS

Strategic change is inevitable, and of a disruptive character. The Internet is the most obvious example: with its deeper and deeper penetration into our daily lives, it will become part of us all of the time. The strategic battle on the Internet is that of controlling the data. As Halal (2015, p. 50) asks: 'What are the key forecasts to 2030 for emerging technologies, social trends, and wild cards – what are the possible impacts?' The tourism industry is not immune to these kinds of changes: some work across disciplines and impact the whole economy, including the tourism sector; others are specific to tourism. For instance, 'it may seem that information systems could replace travel, but information forms a virtual world that parallels the physical world rather than replacing it' (Halal, 2015, p. 58). We could argue that this technology would add value before and after the real tourist experience. Even more, thanks to the use of virtual reality and augmented reality applications powered by artificial intelligence, travellers will be transported back in time to experience life as it was in the past.

The future is very hard to explore and to understand as a result of the amazing and irreversible transformations in hand. To help business managers survive in this jungle, we refer to some of the findings of the TechCast Project (for more details visit www.techcastglobal.com) (see Appendix, Tables 20.A1, 20.A2 and 20.A3). These are intended to guide companies onto the right track when they position themselves in forecasting the evolution of (or revolution in) their strategic environment. The point is how to avoid having the perfect strategy for yesterday's future.

The research method used collective intelligence to pool the knowledge of 130 high-tech CEOs, scientists, engineers, academics, consultants, futurists and other experts worldwide to forecast breakthroughs in a comprehensive range of fields. No forecast can be really accurate, of course, but validation studies confirm that this approach provides estimates accurate enough to put decision makers in the right scenario.

Some of the findings are directly related to the tourism industry, although all of them

will – in general – have a certain effect on it because of its impact in a society immersed in a process of deep transformations.

Examples of forecasts include the following:

- The travel industry is likely to continue to grow, achieving the level of US$10 trillion by 2020.
- With a pretty high level of confidence, experts consider 2018 as the most likely year to see the beginning of space tourism, with travel to the stars a possibility in the near future (around 2055).
- Smart robots are likely to enter hotels and other kinds of facilities in tourism-related companies, and artificial intelligence will automate routine tasks (in the same way that global positioning system technology solved the problem of travelling from point A to point B).
- Increased human longevity will lead to the mushrooming of medical tourism. This is a growing segment already being exploited by some countries (those able to anticipate this trend in a market with no borders). In addition, longer and healthier lives will fuel increased spending on travel and entertainment.
- Some of the most powerful applications of the semantic web are expected to come in the domain of travel and leisure. Semantic search powered by artificial intelligence could become standard in travel customer service by 2020.
- In an accelerated world, where a faster and faster pace seems the only option, the slow movement, and within it slow tourism, is gaining momentum.

We live in a world of constant, and even disruptive, changes. The advances in information and communications technology (ICT) and the corresponding digital transformation in how we work and live can serve as clear examples. Talwar and Wells (2015, p. 2) confront us with a prominent question about the future of business strategy: 'How do we compete and make a profit in a world where automation and digitization are shortening business cycles, accelerating change, and driving the commoditization of many goods and services?'

There is a 'perfect storm' of change on the horizon, and in this context leaders in the tourism industry, and leaders in general, are being challenged about the future adaptive strategies for their organizations. Paraphrasing Albert Einstein, to keep doing the same thing and expecting different results (within this context of such rapid and wide-ranging changes) is insane. For instance, according to Talwar (2015b, p. 34): 'Automation is decoupling economic growth from job creation and driving technological unemployment. Joblessness levels of 50 per cent or more could become the norm without radical shifts in national economic strategies'.

In his response framework for navigating in this uncertain and rapidly changing reality, Talwar (2015a, p. 561) considers that:

> Leading the organization into an unknown and potentially unknowable future will require fundamental shifts in how we lead and manage. An entirely new set of skills will be required to help deliver on our goals. These will include scenario planning, complexity management, cross-cultural awareness, collaboration, systems understanding, design thinking and extreme creativity. Understanding and responding to change will also require us to free up time and space for people across the enterprise to engage in serious research, analysis and choice-making about our preferred futures. These in turn require us to prune our currently overloaded 'To-Do' lists. In their place we need 'To-Stop' lists – encouraging 'orgies of elimination' to tackle unnecessary complexity and kill off the reports, meetings and processes that no longer add value.

More specifically, Talwar (2015b, p. 44) envisages ten types of responses which, in some instances, we can already see evidence of. Some of these behaviours will become strategies in their own right; other firms might form their strategies by combining a range of these behaviours. Two examples with application to the tourism industry are:

- Airbnb, an exponential thinker, is shaking the lodging sector; and Uber is reshaping private transportation through its app, which can easily connect passengers and drivers. Impressively, between 2011 and 2014 their market capitalizations have increased fivefold and 20-fold, respectively. BlaBlaCar is another example of the sharing economy.
- Google, an unparalleled transmitter of intimacy, is implementing artificial intelligence to become a travel agent available around the clock and around the globe, based on its huge amount of data collected from all of us through a network of apps such as Flights, Hotels, Destinations, Maps, Now, Street View, Earth, and now Trips. Its business model is based on data gathering, and this is what Google uses and sells. Google-type brands (such as Facebook, Amazon and other intermediaries; or TripAdvisor and Trivago in the specific field of tourism) can gain more visibility and loyalty than the brands they sell: and are given the term here of 'brandbarians'.

Summing up in Halal's words (2015, p. 50): 'The forces of strategic change are so vast and relentless today that new directions are inevitable. Our choice is to guide creative destruction or submit to the alternative – chaos'. However, most managers have difficulties finding time for strategic thinking, and have a high level of uncertainty about how to approach such a large challenge and such a hard reality, in their attempt to find their own way out of crisis.

These challenges cannot be ignored. Apart from the omnipresent technological revolution, climate change is another example of a factor that has a severe impact on the tourism industry. According to Halal (2015, p. 51), 'tough strategic choices are increasingly being forced upon us by default'. So, moving in new strategic directions is inevitable, as is thinking beyond technological anxiety. The goal is to make things more efficient and abundant, and to recover the human values of business – that

is, the search for happiness – which leads to the redefinition of the notion of prosperity.

Only within the so-called 4Ps framework can these new strategic directions now be conceived: profit, people, planet (the well-known triple bottom line of sustainability, referred to in chapter 14) and purpose, another guiding principle. The tourism industry is evidence of the process whereby people look for a purpose for their leisure time: a meaningful or transformative holiday. Successful brands will be those that understand and balance those Ps.

According to Kjaer (2015, p. 165), 'research suggests that broadcasting a firm's unique history and giving people what they actually need and want remains the biggest guarantee of an authentic brand experience', authenticity being one of the critical differential factors in tourism supply. Additionally, 'a Stanford study found that storytelling is up to 22 times more memorable than facts alone'. All this has to do with the ability to provide a clearer and more customer-centric vision, in spite of its diversity. In fact, these authors propose four categories of tomorrow's people (in a scenario for 2030+) based on their values and needs: (i) green sustainers; (ii) mindful idealists; (iii) mobile millennials and (iv) new urbanites.

To provide a general perspective, Table 20.1 and Box 20.1 summarize tomorrow's lifestyle

Table 20.1. Tomorrow's lifestyle choices (from Kjaer, 2015, p. 168).

20th century	21st century
Hyper-consumption	Meaningful consumption
Ego	Community
MEconomics	WEconomics
Ownership & Credit	Access & Sharing
Social status	Reputation
Unsustainable	Sustainable
Capital P = Profit	Capital P = Purpose

> **Box 20.1.** Navigating the new normal
>
> Are we experiencing a conventional economic cycle? Or did the financial crisis of 2008 and the subsequent global economic downturn mark the beginning of a 'new normal' characterized by fundamental changes in the use of leverage, trajectory of globalization, nature of consumption patterns and appetite for risk taking?
>
> Companies now have to operate in an environment in which setting strategy has become more complex: planning cycles are shrinking, future growth trajectories are harder to predict and business assumptions that once seemed indisputable are now coming into question.
>
> Business as usual is utterly screwed. It values the wrong things, rewards the wrong people and behaves in the wrong ways.
>
> Right now business must make sense of new technologies, generational differences, geopolitical shifts in power, continued economic crises and the needs of a planet that is increasingly ravaged. But, most of all, business must adapt to a world where people are beginning to demand much more from it – where the pursuit of profit alone is no longer enough. It is time for a revolution.
>
> Twenty first century businesses have a higher purpose, creating meaning that goes beyond the work itself and the creation of profits. They stretch to solve the great problems that matter to society, and seek a purpose of significance.

choices and the current business framework, according to Kjaer (2015).

The paradigm shift is served, as shown in Table 20.2.

Certainly, in a business environment that is volatile (rate of change); uncertain (unclear about the present situation and future outcomes); complex (multiple key decision factors) and ambiguous (lack of clarity) (VUCA), with an increasing need for resilience to change, an 'agile management approach is the wave of the future' (Goodrich, 2015, p. 387). Regular adaptation, trust, communication and efficiency are the primary facets of agility, according to this expert (more insights can be found in Cooper, 2013). In any case, today's business strategies require considerable attention to what is going on in science and technology, as these sectors are moving incredibly fast.

Our age of anxiety is, in great part, the result of trying to cope with the current environment and future society with yesterday's paradigms, concepts, techniques and tools. Experimentation is now the new planning,

an evolving portfolio of strategic experiments (or 'experiences' when talking about tourism, as the experience is the most important interface between the company and the customer). The emergent component of the strategy is dominant: an organic approach to growth that lets companies learn and continually develop new strategies over time, based on an ongoing culture of hypothesis and experimentation.

A new approach to the process of strategy development is, therefore, necessary in this type of environment of rapid change: a future creation-based approach. In contrast to a vision focused on the past and present (which produces poor 'business as usual' thinking), this approach is driven by openness and encouragement of diverse views to breed creativity, instead of a closed and narrow one limited to a few people in the upper echelon of the organization. It is a bottom-up process, instead of merely a top-down one, and facilitates the achievement of the necessary sense of ownership among people in the organization. As explained in chapter 14, conventional

Table 20.2. Paradigm shifts. Authors' elaboration.

From	To
Economic egoism	Multilateral consideration
Walling of separation	Sharing and collaboration
Secretive business	Transparent and coopetition
Control economy	Trust and consumer-generation
Display	Search
Attention	Attention economy and recommendation
Mentions	Meaning
Simple structures	Complex platforms
Device-centred	Person-centred
Interruption, intervention, intrusion, insistence	Engagement
Directing	Connecting
Shouting	Delivering content
Return on investment	Return on involvement
Reacting	Interacting
Big promises	Intimate gestures
Explaining	Revealing
Linear	Non-linear
Separateness	Relatedness
Component thinking	Thinking in wholes
Task analysis	Complex adaptive systems
Problem solving	Butterfly effect
Structure creates process	Self-organizing patterns, shapes & structures
Forecasting through data analysis	Foresight through synthesis
Collecting	Perceiving patterns
Sequential models	Simultaneous happening

planning approaches have usually led to failed strategy execution. The 'Strategy Study' carried out by the consultancy A.T. Kearney in 2014, over a sample size of 2010 global executives, reinforces this finding.

The Voros Generic Foresight Process provides a different framework, and is displayed in Fig. 20.1. It tries to overcome the following characteristics of conventional planning approaches (Conway, 2015, p. 473–474):

- The process seeks certainty and constrains thinking about alternative futures – people interpret change from the perspective of the past and the present, not the future.
- The plans produced are inflexible – unexpected change invalidates the plan as proposed implementation actions are no longer relevant.
- A 'business as usual' future is assumed – alternative futures are not explored to create new ways of seeing possible opportunities and challenges.
- Quantitative data are preferred as they infer certainty – there are no quantitative data about the future, yet imagination and qualitative data are often not viewed as valid information sources.
- Assumptions about change and work are not challenged but rather reinforced – if alternative futures that show different ways the future might emerge are not created, today's ways of operating are not disputed.
- Staff play a minor role in the development of the plan – usually at the end of the process when they are asked to look at a draft plan, rather than being invited to share their views at the start of the process.

As claimed by Conway (2015, p. 477), this process helps to produce strategies that allow the organization to:

- Face the future (the organization is alert to change and ready to respond).
- Challenge assumptions (it is recognized that today's operating roles are not always useful for the future).
- Build a long-term mindset (moving beyond status quo thinking to focus on what's coming and how that might affect today's operations).
- Use data and imagination (understanding continuously the whole change picture with a range of information sources, incorporating a wide range of evidence).
- Collaborate and co-create (allow people – staff, stakeholders and other participants – to work together to shape the future they want).

To illustrate this process, which is known as 'Foresight infused strategy', the chapter authors recommend you refer to the case study section further on.
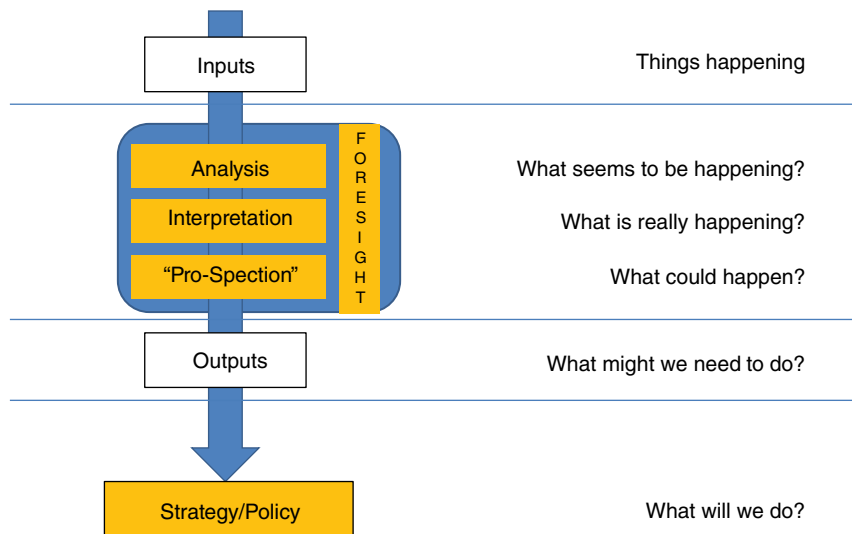
Fig. 20.1. Generic foresight process (from Conway, 2015, p. 475).

When studying this endless process of foresight-driven transformation, Inayatullah (2015, p. 512) found three core principles to manage it: (i) it's a learning journey; (ii) challenge the used future; and (iii) find the world-view and narrative.

For Tibbs (2015, p. 518), three methodological principles emerge for adapting the company to environmental change:

1. The research focus must be on what is changing in the present and on insight into the structure of the strategic situation. Note that the ability to recognize change in the present depends in part on knowledge of the past, simply because change requires the passage of time to become visible.

2. A representation of the new change dynamics and its future implications must be integrated into the mental models of the decision makers, to enable action.

3. The payoff is not going to be definite knowledge about the future, but about how to respond effectively to the change. The future is mainly being used as an exploration space for projecting possible outcomes based on signals of change and what is known about the structure of the system.

Finally, Brooks (2015, p. 553) introduces what he names the threefold lens for understanding the future's living economy:

- Openness, which means collaboration (open-source platforms, business models based on peer-to-peer collaborations, the sharing economy).
- Dynamic, which means adapting to change. The real task is to identify what aspects in the business environment are changing most rapidly, to assess the level of the impacts they can cause and then to prepare the organization for major shifts. 'Is your company prepared for future competition in augmented reality advertising, 3D printing, driverless delivery, and drones?' (Brooks, 2015, p. 554)
- Scalable, which means the ability to meet demand without creating a wasteful surplus. Digitization is perhaps the most practical tool for achieving this, according to Brooks, who defends that scalability also means sharing cost free resources, such as a blog, an app or software (2015).

CORPORATE SOCIAL RESPONSIBILITY (CSR): A STRATEGIC ISSUE

Today, companies cannot think about business success in the long term if they abdicate their social responsibilities. In carrying out their activities, these organizations, which play a central role in contemporary tourism, need to take into account their stakeholders and assume fully the responsibilities deriving from their decisions and activities.

The increase in the degree of competitive rivalry, as a consequence of the globalization of the tourism industry, is generating an increase in both internal and external unrest, making it more necessary than ever to find an equilibrium between the economic, social and environmental aspects of companies' operations; thus sustainable development has become a business dimension that needs to be managed strategically.

In short, every company needs to have senior managers who hold appropriate values for facing these challenges, and who are capable of establishing an organizational culture of ethical and responsible behaviour at all levels.

But, to whom is the company responsible? This question has not always received the same response. Today, in our opinion, the most satisfactory answer must be that it is responsible to everyone who is affected by its activity. Thus, the stakeholder theory postulates that the objective of the company is to serve the interests of all its social agents, recognizing always that these are two-way relationships: the company depends on its stakeholders. Satisfying these stakeholders and respecting their interests, rights and property is an integral goal of a company's business activity.

In other words, a set of moral rights and duties emanates from the interactions between the organization and the social agents. The ethical responsibilities of the company are founded on these rights and duties (which often go beyond the legal responsibilities stipulated in specific regulations). Thus, in all their actions, managers are faced with a series of moral dilemmas that arise in consequence of the inevitable clashes between different spheres of their jobs.

Despite the changes that have taken place in society, which have made CSR necessary for tourism companies, the question about why only some of them are ethical and socially responsible is still alive. To answer it, we should distinguish between micro-ethics and macro-ethics.

From the micro-ethical perspective, we have to take into account the following factors:

- The cost of implementing measures to comply with and promote CSR has an adverse effect on the short-term returns of the company and, given that the sanctions for infringement may not be very onerous, there are organizations whose directors prefer to wait until any infringement becomes detected officially.
- There is a learning process, the employees need standards of reference and, even more, they need leaders in whom they can trust and whom they can follow.
- The achievement of short-term goals, for which the directors must take appropriate decisions, may sometimes clash with ethical or social principles.
- The profitability of doing what is morally correct. The benefits generated by CSR are very difficult to measure and usually cannot be identified in the accounts of a company. However, directors know that society demands CSR and that the image of the company will benefit if they do take measures to promote CSR.
- The behaviour and actions of individuals determine how a company becomes considered socially responsible. It is ethical people who make an organization ethical.
- The management team of the company needs to be committed to responsible practices by deeds, not by a mere programme of good intentions which may or may not be put into effect.

The macro-ethical perspective also raises aspects for us to consider:

- The company is faced with situations requiring solutions that, most of the time, are not regulated by specific laws. It is in these situations that the ethical values of the corresponding individuals are demonstrated, and their decisions and actions show whether or not the company is really ethical and responsible.
- Since unethical and irresponsible practices are not subject to serious sanctions in the event of being revealed, and they may not be illegal according to the standards in force, this is a factor that tends to favour unethical practices.
- The difficulty involved in classifying a particular situation as good or bad is an obstacle in the way of defining what is socially responsible for everyone everywhere. Something understood one way in the West is often seen the other way in the East. The same can be said of the different values held in the developed North compared with the developing South. The line between goodness and badness – right and wrong – is diffuse and not clearly drawn, and the line changes with time.
- Does the customer carry (or, should they carry) the cost of ethical behaviour? The fact of taking measures to implement CSR can mean additional costs being incurred by the company. It would probably be disposed to accept these costs provided they could be attributed to the products and services it offered; that is, provided they could be recovered in the prices paid by the customer.

- The greater the competitive pressure a company considers itself subjected to in order to make profits and survive, the less it will be willing to implement practices that involve more short-term costs, even though that expenditure may generate returns in the medium to long term. This is exactly what happens in times of economic crisis.

- The large companies that are leaders in the tourism sector (as in any other sector) usually serve as reference models in respect to ethical behaviour, since by definition they have more resources available and greater capacity for generating profits. But the majority of companies in most sectors are SMEs that need assistance from public bodies and non-governmental organizations to carry out socially responsible activities.

Therefore, the question is: are CSR practices only for large companies, and only in times of bonanza? We do not believe that this is so, but it is true that this is an area in which opportunistic attitudes exist. This contrasts with ethical positions based on values solidly rooted and shared throughout the company organization that mark an organizational culture differentiating the company from others less ethical and responsible. Sometimes these more 'moral' approaches to business are easier to find in small and medium-sized companies.

In any case, it is crystal clear that CSR is currently a burning business topic, not only in academic circles, but also in the management of corporations and in organizations that represent corporate and business interests, and in the tourism industry as well.

It can be argued that the application of CSR principles is shaking the foundations of traditional management, to the extent that the responsibility of the company is now assumed to go far beyond the maximization of profits and accounting for its activities to its owners. In fact, this is even being referred to as the paradigm of the 21st century.

However, some sense of stigma still persists, with CSR often being considered a mere cosmetic marketing operation or public relations exercise to improve the image of the brand and that, in reality, these reported practices do not represent any fundamental or deep change in corporate behaviour.

What is clear, nevertheless, is that social responsibility is now being used as a parameter for evaluating and comparing the performance of organizations. In many consumer product markets there is now a recognized niche for socially responsible products, although these are still only of secondary importance. In tourism, the 'tribe' of socially conscious travellers is in fact a segment of increasing importance.

Those who lead and direct tourism companies are becoming more and more aware of the externalities resulting from their activities, and of the need to orientate managers and employees not only to satisfying shareholders, but also to reaching a balance between the interests (often conflicting) of the different groups that affect and are affected by the way the company operates. These may be 'internal' to the company (shareholders, employees, pensioners) or 'external' (tourists, excursionists, suppliers, competitors, local community). Social pressure, tourists' demands and consideration of the potential competitive advantages that may be generated by being perceived as a socially responsible company are factors tending to act as drivers of the incorporation of these approaches in the strategic thinking and internal processes of organizations.

When ethical behaviour is adopted by tourism company leaders, this new culture – based on a trade-off among the various stakeholders – must be built on mutual trust, so transparency is then essential for this trust to exist. Only in this way will CSR become a key competitive factor with a recognized role as an intangible resource that generates sustainable competitive advantages. Over time, this sustainability must be the major consequence deriving from responsible business behaviour. We are speaking here, from our point of view,

of principles from which there is no turning back. If only for reasons of survival, the company should never remain aloof from the expectations and requirements of society.

Observing the principles of CSR represents the demonstration of an ethical approach to business demanded by society. The great challenge of present times is to put these principles into action, and to undertake them through practices linked to measurable objectives and with indicators that allow progress towards specific goals to be quantified. In general terms, Box 20.2 shows some standards, initiatives and tools in use by firms. The UN World Tourism Organization (UNWTO) is heading an 'Ethics and Social Responsibility Programme' specifically related to the tourism industry, within which a 'Global Code of Ethics for Tourism' exists. The Code has ten principles or articles covering the economic, social, cultural and environmental components of travel and tourism (UNWTO, 2001). A World Committee on Tourism Ethics was established in 2004 to interpret, apply and evaluate the Code. In the 'Activity' section, readers are invited to analyse the content of the Code.

CONCLUSION

In this concluding section we would like to point out the importance to the future of business, of emerging technologies, expected social trends and other factors. The process of change is unprecedented in its speed, scale and scope. This scenario presents new challenges to managers in the tourism industry, the search for strategic agility being one of the most significant.

How companies learn to regenerate strategy is the key issue today, but they need to develop the ability to identify and anticipate future changes. They have to move without inertia from strategic insight, to execution and back to strategic insight. That is the essence of strategic agility, the ultimate strategy,

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Box 20.2. CSR in action

CSR is, in short, a management tool for establishing stable relationships with diverse groups of stakeholders and serves as a differentiating element from other companies. It enhances the reputation of the company, strengthens consumer and employee loyalty, and makes it easier to recruit personnel, among other benefits.

Work is being done to create standards to enable the exercise of responsible behaviour to be certified independently: the AA1000 (AccountAbility 1000 standards) and SA8000 (Social Accountability 8000) standard are real evidence of this.

Another similar initiative is the Voluntary Quality Standard (CSRR-QS 1.0) of the Association of Independent Corporate Sustainability and Responsibility Research (AICSRR). Even the International Organization for Standardization (ISO) has prepared a guide on social responsibility (ISO 26000) although not, for the moment, for the purpose of certification.

The production of management control charts with social responsibility indicators, sustainability reports and triple dimension reports (economic, social and environmental; using, for example, the directives of the Global Reporting Initiative) and internal audits are other tools being used to put CSR into action.

The establishment of codes of conduct (or ethical codes) and of figures such as the 'ombudsman' are moving things in the same direction.

Case Study: The Internet and New Operators in the Tourism Industry

The suggested case study is:

Vargas-Sánchez, A. (2011) Authentrex: Technology meets tourism in an entrepreneurial venture. *Journal of Hospitality and Tourism Cases* 1(1), 59–74.

Please consider the teaching objectives and questions for debate carefully.

Please watch this video on 'Ethical and Social Responsibility' http://unitv.uhu.es/1/watch/335.aspx (10 May 2016) and extract the main ideas explained in it. This is an interview with the managing director of the company under study.

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which requires sensing and responding to change at the edges of an organization.

Together with the achievement of strategic agility, one of the greatest challenges to deal with this scenario is understanding the new ethical dilemmas to be faced by business leaders. They are, after all, people; and their values will be critical when they make decisions that are (supposedly and desirably) responsible in a CSR framework. Deloitte (2015) is an interesting source of reflection about leading in the new world of work.

QUESTIONS AND ACTIVITIES

Questions

1. How is the governance of tourist destinations affected by the rapid development of ICTs? Are you familiar with the concept of smart tourist destinations? What does a smart tourist destination mean to you?

2. Do you think that peer-to-peer (P2P) is the future of innovation and a significant source of new business models in the tourism industry? Can you present some examples? Consider that the future of innovation is kaleidoscopical, hybrid, mobile, connected, distributed, articulated, flexible and begins now.

3. Do you consider that certain CSR actions should be compulsory? Why?

Activity

1. Search for the full content of the 'Global Code of Ethics for Tourism' established by the UNWTO, analyse it and, to this respect, express your thoughts on the commitment of the private sector, particularly in the country where you live.

RESOURCES

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APPENDIX

Table 20.A1. Emerging technologies forecasts (from Halal, 2015).

Technology (% of the market they could capture or impact by 2030)	(1)	(2)	(3)
Digital Economy			
E-government – 30%	2019	275	68
E-commerce – 15%	2017	1815	69
Entertainment – 50%	2017	706	68
Global brain – 50%	2019	1000	72
Virtual education – 30%	2020	410	70

(*Continued*)

Table 20.A1. Continued.

Technology (% of the market they could capture or impact by 2030)	(1)	(2)	(3)
Intelligent web – 30%	2018	447	70
Information Technology			
Biometrics – 30%	2020	100	66
Intelligent interface – 30%	2021	579	68
Next gen computing – >0%	2026	1095	65
Virtual reality – 30%	2022	333	67
Thought power – 30%	2030	463	61
Artificial intelligence (AI) – 30%	2024	770	63
Cloud/Grid – 30%	2017	667	70
Internet of things – 30%	2021	1319	69
Manufacturing and Robotics			
Nanotechnology – 30%	2024	642	66
Smart robots – 30%	2027	655	65
Modular buildings – 30%	2025	2165	62
Power storage – 30%	2023	736	65
3-D printing – >0%	2017	393	64
Energy and Environment			
Alternative energy – 30%	2027	2248	61
Aquaculture – 70%	2025	205	60
GMO* crops – 30%	2024	635	60
Smart grids – 30%	2025	944	64
Water purification – 90%	2023	709	63
Green economy – 30%	2021	2757	62
Organic farming – 30%	2031	641	64
Precision farming – 30%	2023	790	66
Climate control – >0%	2017	570	67
Medicine and Biogenetics			
Child traits – 30%	2035	246	50

(*Continued*)

Table 20.A1. Continued.

Technology (% of the market they could capture or impact by 2030)	(1)	(2)	(3)
Gene therapy – 30%	2031	614	58
Replacement parts – >0%	2026	744	60
Life extension – 100 years	2037	1410	62
Personal medicine – 30%	2026	846	63
E-medicine – 30%	2021	642	67
Cancer cure – >0%	2029	825	58
Synthetic biology – >0%	2022	617	62
Neurotechnology – 30%	2034	462	57
Space			
Moon base – >0%	2034	289	59
Space tourism – >0%	2018	105	71
Humans on Mars – >0%	2034	438	53
Star travel – >0%	2055	2624	58
Commercial space – >0%	2023	583	58
Solar satellites – >0%	2031	461	59
Transportation			
Hybrid cars – 30%	2021	887	67
Fuel cell cars – >0%	2018	433	64
Intelligent cars – 30%	2022	1124	67
High-speed rail – 30%	2029	344	61
Electric cars – 30%	2027	1172	63
Small vehicles – 30%	2022	431	65

(1) The most likely year each technology will reach its next adoption level.
(2) The potential global market size in US$ billions at saturation.
(3) The confidence level of the experts for each forecast (%).
(*) Genetically modified organisms.

Table 20.A2. Wildcard forecasts (from Halal, 2015).

Social trend	(1)	(2)	(3)
Business and Economics			
Market concentration – 51%	2026	3.1	49
Old nations grow – 3%	2018	3.7	61
New nations dominate – 50%	2023	3.3	63
Consumerism triumphant – 67%	2022	3.3	59
Travel soars – US$10 trillion	2020	2.9	59
Jobs failure – 10%	2021	−3.5	61
Services dominate – 50%	2021	2.7	66
Government and Politics			
Privacy dying	2019	−0.7	70
Environmental demands	2022	5.5	64
Transparency	2022	4.9	58
Extremism growing	2018	−2.5	62
War			
Water wars (impact ranges from −1 to +1)	2026	−1.8	53
Demographics and Lifestyles			
Global greying – 25%	2032	0.5	64
Mass migration – 20%	2026	2.9	55
Generation change – 50%	2021	3.2	67
Urbanization – 60%	2021	0.3	64
Fertility falls – 1%	2028	2.4	58
Diversity accepted – 51%	2026	5.1	56
Working women – 70%	2026	4.3	65
Values and Spirituality			
Legal pot – 33%	2021	1.8	61
Global ethics – 30%	2032	4.5	56
Education expands – 50%	2026	5.7	64
Social responsibility – 50%	2021	4.0	63

(*Continued*)

Table 20.A2. Continued.

Social trend	(1)	(2)	(3)
Nature and Science			
Fragile systems – 33%	2019	−2.0	58

(1) Most likely year to reach adoption.
(2) Social impact (−10 to +10).
(3) Expert confidence (%).

Table 20.A3. Social trend forecasts (from Halal, 2015).

Wild card	(1)	(2)	(3)
Business and Economics			
Democratic enterprise	28	3.9	1.2
Bank nationalization	22	−0.1	0.2
Global depression	30	−3.9	−1.1
Government and Politics			
Peace in Palestine	13	4.0	0.5
Climate shift	50	−4.1	−1.8
UN collapses	11	−2.7	−0.3
China falls	25	−2.3	−0.4
War			
Israel conquered	2	−2.8	−0.1
Nuclear war	9	−7.0	−0.7
Energy weapons	59	−0.2	−0.1
Demographics and Lifestyles			
Alien contact	13	3.3	0.4
Superbugs	38	−3.9	−1.3
Global pandemic	24	−4.5	−1.2
Values and Spirituality			
Paranormal proved	12	1.4	0.4
Human cloning	40	0.7	0.6

(*Continued*)

Table 20.A3. Continued.

Wild card	(1)	(2)	(3)
Nature and Science			
Solar storm	34	−4.4	−1.4
Weather control	30	3.8	1.4
Singularity arrives*	43	4.6	2.5
Asteroid hit	3	−6.2	−0.1

(1) Probability of occurrence (%).
(2) Potential social impact (−10 to +10).
(3) Expected impact (%).
*Futurist Ray Kurzweil defines the Singularity as 'a future period during which the pace of technological change will be so rapid, its impact so deep, that human life will be irreversibly transformed'.

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Note: Page numbers in **bold** type refer to **figures**
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