VULNERABILITY & SUSTAINABILITY
in
THE TOURISM INDUSTRY

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May 2000
ACKNOWLEDGEMENTS

The preparation of this Doctor of Business Administration portfolio would not have been possible without the assistance and cooperation of many people both directly and indirectly. I would therefore like to express my gratitude to the following people for their contributions to its completion.

First and foremost, the encouragement, tolerance and forbearance of my primary supervisor, Professor Thomas Valentine, was much appreciated throughout, as was my co-supervisor, Professor Alexander Kouzmin. Dr Leigh Deves, Director of the Graduate School at UWS Nepean, allowed me the flexibility to combine full-time work with full-time candidature, despite rapid growth in the school.

My mentor and colleague, Dr Bob Compton, also deserves recognition for his support and encouragement, as do the various word processing operators who helped me overcome my limited computing skills. Thanks also to the staff of the Prince of Songkla University (Phuket Campus), and colleagues at the National University of Singapore, who facilitated my empirical research and provided helpful insights.

Finally, my thanks to Lesley who is always supportive, and who stayed out of the way during the process.

Alan R. Nankervis
May 2000
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EXECUTIVE SUMMARY

The following portfolio of materials fulfils the requirements for the Doctor of Business Administration degree at the University of Western Sydney, Nepean. It comprises:

- Literature Review
- Research Rationale
- Refereed Publications

The topic of my project is "Vulnerability and Sustainability in the Tourism Industry - A Conceptual Model", and research was conducted by means of a broad and comprehensive literature search, a selection of practitioner interviews and three small international research studies. The project is pioneering in its analysis of the vulnerability of the industry and has developed a unique model of vulnerability analysis as an industry planning tool.

The tourism industry, often seen as the vanguard of economic growth, suffers from the perception and sometimes the reality, that it is fragmented, segregated and chaotic in its operations and contributions to society. This project has explored both the perceptions and the realities of these characteristics by analysing the nature and structure of the industry and the impacts of its various business environments. Subsequently, through a review of the pertinent literature and some small empirical studies, an analytical model of vulnerability has been developed to assist the industry to adopt a more effective strategic and crisis management approach to its own sustainability.

I declare that this is an original piece of work which has not been submitted for any other degree.

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May 2000
VULNERABILITY & SUSTAINABILITY IN TOURISM

Literature Review
INTRODUCTION

As the focus of this research - ie an examination of the internal and external vulnerabilities of the international tourism industry - is both exploratory and multi-disciplinary, a broad range of generic and industry-specific sources have been consulted.

Accordingly, depending on their direct or peripheral relevance to the research topic, some areas have been researched more comprehensively than others. In addition, some issues have richer research bases than others. As examples, the literature on strategic management theory is quite comprehensive, but it is not the central focus of the topic, whereas the structure of the tourism industry is crucial to an analysis of its vulnerability but literature on this issue is sparse and fragmented.

Notwithstanding these limitations this literature review attempts to encompass all relevant research areas in a logical manner, proceeding from a cursory examination of the economic and social significance of the tourism industry, its research and definitional issues; through a considerably more comprehensive analysis of its complex inter- and intra-sectoral structures and relationships with its multiple business environments; towards an exploration of the application of vulnerability/sustainability and strategic/crisis management theories.

Specifically, the review is divided into the following sections:

1. The Nature of the Tourism Industry

2. The Business Environments for Tourism

3. Vulnerability and Sustainability, Strategic and Crisis Management.

This structure parallels the framework used in the accompanying Rationale.
All sections analyse the major issues of the relevant literature and discuss them in relation to the vulnerability and sustainability of the international tourism industry. The review concludes with an overall summary of the significant themes and dilemmas.
1. THE NATURE OF THE TOURISM INDUSTRY

1.1 Significance, Definitions & Research Bases

The emerging significance of tourism as a major contributor to the economies of individual nations and the global economy, whether measured in the number of employees, export/import earnings, taxation receipts or the proportion of Gross Domestic Product (GDP), has been widely reported in the popular media for at least the last decade. In Australia, the state and national media have given frequent coverage of government priorities in tourism, including training, marketing and infrastructure developments and initiatives, rising to a crescendo with the successful 2000 Olympics bid and the likely 2003 Commonwealth Games in Melbourne.

Some of these newspaper articles have focused on the positive aspects of the rise of the tourism industry (eg. more jobs, economic prosperity, internationalisation). As recent examples, The Australian ran a series of articles in 1997 ("Doomsayers get it wrong, as tourists ignore Hanson", 11.2.97, "Policymakers seek new sights", 17.10.97, "Pressure of numbers adds up to inevitable caps on tourists" 18.10.97) which emphasised the benefits of tourism to employment and the economy, as did The Age ("Pressure to promote tourism's potential", 14.11.97), The Australian Financial Review ("Stability may be tourism's saviour", 29.10.97, "Tourism looks on the bright side", 31.10.97), The Courier Mail ("Active measures to re-energise tourism trade", 10.11.97) and The Sydney Morning Herald ("Rewards ahead, tourism told", 14.11.97).
However, the media has also been quick to point out the vulnerabilities of the industry to both short term events and longer term trends or changes in the business environments of tourism. Thus, again in 1997-1998, extending to the present, the same Australian newspapers gloomily predicted the collapse of tourism as a result of the combined effects of the "Asian economic crisis", the Sumatran "smog haze". The "Hanson factor", changing tourist markets and, more recently, scandals associated with the 2000 Olympics bid. As examples, The Age ("Study shows fewer Asian tourists", 27.5.97), The Australian ("Fallout to destroy companies", 27.10.97), The Australian Financial Review ("Asia aftershocks: more to come", 24.10.97, "Asian crisis threatens tourism jobs", 29.10.97, "Asia shock hits tourism", 12.11.97), The Courier Mail ("State fears tourism collapse", 29.10.97), The Sydney Morning Herald ("Tourism Growth stymied by crisis in Asian markets", 7.11.97, "Concern as hotels see 50% drop in Thai visitors", 23.10.97), and even The West Australian ("Asian problems to hit tourism sector", 31.10.97) reflected perceptions that tourism was (and is) especially vulnerable to the negative impacts of the economic changes in our region or throughout the world.

Similarly, but to a lesser extent, the media reflected on both the beneficial and the adverse effects of the 1997-1998 "smog haze" in Sumatra (eg. "Gearing up for post-haze boom", 13.10.97, "The burning issue" 6.10.97, AFR; "Economic worries deepen as pollution casts pall over tourism", The Australian, 7.10.97); the "Hanson phenomenon" (eg. "Doomsayers get it wrong, as tourists ignore Hanson", The Australian, 11.2.97; "Pauline hits our pockets", 18.10.96; "Tourism fear over Hanson", The Herald Sun, 19.10.96); and longer term trends (eg. "Tourist make-up changes in decade", The Age, 29.10.97; "Wrong industries get all the breaks, tourism warns", 29.10.97; "Another win for tourism", The Australian, 30.10.97).
The Australian, 3.10.97; "Expert blames Qantas for low tourist numbers"; 18.7.97, "Tourists bag shopping hours"; 26.9.97, AFR; "Aust over-priced, Japanese tourists say" 28.10.97 The Courier Mail; "Tourists put off by bad service", 21.8.97, The Daily Telegraph). Notwithstanding these "tourism jitters" (AFR, 6.1.93:9) of governments, industry lobby groups and international tourism authorities reflected by the media, they also serve to confirm the assertions often made in more academic literature (e.g. Burkart and Medlik 1981; Bull 1995; Cooper, Shepherd and Westlake 1996; Elliott 1997; Gee and Fayos-Sola' 1997; Go and Jenkins 1997; Hall 1994; Seow, Tucker and Sundberg 1984; Sorensen 1997; WTO 1995;) of the growing economic and social significance of the tourism industry.

However, whilst there appears to be a general consensus that the tourism industry is of economic significance, in both national and international arenas, and that this importance is growing (e.g. Richardson 1995), there is also considerable divergence in the statistics used to measure this. The World Travel and Tourism (WTTC), for example, estimated in 1996 that tourism represented 10.7% of GDP, provided 250 million jobs globally and produced income of more than $US 3.6 trillion (Lin 1998:3). Its predictions for 2006 include growth to 12% of GDP, 385 million jobs and income of $US7.1 trillion (ibid).

There is considerable divergence between observers with respect to the actual economic significance of the tourism industry, reportedly due to deficiencies in data collection systems (e.g. Elliott 1997:4, Fleetwood 1993, Faulkner 1993, Go and Pine 1995, Sorensen 1997:12.), including different measures in different countries and the overall difficulties of intra-sectoral classification of tourism agencies. As examples,
hotel properties are classified globally by a range of domestic (eg. automobile associations) authorities and international agencies (eg. Frommer's Guides, Michelin Guides,) using different criteria, but usually on the basis of physical facilities rather than service standards. Employment numbers in the industry vary markedly due to seasonal factors and the proportion of full-time, part-time, casual or on - call staff (Fleetwood 1993, Timo 1993).

In fact, research into the tourism industry appears generally to be sporadic, functionally focused (eg case-examples, small studies on particular tourism agencies—eg. Elliott 1997, Faulkner 1993, Fleetwood 1993, Go and Pine 1995) and with a distinct marketing emphasis (eg. Carlzon 1987, Edgell and Smith 1993, Gronroos 1990, Heskett et al 1990, Williams and Shaw 1991, Zeithaml et al 1985 and 1990, Zemke and Albrecht 1985). A content analysis of papers presented at the last three Australian National Tourism Research Conferences and a sample of broader regional conferences (eg. APTA 1997 and 1998, International Conferences on Tourism Research, Asia-Pacific 1997-8) tends to support this conclusion. The consequence of this dearth of research is that the tourism industry appears not to be well-served with respect to data for the purposes of planning and future development. As Fleetwood (1993:165) explains, "...the lack of widely accepted statistical concepts, definitions and classifications has hindered recognition of the importance of tourism economic activity". Faulkner (1993) and French et al (1995) agree, going further to suggest that not only recognition but also the management of the industry is seriously hindered by this issue (eg. Faulkner and Fagence 1988, Faulkner et al 1995, French et al 1995.).

The Bureau of Tourism Research (BTR) in Australia has gone some way to redress this issue with the development of a national Framework for the Collection and Publication of Tourism Statistics (Fleetwood 1993:166), including in its early stages a Standard Classification of Visitor Accommodation (SCOVA), as have other tourism lobby groups and relevant government authorities in Australia and elsewhere (eg. Elliott 1997, Sorensen 1997). International tourism agencies (eg. WTTC, WTO, IATA, PATA etc) are also building up their databases, but all too often it appears that such data is captured using different parameters and without consolidation with other
data systems (Elliott 1997, Faulkner 1993, Fleetwood 1993 Sorensen 1997), resulting in "..a lack of credible data." (Go and Pine 1995:24). Faulkner et al (1995) suggest that there has been some improvement in this situation in recent years due to the efforts of the BTR and a series of national tourism research conferences in Australia.

Even the definitions of the tourism industry constituency is beset with difficulties, it seems. The World Tourism Organisation defines tourism as "..the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year, for leisure, business and other purposes" (Elliott 1997:21). In an attempt to embrace all facets of the industry, Pearce et al (1998) define the tourism industry as:

"..the sum of government and private sector activities which shape and serve the needs and manage the consequences of holiday and business travel. The central activities of the government and private sector include promotion, planning, providing services and managing impacts." (pxvi)

whilst one observer broadens the definition to "..the provision of services to people who want to undertake certain activities, or consume certain things away from their normal surroundings and routines" (Stimson 1996:15). Elliott (1997:4) takes the definition even further-viz.

"..tourism is more than an industry and an economic activity.....a universal and dynamic social phenomenon... "Whilst all-embracing, such definitions appear to provide only limited assistance to tourism managers and authorities in the
development of their industry. At least one author (Gunn 1994) even questions whether there is a single tourism industry, citing the multiple tourism products and their "perishability", the uniqueness of each tourist destination, and the range of industry stakeholders (p6). It is difficult to sustain this position in view of the perceptions of its consumers, its own managers and the various environments in which it operates.

Overall then, the tourism industry seems to be characterised by a serious lack of definition, a limited and somewhat sporadic research and database, and an economic and social significance unmatched by its managerial capacity to deliver. The latter issue is discussed in considerably more detail in relation to the available literature in following sections.

1.2 The Structure of the Tourism Industry


The dominant themes which emerge from a review of the literature on the international tourism industry exemplify the underlying focus of this research study ie
its vulnerability and appearance of "managed chaos". Thus it is commonly described as complex, diverse, fragmented and segmented (eg. Bull 1995, Crouch 1989, Elliott 1997, Faulkner 1993, Gee and Fayos-Sola' 1997, Pearce 1998, Sorensen 1997), in ways which significantly distinguish it from other industries, and which may even question its status as a single industry (Faulkner 1993:28).

The definitional problems discussed earlier reflect these characteristics, and are compounded by a series of internal centrifugal forces (eg. competition within and between sectors; cross-sectoral alliances; national and international rivalries; intra-sectoral formal and informal hierarchies, mergers and hostile takeovers - (APEC 1996, Bull 1995, Elliott 1997, Faulkner 1993, Gee and Fayos-Sola' 1997, Go and Pine 1995).

Centripetal forces, such as the necessary interdependence and collaboration between industry sectors (eg. hotels, airlines, restaurants, tour operators, travel agencies and suppliers etc), and between private and public sector players, provide loose linkages and a degree of control over the excesses of the industry (eg. Bull 1995, Elliott 1997, Go and Pine 1995, Sorensen 1997, Tribe 1997). Faulkner (1993) describes tourism as "..an amalgam of complementary services which are destination specific.." (p 28), whilst Elliott (1997) emphasises that "..interdependence is the basis for management in the tourism industry, for none of the tourism community can survive without the others"(p110). The various national and international tourism authorities (eg. IATA, PATA, WTTC, WTO and the domestic Tourism Boards) also provide a degree of cohesion and integration to the industry (Elliott 1997, Sorensen 1997).
Much of the literature on the tourism industry focuses on one or other of its constituent sectors - hospitality, transportation, food and beverage-or on the relative contributions of public and private sector agencies, or on the micro-aspects of the industry (eg. specific hotels, airlines or destinations). This perhaps reflects the relative newness of the industry or its complexity and diversity. Fewer publications (eg. Bull 1995, Medlik 1991, Pearce et al 1998, Sorensen 1997, Tribe 1997) embrace the entire industry in any degree of depth, and many of these tend to description rather than analysis. Accordingly, it is appropriate to consider the various sectors separately. Of all the sectors of the tourism industry, the hospitality sector is arguably the most researched.

Several authors (eg. Go and Pine 1995, Smith 1978, Tribe 1997) report that this sector is characterised by a series of dynamic formal and informal structures which simultaneously support it and threaten its survival. "Formal" structures have been established, as hierarchies, via accepted hotel classification systems developed and monitored by national and international bodies (eg. automobile associations, Michelin Guides, the BTR Standard Classification of Visitor Accommodation). Ingram (1996) has also attempted to develop a similar grading system for smaller hotels and guesthouses which are not included in the star or diamond rating systems. Problems noted in these systems include their lack of consistency across national borders (eg. Faulkner 1993:29, Fleetwood 1993:168); their failure to capture "service quality" criteria (eg. Nankervis 1995, Prais et al 1993) and exclusion of smaller properties; and their amenability to hijacking by astute hoteliers for their own marketing and jockeying purposes (Nankervis 1993, Timo 1993). On the latter point, whilst the criteria for the systems is entirely based on the "tangible"(Zeithaml et al 1990) aspects of hotels (eg. restaurants, guest rooms, gyms and saunas), an informal hierarchy has
developed as the consequence of the association of "intangible" (Zeithaml 1990) service quality variables with the ratings. Thus a five "star" or "diamond" hotel, graded according to its physical facilities, can claim superior or excellent service by association, whether justified or not.

Several authors (eg. Callan 1996, Carlzon 1987, Gronroos 1990, Heskett et al 1990, Saleh and Ryan 1991, Zeithaml et al 1990, Zemke and Albrecht 1985) have proposed frameworks and criteria for evaluating and rating service quality, including the SERVQUAL model, but to date these have not been incorporated into standard hotel classification systems. Accordingly, and in conjunction with the formation of expedient strategic alliances between hotels at various levels of the industry (Contractor and Kundu 1998, Gee and Fayos-Sola' 1997, Go and Pine 1995, Tribe 1997), and between hotels and airlines (Elliott 1997, Tribe 1997), significant informal hierarchies develop, subverting the more formal structures established by industry coordinating agencies.

There is evidence (eg. Contractor and Kundu 1998, Tribe 1997, Go and Pine 1995) that these trends are increasing and becoming more complex in their implications for the "management" of this sector and the tourism industry more generally. Contractor and Kundu (1998:325), Go and Pine (1995:37), and Selin (1993:220) for example, suggest that strategic alliances within or between sectors have several business purposes - ie. vertical or horizontal integration, diversification, market-penetration, marketing, and the sharing of resources and technology. Some of these purposes are cohesive, others potentially threatening to the structural fabric of the industry. Certainly, recent developments in tourism technology (eg. shared hotel reservations

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Issues discussed by authors with respect to the changing nature and structure of the hospitality sector include a focus on product branding (eg. French et al 1995, Hilton, Hyatt, Mandarin-Go and Pine 1995, Sheraton, Tribe 1997); attempts by some hotels chains to capture all levels of the sector (eg. Accor’s 5 "brand" strategy-Go and Pine 1995:37); and, increasingly, the separation of hotel management from property ownership. Contractor and Kundu (1998:326), for example, cite the divestiture of their hotel properties and the maintenance of their management contracts by the Hilton, Marriott, Regent, Sheraton and Hyatt hotel chains, in contrast to Forte Hotels (UK) which is primarily a real estate operator (Go and Pine 1995:24). In addition, Contractor and Kundu (ibid) suggest that "brand franchising is also ubiquitous."(p 326), and Gee and Fayos-Sola'(1997) discern national differences in the ownership or franchising of hotels. Whilst North American chains appear to favour franchising, their Asian counterparts are more cautious, preferring the security of property ownership (p8), although there are exceptions to this rule-eg. Southern Pacific Hotels and Vacation Inns are owner-operated (French et al1995:105).

In summary then, the hospitality sector is complex in nature and structure and undergoing significant change, particularly in relation to its informal hierarchies, structures and strategies. The ambiguity and fluidity of the sector appears to lend itself
to vulnerability from its business environments, as well as the capacity to sustain itself by association with its companion industry sectors.

The transportation sector is similarly complex in structure, if arguably more controlled due to the heavier involvement of the public sector (Gee et al 1989, TTF 1996). The literature on the roles of governments and public sector authorities in the tourism industry suggests that they are both direct and indirect. Directly, and especially in the transportation and tourism information sectors, governments own and manage airlines, railways, bus and maritime transportation systems. They also largely still own and manage airports, seaports, railway and bus stations, although as earlier mentioned, this situation is changing in some developed countries (Gee and Fayos-Sola', 1997). Control over industry standards and structures is thus also more direct than in the hospitality sector.

Public sector indirect roles are broad, far ranging, and often only loosely coordinated (Hall 1994, Hall and Jenkins 1995). They include the provision and maintenance of tourism infrastructure (eg. roads, water, sewerage systems etc); the formulation of overall tourism policies and plans; the negotiation of tourism-friendly international agreements (eg. visa-free immigration, open-sky policies); the regulation of tourism entry and exit (passport control, quarantine, customs) and the maintenance of industry standards (eg. food handling, building requirements, aircraft safety procedures); data collection and analysis; tourism promotion and funding, and the provision of tourism information centres (Elliott 1997, French et al 1995, Gee and Fayos-Sola' 1997, Go and Pine 1995, Medlik 1998, Pearce et al 1998, Tribe 1997).
Some authors (eg. Gee and Fayos-Sola’ 1997, Elliott 1997) discern differences in the nature and degree of involvement in these functions by governments—i.e., more direct participation in countries such as Italy, Spain, France and Japan, and less in the United States and Australia. Others observe the gradual divestiture of tourism assets (eg. airports, seaports) and operations (eg. railway systems, airlines) as part of economic rationalism (French et al. 1995, Gee and Fayos-Sola’ 1997, Pearce et al 1998). Asset sales, however, do not release governments from their broader regulatory responsibilities of passenger safety and passport/visa control. The close links between governments and private sector transportation providers do serve to assure a more direct and transparent sectoral structure than in the hospitality sector. Current disputes about air safety standards in the context of corporatisation, and debates about “open sky” policies illustrate these points.

However, despite the greater degree of regulation and government involvement in the transportation sector, its growing complexity and dynamism implies considerable uncertainty and change into the future. As several authors argue (eg. Gee et al. 1989, Heppenheimer 1995, TTF 1996) the sheer size and diversity of the sector (airlines, airports, road and rail systems, shipping/seaports, tour operators) provides potentially serious challenges and substantial opportunities for the sustainability of the tourism industry.

Among the reported challenges are the maintenance of operational standards in an increasingly privatised and competitive business environment (eg. the current Civil Aviation Safety Authority-Bureau of Air Safety Investigations dispute); the threats to the ongoing profitability of airlines in the wake of regional crises, US and European

Opportunities for the sector include well-developed relationships between the public and private stakeholders (Elliott 1997, Tribe 1997); greater route flexibilities and cost-reductions as the result of international alliances, market deregulation and the benefits of new technology (Crouch 1989, Elliott 1997, Medlik 1998). However, all these opportunities may not be realised if the difficult interface issues between the transportation and other tourism industry sectors are not resolved. These issues are discussed in the next section, but an illustration of the difficulties is provided by Bull (1995): "...airlines are reluctant to pioneer new routes whilst other infrastructure is absent"(p8). Conversely infrastructure will not be developed unless airlines commit themselves to service tourist destinations.

Thus, while the transportation sector appears to be both more regulated and more formally structured than the hospitality sector, it is similarly dynamic and interdependent on all other industry sectors, and on the vagaries of its various business environments. As the Chief Executive Officer of British Aerospace suggests, "...if we are still in our present form in five years, we will be dead in the market" (Branegan 1997:48).

Whilst the hospitality and transportation sectors are without doubt the major industry players in size, coverage and profitability (Elliott 1997, Go and Pine 1995, Sorensen 1997, Tribe 1997), there is a broad range of other tourism services which conceivably
constitute a loose miscellaneous third sector, often grouped as the "visitor services" sectors (French et al 1995:123). These include travel agencies; the so-called MICE (Meetings, Incentives, Conferences and Events) Sector; tourism information centres, charter and tour operators, dive companies, theme park operators, ecotourism and adventure tourism organisations, local retailers and community groups (Bull 1995, Sorensen 1997). They can be private or public sector organisations, sole agencies or a part of a chain or franchise arrangement.

One of the larger sub-groups is the network of travel agencies spread widely all over the world. They act as "...selling agents for principal suppliers (who) derive their income entirely from commissions paid by these principals." (Bull 1995:55). Little has been written on the nature of travel agencies, their ownership, relationships with service-providers, pricing structures or profitability (eg Feldman 1989). They can be independent, part of a larger chain or franchised, and they may be generalist or more specialised (eg, domestic or international). They are accredited by major airlines and are eligible in Australia since 1992 for accreditation by the Australian Travel Agents Qualification Program (French et al 1995:68). Arguably, it is this group within the tourism industry which is the most threatened, as a result of the strategic alliances between hotels and airlines incorporating direct booking and ticketing, tightened government licensing systems and the growth of new technology (Fuller 1994, Harris and Howard 1994). As one observer notes, "...a greater use of technology may change the modus operandi of the retail travel agent." (Pearce et al 1998:124).

Their primary role is to deliver on the tourism "dream" by providing a "...complete understanding of what visitors will be presented with from the moment they enter the
destination area... what the destination intends to market...transportation networks and infrastructure..." (Gee and Fayos-Sola' 1997:331). However, their future appears highly uncertain in view of the desire and capacity of other industry sectors and other industries to take over their functions (Bull 1995, Tribe 1997).

In response to these threats, travel agencies have merged or amalgamated (eg. Harvey World Travel, Traveland); formed their own strategic alliances with hotel chains and/or airlines; and attempted to reinvent themselves as "..brokers, information purveyors, 'total package' perspectives." (Interview with Evans 1998), or "..centres to provide advice on leisure and ticketing for a wide variety of entertainment, sports and activity ideas.."(Bull 1995:21). These latter strategies may see their survival essentially outside the mainstream tourism industry. However, diversification may be necessary to withstand the impact of the Internet on the travel agency business. For the Internet provides not only the opportunity for cheaper and more accessible tourism planning and booking (eg. Yahoo's Travelscape.com, Infoseek- Business Wire, 24.2.99), but also for "virtual tourism" (Dworetzky 1997, Business Wire 24.2.99). "Virtual tourism" sites provide comprehensive visual information on hotels, airlines and destinations, and some even promise "virtual "tourism as an alternative to actual tourism. As an example of the latter, at least one US company, ImaginOn, is producing a "WorldCities 2000" site which will allow virtual tourists to "visit" all the major capital cities in the world without leaving their keyboards. Their claim is that such technology "..will change the way people plan travel, buy tickets and ,make reservations in the age of the Internet"(Business Wire,26.2.99).
Tourism information centres will undoubtedly utilise similar technology to complement its marketing and tourist support services. The MICE sector, which has apparently grown markedly in recent years (Abbey 1994, Carlson 1995, Lin 1998.) may also make use of this software to broaden its audiences. Nevertheless, all industry sectors are reliant on all other sectors and will need to satisfactorily resolve the many sectoral interface issues which often threaten its sustainability.

1.3 Sectoral Interface Issues

Most authors agree that the tourism industry as a whole is highly interdependent."..an amalgam of complementary services.."(Faulkner 1993:28) and that ".interdependence is the basis for management in the tourism industry, for none of the tourism community can survive without the others"(Elliott 1997: 110). They also concur that, at least partly as a consequence of this characteristic, the industry ".contains the seeds of its own destruction.." (Gee and Fayos-Sola’ 1997:362).

Other observers emphasise the ".vulnerability of tourism to (government) budgetary constraints.."(Gee and Fayos-Sola’ 1997:299) or claim that government support is the crucial factor in the sustainability of the tourism industry. Richter (1989), for example, suggests that ".where tourism succeeds or fails is largely a function of political and administrative action, and is not a function of economic or business expertise"(p11). This view is not widely-shared, and arguably abrogates the responsibilities of the industry to manage its agencies, sectors and the relationships between them (Elliott 1997, Tribe 1997). Given the fluctuations in government involvement and funding towards the industry, in different countries and at different
times, as illustrated by Elliott's (1997) study of the British, Australian and Thai tourism industries, this view is difficult to sustain.

Government support and recognition of the industry is obviously important, but it is only one of the multiple variables which determine the industry's survival and sustainability. In fact, the picture that emerges from the literature is of an industry which promotes the illusion of "seamless service" (Carlzon 1987, Gronroos 1990, Zeithaml et al 1990), but which is itself "joined at the seams" (interview with Evans, 1998).

Intra-sectoral challenges, as they appear in the literature, have already been discussed. However, the mosaic or jigsaw that is the tourism industry also has several sectoral interface issues which can assist or hinder its objective of "seamless service". Conflicts and competition between sectors; differences in the objectives of stakeholders (eg. ecotourism companies and developers, government airlines and private airport operators, hotel management and local community groups); diverse interpretations of guest service by hotels, airlines, railways and tour companies; and lags between tourism demand and the development of infrastructure, are frequently cited as points of vulnerability—or Carlzon's (1987) "moments of truth"—in the operations of the tourism industry (eg. Bull 1995, Burkhart and Medlik 1981, Callan 1992, Carroll 1989, Cockerell 1993, Cooper and Wanhill 1997, Dowling and Weiler 1997, Edgell 1990, Hall 1997, Kennedy 1993, Medlik 1998).

The uniqueness of each tourist's experience, and the lack of congruence between the "dream" sold to the potential tourist and the subsequent reality, due to the multiple
service providers (ie customs and immigration, local transport, hotels, airlines, restaurants and tour operators etc) are commonly mentioned (eg. Bull 1995, Edgell 1990, Elliott 1997), as is the absence of an effective industry coordinating body. For an industry which sells dreams as its primary products, tourism is surprisingly uncoordinated. Of all the international tourism agencies, WTTC, WTO and PATA collect and disseminate tourism trends data and provide advice and consultation; APTA and ASEAN formulate broad tourism policies and plans, and encourage regional research; and IATA and ECAC negotiate international standards, agreements and flight regulations (Sorensen 1997). Other international tourism associations with diverse purposes include the International Association of Scientific Experts in Tourism, the Travel Research Association, the International Hotel Association and the World Association of Travel Agents. However, none of these pretend to coordinate or manage sectors or the interfaces between them, as nations protect their own rights jealously - "most nations prefer to reserve to themselves the discretion to act in their own interests, rather than to relinquish it to a multilateral organisation" (Gee and Fayos-Sola’ 1997:293). Whilst this is understandable for competitive and national sovereignty reasons, the result is that cross-border tourism will forever be subject to the vagaries of international rivalry, economic imbalances and political tensions.

Even at the national level, government tourism master plans (where they exist) provide broad strategies and objectives, promotional campaigns, funding and training assistance, and the oversight of some direct tourism services, but minimal overall management of the industry, except in some centrally-controlled economies (Gee and Fayos-Sola’ 1997). Non-government tourism authorities (eg. Australian Hotels Association, Federation of Travel Agents-French et al 1995, Tourism Council of
Australia, Tourism Training Australia, Tourism Task Force,) provide some industry research funding and training, but their main purpose is to lobby governments on behalf of the industry.

Given the fragmentation and diversity of the industry earlier discussed, this absence of coordination or overall management is both an advantage and a disadvantage (Bull 1995, Carroll 1989, Elliott 1997, Tribe 1997). On the positive side, and in contrast to centrally-controlled industries (eg. Cuba, China, the old Soviet Union), the market economy encourages competition and therefore potentially more efficient and innovative tourism products and processes. Managers are left to manage their own organisations and to compete with other industry players. Conversely, in the absence of overall industry coordination, attention to the longer term issues and especially to the management of the crucial interfaces between sectors, between the public and private sector partners, and between countries is largely left to serendipity. As an example, recent regional attempts (eg. ASEAN's ill-fated Sub-Committee on Tourism, the Singapore-Johore-Riau Growth Triangle) to promote and coordinate a "seamless service" for tourism in Southeast Asia failed miserably due to the competitive rather than collaborative attitudes of the countries involved (Timothy 1998:246). Similar problems have been experienced in the new European Union over a planned "open skies" policy (Sorensen 1997).

These intra-and inter-sectoral vulnerabilities of the tourism industry are further compounded by a reluctance or an inability to define its products and processes in ways which conform to the business requirements of other industries. These issues are discussed in the next section.
1.4 Tourism Products and Processes

If the industry itself is difficult to define, and its internal structures are consequently complex and ambiguous, a further layer of vulnerability is added by the nature of its products and operational processes. Some observers (eg. Gunn 1994) go so far as to suggest that, due to their heterogeneity and perishability, tourism products "...are in contrast to the goods and services produced by (other) industries" (p6). An implication of this comment may be that, because of their complexity, such "products" are indefinable. It certainly reflects the apparent reluctance (or inability) of some industry managers to address the quantitative or "hard" aspects of production common in most other industries (eg. Hall 1998, Go and Pine 1995, French et al 1995, Gee and Fayos-Sola' 1997).

Authors generally agree (eg. French et al 1995, Elliott 1997, Hall 1998, Sorensen 1997, Williams and Shaw 1988) that the tourism products are broadly divisible into "tangible" and "intangible" components. These attributes apply both to tourists' purposes (eg. transport, accommodation, food and beverages, shopping as "tangible"; education, culture, adventure, romance, escape and dreams as "intangibles"-Hall 1998:7), and to the qualities of the tourism products themselves. As French et al (1995) suggest, the tourism product:

"...is composite in nature and includes everything tourists purchase, see, experience and feel from the time they leave home until the time they return..."(p11).
Such a description makes product definition indeed problematic. However, it does not excuse industry managers from undertaking the difficult but essential task of clearly identifying the dimensions of their various products. The tangible features are relatively easy to quantify and have been classified by systems mentioned earlier. It is the intangible qualities which are the most difficult to specify, but which, arguably, give providers the competitive edge. Certainly, most of the relevant marketing literature suggests that this is the case (e.g. Carlson 1990, Gronroos 1990, Heskett et al 1990, Zeithaml et al 1985, Zemke and Albrecht 1985, 1990, Saleh and Ryan 1991, Schlesinger and Heskett 1991.).

Part of the problem with the lack of specification of tourism products (French et al 1995, Pearce et al 1998, Hall 1998) appears to be a preoccupation of many industry managers with the marketing "hype" and a corresponding reluctance to adopt the techniques of other industry. As several authors observe, "...thinking in humanistic rather than technocratic terms ensures that the service sector will be forever inefficient...and that our satisfactions will be forever marginal."

(Bowen and Lawler 1992:31). This flawed approach to the production of service is apparently compounded by the marketing focus and an overall industry emphasis on the demand rather than the supply side (e.g. French et al 199, Gronroos 1990, Hall 1998, Heskett et al 1990, Saleh and Ryan 1991). Combined with the lack of comprehensive industry data earlier discussed, specification of tourism products becomes even less attractive.

There has been some research and study of the intangible aspects of tourism products which provide hope for providers. Authors such as Gronroos (1990), Lehtinen and Lehtinen (1982), Martin(1986) Saleh and Ryan (1991), and importantly, Zeithaml et
al (1985, 1990) have developed operational frameworks for the definition of these intangible features. Zeithaml et al (1990), for example, proposed their SERVQUAL model, which specifies nine measurable components of service quality—viz. Reliability, responsiveness, competence, courtesy, credibility, security, access, communication, and understanding the customer—all of which can be applied in the tourism workplace. Applications have also been made possible by the establishment of national vocational competency standards for the tourism industry, in countries such as the United States, United Kingdom, Singapore (Lin 1998) and Australia.

Whilst all consumer dreams or fantasies may not be met by such developments, a greater emphasis on the supply side may serve to bridge the gap (Hall 1998, French et al 1995).

A clearer "product" emphasis, with specified criteria, effective service-provider training and an extension of evaluation (eg. Prais et al 1993; Nankervis 1993, 1995), combined with a more "technocratic" management perspective seems desirable. The modification of existing human resource management systems in the tourism industry also appears necessary to ensure the production of competitive and measurable products, the "moments of truth" (Carlzon 1990) of the "service encounter" (Gronroos 1990, Heskett et al 1990) which usually includes relevant service-provider personal qualities.

Several authors (eg. Nankervis 1993,1995, Prais et al 1993; Timo 1993,1995) suggest that the tourism industry overall is characterised by a "silo" mentality (ie. isolation between and within sectors) and a somewhat old-fashioned approach to the management of its staff. At the risk of over-generalisation and cognisant of the
differences between sectors and individual operators, the tourism industry can be
criticised for its often imprecise job descriptions, limited multi-skilling or job rotation
programs, its casualised workforces, inadequate career development schemes and
Timo 1993, 1995; Tourism Training Australia 1993;).

If at least some of these aspects -ie. product-definition, process analysis, human
resource management systems-can be effectively addressed, this layer of the
industry's vulnerability may be reduced, and the "...self-perpetuating 'cycle of failure'
(Schlesinger and Heskett 1991:17) reversed. However, Wise's (1998) caution needs to
be acknowledged".problems, perhaps, are being swept aside by the euphoria
associated with the high demand and rapid development of the industry (in Hall
1998:1).
2. THE BUSINESS ENVIRONMENT OF THE TOURISM INDUSTRY

Not only is the tourism industry internally interdependent, as discussed in the preceding section, but its relationship with its destinations and business environment can best be described as symbiotic. All of these relationships are potentially (and sometimes actually) volatile, and as a truly global industry, it is heavily exposed to changes in these environments and their relationships with each other. The PEST (ie. political, economic, socio-cultural and technology) model has been promoted by organisations such as PATA, APEC and the Australian Tourism Commission (Elliott 1997, Tribe 1997:45) in recent years as an analytical tool for the industry and as an aid to industry planning. It complements other planning tools such as SWOT analyses, and is used as the framework for this section.

2.1 Political Issues

Political issues canvassed by various authors (eg. Elliott 1997, French et al 1995, Go and Pine 1995, Hall 1998, Pearce et al 1998, Tribe 1997) include the roles and sheer number of international and national regulatory and promotional agencies; the commitment of public and private sector tourism agencies to cooperation in strategic planning (Athiyaman and Robertson 1995, Gunn 1995, Rovelstad and Blazer 1983,) hand the degree of control and support exercised by political stakeholders (eg. Elliott 1997, Gunn 1995, Tribe 1997). Other issues explored by such authors include the relative levels of tourism infrastructure; tourism funding, promotion and training provided by governments; political stability, international agreements and taxation

Specific industry "politics" include conflicts between sectors; strategic alliances; and the various relationships between tourism sectors, agencies and the public sector (eg. Elliott 1997, Go and Pine 1995, Tribe 1997, interview with Evans 1998). Above all, political differences between neighbouring nations due to diverse levels of tourism development or different ideologies, and the reluctance of national governments to "...relinquish (their powers) to a multinational organisation.." (Gee and Fayos-Sola' 1998:293) often preclude regional or international collaboration in tourism planning (eg. French et al 1995, Gunn 1995, Pearce et al 1998). As recent illustrations of this, the failure of the ASEAN regional tourism initiatives in the early 1990's (Tisdell 1995); the lack of effective tourism development in the proposed Singapore - Johore - Riau Growth Triangle(ibid); the undeveloped Indonesian provincial tourism plan (Cohen 1994, Pangestu et al 1992); and the ongoing difficulties with the European Union's "open skies" policy (Sorensen 1997), demonstrate the problematic nature of inter-regional or international tourism plans.

However, despite such failures, the economic lure of increasing tourism receipts has encouraged an increase in government involvement in the industry (eg. Conlin 1992, Elliott 1997, Gunn 1995). This has reportedly had both beneficial (eg. Elliott 1997, Gunn 1995) and adverse consequences (Conlin 1992, Tourism Task Force 1995)- eg tourism (in the United States) felt "...a sense of vulnerability, as planners fear that their US$61 billion (MICE) industry could be destroyed by taxation.." (Conlin 1992:8).
2.2 Economic Issues

Inevitably, economic issues are entangled with political issues. According to the literature, such economic issues include the impacts of global, regional and domestic financial and currency market fluctuations; different governmental views in market deregulation; domestic employment and expenditure levels; the perceptions of tourism as a "luxury" good and the consequent available amount of discretionary income (eg. Bull 1995, Faulkner 1993, French et al 1995, Gunn 1995, Hall 1998, Pearce et al 1998, interview with Evans 1998).

Hall (1998) suggests that "...there is not a simple linear relationship between the growth of tourism and of (sic) the economic benefits for the whole community" (p176), but economic factors undoubtedly have significant, and sometimes erratic, impacts on the growth and development of the industry. As examples, the recent currency fluctuations in Southeast Asia, Japan and Korea have had both positive and adverse effects on the region's tourism industries (eg. Griffin and Darcy 1997, Lin 1998; Montes 1998; Australian Financial Review 24.10.97:92, 29.10.97:36, 12.12, 97:42, The Australian 23.8.97:9, 7.10.97:29), and the establishment of the European Union has resulted in different impacts on different constituent nations (eg. Sorensen 1997, Elliott 1997, Pearce et al 1998).

Government priorities in developed countries, such as the deregulation of markets, the divestiture of former public assets and services, and the reform of taxation systems both threaten and provide opportunities for the industry's survival and sustainability (Elliott 1997, Tribe 1997, The Australian 14.11.97:82, Australian Financial Review
18.7.97:6, The Sydney Morning Herald 14.11.97:12). As examples, the NSW bed tax, the federal fringe benefits and goods and services taxes, payroll taxes and penalty rates for tourism employees have been criticised for their predicted adverse consequences whilst the divestiture of tourism assets has generally been welcomed (eg. Elliott 1997, Hall 1998, Tribe 1997), as has the international GATS Agreement (Chin 1996:240).

However, short and longer term economic fluctuations have different impacts on different destinations, and are dependent on both international and domestic factors. Thus, currency fluctuations can benefit some destinations at the expense of others (Lin 1998, TAT 1998), dependent on the levels of discretionary income available in the likely guest markets (eg. Faulkner 1993:31, Go and Pine 1995:67). Similarly, investment in tourism from local or international investors can significantly boost industry sectors in particular destinations, but it is dependent on the provision of government infrastructure, and it may be quickly withdrawn in its absence or during periods of exchange rate fluctuation (eg. Lin 1998, Montes 1998). In such cases significant growth opportunities may be lost-"...it is not uncommon to be confronted with rapid growth in demand while also being faced with long lead times in providing basic infrastructure." (Bull 1995:5).

2.3 Socio-cultural Issues

If the tourism industry is vulnerable in relation to its political and economic environment, it is also highly susceptible to changes in its socio-cultural environment,
which encompasses both its physical destinations and its guest markets (Elliott 1997, Gunn 1994, Hall 1998).


Infrastructure development and the effects of economic changes, employment levels, local and community attitudes towards tourism development in particular destinations also affect the survival and sustainability of the industry, as do the characteristics of likely tourism markets. Faulkner’s (1993) model of destination attractiveness, for example, includes "sociocultural", demographic, economic and specific "destination choice" variables. His first three variables reflect home country circumstances such as leisure patterns, recreation leave entitlements and migratory history (his "socio-cultural" category); demographic aspects of the tourist market (eg. size, age profile and household structure); and economic issues such as disposable income, growth potential and unemployment levels. "Destination choice" variables reflect the relative attractiveness (eg. price, value for money, proximity) of similar destinations, and may include government environment protection policies (eg. ecotourism, adventure and "new age" tourism) as well as the effectiveness of their marketing strategies. Different
niche markets (e.g. backpackers, seniors tourism, package tourists) will choose different destinations according to their perceptions of their relative attractiveness and their own domestic circumstances (e.g. Gunn 1994, Hall 1998, French et al 1995, Pearce 1996,1998).

Such perceptions may also include the relative security of particular tourist locations or service providers. The fear of assault, transportation disasters, health problems, and even actual terrorism can act as serious deterrents to tourism development (e.g. Branegan 1997, Copeland 1987, Hobson 1993, Medlik 1991, Usher 1997). Destinations such as Egypt, Cambodia, Cuba and more recently Indonesia, have suffered the consequences of such perceptions, and service providers such as Garuda Indonesia, SilkAir and Delta airlines have experienced reduced patronage following air disasters. There is some evidence (Nankervis 1998) that these adverse effects can be mitigated if the destination or service provider has other attractive features (e.g. political and economic stability, previous good safety records) which can be effectively marketed to counteract negative perceptions.

Socio-cultural factors then are multiple, interwoven, and include both destinations themselves and their current or potential future guest markets. They have the capacity to considerably threaten or strongly support tourism industries in particular locations. The challenges for industry managers are first to identify their environmental threats and opportunities and then:

"...to respond to the simultaneous need for a sense of global strategic intent, and a sense of localised focus and competition
that deals with local conditions, specifically the culture, traditions
and values of the host community." (Go and Pine 1995:12).

2.4 Technology

The final component of the PEST model, and potentially the most dynamic within the
Elliott 1997, Tribe 1997) is the impact of new technology on its operations and
structures. Computerised reservation systems, "expert" tourism information centres;
global distribution systems, e-ticketing and electronic visas, global flight positioning
and scheduling software, and yield control systems, on the industry side (Business
the supply side. Internet-based tourist information and reservations systems threaten
traditional industry structures and foretell a transformation of industry-client

Not only does this new technology have the capacity to significantly reduce
operational costs (Fayos-Sola’ 1996, Laws 1995) and to match (or lead) client
perceptions of "seamless service" within and between industry sectors, but it also may
result in substantial industry restructuring, amalgamation and rationalisation. It also
provides a significant tourism planning tool, as the Chief Executive Officer of New
World Hotels (Hong Kong) explains:

" The name of the game in the hotel industry is
anticipation. Computers, especially good databanks, can
help us to anticipate what is around the corner" (Go and Pine 1995:187).

Other industry observers agree, citing the prime motives for the purchase of new technology as "...to improve productivity as much as possible by improving quality, improving the speed of jobs or by saving resources" (ibid).

The winners in this new scenario are likely to be those tourism agencies and sectors with strategic alliances, individual and shared technological resources, niche and general markets, operating within supportive government environments. The losers are likely to be unaligned tourist organisations without the capacity to afford the new technology, to develop new markets or to attract government support (Fayos-Sola' 1996, Gee and Fayos-Sola’ 1997, Hall 1995, Laws 1995). As earlier discussed, travel agencies may be among the most vulnerable organisations, as technology supersedes the need for intermediaries between suppliers and consumers (eg. Fuller 1994, Harris and Howard 1994, Pearce et al 1998). There is some disagreement on the extent of the effect of technological change on travel agencies (eg. French et al 1995, interview with Evans 1998), as there is about the threat posed by "virtual tourism" (Business Wire 26.2.99, Dworetzky 1997).

Overall, there appears general agreement amongst authors concerning the challenges and opportunities provided by the political, economic, sociocultural and technological components of the tourism industry's business environment. Each component is interdependent on each other, each has its own strengths and weaknesses, and the
tourism industry is dependent on all of them. This layer of vulnerability adds to the almost inherent vulnerability consequent from its nature and structure.

3. VULNERABILITY & SUSTAINABILITY - Strategic and Crisis Management

Preceding sections of this review have explored the nature, structure and business environment of the tourism industry as discussed in the literature, and analysed its risk exposure in relation to its ongoing sustainability. This final section attempts to put this analysis into a more conceptual framework by considering generic theories of vulnerability, sustainability, strategic and crisis management.

Unfortunately, despite a thorough search of the literature and the Internet, only minimal material was discovered on the concept of "vulnerability" per se, although there is a body of research on "sustainability", arguably the obverse side of the issue. Synonyms such as "risk exposure" and "susceptibility" yielded considerable material on such specific issues as occupational health and financial investment which were not considered directly relevant to this study. It was anticipated that the literature on "sustainability" would encompass the analysis of industry "vulnerability" as part of its themes, but again this assumption proved false, as the following discussion explains.

Given the nature, structure and business environment of the tourism industry, it seemed appropriate to canvass relevant generic literature on the theories of strategic and crisis management. Both of these searches yielded useful material on the importance of, and need for, vulnerability analysis as a foundation for industry
sustainability planning. As literature specifically on planning and management in the tourism industry is remarkably sparse, much of the discussion below attempts to apply generic management theory to the nature of the industry analysed earlier.

3.1 Strategic Management Theory

Strategic management has become an accepted term for a rational managerial process which incorporates the clear definition of business goals and objectives; environmental analysis; the subsequent development of long term business strategies and contingency plans; and some form of evaluative mechanism to assess the achievement(or otherwise) of these desirable goals and objectives (Chandler 1966, Drucker 1954, Hamel and Prahalad 1994, Mintzberg 1989, Porter 1990,). It is described by Drucker (1954, in Walker 1992) as a process which aims to encourage organisations to:

"...have strategies for tomorrow that anticipate the areas in which the greatest changes are likely to occur, strategies that enable a business or public sector institution to take advantage of the unforeseen and unforeseeable"(p.9).

Explicit in the model is the need to analyse the internal and external environments of the business and only thence to formulate strategies and plans, in the knowledge that changes in these environments will necessitate modifications to even the best laid business plans. As Walker (1992) suggests, is only after an environmental analysis has been undertaken that business plans can be developed with respect to "business
definition, mission, vision, strategy, objectives, performance targets and action plans" (p.19).

Porter (1980) develops the model further by dividing competitive business strategies into a choice of three-viz "cost leadership", "product differentiation" and "focused". Kotler (1988) revises these as "price based", "differentiation", "hybrid" and "focused", recognising the possibility of combined strategies. More recently, Hamel and Prahalad (1994) incorporate internal change strategies such as organisational restructuring and "image reinvention", as adaptive responses to dynamic business environments.

Mintzberg (1989) explains the purposes of strategic management as "..to reconcile the forces for stability and change.."(p.35), and both he and Chandler earlier are concerned with the relationships between organisational structures and strategies. Most proponents of strategic management theory would agree with Johnson and Scholes (1993) that its focus is on "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 so as to meet stakeholder expectations.."(p.111).

Strategic management theory has been criticised for its rationalism and for its focus on individual organisations rather than whole industries. Certainly it appears that tourism industry managers have been generally reluctant to adopt such approaches in their individual agencies or more generally. Faulkner (1993) for example, suggests that strategic planning is "..either not generally applied, or it is only applied in a partial sense.."(p.27). Rovelstad and Blazer (in Elliott 1997:16) agree, citing the
relatively low level of strategic tourism planning. Athiyaman and Robertson (ibid) disagree, suggesting that the industry has "...a level of commitment to strategic planning ...at least as strong as that in the manufacturing sector". It is however difficult to ascertain the truth of the issue.

Undoubtedly the nature and structure of the industry, earlier discussed, make strategic planning and the adoption of rational models problematic, especially at the broader industry level (eg. Faulkner and Fagence 1988, Fayos-Sola’ 1996, French et al 1995, Getz 1992, Gunn 1994, Hall and Jenkins 1995, Inskeep 1991, Laws 1995). Several authors (eg. Lin 1998, Timothy 1998) cite examples of the failure and success of strategic planning at the industry level, including the ill-fated ASEANTA regional tourism plan and Singapore’s more successful image reinventions. Some industry observers remain unconvinced of the efficacy of strategic tourism management - "...you can’t plan 9/10th and the 1/10th that you can you’ll probably get wrong." (interview with Evans 1998). However, the principles of strategic management theory, in particular the setting of objectives, and thorough analyses of relevant internal and external business environments, appear applicable at all levels of the tourism industry. The essence of the latter is expressed by Walker (1992) as "...issue identification and diagnostic processes environmental assessment and futures analysis."(p.9) and is the focus of this study.

3.2 Crisis Management Theory

A potentially more appealing management approach for the tourism industry is provided by crisis management theory. "Crises" are defined as both sudden,
unexpected events (eg. terrorism, airline disasters, oil spills, political instability) and longer term "creeping crises". Their significance lies in their unexpectedness and levels of impact on destinations and industries. As Rosenthal and Kouzmin (1993) suggest, crises are "...un-scheduled, un-expected, un-planned, un-pleasant, sometimes un-imaginable and nearly un-manageable...(p.5). Their impact can be short or longer term, but it is always dramatic, and there may be several crises at once (eg. political instability in Indonesia in 1997-1999 coupled with economic and social problems, and several airline disasters).

Crisis management therefore appears to be an alternative but complementary theory to strategic management, as its emphases are on coping with sometimes erratic and perhaps irrational events in contingency mode and with short-term remedial or corrective solutions. It is a derivative theory from such other approaches as chaos and quantum theory, and as such may appeal to an industry characterised by "managed chaos". It is usually concerned with dramatic or disastrous events (eg. natural or man-made disasters, terrorism, riots) but it can also be helpful with respect to such "creeping crises" as the Y2K virus, product failure, dramatic market shifts, mergers and hostile takeovers (Rosenthal and Kouzmin 1993).

Its contributions to management theory appear to be its emphasis on the irrationality of some managerial behaviours and business environments - a flaw of strategic management theory- and its recognition that different crises require contingent strategies and a broad repertoire of management styles (eg. Jarman and Kouzmin 1990,1994,1995; Kouzmin et al 1991,1995; Kouzmin and Rosenthal 1993). In summary then, both strategic and crisis management theories have applications in the
tourism industry, in their principles and practical operations, and at the various levels of the industry. Both require the determination of objectives; the analysis of strengths, weaknesses, opportunities and threats; and the subsequent development of plans, albeit in different ways.

3.3 Vulnerability and Sustainability in Tourism

As earlier discussed, the literature on "vulnerability" is minimal, although there is an increasing body of material concerned with "sustainability" in the tourism industry. The majority of this latter literature is focused on the effects of tourism development on the fragile ecologies and cultures of particular destinations rather than a broader perspective of the sustainability of the industry in the face of its internal and external environments. Thus, both "sustainability" and "environment" are defined quite narrowly, arguably ignoring the broader vulnerabilities of the industry and its longer term survival and growth.

"Sustainability" is, however, variously defined in the literature. Sorensen (1997) suggests that it is a form of tourism that "..supports and encourages the continued survival of individual cultures while impacting the environment as little as possible."(p.262). Page and Thorn (1997) expand this to "..an approach to planning which displays a concern for the long term future of resources and the effects of economic development on the environment."(p.59). The World Travel and Tourism Council's (1992) Agenda 21-"Towards Environmentally Sustainable Tourism"(Gee and Fayos-Sola' 1997) reflects and reinforces such interpretations.

"...it is recognised that the development of tourism will not be optimal if it is left in the hands of private sector entrepreneurs, for they are motivated by the profit and loss accounts. But on the other hand, if tourism development is dominated by the public sector, then it is unlikely to be developed at the optimal rate from the economic point of view" (p.61).

Hall (1997) is one of the very few authors, along with Faulkner (1993), who takes a more comprehensive view of the sustainability of the tourism industry, using a Venn diagram to encompass many of the different variables-social, economic, physical environment and resources-which both make the industry at once vulnerable and potentially sustainable.
4. CONCLUSION

This review has sought to canvass the relevant literature on the nature of the tourism industry and its business environment, in relation to its capacity to sustain itself in the face of rapid and dynamic change. The literature reveals an industry which is structurally complex, fragmented and contains both strong centrifugal and centripetal forces. Definitionally ambiguous and lacking a solid research base, it appears almost uniquely vulnerable to internal and external threats and pressures.

In this context it is surprising that very little has been written directly on this issue, and even less on how the industry might better position itself to overcome such challenges through effective and adaptable management strategies and practices, at whatever level. The material on strategic and crisis management theories appears to suggest ways in which the broad search for industry survival and sustainability might be enhanced.
VULNERABILITY & SUSTAINABILITY IN TOURISM:

CHALLENGES & OPPORTUNITIES

- A MODEL FOR DEVELOPMENT

Alan R Nankervis
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Bibliography
CHAPTER 1: INTRODUCTION

The tourism industry has become one of the major engines of economic growth in both developed and developing nations, due partly to the decline, automation or relocation of more traditional industries (e.g. agriculture, mining, manufacturing), and partly to the ability and willingness of consumers to spend a greater portion of their discretionary income on tourism-related products and services.

As an illustration of tourism’s contribution to economic growth, the World Travel and Tourism Council (WTTC) reports that in 1996 the industry world-wide provided 10.7% of Gross Domestic Product (GDP), 250 million jobs (11% of the workforce) and brought in US$3.6 trillion. Their forecasts for 2006 include 12% of GDP, 385 million jobs (12% of workforce) and income of more than US$7.1 trillion (Lin, 1998:3). In Australia alone, tourism produced 12.6% of overall export earnings, represented 11% of GDP and employed between 500,000-600,000 people (6.6% of the workforce) - (Elliott, 1997: 29). Some perhaps optimistic commentators (eg. The Daily Telegraph 12.9.97: 26) suggest that “almost one million Australians are employed directly or indirectly throughout the hospitality and tourism industry”, although some more sanguine observers fear that regional crises will threaten such forecasts (The Australian Financial Review 29.10.97: 36).

Several authors report that tourism is ".. the world's leading employer .." (Sorensen 1997: 12), that tourism ".. has replaced oil at the top of the list in terms of foreign currency movements" (Elliott 1997: 4), or that receipts from tourism represent a ".. higher proportion of world exports than all other sectors, except petroleum, motor vehicles and parts .." (Elliott, 1997: 29). However, a word of caution is provided by Williams and Shaw(1988) who note that

"..there is not a simple linear relationship between the growth of tourism and the economic benefits for the whole community"(in Hall 1998:176).
Allied with its economic importance, the tourism industry also has considerable social importance for both tourism destinations and their broader regions and nations. Later discussions detail the interdependence between the industry and its employees, suppliers and local communities, but it is sufficient at this stage to suggest that this interdependence is mutual. The survival of whole communities (e.g. the Gold Coast, Uluru, Bali, Penang, Pattaya and Phuket) is to a very large degree predicated on the success of tourism strategies.

Apart from the obvious employment "flow-on" effects, tourism income and infrastructure developments can transform local communities (e.g. better transport systems, enhanced living standards, improved sanitation and sewerage systems, enhanced education systems, the protection of ecologies and local cultures, as a result of the "multiplier effect" (Gee and Fayos-Solá 1997, Elliott 1997, Tribe 1997). As discussed in later chapters, however, the reverse may also be true, with the destruction of fragile ecologies and indigenous cultures.

Even developed tourism destinations can benefit (or suffer), socially as well as economically, from tourism events such as Expos, the Commonwealth and Olympics Games (e.g. Barcelona, Atlanta, Sydney, Kuala Lumpur), with the enhancement of transportation systems, the relaxation of licensing laws or the provision of additional accommodation and sporting facilities.

However, despite its economic and social importance, the inherent nature of the industry; its unique and diverse products and processes; the perceptions of governments, consumers and industry managers; and the dynamic business and socio-cultural environments in which it operates, seem to ensure that tourism does not command the same serious attention and support given to more traditional industries. Governments variously regard tourism as a "cash cow" (Boston Consulting Group 1970), "... a panacea for economic problems ... foreign exchange deficits, high
unemployment and economically poor regions .." (Elliott 1997: 257), or as a ".. candy floss activity, unreliable, menial, destructive and sometimes tainted with the seediness and corruption of sex tourism" (Elliott 1997: 83).

And it is both the realities of this highly unusual industry-complex and segmented structures, a host of disconnected service-providers, often intangible products and ill-defined processes, competition mixed with interdependence, a strange blend of public and private sector involvement - and its almost inherent dream or fantasy qualities which predispose the tourism industry to fragility and vulnerability.

This project seeks to analyse the tourism industry, its nature, and the internal and external threats to its survival and success, in order to develop a comprehensive "vulnerability" model which will aid industry strategists and managers in forecasting potential or actual threats and thence in developing suitable preventative or corrective action plans.
METHODOLOGY

Aims and Objectives

The specific objectives of this study are:

(a) To develop a comprehensive framework for the analysis of the internal and external factors which threaten the success or survival of the tourism industry as a whole or in part;

(b) To analyse the comparative levels of impact of each of these factors;

(c) To develop a conceptual model which illustrates (a) and (b); and

(d) To suggest a range of industry strategies which may prevent, lessen or correct these impacts.

Scope and Limitations

As this project is essentially a model-building exercise, its focus is primarily conceptual. However, in order to test the applicability of the developed model, several small empirical studies have been undertaken. It is also concerned with an overview of the whole tourism industry and its component sectors rather than a study of a specific sector or tourism agency. For the sake of comprehensiveness, the project focuses on the international tourism industry in order to incorporate the multiple variables associated with crossnational travel. The Asia Pacific Region is used as a case-illustration of the model, due to its relevance to Australia and because of its mix of developed and developing tourism industries. These choices necessarily mean that the research results may not be directly applicable to tourism industries in other regions.
Research Methods

A comprehensive literature and Internet search has been undertaken, using the themes of tourism management, hospitality management, airline industry management, travel and tour operator management, strategic management, crisis management theory, contingency theory and chaos theory. This research was intended to provide data on the nature of the tourism industry, relevant management and business issues and underlying theories on the management of "vulnerability".

Subsequently, in order to test the applicability of the model of vulnerability, some empirical research has been conducted. This took the forms of:

(a) Semi-structured interviews with a travel agent, a strategic planner from Qantas, the manager of a regional dive company, and the Singapore Tourism Board.

(b) Two surveys - of hotel managers in Singapore, Phuket and throughout Thailand combined with data from previous research in the Southeast Asian hotel industries (e.g. Nankervis 1993, 1995, 1998)

Research Outcomes

In accordance with Doctor of Business Administration criteria, the following outcomes have been achieved:
(i) **Book Chapter**

"Human Resource Management as Competitive Advantage - A case-study of hotels in Southeast Asia and Australia"

Published in Special Issue of *Research & Practice in Human Resource Management* Journal, 8(1) January 2000.

(ii) **Conference Paper**

"Dreams and Realities: Vulnerability and the Tourism Industry in Southeast Asia. A framework for analysing and adapting tourism management towards 2000".


(iii) **Journal Article**

"Vulnerability and Sustainability in the hotel sector - A comparative study of regional events on the hotel sector in Singapore and Phuket". presented at the 14th Annual Employment Research Unit Conference at the Cardiff Business School (September 8-9, 1999). It was based on two surveys, and is co-authored with Dr David Wan, Senior Lecturer, Department of Organisational Behaviour, NUS.
(iv) **Journal Article**

"Vulnerability and Sustainability in the Hospitality Industry: A case example of the Thai hotel sector", presented at the Asia Pacific Tourism Association Conference (23-25 August 1999), Hong Kong. Co-authored with Associate Professor Manat Chaisawat, Dean, Faculty of Hotel and Tourism Management, Prince of Songkla University, Thailand.

### 1.1 TRENDS IN TOURISM RESEARCH

By comparison with more traditional industries, research into the tourism industry is still in its infancy (Faulkner et al 1995). Whilst research has been undertaken in the northern hemisphere for several decades, published in journals such as the *Annals of Tourism Research* (US) and *Tourism Management* (UK), similar studies in the Asia Pacific region have mainly been conducted during the latter half of this decade. The establishment of the Australian Bureau of Tourism Research (BTR), accompanied by a series of Australian and regional tourism research conferences, has begun to stimulate further research.

To date however, tourism research has been characterised by:

- a focus on operational roles and functions (e.g. food and beverage, guest reservation systems, etc);
- a tendency towards fashionable tourism "niche" issues (e.g. ecotourism, farmstay, adventure tourism);
- a concentration on the "tourism" (rather than the "hospitality") focus of the industry;
• an inordinate emphasis on tourism marketing, at the expense of general management, human resource management, accounting, information systems or legal issues.


As an example of these characteristics, an analysis by the author of the three most recent National Conferences on Tourism Research held in Australia reveals that more than eighty percent of presentations were concerned primarily with "tourism", and of these, sixty four percent had a clear marketing focus. This is consistent with the orientation of much of the popular tourism literature from the northern hemisphere (e.g. Carlzon 1987, Gronroos 1990, Heskett, Sasser and Hart 1990, Zeithaml et al 1985, 1990). It also helps to explain the seeming obsession of many tourism researchers and managers with demand-side analysis, at the expense of supply-side projections.

As the Bureau of Tourism Research (BTR) in Australia has observed, "the lack of widely accepted statistical concepts, definitions and classifications has hindered recognition of the importance of tourism as an economic activity. Available data from different collections are often incompatible and difficult to link, thus impeding the development of a comprehensive picture of the size and value of the activity" (Fleetwood 1993: 165). In an effort to redress the apparent dearth of industry data, BTR has developed an overall Framework for the Collection and Publication of Tourism Statistics which will ultimately encompass all industry sectors. However, this is by no means comprehensive, and so far has encountered difficulties in integrating its data collection and analysis systems with those of other international authorities (Fleetwood 1993: 166).

These research characteristics no doubt result from the relative newness of tourism research and reflect the backgrounds and interests of the researchers, but the result is that there are few comprehensive or reliable sources of research data on the industry as a whole - "... a lack of credible data .." (Go and Pine 1995: 24) and even fewer overarching conceptual models to analyse or explain its patterns.
1.2 DEFINITIONS OF TOURISM

As ".. the world's largest item of trade, grossing more than twice the amount spent on global armaments and representing a major industry in over a hundred nations" (Medlik 1991: 318) tourism should be relatively easy to describe or define. Certainly, the World Tourism Organisation (WTO) defines an "international tourist" as:

".. any person who travels to a country other than that in which he (or she) has his (or her) usual residence, the main purpose of whose visit is other than the exercise of an activity remunerated from within the country visited, and who is staying for a period of a year or less" (Sorensen 1997: 3).

Another definition suggests that tourism includes ".. the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year, for leisure, business and other purposes" (Elliott 1997: 21).

In an endeavour to capture the essence of tourism, both definitions embrace the multiplicity of purposes for which people travel (e.g. leisure, business, visiting relatives, education, etc), but both also restrict it to a one year period. In so doing they exclude a range of people who might also be considered "tourists" - e.g. affluent retirees on prolonged luxury cruises; backpackers on "working holidays" through Europe or Asia; aid workers, expatriates and some business travellers and consultants, especially those who are paid by their home country employers. While the latter could, to a degree, be considered peripheral to tourism, they nevertheless require inclusion as they undoubtedly contribute, through accommodation and airline travel. A more recent definition by Pearce et al(1998) attempts to capture all previous definitions and to include all stakeholders:
"tourism is the sum of government and private sector activities which shape and serve
the needs and manage the consequences of holiday and business travel. The central
'activities' of the government and private sector include promotion and planning,
providing services and preventing impacts" (p. xvi).

The virtue of this definition is its industry (rather than client) focus. Leiper (1979, 1995)
has sought to codify these definitions, although several authors suggest either that this is "an arid
field of study" (Williams and Shaw 1988, in Hall 1998:5), "beyond hope of realisation" (ibid), or
simply unnecessary as tourism "...does not fit the definition of an industry" (Gunn 1994:6) due to its
diverse and perishable products, its unique destinations and broad range of stakeholders. This latter
view is surely untenable and arguably irresponsible, at least from a management perspective.

It seems that the application of tight definitions to an industry distinguished by a plethora of diverse
and sometimes ethereal "products" and services, and operated through a complex web of
relationships and structures, is inadequate. But even a looser and more inclusive definition such as
"...the provision of services to people who want to undertake certain activities, or consume certain
things away from their normal surroundings and routines" (Stimson et al, 1996:15) could be
interpreted to include the retail, fast food and recreational industries under the umbrella of tourism.
And of course they may be, at least as peripheral service providers for tourists from other areas.

And then there is the "dream" factor, the "candy floss" element - "tourism is more than an industry
and an economic activity .... a universal and dynamic social phenomenon" (Elliott, 1997: 4). This
aspect will be explored in more detail later, but one of the major threats to the tourism industry is its
customers' perceptions of its "products", and the apparent inability of at least some of its managers
to separate the realities of the business from its marketing fantasies.
Suffice it to conclude at this stage that not only is there a dearth of solid industry data on which to build a comprehensive, accurate and pertinent analysis of its strengths, weaknesses, opportunities and threats, but that the parameters which distinguish tourism from its companion industries are blurred, confused and sometimes non-existent. So what constitutes the tourism industry, what are its products and services, how is it organised and managed and what are its principal features? These are analysed in some detail in the following chapter.
CHAPTER 2: THE NATURE OF THE TOURISM INDUSTRY

As earlier inferred, the tourism industry has many unique characteristics which both clearly distinguish it from more traditional industry counterparts, and render it especially "vulnerable" to pressures and threats to its sustainability and survival. These characteristics include, but are not restricted to:

- its structure
- its products and processes
- its business environment, and
- the nature of strategy and planning in tourism.

These characteristics will first be described and analysed in this chapter, and subsequently explored in relation to a model of "vulnerability" developed by the author, in following chapters.

2.1 THE STRUCTURE OF TOURISM

On the surface the tourism industry appears to consist of a series of highly visible service providers in the broad transportation, accommodation, destinations and tours businesses, usually well-integrated with each other and collaborative in their business endeavours. Upon closer examination, however, the situation is altogether more complex, dynamic and fluid than such a superficial observation would suggest (e.g., French et al 1995, Pearce et al 1998).

To begin with, the visible tourism sectors are themselves comprised of numerous large and smaller companies and are complemented and supported by a myriad of less visible businesses, all of which are in continual competition, and occasional cooperation, beneath the veneer of "seamless service" -
"... many companies, hundreds of authorities, scores of related agencies and organisations, regional tourism boards and numerous local tourism organisations .." (Elliott 1997:84). As at least one observer notes, "... tourism is an amalgam of complementary services which are destination specific", and that the organisation of these services is fragmented, with significant imbalances between its demand and supply side (Faulkner 1993: 28).

As illustrations of this, the transportation sector encompasses railways, airlines, coaches, hire and rental cars, ferries, canoes and cruise ships; the destinations sector combines scenic attractions, theme parks, heritage sites, urban pursuits such as shopping, conferences and events (e.g. Commonwealth Games, Expo, Olympic Games, etc); and the tours sector includes short and longer, more and less organised trips locally, domestic and internationally. The accommodation (or "hospitality") component of the industry alone is characterised by a diverse range of business types - "... hotels, motels, motor inns, private hotels, guesthouses, hostels and backpackers, caravans/camping, apartments, time-share flats, holiday villages, houseboats and cruiseships." (Bull 1995:5). Note that some aspects of the industry fall into several sectors. Diagram 2.1 illustrates the stakeholders in the tourism industry and the relationships between them. It also attempts to visually explain the complex interfaces between the various tourism "players", and their shifting (and sometimes peripheral, sometimes central) alliances.
As the diagram implies, the industry as a whole can effectively be divided into three main sectors - the hospitality, travel (or transportation) and "visitor services" sectors (French et al. 1995:58) - with the first two quite clearly visible, and the third a miscellany of tourism "services" including travel agencies, the MICE segment, attractions, and tourism information centres. In addition to these major players, there is a host of ancillary or complementary service-providers which are fundamental to the effective operations of the tourism industry, but which are seldom if ever seen by the consumers of tourism's products and services - e.g. tour wholesalers, hotel property investors, hotel management companies, food and beverage suppliers, international airline authorities (e.g. IATA), security firms, and information technology suppliers (e.g. hotel reservations systems, tourist information systems, flight crew scheduling software etc - Crouch, 1989:15). Some of these are
full-time and long-term service providers in the industry, while others (e.g. department stores, and
restaurants located in tourist areas) are only sporadically involved in providing services to tourists,
and are arguably only marginally part of the industry (e.g. Smith 1978, French et al 1995). However
the line between full and marginal involvement with tourism becomes somewhat blurred in cases
where, for example, a department store or restaurant is part of a city hotel or transportation complex
or is included as a regular component on organised tours (e.g. duty free stores, gift/souvenir stores,
Asian restaurants on package tours).

Together with the diversity of the industry - e.g. number of service-providers, size, nature of
products and services, levels of participation - each sector of tourism, to varying degrees, has its
own formal or informal hierarchies which constitute a form of internal industry structure. These
hierarchies are sometimes based upon relatively objective criteria, but more often they merely
reflect industry traditions, power bases and pricing structures. Seldom, if ever, are they the result of
deliberate industry strategies or regulatory frameworks. The peculiar structural aspects of each
major sector of the tourism industry will be examined separately first, and then the overall structure
of the industry considered as a whole, in particular its vulnerability to threats and pressures, both
external and internal.

2.1.1 The Structure of the Hospitality Sector

In the hospitality sector, formal structure derives from an internationally agreed grading system,
administered by authorities external to the sector but nonetheless deeply involved in tourism as a
whole (i.e. automobile associations, Michelin Guides). This system grades hotels on a scale of 0-5
stars (or their equivalent) based on the level of their physical facilities and guest infrastructure (e.g.
rooms, food and beverage outlets, gyms, etc) Some countries (e.g. US, UK and France) use
"diamond", "crown" or "house" systems, which are essentially the same as star-ratings. And thus
the formal hierarchy is established, with five "star" hotels at the top of the "pecking order" and backpacker accommodation (0 or 1 "diamond") at the lower end.

An interesting deviation from the principal purposes of this grading system (i.e. regulation and accreditation of facilities) has been the association, especially by hotels in the higher grades, of service quality with star-rating. The grading systems currently used contain only "tangible" criteria and consciously eschew evaluation of "intangible" (Zeithaml et al 1990, Callan 1996) service quality components. This issue is discussed in more detail subsequently, but it is sufficient at this stage to note that this embroidery of the purpose of grading systems has bestowed considerable power on hotels at the top of the hierarchy and permitted them to justify sometimes excessive room tariffs without accompanying levels of guest service (e.g. Smith 1978, Nankervis 1993, 1994, Prais et al 1993).

As part of its overall Framework for the Collection and Publication of Tourism Statistics mentioned earlier, BTR (Australia) has developed a Standard Classification of Visitor Accommodation (SCOVA) to both supplement existing Automobile Association/Michelin Guides, and to provide a possibly more objective categorisation of hospitality (or accommodation) establishments within Australia. Using both national (e.g. Australia and New Zealand Standard Industry Classification) and international (e.g. Standard Industry Classification of Tourism Activities, Central Product Classification, WTO Draft Standard Classification of Tourism Accommodation) systems, BTR divides hospitality establishments into 4 major types:

- **Commercial accommodation** – hotels, resorts, motels, motor inns, private hotels, guesthouses, B&B, self-catering;
- **Other commercial** – health and fitness establishments, visitor hostels, farmstay, caravan parks and camping grounds, accommodation on inland water-craft, aircraft and road transport;
- **Institutional and other commercial accommodation** – eg. educational institutions, health institutions or private dwellings; and

- **Non-commercial accommodation** – eg. private property (friends and relatives), business property, privately-owned water or air-craft, etc (Fleetwood 1993: 169-172).

This complements some overseas classification systems for smaller accommodation establishments such as guesthouses and bed and breakfast properties (Ingram 1996).

Whilst an admirable development in data-collection on this sector of the tourism industry, and undoubtedly a valuable aid in strategic planning, its statistical base precludes considerations of the subtle but important informal structures of the hospitality sector discussed subsequently.

In recent times, however, considerable blurring of this distinctly hierarchical structure has occurred due to several business-related factors (eg. Smith 1978). First, in recognition of the increasingly expensive and competitive environment within the hospitality sector - hotels are ".. both labour-intensive .. and capital-intensive .." (Go and Pine 1995:27) - several international and domestic hotel chains have sought to pioneer new territory with "5½" or even "6 star" properties (e.g. Sofitel, Grand Hyatt, Holiday Inn Crowne Plaza) based on identified service standards and guest markets, while others at lower levels of the hierarchy have created "niche" (or "boutique") or "budget" hotels to cater for the needs of specialist tourist markets. The "budget" segment includes revitalised YMCAs/YWCAs, refurbished backpacker hostels and ".. functional, clean lodgings at low prices .." (e.g. Formule 1 motels - Go and Pine 1995: 151).

Secondly, some especially innovative international hotel chains (e.g. Accor, a French company), have sought to capture all segments of the tourism market by developing "multi-tier" chain brands - e.g. Accor's portfolio includes the Sofitel-Pullman (5-6 star), Novotel (3 star), Mercure-Altea (regional), Ibis-Arcade (2 star) and Formule 1 (basic) brands. The effect of this development has
been to allow individual hotels or chains to operate outside the traditional constraints of the star-grading system, more responsive to changing guest expectations and posing a threat to the comfortable industry structures of the past. It has also led to the recognition by hotel operators that they need to form "strategic alliances" with their former competitors (e.g., Selin 1993) in order to survive and prosper - i.e. vertical integration, horizontal integration, diversification, or merely alliances for market-penetration, marketing, sharing resources and technology (Go and Pine, 1995: 37; Tribe 1997: 129-136, Contractor and Kundu, 1998: 325). A typical such alliance in the hotel sector is illustrated in Figure 2.1 below. Thus, a single hotel in a particular destination may distance itself from its local competitors by cost differentiation strategies, but both may choose to ally themselves with the same (or different) players in other tourism sectors, with the same or differentiated guest market segments. “Value” may take the forms of greater cost-effectiveness, higher status and prestige, or ‘value-added’ tourism services (e.g. accommodation plus travel plus tours etc).
Hotel chains themselves are examples of more traditional strategic alliances - e.g. Holiday Inns Worldwide has 1,930 properties, Best Western International 3,409 and Accor 2,265 (Gee and Fayos-Solá 1997: 77). They are 'more traditional' because diversification (of risks and benefits) occurs by means of sector acquisition or merger - "bigger is better" - rather than by less reliable business agreements across industry sectors.

Successful or otherwise, such alliances irrevocably challenge the certainty of traditional industry structures and magnify the fluidity and dynamism of this sector. Often the driving force behind these alliances is a desire for greater market-share or an attempt to enter new markets. A less
visible reason may be to reorient the focus of a business from, for example, primarily the management of hotel operations to primarily the management or ownership of the real estate on which the hotel stands. As examples of this segmentation into hotel management or property investment, the Hilton, Marriott, Regent, Sheraton and Hyatt chains have relinquished ownership of many of their properties in favour of hotel management contracts (e.g. French et al 1995), whilst Forte Hotels (UK) are essentially real estate owners and operators (Go and Pine, 1995: 24). Some researchers suggest that hotel management service contracts are ".. the single most common governance mode .." and that brand franchising is ".. also ubiquitous .." (Contractor and Kundu, 1998: 326).

There appears to be a general preference among Asian hotels for equity ownership, with North American hotels favouring franchising and management contracts (Gee and Fayos-Solá 1997: 8), although there are exceptions to this trend (e.g. Southern Pacific Hotels, Vacation Inns-French et al 1995: 105). Contractor and Kundu suggest that high equity ownership of hotel properties is not essential, or even desirable, for the management of hotels, especially as there are significant economies in global operations - e.g. logistics, supplies, architectural design, reservations systems, training and brand recognition (op cit: 353). In addition, management contracts are usually of lengthy duration (e.g. 10 years or more), more or less ensuring responsible and profitable outcomes. However, for the purpose of this study, this distinction between ownership and management in the sector adds a further complicating element in its structure, especially as some property investment companies are also involved in management service contracts (e.g. Hilton, Marriott, Mandarin).

Combined with similar strategic alliances between stakeholders in different tourism sectors, discussed later, the industry may in the future be best described as amoebic (in both developmental and structural terms), characterised rather by fragmentation, segmentation and ".. substantial discontinuity .." (Crouch and Shaw 1990: 18), than by stability, certainty or assurance.
Given the diversity and fragmentation of the industry, it is perhaps not surprising that it sometimes gives the impression of being "joined at the seams" (Evans, 1998), rather than its frequently expressed desire to deliver "seamless service" (e.g. Gronröös 1990, Heskett et al 1990, Carlzon 1995). It is likewise these structural characteristics which almost inherently render the tourism industry uniquely vulnerable to pressures and threats from both its internal and external business environments.

The above discussion has largely concerned the diversity and fragmented structure of the hospitality sector of the industry, at once its strength and its nemesis. However the focus of discussion has essentially been on the direct and complementary service-providers in the private sector. The structure of the tourism industry is further complicated by the various roles which the public sector authorities perform, and in many cases is both strengthened and challenged by them.

Given the fragmentation, diversity and competitiveness of the hospitality sector, like all other components of the tourism industry, it relies on centripetal forces to maintain its equilibrium and to assure its survival. These forces are essentially the sector's dependence on other tourism service-providers (e.g. travel agents, airlines, airport operators, tour companies) - "...interdependence is the basis for management in the tourism industry, for none of the tourism community can survive without the others .." (Elliott, 1997: 110) - and the infrastructure and regulatory frameworks provided by public sector stakeholders.

The interdependence of the hospitality and other tourism sectors is well illustrated by the following observation:
"... a shortage of supply of accommodation at a destination can lead to a curtailment (a reduction even) in the demand for airline travel ... (but) airlines are reluctant to pioneer new routes whilst other infrastructure (e.g. airports, hotels, etc) is absent (and) developers are also reluctant to invest until there is some assurance of a steady flow of visitors" (Bull 1995: 8).

This observation at once exemplifies the strengths and weaknesses of the interdependence of the industry, and illustrates the importance of the public sector, especially in the provision of the appropriate tourism infrastructure (e.g. roads, domestic transportation systems, electricity and water services). As discussed subsequently, and unlike most other industries, the tourism industry is almost uniquely dependent on the services and support of its national governments.

The roles of governments in tourism are however complex, multi-faceted and variable, but nonetheless crucial to the maintenance and survival of the industry (e.g. Hall 1994, Hall and Jenkins 1995). Broadly, they may include the:

- formulation of overall tourism policies and plans (e.g. marketing, human resources, socio-cultural and environmental impacts)
- negotiation of tourism-friendly international agreements (e.g. visas, 'open sky' agreements)
- provision of the necessary physical infrastructure for tourism
- direct tourism service provision (e.g. railways, public bus systems, ecotourism operators, airport management, government hotels, tours and tour guides etc)
- Regulation of tourist entry and exit (e.g. passport control, quarantine, customs) and overall industry standards (e.g. food handling, occupational competencies, building requirements etc)
- Regulation of parts of the industry (e.g. tour guide training, tourist police etc)
- Data collection and analysis on tourism trends
• Tourism promotion, funding and support (Go and Pine 1995, Gee and Fayos-Solá 1997: 281, Elliott 1997).

Figure 2.2 below illustrates the public sector stakeholders in the tourism industry and some of the complex roles they perform. It also indicates that even ‘rational planning’ models need to incorporate the “politics”, “power”, formal and informal, environmental elements, which may be less than rational.
Of all the possible roles that governments can play in the hospitality sector, (and indeed in the tourism industry as a whole), arguably the most crucial for its maintenance and sustainability are the provision of appropriate and timely infrastructure, and the regulation of industry standards (eg. Baum 1994, Hall 1994, Hall and Jenkins 1995, Fayos-Sola' 1996). Gee and Fayos-Solá (1997: 298) describe four possible public and private sector configurations, illustrating the developmental stages of various tourism industries and the priorities of their respective governments. They are:
- **In developed countries:**
  - a dominant private sector with some public sector support (e.g. US, UK, Australia)
  - a dominant public sector, with limited private sector involvement (e.g. Italy, Spain, France, Japan)

- **In developing countries:**
  - a dominant public sector with minimal private sector involvement (e.g. Cuba, Morocco)
  - leadership from the public sector, but substantial involvement from the private sector (e.g. India)

It seems to be the case that as economies develop and mature, public sector involvement in tourism withdraws from direct service-provision towards promotion, support, regulation and maintenance of the infrastructure, facilitating a relatively free market amongst service providers, and by inference, the survival of only the more efficient and effective operators (e.g. Baum 1994, Fayos-Sola’ 1996). Certainly, recent history in many developed countries indicates that governments are keen to divest themselves of a host of tourism "assets", including ecotourism franchises, hotels, airports and even national airlines (e.g. the Qantas public float, British Airways). This is of course not unique to tourism. Perhaps for different reasons, countries such as Indonesia and the Philippines may be forced to do likewise. At the time of writing, Philippines Airlines has already attracted private investment. The results of such divestiture may include greater competition, cheaper rates for tourists, and a healthier government ledger, but they will also be likely to create increasing turmoil in the industry, a host of new alliances between stakeholders and escalating pressures and threats to the entire tourism industry (e.g. Selin 1993, Gunn 1994).

The complex structure of the hospitality industry has been examined, with its many stakeholders and series of alliances, including the changing relationships between the public and private sectors.
We will now turn to the transportation sector of the industry and attempt to illustrate its similarities and differences, its relationships with the hospitality and other tourism sectors, and its structural vulnerabilities.

2.1.2 The Structure of the Transportation Sector

Like the hospitality sector, the transportation sector of the tourism industry is also complex, multifaceted and dynamic. Thus, it is comprised of a disconnected series of major tourism service-providers - airlines, road and rail systems, seabome transportation (e.g. cruise-ships, inter-regional ferries, domestic water taxis, etc) - supplemented by a broad range of supportive or ancillary services (e.g. airports, seaports, bus and coach stations, railway stations, local tour and dive operators, trekking companies, etc) - (Gee et al 1989, TTF 1996, Elliott, 1997). And like the hospitality sector, all these disparate elements of the "mosaic" of tourism are reliant on each other element, without the luxury of an over-arching formal strategy which ensures seamless tourism service - delivery - ".. interdependence is the basis for management in the tourism industry, for none of the tourism community can survive without the others" (Elliott 1997: 110).

However, unlike the hospitality sector, the transportation sector has traditionally been dominated by direct public sector involvement in tourism service-delivery (e.g. government airlines, railways, ferries, airports and seaports), and international aviation and marine authorities. It is also characterised by considerably more risk (e.g. accidents, terrorist threats and attacks, financial risks); more threats of government intervention in its operations (e.g. safety standards, visa regulations, financial support, political "interference"); and a great deal more "cross-over" in its client base (e.g. business travellers as well as international tourists, domestic ferry commuters and visiting tourists) than is usual in the hospitality sector. It is ".. vulnerable and can easily be affected by changes in
public policy and public perceptions (e.g. Gulf War 1991, French nuclear tests 1995,)" (Elliott 1997: 6).

Whilst, as indicated earlier, there appears to be a recent trend against government ownership and direct control of some transportation services (e.g. airlines, airports, inter-regional ferry services) in countries such as the United States, the United Kingdom, some European nations, Australia and New Zealand, towards corporatisation (e.g. Federal Airports Corporation, Australia) or privatisation (e.g. Air Services Australia), whether for financial or ideological reasons, this trend is far from universal. In reality, very few nations have been willing to relinquish their control of, or direct involvement in, their national airline carriers, whether for pride or for financial returns. Even the most impoverished nations sport their own government owned airline (e.g. Air Vietnam, Air Lesotho, Air Botswana), when a private airline could perhaps prove more financially viable. Some countries no doubt justify such operations on the grounds of national pride, social responsibility or practical necessity, but the overriding rationalisation for most countries appears to be the difficult relationship between commercial ownership and the maintenance of acceptable passenger safety standards. Of course there are obvious exceptions here - e.g. Virgin Airlines (UK) and Lauda Airlines (Austria) - and government airlines are increasingly in competition with flight charter companies, perhaps for different markets across the world.

Whilst some governments here gradually relaxed their total control of airline ownership, with share floats and the like (e.g. British Airways, Qantas), and in the case of transportation support services (e.g. airports, seaports) have sold them off to the highest bidder, very few (if any) have been prepared, or able, to do the same with their railway networks and associated infrastructure. As both capital- and labour-intensive ventures, some government transportation operations (e.g. railway systems, catering and maintenance services) have been rationalised by corporatisation (e.g. Brit Rail, City Rail NSW, Qantas Flight Catering) or even privatisation, in order to maintain their long-
term financial viability. Capital costs have been reduced by more cost-effective manufacturing processes, sub-contracting and aircraft-sharing (e.g. Ansett, Air New Zealand, Singapore Airlines), whilst labour costs have been minimised by job-shedding (e.g. State Rail NSW - 19,498 employees, 1990-1998, Queensland Rail - 4,116 employees, Qantas - more than 4,000 employees - BRW 1998: 46), and the increased automation of reservations and air navigational systems (e.g. Computerised Reservation Systems, Global Positioning Systems, Future Air Navigation Systems, Flight Scheduling Systems - Crouch 1989: 14, Gee and Fayos-Solá 1997: 58).

In the shorter-term, and largely in response to the Asian currency crisis, international airlines have sought to modify their flight schedules and routes (e.g. Ansett, Qantas and Air New Zealand severely restricted flights to Indonesia, Malaysia and Thailand during 1998) or to forge expedient alliances (e.g. Ansett, Air New Zealand and Singapore Airlines), in order to buffer themselves against the risks of financial and political uncertainty (Evans 1998). In a slightly different move, Singapore Airlines sponsored Silk Air, as a separate but related commercial venture, to service the Southeast Asian regional tourism market (e.g. Phuket, Haadyai, Penang, Bali, Bintan, Jakarta).

Reductions in overall air services to the Asian region have increased the vulnerability of its tourism industry, especially in Indonesia, Malaysia, Thailand and burgeoning markets in Myanmar, Laos and Vietnam, if they have marginally improved the prospects of Singapore due to its central location on air routes through the region (Business Review Weekly, 2 March 1998, p.46).

As an arm of government, and often the only choice, airline and rail systems command authority and receive political attention. They can literally "make or break" tourism destinations - ".. airlines are reluctant to pioneer new routes whilst other infrastructure .. is absent" (Bull 1995: 8) - heavily influence government tourism policy, and squeeze out unwanted private sector competitors (e.g. Compass, Virgin and Silk Air). According to one observer, they are ".. politically strong,
conservative, motivated by self-interest and not open to outside pressures .." (Elliott 1997: 203), even from the overall tourist industry. As examples, Qantas and Japan Airlines jointly resisted industry attempts to increase flights from Japan to Australia during the 1990s, despite demonstrable market demands (Elliott 1997: 204), and Thai International has been conducting an ongoing dispute with the Thai Airports Authority for control of the duty-free business (ibid). In the European Union, Lufthansa, Varig and the Scandinavian Airlines System (SAS) have continuously combined to defeat the proposed "open skies" policy during the 1990s (Heppenheimer 1995, Sorensen 1997: 154).

Apart from their dominance of government tourism strategies and policies, government transportation authorities are themselves dependent on the level of infrastructure present in tourism destinations - i.e. roads, rail networks, airports, seaports - and a host of regulations and regulatory authorities both domestic and international. This interdependence potentially decreases their flexibility and profitability, and arguably increases their vulnerability to the vagaries of tourism markets. Unlike the hospitality sector, the control of such issues as safety, access, maintenance, health and hygiene, noise levels and immigration place severe demands on the operations of both public and private sector transportation service providers.

Domestically, regulatory agencies include Civil Air Safety Authorities, Bureaus of Air Safety Investigations, Immigration and Customs departments, Environmental Protection Agencies and Occupational Health and Safety bodies, often with minimal appreciation and coordination between them or with the overall tourism industry. Naturally, the activities and impacts of these authorities will differ from country to country, and often their agendas appear contradictory.

Internationally, the operations of transnational marine and airlines companies are influenced by both global and domestic factors. Thus, airlines which transverse several nations or continents are
influenced by the prevalent governments’ policies and regulations regarding airspace entry, landing and immigration rights. They are also usually bound by the provisions of international authorities such as the International Air Transport Association (IATA), which regulates safety standards; sets flight schedules; investigates accidents; sets international reservations, passenger and baggage check-in procedures; and prepares long-term forecasts of passenger and cargo growth (French et al 1995, Sorensen 1997: 41). The operations of international airlines are also monitored by agencies such as the United Nations, ASEAN, the International Civil Aviation Organisation, the World Trade Organisation and their constituent nations (French et al 1995, Elliott 1997: 201).

They are also dependent on the international treaties forged between nations, and on the perceptions of travellers as to the relative "safety" of particular airline companies. However, apart from international legal obligations - ".. most nations prefer to reserve to themselves the discretion to act in their own interests, rather than relinquish it to a multilateral organisation" (Gee and Fayos-Solá 1997: 293). This potential conflict between international obligations and domestic policies and practices can threaten the development of new tourist markets, restrict the entry of new carriers, or interfere with the seamless service delivery so demanded by the tourism industry. Usually such conflicts result from traditional enmities between countries (e.g. Iran, Egypt), political or social unrest (e.g. Indonesia in 1997-8, Myanmar and Laos, Vietnam and China), or simply overly bureaucratic and underdeveloped government processes, reflecting the importance of the various operational environments of the tourism industry (see later in this chapter).

Thus, whilst the formal structures of the transportation sector, both domestically and internationally, are quite well-defined, politically well-connected and financially strong, its sustainability is heavily dependent on government infrastructure and informal perceptions of its consumers and within the tourism industry.
Consumer perceptions of the safety, attractions and value for money of the transportation sector of tourism play an important part in the success of the tourism industry (eg. Gee et al 1989, TTF 1996). As airfares, and the travel component of tourism generally, constitute a sizeable proportion of tourist expenditure (eg. Richardson 1995), it is not surprising that consumers would be attracted to "packages" which combine transport, hospitality and tours. Transportation operators naturally attempt to market their comparative advantages (e.g. safety records, service levels, value for money) in order to develop their commercial opportunities.

In the rail and seaborne components of the sector, the lack of choice reduces the marketing emphasis, but in the highly competitive airline and road transport segments, marketing and the formation of strategic alliances (both within and between industry sectors) can lead to success or failure. Tourist coach companies appeal to consumers on the basis of safety, reputation, price and flexible packaging (transport, accommodation, meals).

Airlines also compete on similar grounds, but with the additional element of status or informal place in the "pecking order" of the sector, informal but strongly-held views can influence the relative success of particular operators. Anecdotal information suggests that, apart from divisions between regional, domestic and international airlines, there are also clear divisions between "first tier" companies (e.g. British Airlines, Qantas, Cathay Pacific, Singapore Airlines, United Airlines), "second tier" (e.g. Thai International, Alitalia, Emirates) and "third tier" operators (e.g. Garuda Indonesia, Air India), based upon a complex amalgam of factors (e.g. history, safety records, perceived service levels, access to airport facilities, mixture of first, business and economy class passengers - ".. most airlines operate on the back but make money on the front .." Evans, 1998). Whilst these perceptions change over time, and by virtue of the strategic alliances established in response to dynamic travel markets, their influence can be dramatic, in the absence of more formal systems as in the hospitality sector.
The issue of strategic alliances within the airline business has become more prominent in recent years due to political and economic changes. As examples, the establishment of the European Union (EU) prompted an escalation of such alliances, including cooperative agreements between Lufthansa, Scandinavian Airlines System and United Airlines to "control the skies" (Sorensen 1997: 154), and economic difficulties in Southeast Asia encouraged similar alliances in the region. The nature of these alliances range from code-sharing (e.g. Delta-Virgin Atlantic, United Airlines-Lufthansa, Air France-Continental-Air Canada-JAL), through financial integration (e.g. British Airways-US Air-Qantas-Deutsche BA) including equity shares, to "mixed alliances" (e.g. American Airlines-Canadian Airlines-British Midland-Gulf Air) involving both code-sharing and equity ownership (Selin 1993, Tribe 1997: 136). Most of these alliances specifically exclude commercially-sensitive data-sharing, reflecting the ongoing need for both collaboration and competition (Evans 1998). These alliances are designed to extend market-penetration (e.g. US access to Europe, Australian access to Southeast Asia), to buffer particular airlines against economic or political changes, or to reduce operating costs by means of shared reservations, ticketing and marketing systems. As a consequence, however, combined airlines can build upon each other's reputation and effectively capture tourist markets.

Some airlines have also successfully sought to increase their market-share and extend their operations into other sectors of the tourism industry by vertical or horizontal integration. As examples, All Nippon Airways owns ANA hotels, and Ansett Airlines (Australia) has a close alliance with Gateway Hotels and the Hamilton Island Resort (French et al 1995: 106).

Figure 2.3 illustrates the nature of such activities.
Figure 2.3: Vertical and Horizontal Integration in the Tourism Industry

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However, despite such alliances, airline status, often associated with perceptions of its safety record, appears to be closely aligned with consumer perceptions of its host government. Thus Asian airlines, with the possible exception of Singapore, seem to be generally more vulnerable than their Australasian or Northern Hemisphere counterparts (Evans 1998) - e.g. Sempati/Merpati Airlines and Garuda Indonesia, Korean Air and Asiana - especially in the presence of political or economic instability. An additional difficulty may arise for these airlines as their focus is on the "demand" side of tourism whilst Australian, American and European airlines emphasis the "supply" side.
(Evans 1998), making them potentially more vulnerable to customer fickleness, and the vagaries of their socio-economic and political environments. On the other hand, Western airline companies will need to further rationalise their operations by means of privatisation and cost-cutting in order to effectively cope with their inherent capital and labour intensiveness (Elliott 1997:56, Evans 1998).

However, changes in operations, routes, schedules, markets and alliances - will increasingly be a defining feature of especially the airline segment of the transportation sector. As one industry operator notes, "...if we are still in our present form in five years, we will be dead in the market" (Chief Executive Officer, British Aerospace, in Branegan 1997: 48).

2.1.3 Other Industry Sectors - Visitor Services

Whilst the hospitality and transportation sectors are without doubt the major industry players - in size, coverage and profitability (Go and Pine 1995, Elliott 1997, Tribe 1997, Sorensen 1997) - there is a broad range of ancillary service-providers without which tourism could neither prosper nor develop. These include travel agencies; tourism information centres; MICE; charter and tour operators; dive companies; theme park operators; eco- and adventure tourism organisations; local retailers (e.g. souvenirs, food and beverage, clothing, etc), and community organisations (Abbey and Link 1994, Bull 1995: 5, Elliott 1997: 81).

Whilst governments usually have some involvement in tourism information centres, eco- and adventure tourism operations, and community organisations, as providers, regulators or promoters of tourism attractions, their direct involvement in other agencies is usually minimal. Of all these ancillary service providers, arguably the most crucial and in future the most vulnerable (Fuller 1994, Harris and Howard 1994, Evans 1998), are the network of travel agencies which span most nations and their regions. Little has been written on the nature of travel agencies, their ownership,
relationships with service-providers, pricing structures or profitability (eg. Feldman 1989, Fuller 1994). They can be independent or chain-operated, generalist or specialist and receive their revenue as - "... selling agents for principal suppliers (who) derive their income entirely from commissions paid by these principals .." (Bull 1995).

They are eligible for accreditation by their principals (eg. airlines) and IATA, and can have their competencies recognised under systems such as the Australian Travel Agents' Qualification Program (French et al 1995:67-68). They are also required to adhere to Federation of Travel Agents' codes of conduct.

It can be speculated however that the traditional owner-operated local travel agency, the parochial purveyor of tourist dreams, may be seriously threatened as a consequence of government regulations, industry mergers and takeovers, the impact of new technology (especially the Internet and electronic ticketing-Pearce et al 1998) and threats from both more demanding customers and other industry sectors. Government regulations, including the licensing of travel agencies by federal authorities (e.g. Travel Agents Act, Australia) have forced more professional and accountability agency practices (Bull 1995: 15). Economies of scale have impelled amalgamations of travel agencies, especially with the emergence of sophisticated ticketing and reservation systems and the reality of commission-based competitive pricing structures.

As supply-driven organisations - i.e. offering "... a complete understanding of what visitors will be presented with from the moment they enter the destination area ... what the destination intends to market .. transportation networks .. infrastructure .." (Gee and Fayos-Solá 1997: 331) - within an expanding destination market, large travel agency groups have a better capacity to absorb industry data, to mobilise computing and financial resources and to market attractive tourism options. They also have the ability to maximise profitability by negotiating mutually beneficial long-term relationships with hotel chains, airline companies road and rail tour operators (eg. Harris and Howard
Tribe's (1997) view that "bigger is better" is an industry myth (p. 336), appears not to be true in the case of travel agencies (Bull 1995:8, Evans 1998).

However, even large and established travel agency groups will not be immune to the threats posed by the Internet, and the increasing intrusion of other industry players into their domain. Access to the Internet, with its various tourism service-providers (e.g. hotel and airline reservations systems, "virtual" visits to tourism websites-Dworetzsky 1997) which can offer travel options, cheaper prices and personalised service to an increasingly sophisticated and computer-literate consumer market, threatens to obviate the need for travel agencies. Combined with the increasing propensity for hotel chains and airline/railway companies to take on more of the traditional functions of travel agents (e.g. advance bookings, package tours, competitive pricing options), this sector is in crisis. As an example of the latter phenomenon, Qantas (Australia) has cornered more than half of the entire travel agency market in less than five years (Evans 1998). In addition, such Internet service providers as Yahoo(Travelscape.com) and Infoseek have well-developed hotel and travel booking and ticketing systems, bypassing travel agents (Business Wire, 24.2.99). To date, at least one US Web company, Imaginon, has begun a series of "virtual tourism" sites (WorldCities 2000) which "..will change the way people plan travel, buy tickets and make reservations in the age of the Internet" (Business Wire 24.2.99).

Of all tourism industry sectors, travel agencies are perhaps the most challenged, forced to accept lower and lower profit margins and to become increasingly specialised and professional (Bull 1995: 21). Relatively labour-intensive, as client service demands personalised and multiple contacts, and dependent on alliances with the major industry players and new technology, the survival of travel agency operators will depend on their ability to adapt to changed circumstances. Some observers (Bull 1995, Evans 1998) suggest that they will need to broaden their functions as - ".. brokers, information purveyors, 'total package' perspectives" (Evans 1998), to manage client expectations (as
well as selling dreams) and to become ".. a centre to provide advice on leisure and ticketing for a wide variety of entertainment, sports and activity ideas .." (Bull 1995: 21).

Tourism information centres act as support agencies rather than commercial industry players, are less threatened than travel agencies (Hall 1994, Hall and Jenkins 1995) but still subject to the enhanced demands of tourists (e.g. computerised information services, direct links with hotels and transportation providers) and the priorities of governments. Charter and tour operators, dive companies, theme park operators, eco- and adventure tourism organisations are usually private sector operations either owner-operated or part of larger national or international organisations. Most are highly dependent on product-branding (e.g. Club Med, DisneyWorld, Seaworld, Sea Canoe); subject to local government regulations and priorities; and/or derive their existence from the "sustainability" of local scenic or socio-cultural attractions. They are necessarily also dependent on the provision of appropriate hospitality and transportation services and infrastructure. As examples, EuroDisney (Paris), an expansion of the US Disney World theme park concept to France, failed miserably in its early years of operation due to economic and socio-cultural factors (Tribe 1997: 11), while Sea Canoe (Phuket, Vietnam, South Pacific) has proven very successful as a result of its ecological sensitivity, political networks and financial management (Shephard 1998).

Local destination retailers are subject to the vagaries of tourism demand and supply, the levels of tourism infrastructure, the relative popularity of the destinations and the uniqueness of their products, as well as seasonal and local issues (e.g. currency fluctuations, destination attractions, competitors). Survival is predicated on these factors along with their capability to appeal to both tourists and local consumers, and to balance "high" and "low" season patronage. Community organisations become involved in tourism as a means of providing their local communities with jobs, income and other benefits (e.g. better roads, transport systems, standards of living), sometimes at the expense of the conservation of natural and cultural resources and minor players in the overall
tourism industry. The vulnerability of their local environments (e.g. Phuket, Pattaya, Bali, Sumatra, and Bintan) is often compromised by tourism developments in return for the financial benefits achieved.

Another player of note is the MICE sector - i.e. Meetings, Incentives, Conventions and Exhibitions - which expands the attractions of the tourism industry and contributes significantly to its financial returns (Conlin 1992, Abbey and Link 1994, Carlson 1995).

Other minor players in the tourism industry (e.g. travel insurers, travel financiers, the tourism trade press, travellers’ medical clinics, etc) are almost entirely dependent on the actions and operations of the more dominant industry players.

Apart from the internal vulnerabilities of the various sectors of the tourism industry, all are potentially threatened by changes in the multiple environments within which the industry operates.

2.1.4 Sectoral Interface Issues

The foregoing discussion has highlighted the complexity, segregation and fragmentation of each of the constituent tourism sectors, the diversification of products and services, and as will be discussed in chapter 3, the industry’s consequent vulnerability to both internal and external pressures and threats. The problematic relationships between public and private sector stakeholders, national and international organisations, in service provision, promotion, regulation and development, have been explored with respect to contemporary industry trends, including mergers and strategic alliances, rationalisation and restructuring.
Some observers go so far as to claim that ".. where tourism succeeds or fails is largely a function of political and administrative action, and is not a function of economic or business expertise" (Richter 1989:11). Given the fluctuations in government promotion, funding and overall support of the industry in different countries, and at different times, this view is difficult to sustain (Faulkner and Fagence 1988). As examples, the 1998 Thai government's "Amazing Thailand" campaign reflects the ongoing significance of tourism in its economy, as does Australia's appointment of a specific tourism minister and the development of a National Tourism Strategy in 1992 (Elliott 1997: 75), whereas the dissolution of the former US Travel and Tourism Administration in 1996 demonstrates the ".. vulnerability of National Tourism Administration to budgetary constraints .." (Gee and Fayos-Solá 1997: 299). There is, however, little doubt that government involvement can assist to buttress an industry which is inherently vulnerable, at least partly due to the frailty of its internal structures - ".. tourism uncontrolled contains within itself the seeds of its own destruction" (Gee and Fayos-Solá 1997: 362). Getz (1992), for example, suggests that all tourism destinations have a "natural" life cycle, and thence a "use by" date, thus requiring constant and ongoing image reinvention.

Apart from these intra-sectoral structural issues, there is a range of inter-sectoral factors which threaten the delivery of seamless service, and which in extreme cases can endanger the survival or growth of whole tourism industries. Thus, conflicts between sectors (e.g. hotels and airlines, tour operators and hotels, airlines and government regulatory authorities); deep seated differences in objectives (e.g. ecotourism companies and conservation authorities, hotel developers and local community groups, airline schedules and hotel operations); different perspectives of desirable tourist service levels (e.g. five star hotels and railway operators, profit vs non-profit organisations); and lags between tourism market demand and infrastructure development - ".. airlines are reluctant to pioneer new routes whilst other infrastructure (e.g. airports, hotels, etc) is absent, but developers
are also reluctant to invest until there is some assurance of a steady flow of visitors" (Bull 1995: 8) -
can result in guest dissatisfaction, lost opportunities, or even the demise of tourism operators.

Given the fragmentation within and between sectors of the tourism industry, the "mosaic" or
"jigsaw" nature of travel and tourism (i.e. each tourist, whether for business or leisure, will utilise a
different series of service-providers), the "dream" factor of the industry, and the relative absence of
an effective coordinating body, it is surprising that it works at all. As an example, a tourist from
Sydney to London, stopping off in Singapore will come in contact with a diverse range of tourism
service-providers - e.g. airport check-in, immigration and customs; airline ground and flight crew;
immigration and customs systems in Singapore; local transport in Singapore; hotel front officer,
food and beverage, and housekeeping departments, new airline staff on the Singapore-London
route; immigration and customs at Heathrow or Gatwick; local transport, food and beverage, and
accommodation systems in London; and similar systems on their return home. Potential interface
issues could include, but are not restricted to, abrasive officials, industrial relations problems, flight
delays, inadequate transportation, food poisoning, lost luggage, tour schedule difficulties, or
unsatisfactory customer service. Apart from the inconvenience to the traveller, the various
destinations and tourism services involved run the risk of adverse publicity, reductions in patronage
and profitability, especially if this experience is repeated for subsequent tourists.

For an industry which sells dreams as its products, tourism is surprisingly uncoordinated. The only
agencies which purport to coordinate the jigsaw of tourism are, in the first instance, the travel agent,
and subsequently the Master Plans, strategies, broad regulations and implementation of national
governments and international authorities. Certainly, improved communications systems in the
hospitality, transportation and public sectors, and greater emphasis on customer service and
professionalism, have reduced the risks and incidence of inter-sectoral difficulties, but the structural
segregation characteristic of the industry underlines its inherent vulnerability.
The internal structures of the major tourism sectors as well as their "interdependent" (Elliott 1997) relationships, have been discussed as have the factors which predispose the industry to an almost inherent vulnerability. The nature of the industry's products and processes are now explored, which seem to add to rather than to reduce its characteristic fragility.

2.1.5 Tourism Products and Processes

As discussed earlier, tourism has proven an elusive concept to define and the parameters of the industry are blurred, due to its diversity, multiple yet disconnected foci, and its "dream" or "fantasy" qualities. Lacking either a comprehensive industry database or a well-developed research programme, it is perhaps not surprising that industry managers have often been reluctant to precisely specify the dimensions of its "products" and associated operational processes (e.g. Nankervis 1993, Go and Pine 1995, Gee and Fayos-Sola 1997, Tribe 1997). Due to the intangibility of many of these products (e.g. "service", "excellence", "experiences" etc), associated with its dream elements, the tourism industry has actively resisted the kinds of product specifications common in manufacturing, retail and agricultural industries (Nankervis 1993). As French et al (1995) suggest, the tourism product is:

"...composite in nature and includes everything tourists purchase, see, experience and feel from the time they leave home until the time they return." (p. 11).

If this true, then product specification is indeed an impossible dream. However, there are frameworks, guidelines and templates which can assist tourism managers towards a closer delineation and evaluation of the products of their industry.
Certainly the star/diamond/crown classifications of hotel properties, and the quality and safety requirements in the transportation sector, provide some basic tangible criteria for these tourism products (e.g. number of rooms, restaurants, gyms and other facilities), but they by no means adequately define overall consumer products, for either marketing or operational/process purposes. A study of 25 five star hotels in the Pacific and Southeast Asian region (Nankervis 1993) found that only one of the General Managers interviewed was able to articulate the dimensions of their products beyond general observations about "five star standards", "excellent customer service" or "first class levels". Researchers have found product definition a difficult exercise - e.g. ".. the set of satisfactions and dissatisfactions which a customer receives from a hospitality experience - physiological, economic, social and psychological" (Buttle 1986, cited in Cooper, Shepherd and Westlake 1996: 27), or ".. a portfolio of core competencies (undefined) .." (Go and Pine 1995: 340).

It seems that the industry shuns the approaches of other industries to their product-definitions, with serious consequences: ".. thinking in humanistic rather than technocratic terms ensures that the service sector will be forever inefficient .. and that our satisfactions will be forever marginal .." (Bowen and Lawler 1992: 31) - due partly to the "intangible" qualities of its products, and partly to its apparent emphasis on the demand side of tourism.

To take the latter point first (and as earlier inferred) the tourism industry has consistently focused on its own perceptions of customer demand, and its marketing initiatives, at the expense of supply side analysis and strategies. With the possible exception of the transportation sector in recent years (discussed earlier), the majority of tourism literature is written from marketing perspectives and reflects demand side emphases (eg. Gronroos 1990,Fitzgerald and Voss 1990,Silvestro et al 1990, Heskett, Sasser and Hart 1990, Zeithaml et al, Saleh and Ryan 1991, Schlesinger and Heskett 1991,French et al 1995).
Apart from questionable demand data in tourism - ".. tourism demand research remains in its infancy .." (Athiyan 1996: 11) - and the "highly volatile" (Timo 1993: 31) levels of customer demand, this focus on the demand side tends to downplay the realities of the supply side (i.e. the capacity of the industry to deliver). It also implies an abrogation of responsibility on the part of tourism industry managers to supply consumer markets with appropriately-defined and effectively-provided and competitive industry products. A case in point perhaps is the preparation currently being undertaken for the Olympics in Sydney in September 2000. Demand side emphases may mean that over-building of hotel rooms may result in an oversupply after that event, as was the case in Barcelona, and also probably in Kuala Lumpur, following the 1998 Commonwealth Games (Wei 1998: 54).

In a backhand snipe at tourism event planning in Sydney, Wei further suggests that:

".. mature world capitals secure in their grandeur do not bid for Olympic Games. That's for towns on the move" (p. 52)

With respect to the "intangibility" of tourism products, and the associated difficulty of their definition and operationalisation, several observers have provided assistance to industry managers, if they can overcome their apparent adherence to the application of "technocratic" principles to tourism products and processes.

As examples, Lehtinen and Lehtinen (1982) divide tourism products into three distinct but integrated elements:

(a) actual (physical) visible components;

(b) interactive services components - functions, activities; and
(c) corporate qualities (e.g., image, branding).

More recently, Gronroos (1990) simplifies this as technical, functional and image components, more or less corresponding with Lehtinen and Lehtinen's categories. The American researchers, Zeithaml, Parasuraman and Berry (1990) have gone further to develop their SERVQUAL model, based on overall dimensions of service (see the shaded section in Figure 2.1).

The SERVQUAL model divides tourism products into two broad realms - the "tangible" (physical facilities, technology) and the "intangible" (human aspects of service). The latter encompasses such service-provider qualities as reliability, responsiveness, assurance and guest empathy, all of which are capable of translation into specific supply-focused criteria.

Martin (1986) divides service into its "procedural" and "convivial" aspects, the latter including employee behaviours such as body language, paralinguistic aspects and problem-solving qualities. In terms of the relative importance of tangible and intangible components, most observers would agree that ".. the quality of the interactive service can, to at least some extent, offset minor deficiencies in the physical component of the service .. of the components that generates the 'service mix', the most important is 'expressive performance' or the 'conviviality' of the service" (Saleh and Ryan 1991: 326). As an empirical example of this, hotels in Malaysia, Thailand and Indonesia have focused on English language training for front office, food and beverage, and housekeeping department staff, when a combined emphasis on guest problem-solving skills and language fluency may prove more effective (Nankervis 1998b).

The challenge of designing and delivering tourism products and services is to balance the perceptions of guests, management and employees, and thus to develop operational standards which
will accurately reflect changing needs, guest markets and value for money considerations across the tourism industry.

Figure 2.1 suggests a practical model for the definition of tourism products, and their relationships with customer expectations and industry outcomes.
Figure 2.1: Tourism Products & Industry Outcomes

HUMAN RESOURCE MANAGEMENT
- Job/Work Design
- Award Restruct/Enterprise Agreements
- Recruitment/Selection Strats.
- Training/Career Management
- Perf. Management
- Remuneration
- HRP/Job Rotation/Communic.

MANAGEMENT PERCEPTIONS

SERVICE QUALITY
(SERVQUAL MODEL)
- Tangibles
- Reliability
- Responsiveness
- Competence
- Credibility
- Courtesy
- Security
- Access
- Communication
- Understanding
- The Customer

EMPLOYEE PERCEPTIONS

FULFILLMENT OF GUEST EXPECTATIONS

EMPLOYEE SATISF.
- Low Turnover/absenteeism
- Employ. Devt.
- Red. Costs
- Easier recruit.

PRODUCTIVITY IMPROVEMENT INDICATORS

PROFITABILITY

COMPETITIVENESS
Some researchers (e.g. Prais et al 1989, AMA 1991, Callan 1992, Dessler and Farrow 1992, Lewis 1992) have attempted to develop more specific and measurable product (and productivity) criteria for the service industries based upon both the tangible and intangible elements, and in concert with the "quality" agendas (Deming 1982). These are however still in their infancy, and may appear too procedural for the comfort of many in the tourism industry. As Silvestro et al (1992) suggest, echoing former and subsequent observers (e.g. Gronroos 1990, Zeithaml et al 1990, Sparks 1992, Callan 1996, Pearce 1998), the tourism product is characterised by four important elements - "simultaneity, perishability, heterogeneity and intangibility" (p. 54) - all of which constitute the "moments of truth" (Carlzon 1987) of the encounter between service-providers and their guests.

Unlike the manufacturing and retail industries, which primarily sell tangible products with clearly defined processes perhaps with customer service as their competitive edge, in the tourism industry products and processes are often intertwined, and in fact the process may be the product, or vice versa. Thus, its products and processes are "simultaneous", the service encounter is a "perishable" product or process, and each occasion is unique ("heterogeneity"), comprised of numerous "intangible" elements based upon customer perceptions. Such heavy reliance on interpersonal behaviours as both products and processes, and the industry's competitive edge, renders all tourism service-providers extremely vulnerable to consumer fickleness, inconsistent quality and internal industry rivalry. Certainly this is the argument of the majority of tourism literature (e.g. Zemke and Albrecht 1985, Carlzon 1987, Carroll P 1989, Gronroos 1990, Heskett et al 1990, Zeithaml et al 1990, Medlik 1991, Holloway 1994, Go and Pine 1995, Sorensen 1997).

An argument may, however, be mounted that the apparent vulnerability of the industry due to its ill-defined products and blurred work processes can, to a degree, be reduced by clearer specification of the tangible products (e.g. hotel rooms, restaurant meals, travel schedules, destinations), and a more technocratic approach to the production processes involved. This will not entirely remove
susceptibility to the vagaries of its customers' perceptions, but at least the industry service-providers can then claim back some of their responsibility for the provision, marketing and management of their diverse products and services.

All of these elements serve to mystify the products of the tourism industry, resulting in confusion for consumers and operational difficulties for direct service-providers. An objective analysis of the products of tourism might reveal that they are in reality relatively easy to define - i.e. a clean and comfortable hotel room, an efficient and cost-effective transportation system, an effective and value for money conference, a wide range of options for tours and destinations. However, this objective view fails to appreciate the status, prestige, and dream qualities of the industry. Tourists appear to expect to receive romantic, exotic, adventurous, or even potentially risky experiences while on vacation. Thus, they travel to South America, the Indian sub-continent, the Pacific, Southeast Asia, Australia and New Zealand, in search of adventure, ecotourism, cultural insights or merely a novel experience, all within the safety of five-star hotels, accredited airlines and reputable tour operators (Berno 1998).

Nonetheless, despite these consumer and industry pressures, tourism managers will need to assume greater responsibility for the nature and dimensions of its products, and to design practical and cost-effective delivery-processes, in order to assure its long-term profitability and survival. There is undoubtedly significant value (as in other industries) in conducting tourism demand research, whether by market research studies, customer services, guest response analyses or the segmentation of different customer markets (Go and Pine 1995: 247), especially as demand is increasingly dynamic and sophisticated, but such research needs to be translated into more industry-driven product supply specifications. In other words, tourism service-providers, marketers and industry managers, will need to precisely define (and subsequently market) them, not only to respond to changing customer demand - ".. the hotel firm that is quickest and most effective at anticipating
changes in the environment and developing the organisational capability to embrace complexity and
dynamism will have a significant advantage .." (Go and Pine 1995: 249) - but also to facilitate the
service processes which will ensure anticipated tourism industry outcomes.

The vulnerability of the tourism industry is at least partly due to its perceived ability (or inability) to
deliver on its marketed promises. And in turn this is dependent on the capability of its staff - at
once the product and the producers (Carlzon 1987; Gronröos 1990; Heskett, Sasser and Hart 1990;
Silvestro et al 1992) - as the result of their training, their motivations, and their appreciation of
desired vocational competencies. With respect to training, there has been an increasing emphasis
on tourism education, and accreditation, in many regional countries over the last decade, in
recognition of the growing economic significance of tourism (e.g., Thailand, Malaysia, Singapore,
Indonesia, Australia and New Zealand) and in some cases, the establishment of national tourism
vocational competency standards (e.g., Tourism Training Australia, Singapore Hotel and Tourism
Educational Commission - SHATEC).

However, this is by no means consistent nor universal. As one observer in Hong Kong suggests, ".. the historical lack of coordination between the industry and its educators, lack of government initiatives towards some kind of national competency standards, high attrition rates after graduation .." (Kivela 1996: 1), are important factors in the provision of “excellent” (and competitive) guest services in tourism.

Motivation is altogether a different problem, predicated not only on clear and well-defined job
descriptions based upon prescribed guest requirements, but also on satisfactory employee conditions
(e.g., salary/wages, benefits and facilities), access to human resource development, promotional and
career opportunities, and recognition by their supervisors or work teams. The tourism industry
overall appears unwilling to substantially revise such processes, and it is thus vulnerable to the
limitations of imprecise job descriptions; recruitment and selection processes characterised by inappropriate criteria (e.g. physical appearance, gender preferences, age discrimination); limited human resource development opportunities; barriers to intra-departmental or multi/cross-skilling; 'casualised' (Timo 1993) employment and restrictive careers; and demeaning remuneration and reward systems (Timo 1992, 1993, Nankervis 1993, 1995). Given the business environment in which the industry operates, these difficulties only compound the structural and product/process issues discussed above, and can result in what some authors refer to as a "... self-perpetuating 'cycle of failure' ..." (Schlesinger and Heskett 1991: 17).

2.1.6 The Business Environment for Tourism

While all contemporary industries, to varying degrees, operate within business environments well-described as "... dynamic, diverse, difficult and dangerous ..." (Tribe 1997: 45), the fragmentation of the tourism industry; its often problematic relationships with governments and international authorities; and its broad exposure to economic, socio-cultural, ecological and technological developments, make it almost uniquely susceptible to such pressures and threats. In addition, as essentially a "luxury" good, tourism demand often outstrips income as income rises, leaving the industry extremely vulnerable to fluctuations in income levels and exchange rates. Conversely, it may also better placed than some other industries to capitalise on the opportunities and short-term advantages of its environments, albeit in specific tourism sectors or different geographic regions.

Apart from the idiosyncrasies of its structures, products and processes, the tourism industry is captive to the whimsies of its consumer markets as well as to the vagaries of political, social, economic, cultural, ecological and technological sub-systems. If, as earlier discussed, tourism products, processes and providers are often synonymous, they are often also heavily dependent on
the product life-cycles of tourism destinations (e.g. the relative attractions of Bali, Phuket, Pattaya, Bintan or Singapore).

This dependence, in turn, may be affected by the political, socio-cultural, ecological or economic developments in particular destinations. As a case in point, tourism in Thailand was greatly enhanced in the 1970s, as a consequence of the development of a National Tourism Strategy (1976), combined with marketing of such resorts as Pattaya and Phuket. As the 1990s come to a close, there appears to be a significant decline in tourism revenue in both destinations due to both government inattention to ecological and infrastructure requirements, and consumer preferences for "newer", more pristine resort destinations such as Bintan and Lombok in Indonesia (Elliott 1997: 120). Hong Kong as a tourist destination has experienced a reported decline of 25% in monthly visitor arrivals since its "handover" to the People’s Republic of China in July 1997 and the pegging of the Hong Kong dollar to the US dollar, with a consequent drop of HK$12 million in tourism receipts (HKTA 1998: 31, *Far Eastern Economic Review*, 15.1.98: 51), and even Singapore has been forced to revise its tourism strategies, due to recent regional political and economic developments (Lin 1998).

This section explores the nature of the interdependence between the tourism industry and its multifaceted business environment, based upon the PEST (i.e. political, economic, socio-cultural, technology) model (Tribe 1995: 45), promoted by the 1996 APEC Tourism Association Congress and incorporating ecological and locational (destination) features, in relation to the vulnerability and sustainability of the tourism industry.

*Political* features of tourism’s business environment encompass local, national and international stakeholders (e.g. local government agencies, national governments, international regulatory and promotional agencies) as well as the internal “politics” of different industry sectors, and can act as
both threats and opportunities for the industry. As briefly discussed in earlier chapters, national governments play the most significant role in supporting - or threatening - the viability of the industry, and different national (or state) governments vary with respect to their understanding and/or support of the industry. Tourism operators which operate across states, regional or different countries are naturally the most exposed to diverse governmental strategies, policies and capacities, but all tourism sectors are subject to the vagaries of changing government policies and practices.

Table 2.1 and Table 2.2 illustrate the Tourism Strategies of Thailand and Singapore adopted by both countries during 1997-1998.
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<td>Development of domestic tourism</td>
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<td>2</td>
<td>Encouragement of international tourism</td>
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<td>Provision of incentives to the private sector towards the establishment of tourism facilities in accordance with a proper development plan</td>
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"Tourism Unlimited' is designed to help Singapore's tourism industry to achieve its full potential and contribute to the next lap of Singapore's economic success.

'Tourism Unlimited' is about 'Bringing the World to Singapore' and 'Bringing Singapore to the World'. Bring the World to Singapore involves making Singapore more attractive as a destination, a place for investment marketing and a testbed for new ideas. Bringing Singapore to the World involves creating new tourism space for Singapore and the region by going beyond our physical boundaries and fostering regional tourism development and cooperation with neighbouring countries."

(Source: Singapore Tourism Board 1998 Web Page)

Government roles in tourism, as earlier discussed, range from the formulation of umbrella tourism strategies (e.g. Thailand's 1987-91 National Plans for Tourism Development, Australia's 1992 National Tourism Strategy, Singapore's 1998 "Tourism Unlimited" Strategy (see Tables 2.1 and 2.2) - Elliott 1997: 76, 79, Lin 1998:5), to the provision of necessary tourism infrastructure and associated services (e.g. transportation, information) to the negotiation and regulation of tourism functions and/or the direct marketing of tourism products and services (e.g. the "Amazing Thailand" 1998 Campaign), and the ecological and cultural protection of tourist destinations. As already discussed, these multiple roles are complex, often contradictory, and usually involve a plethora of different government agencies (e.g. tourism authorities, customs and immigration departments, agricultural and environmental agencies, transportation providers) which may communicate badly (or not at all) with each other, and with the various tourism service providers.
In addition, as governments change and economic or political priorities evolve, tourism priorities similarly change reflecting the overall business environments (e.g., Hall 1994, Hall and Jenkins 1995, Laws 1995). The "cash cow" of today becomes the "candy floss" industry of tomorrow! However, for many governments, tourism has become the premier industry and foreign income-earner, even as a loose amalgam of public and private sector interests - "... tourism consists of both public and private goods based or the supply and allocation of tourism services ..." (Gee and Fayos-Solá 1997: 16). While there will inevitably be differences between governments as to their support, regulation and promotion of the tourism industry, dependent on their respective perspectives and economic emphases, relationships between national governments and the tourism industry are likely to be co-dependent into the foreseeable future (e.g., Hall 1994, Hall and Jenkins 1995). Different relationships do however exist in different national (and international) business environments (Gee and Fayos-Solá 1997: 299), resulting in "... an imbalance between demand and the infrastructure and resource limitations of a destination ..." (ibid.).

As more positive examples, both Thailand and Australia have in recent years designated a specific tourism minister to head a department focused on the development of the tourism industry (Elliott 1997: 76, 79), and Singapore has recently released its long-term tourism strategy, reflecting its economic and regional importance (Lin 1998,). Some industry observers go so far as to suggest that "... where tourism succeeds or fails is largely a function of political and administrative action and is not a function of economic or business expertise" (Elliott 1997: 61), but this is a contestable view which tends to abrogate the responsibility of tourism managers to properly manage their industry within the characteristics of their business environment (Getz 1992, Hall and Jenkins 1995). A more acceptable view of the role of governments in tourism might be that "... government can fulfill a valuable role by emphasising the long-range and comprehensive view of tourism's place in the development of a country's economy and society" (Gee and Fayos-Solá 1997: 299), in order to
shore up the various sectors of the industry, and to focus them on a collaborative approach to future success.

Various commentators have disagreed about the capacity of governments (and the industry) to work together in a strategic planning operation. Some (e.g. Rovelstad and Blazer 1983, cited in Tribe 1997: 18, Fayos-Sola' 1996) suggest that strategic planning in the tourism industry is far less developed than in manufacturing or related industries, whilst others (e.g. Athiyaman and Robertson 1995: cited in Tribe 1997: 18) assert that ".. a level of commitment to strategic planning in the tourism industry is at least as strong as that in the manufacturing sector .." Despite the developed plans of national governments in many countries, it is arguable that the implementation and control of such strategic plans matches the desire of tourism industry planners (Go and Pine 1995, Elliott 1997, Tribe 1997). A possible excuse for this is that, "..problems, perhaps, are being swept aside by the euphoria associated with the high demand and rapid development of the industry" (Wise, in Hall 1998:1), but surely not a good long term reason?

On this issue of the strategic planning in the industry, and notwithstanding recent short-term difficulties in our region, the example of Singapore may be illustrative (Elliott 1997, Lin 1998). A small island, constantly vulnerable to the dynamic business environment and threatened by its larger and more aggressive neighbours, Singapore is the chameleon of the tourism industry. With few resources, minimal tourist attractions and a "fine" city reputation (due to the authoritarian nature of its current government), Singapore has continually refined itself as a tourism competitor to popular resorts such as Bali, Phuket and Pattaya. With its "Tourism Unlimited" strategy (1998), Singapore has undertaken a significant SWOT analysis of its attractions and difficulties in order to reposition itself within the Southeast Asian region.
Singapore's aim is to become the "regional hub" for Asian tourism (Lin 1998), for which it is well-placed due to its location, political stability, relative physical safety and ability to continuously reinvent itself as a tourist destination. However, Singapore's apparent success has been achieved, despite its relative lack of attractions, limited entertainment facilities (or a casino), poor beaches and comparative costliness, and perhaps because of its homogeneity (racial and ideological), its size and the capacity of its long-term government to effectively control the disparate sectors of its tourism industry.

Other regional countries, with far more tourist attractions and considerably less disciplined societies (e.g. Thailand, Malaysia, Indonesia, Australia, New Zealand), will inevitably be more vulnerable to the best of internal and external threats to the industry. If it can be argued that some tourist destinations are already under threat from product life-cycle factors (e.g. Phuket, Pattaya, Penang, the Gold Coast), it may not be too long before Singapore also suffers as a consequence of its current strengths, its size, location and political stability. Dependent on the outcome of present economic difficulties in Southeast Asian nations, and the unwillingness and capacity of airlines to offer (once again) direct flights to alternative destinations, Singapore's strategic tourism plans may also be threatened.

If a strategic tourism plan coupled with a compliant and controllable tourism industry is by no means a bulwark against the future sustainability of tourism, it is certainly a good start (e.g. Inskeep 1991, Laws 1995, Fayos-Sola' 1996), and Singapore has gone further, consciously diversifying its consumer markets (e.g. conventions, exhibitions, investment opportunities, arts and cultural events, business and leisure/shopping); developing collaborative tourism agreements with its neighbours (e.g. the Singapore-Johore-Riau Growth Triangle); designing aggressive marketing campaigns and constantly upgrading tourism infrastructure (e.g. additions to Changi Airport, MRT, Singapore Trolley, Airbus); and facilitating travel through measures such as electronic ticketing (E-tickets),
free city tours for transit passengers, virtual tourism facilities in museums and art galleries, and Goods and Services Tax reimbursement offices at the airport and train stations.

However, strategic tourism plans require dynamic and flexible implementation and control systems to assure their success. In larger and more complex tourist destinations, implementation (including integrated transportation and communication systems, efficient and well-trained service providers, cooperation between the various tourism sectors) and control systems (e.g. customs and immigration, tourist feedback mechanism, financial accountability and management systems) often provide significant obstacles to the achievement of strategic tourism objectives (eg. Inskeep 1991, Laws 1995, Fayos-Sola' 1996). The inefficiency, corruption or hostility of private service providers to public sector coordinating agencies, inadequate communication between local, regional and control governments, or an imbalance between demand-supply side perspectives, can ruin even the best-laid tourism strategies and plans (Hall and Jenkins 1995, Elliott 1998: 27). Other potential political threats to tourism, especially in the cross-national arena, include changing national governments; political or social instability; different levels of political influence between the various tourism sectors; legal, ethical and labour market differences; inter-governmental policies concerned with profit expropriation, capital inflow and tourism taxes; and an overall lack of internationally-agreed codes, standards and planning data.

As examples of these issues, Vietnam and China are consciously encouraging tourism as an important foreign currency earner (in contrast to previous decades), as are Singapore and Australia, whilst both Malaysia and Indonesia as part of their economic recovery program have effectively discouraged outbound tourism by raising departure taxes for locals to exorbitant levels (e.g. US$120 in Indonesia). Political and social instability is certain to create havoc in any country’s tourism industry (e.g. Bali’s popularity dropped significantly in 1997-1998 due to political problems in Java, the Commonwealth Games in Kuala Lumpur was adversely affected by political dissension
- Evans 1998, Travers 1998). And as one observer notes, political instability affects not only the tourist destination itself but also its airline(s) - ".. political instability is equated (in the traveller's mind) with airline safety and financial stability .." (Evans 1998).

The converse is also true - internal tourism industry "politics", and the comparative influence of different industry players on respective national governments, is reflective of the informal hierarchies earlier described, and perhaps best illustrated by the 1989 Pilots’ Dispute in Australia. The consequence of the refusal of the then Australian government to agree to (arguably) inflated salary expectations of airline pilots was the loss of many experienced and qualified professionals to competitive regional airlines (e.g. Garuda Indonesia, Singapore Airlines, Malaysian Airlines, Thai International), with adverse consequences for Australian companies. It also had "ripple" effects on all sectors of the tourism industry which have been long-term (Bull 1995: 10). Despite these effects, and because of their industry status, airlines have apparently always had a disproportionate influence on government and international tourism authority policies and strategies (Evans 1998), followed closely by international hotel chains (Go and Pine 1995). No other tourism sector appears capable of commanding the same level of influence on governments.

International regulatory agencies (e.g. IATA, PATA, ASEAN) frequently draft codes of conduct, frameworks and statements of principles, in order to provide coordination amongst and between the tourism industry's service-providers.

However, ".. nations prefer to reserve to themselves the discretion to act in their own interests, rather than relinquish it to a multinational organisation" (Gee and Fayos-Solá, 1998: 293). Given the appropriateness of this aim in the light of domestic social and economic factors, it can provide significant difficulties for cross-national tourism operators. As examples, Star Cruises (Malaysia) and P & O (Australasia) Cruises employ diverse nationalities segmented by occupation and working
conditions, according to the employment policies of their host-countries. Similarly, international tourism agencies (e.g. hotel chains, airlines, MICE entrepreneurs) must conform to the diverse legal, ethical and labour market differences of their operating business environments. Debrah (1995) highlights the "labour scarce" employment situation for hoteliers in Singapore, as compared with the potential over-supply of hotel employees in Australia establishments (e.g. Nankervis and Debrah 1995).

The expropriation and capital inflow policies of governments will inevitably vary, according to the levels of development, economic infrastructures and degree of financial transparency of particular countries. However, the recognition of the growing importance of tourism as a contributor to national economies will usually be reflected in the levels of taxes imposed on the industry and its products.

In this respect, the "cash cow" perspective of the tourism industry conveniently reflects its "candy floss" or "seediness and corruption" elements (Elliott 1997: 83), in return for contributions to government coffers. An increase in industry growth or importance is paralleled by a surge of new and more ingenious government taxes, in addition to the usual licence fees and business surcharges - e.g. airport arrival and departure taxes, hotel bed (occupancy) levies, car rental surcharges, destination entry fees, service fees, convention licence charges and specific tourism levies (e.g. Adelaide's plan for a domestic airport departure tax, trolley hire-charges, Indonesia's 2% tourism tax) - and the abrogation of the tax collection to tourism industry operators (e.g. travel agents, airlines, transport and tour operators).

These taxes are naturally in addition to such broad business surcharges as Fringe Benefits Taxes (FBT), Goods and Services Taxes (GST), and staffing imposts (e.g. payroll tax, overtime and penalty charges). The benefits, (to at least some regional countries), derived from the sex tourism
sector (e.g. Thailand, Sri Lanka, Philippines) whilst largely unacknowledged and untaxed, can only be assumed to be enormous, with little accompanying assistance to operators.

Not surprisingly, industry advocates such as the Tourism Task Force (TTF), Tourism Council of Australia (TCA) and Tourism Training Australia (TTA) oppose any new taxes on the grounds of financial viability, and governments defend them on the basis of contributions to industry promotion and infrastructure development. In recent times, against the economic backdrop of fluctuating world financial markets, Asian economic and political instability, and the consequently enhanced attractiveness of the region for American and European tourists (AFR 29.10.97: 4), the new Australian federal tourism minister, Andrew Thompson, rejected the recommendations of both the Mortimer Report (1997), and an Australian Tourism Commission Report of the same year, for increased industry funding and exemption from the proposed GST. Focused on the short-term financial returns from tourism expected as the outcome of the Olympic Games 2000, he proclaimed that "... turbulent financial conditions do not do long-term damage to tourism .." (Daily Telegraph 30.10.97: 11).

The overriding issues here are twofold. First, the extent to which tourism is vulnerable to local and international economic developments in both the short- and longer-term, and even whether it has a long-term future, and secondly, the capability of the industry as a "cash cow" to be milked for national benefit. The first issue is discussed in more detail in the following section. The second involves both the appropriate levels of taxation for the industry, and government returns, in terms of promotion, marketing, infrastructure development, tourism support and coordination functions.

Whilst there is no clear data on the returns to the industry by governments, in relation to development and maintenance of the industry, a US example may illustrate the essence of the dilemma. Conlin (1992), in an article entitled "The $20 Billion Rip Off?", examines US federal and
state taxation of one sector of US tourism – MICE (Meetings, Incentives, Conventions and Exhibitions). He claims that annual taxes on the sector amounted to US$20.2 billion, based upon a combination of airport taxes, rental surcharges, service fees, bed taxes ($1.2 billion alone), licence fees, state and federal taxes, business employment charges and the GST. He concludes that the sector was ".. being treated as a 'cash cow' for financially strapped governments, milked by elected officials who have no regard for its well-being" (p. 9), and that consequently, the sector felt ".. a sense of vulnerability, as planners fear that their US$61 billion industry could be destroyed by taxation .." (p. 8). The feeling is exacerbated by the limited returns to the tourism industry from this government taxation windfall - i.e. less than 50% of the bed tax is returned to the sector - and the threat of "virtual" conferences, meetings and seminars (discussed later in this chapter).

The issue here is not whether the tourism industry should pay its fair share of taxes or not, but rather how much, what kinds, and what levels and types of direct support it should reasonably expect in order to ensure its short-and longer-term viability. Given the volatility of its customer markets, and the inherently vulnerable domestic and international environments in which it operates, these issues assume critical importance. Its internal fragmentation, the diversity of its products, variable political power-bases, and the appropriate balance between support to both inbound, outbound and domestic tourism systems demand serious government attention.

According to the PEST model, the economic environments of the industry include such features as the health of the global (and regional) economy; market and consumer variables (e.g. expenditure rates, disposable income); and the investment priorities of both the public and private sectors (Hall 1994, Hall and Jenkins 1995, Tribe 1997: 54). Naturally, all of these characteristics are intertwined and mutually impact each other, and encapsulate both demand- and supply-side considerations (eg. Richardson 1995).
The health of the global economy, and its effects (both beneficial and adverse) on the viability of the industry is well illustrated by the 1997 fluctuations in world financial markets, and more acutely in 1997-1998 in Southeast Asia. Internationalisation, and particularly the liberalisation of trade and investment enhanced by the Generalised Agreement on Trade in Services (GATS), has helped to create a more competitive and more cost-effective industry world-wide (Chin 1996: 240), with the rationalisation of operators and freer investment across nations and their regions. However, it has also disproportionately advantaged developed countries, at the expense of less developed countries, and has so far failed to impact upon the airline sector .." which is still largely governed by restrictive bilateral agreements" (Chin 1996: 244).

The floating of the Thai baht on 2 July 1997 is largely credited as the "trigger" of the economic crisis which led to currency devaluations throughout Southeast and East Asia later in the year (Wei 1998: 53, Montes 1998: xiii). The baht lost 16% of its value immediately and another 11% in the next month, until it had retained only 1/3 of its original value against the US$(ibid) by early 1998. As part of the "contagion effect", the currencies of Malaysia, the Philippines and Indonesia quickly become similarly affected, as to a lesser extent did the currencies of Japan, Korea, Singapore, Australia and New Zealand. Coupled with subsequent political instability in both Indonesia and Malaysia, Southeast Asia became seen as ". extremely unreliable locations for investment, and questions (arose) about the sustainability of the high growth of economic development in these countries .." (Montes 1998: xiv).

Ironically perhaps, short-term tourism boomed in Thailand as a consequence of the devalued currency, if the long-term economic viability of the country, heavily dependent on foreign revenue from tourism (Elliott 1997: 203), remained uncertain. Singapore also experienced some financial benefits as a stopover destination, if only because airlines (e.g. Qantas, Air New Zealand, Ansett, British Airways) rerouted flights to Jakarta, Kuala Lumpur and Bangkok through Singapore - often
as joint partner services (e.g. Qantas-Singapore Airlines-Air New Zealand) - en route to the United States, the United Kingdom and Europe (Lin 1998: 15, Evans 1998). Indonesia, on the other hand, and the Commonwealth Games (September 1998) in Malaysia, fell victim to tourist perceptions of both economic and political instability. Even Bali, effectively distanced from the problems in Java, suffered a severe tourism downturn in late 1997 and early 1998. To their credit, both the Thai and Singaporean governments attempted to recover ground with their respective "Amazing Thailand" (TAT 1998) and "Tourism Unlimited" (Lin 1998: 15) marketing campaigns, the former from desperation and the latter as part of a well-timed image reinvention strategy.

Australia's response to regional economic crisis was initially, to bewail the lack of government support to the industry and to demand more funding - e.g. the Tourism Council of Australia described the crisis as ".. the biggest challenge for the industry since the 1989 airline pilots' strike" (AFR 12.11.97: 42); the casino sector worried about the potential loss of "Asian junket gamblers" (AFR 24.10.97: 92); Australia Pinnacle Tours predicted a drop of 20-30% in Southeast Asian inbound tourists (The West Australian 31.10.97: 4); NSW Tourism feared a reduction of tourism growth levels by 50% (SMH 7.11.97: 4) and the Australian Tourism Commission agreed that Thai visitor numbers would drop by at least half (SMH 23.10.97: 10).

Some more optimistic industry observers (e.g. Macquarie Bank - The Age 14.11.97: B2, The Flight Centre - AFR 31.10.97: 41, Harvey World Travel - The Australian 23.8.97: 9, the Australian Tourism Commission - The Courier Mail 10.11.97: 7) comforted themselves with prospects of increased tourism from the United States, the United Kingdom and Europe, 'add-on' tourism packages from Southeast Asia to Australian destinations, or the perceived "safety" advantages of tourism in Australia. So far, however, neither the peak tourism authorities nor state and federal governments have devised umbrella tourism strategies by which to address the negative effects of the Southeast Asian economic crisis.
As earlier suggested, both guest markets and tourism investment opportunities are heavily influenced by perceptions of the economic and political stability of particular destinations. Guest markets, in particular, are fickle according to destination promotional campaigns, product life-cycles (e.g. Pattaya, Phuket vs the Gold Coast, Bintan, Lombok); 'exciting' vs 'dull' destinations (e.g. Sydney vs Singapore); the relative security of locations (e.g. Melbourne vs Kuala Lumpur); and value for money considerations (e.g. Phuket and Bali vs Singapore and Sydney).

An important issue here is also the amount of disposable/discretionary income available to particular guest markets, and this is in turn determined by domestic economic factors (Timo 1993:81, Go and Pine 1995:67, Evans 1998). Diagram 2.1 – “Population and Wealth of Major Markets” – illustrates the comparative populations and wealth of a variety of Australia’s inbound tourism markets, suggesting potential future marketing strategies. Interestingly, the high density potential markets on the left hand side of the graph, the target of many former Australian tourism strategies, have been all but obliterated (albeit perhaps in the short-term) by the recent ‘Asian currency crisis’. On the right hand side, Japanese tourism has undoubtedly been adversely affected as well, although arguably (as discussed later) as the result of longer-term trends combined with the crisis, and the other potential markets have been advantaged with the devaluation of the Australian dollar and the relative strength of the Euro currency.
Naturally, different guest markets will be more- or less-attracted by different characteristics (e.g. five star hotels, Club Med, first class travel, fine dining vs backpacker hostels, unorganised travel plans, 'local' transportation and 'local' food), but all will be responsive to perceptions of cost-effective and value for money destinations. The decline of the Japanese inbound tourist market to Australia in recent years, for example, has apparently been caused by a limited 'product' range (e.g. Great Barrier Reef, Sydney Harbour, the Gold Coast) and product life-cycle aspects, combined with ".. price, inappropriate tourism infrastructure and visa requirements" (The Courier Mail 28.10.97: 6). In relation to the last aspect, one Sydney academic suggests that collusion in pricing between Qantas and JAL (Japan Airlines) has restricted the number of Japanese tourists to Australia (AFR 18.7.97: 6).

On the other hand, tourism investors (especially real estate developers, hotel owners, transportation infrastructure or service-providers, destination operators) are usually results-driven, based upon their perceptions of political and financial stability, and their expectations of short (and long-term) profitability returns(Inskeep 1991, Getz 1992). The liberalisation of international trade and investment across the world has enabled the relatively rapid withdrawal of funding and infrastructure development agreements, in response to national or regional occurrences. These opportunities can have serious consequences on sectors of the tourism industry given its short- and longer-term dependencies - ".. it is not uncommon to be confronted with rapid growth in demand while also being faced with long lead times in providing basic infrastructure and the development of human resources .." (Bull 1995: 5). As earlier discussed, several sectors of the tourism industry are either labour- or capital-intensive (Elliott 1997, Sorensen 1997, Tribe 1997), a situation which assumes differential strategic and ongoing investment support, and is no longer assured. Combined with the seasonability, increased global competition, enhanced consumer expectations and dynamism of the industry, the viability of tourism is always in contention.
In response to the threats of economic factors, several conceptual industry markets have been developed as operational counter-strategies. These include Porter’s (1980) model, Kotler’s (1988) modification, and more recently, Poon’s (1993) adaptation to the tourism industry.

Porter’s classic model suggests that the industry needs to adopt either a "cost leadership", a "product differentiation" or a "focused" business strategy (Porter 1980). Thus, airlines and hotels in Southeast Asia or Australasia should choose to be the cheapest, the highest quality or a "niche" service-provider. Examples of ‘cost leadership’ here might include Philippines Airways, Air India, Lauda Airlines or domestically, Ansett Australia, or in the hotel sector - Formule 1, Travelodge, motels vs hotels. "Product differentiation" is a problematic issue in the tourism sector, as collusion between providers appears to be a feature of competitive advantage (e.g. Nankervis 1993, 1995). "Niche" service-providers are evident, however, in the development of "boutique" hotels, serviced apartments, resorts and city hotels, and the development of "no frills" airlines (e.g. Compass, Lauda Air).

In a modification of Porter's generic model, Kotler (1988) differentiates approaches as "price-based", "differentiation", "hybrid" and "focused" strategies. The anomaly here is the "hybrid" strategies which may combine cost-effectiveness with niche markets, or with product differentiation. ACCOR hotels, as earlier discussed, seek to provide both market segmentation and a 'cafeteria' style approach to diverse tourism guest markets, in an attempt to capture several different markets. In so doing, they also diversify their product range.

In a more recent variation to these models, Poon (1993) translates generic business models to their service industry applications - viz. put the customer first, become the quality leader, be the radical innovator, or strengthen the strategic position of the business.
The importance of these conceptual models is to provide a framework by which the various components of the tourism industry can position themselves in order to survive the vagaries of the internal and external environments, and to capitalise on ongoing developments.

The third domain of the PEST analytical framework, and possibly the most complex, is the socio-cultural environment of the tourism industry. According to Tribe (1997: 69-72), socio-cultural factors include demographics; inter-cultural differences; "other socio-cultural changes" (e.g. ecological attitudes; health and "new age" tourism); social class; and 'old' vs 'new' tourists. The complexity of this 'environment' lies in the reality that destinations, and their social, cultural and ecological features, are not only the stages on which tourism takes part but also important aspects of the tourism products themselves. Thus, travellers choose to visit Uluru, the Blue Mountains, the Sunshine Coast, Bali, Phuket, or the Genting Highlands because of their scenic or ecological features.

However, mass tourism, with its requirements for airports, roads, resort developments, destination rubbish and sewerage systems, may threaten, or even destroy the very features which make them attractive - and marketable - to visitors. Soil erosion, intensive-logging practices, seashore development, packaged "cultural" performances and village tourism can ultimately fracture the social, cultural and ecological sub-systems which encouraged tourists in the first place(eg.Butler 1991,May 1991,Wight 1993,Harris and Leiper 1995,Pearce et al 1996). As examples, parts of Bali, Phuket, Pattaya and the Great Barrier Reef have been irreparably damaged as a consequence of mass tourism. This is the focus of the current trend towards "sustainable tourism" - ".. a form of tourism that supports and encourages the continued survival of individual cultures while impacting the environment as little as possible" (Sorensen 1997: 262) - which is discussed in more detail in chapter 3. Suffice it at this stage to say that considerable concern is expressed, and different strategies suggested, to resolve this conundrum in ways which will benefit both tourists and their

Apart from the social, cultural, and ecological impacts of tourism, the social environment of the tourism industry also includes the demographic, inter-cultural, social class and changing values, of the diverse range of inbound and outbound tourism guest markets. As Faulkner (1993) observes, tourism demand is "highly discretionary" and highly sensitive to ".. both transitory shocks and long term trends in the broader environment" (p. 27). It is sensitive not only to occurrences in tourism destinations (e.g. political instability, economic issues, ecological features), but also to developments in its domestic environments (Evans 1998, Berno 1998). Figure 2.4 suggests some of the factors which determine tourist choice of Australia as the destination for their holidays, and can be broadly extrapolated to most other destinations. Figure 2.5 relates these factors to the geographic proximity of guest markets to Australia.
Figure 2.4: Factors Affecting Visitor Arrivals

Migratory History  Leisure Patterns  Holiday Entitlement
Socio-Cultural Factors

Population  Age Profile  Household Structure
Demographic Factors

Disposables Income  Economic Growth  Unemployment Levels
Economic Factors

Propensity to Travel

Other Destinations

Choice of Destination

Marketing Events Comparative Advantage
Intrinsic Characteristics of the product

Price/Exchange Rate Geographic Proximities
Policy Environment

Number of Arrivals in Australia
Figure 2.5: Geographical Proximity of Major Markets

(Source: Faulkner 1993: 30, 33)
Faulkner (1993) notes that tourism demand analysis often presents "... an incomplete picture of the environment affecting tourism" (p.28), a view confirmed by Crouch and Shaw (1990) who suggest that:

"... international tourism is about to undergo a substantial discontinuity which alters the usefulness of past empirical results in forecasting international tourism flows" (p. 18).

It can be argued that even Faulkner's model (Figure 2.4) is itself flawed, especially in its limited definition of "socio-cultural" factors - i.e. the migratory history of the population and such "institutional" features as holiday entitlements and leisure patterns. Other issues such as religion, language (similar or different), food preferences, climatic likes and dislikes (e.g. rain forests, deserts vs sun and surf) may also help to determine destination choice, and these may in turn reflect demographic characteristics such as age, social class, income or even family structure. Figure 2.5 assumes that geographic proximity enhances the prospect of regional tourism, but as discussed earlier, other factors may interfere with such forecasts.

Certainly the "size" of the potential tourism market in different countries will undoubtedly affect both their ability, and their propensity for tourism, both domestically and internationally. Optimistic marketers (e.g. Tribe 1997: 367) suggest that since only 8% of the world’s population is actively engaged in international travel, then 92% is therefore yet to be persuaded, but this view ignores significant economic, cultural, social and perceptual obstacles to such tourism. As an example, there are, potentially, huge outbound tourism markets in countries such as Indonesia, Thailand and Malaysia, but it is doubtful whether their economic circumstances, demographic characteristics or personal preferences can be so radically changed in order to persuade them to become international tourists.
The "size" of the actual tourism market in particular countries is determined not only numerically, but also by factors such as the health of the domestic economy (Faulkner 1993, Go and Pine 1995, Evans 1998), including unemployment rates; age distributions; migratory patterns; and household structural issues. Thus, countries with healthy economies and low unemployment levels encourage both domestic and outbound tourism, especially to regions with devalued currencies or cost-effective tourism packages (e.g. Australian tourists to Thailand and Indonesia in 1997-1998). However, repeat visits will be dependent on the satisfaction of tourist requirements on the first visit, and the relative attractions of different destinations over time. Some tourism operators (e.g. time-share companies in Bali, Phuket and the Gold Coast) have attempted, with varying degrees of success, to tie tourists into repeat visits by partial ownership schemes.

The age distribution of potential outbound tourist markets has been used by many marketers to both segment destinations (e.g. youth markets to Kuta and Legian in Bali; more mature markets to Sanur, Nusa Dua or Ubud; middle aged tourism to Laguna in Phuket, young tourists to Patong), and to capitalise on the disposable income and security needs of older tourists, by means of "seniors" packages or guided tours. Cognisant of the changing values of tourists, especially those from affluent developed nations, several tour operators have designed ecotourism, adventure tourism or even "new age" tourism ventures, in order to attract niche guest markets.

These initiatives have usually reflected recognition of the more socially responsible values of middle class tourists with relatively high disposable incomes and no family responsibilities (e.g. DINKS - double income, no kids). Other markets include both younger tourists, and more adventurous retirees. However, these markets, like all tourism markets, are notoriously fickle, and sensitive to the vagaries of developments in particular destinations (e.g. Lombok, Pattaya, Kuala Lumpur, Java, Sumatra - French et al 1995, Pearce et al 1996, Tribe 1997).
Migratory patterns appear important in the propensity (Faulkner 1993: 29) and willingness, of populations to undertake international tourism, both as a feature of their personal history and their capability to utilise "friends and relatives" (VFR) for accommodation purposes. Thus migrants to Australia from Hong Kong, China, Indonesia, Vietnam and Cambodia will be more inclined to revisit their countries of origin, for business or leisure purposes, and migrants from the United Kingdom and Europe will take the opportunity to return to their home countries.

Socio-cultural factors thus both reinforce, and challenge, the demand and supply sides of the tourism industry. Cooperative local communities, well-preserved indigenous cultures, and ecological protection strategies, can help to promote and enhance tourism development. Conversely, antagonistic communities, the exploitation of local cultures or the destruction of attractive natural environments, will inevitably lead to the decline of tourism in particular destinations. Given the fragmentation, and lack of strategic coordination within and between industry sectors, and the variable legislative protection for local cultures and ecological sites, combined with the diverse objectives of industry operators (e.g. public vs private sectors; developers vs environmentalists), the former scenario is often less realistic than the latter.

In addition, the changing values of different tourist markets (e.g. old vs new tourists, backpackers vs 'package' tourism, sex tourism vs ecotourism), and their constant search for newer and more exciting tourism destinations, together with social changes including shorter holiday breaks, the near disappearance of the "retirement holiday" phenomenon (Tribe 1997:367, Berno 1998, Evans 1998), and the seasonability of many tourism destinations, provides all tourism operators with dynamic challenges and threats to their viability or survival. The symbiotic relationships between the industry, its various business environments and guest markets, are continuously susceptible to an ever increasing range of pressures, both internal and external. As Go and Pine (1995) observe:
"... one of the central issues ... is how to organise, integrate and management activities to respond to the simultaneous need for a sense of global strategic intent, and a sense of localised focus and competition that deals with local conditions, specifically the culture, traditions and values of the host community" (p. 12).

Whilst the majority of the above elements of tourism’s business environment are broad-ranging, with long and shorter term impacts, there are occasional, spasmodic events which can involve political, socio-cultural and economic issues, and which directly affect specific tourism sectors or particular destinations. These can include immediate physical threats to tourists, actual terrorism, or social developments inconducive to the growth of tourism. As some observers note:

"... crises may be acute, sudden and self-evident, but they may also be creeping, emergent and ambiguous. What is crisis to some, may be an opportunity to others" (Rosenthal and Kouzmin 1993: 4).

Recent illustrations of such "acute, sudden and self evident" threats to the tourism industry include perceived (and actual) physical dangers in Indonesia and Malaysia following socio-political riots in both nations, and the airline disasters of Garuda Indonesia and Silk Air in 1997 and Thai Airways in late 1998. The effects of some of these events on the industry are discussed empirically in chapter 4. Terrorism is, of course, a direct threat to international tourism, both in specific locations (e.g. 1.8 million Americans reportedly changed their foreign travel plans in 1986 following American raids on Libya and terrorist attacks on European airports - Medlik 1991: 318) and more generally, necessitating enhanced security surveillance technology in airports, airlines, railway stations, hotels and tourism sites. It has negative impacts, of both a long- and short-term nature, on some destinations (e.g. Egypt, Cambodia, Iran, Israel), and favourable effects on alternative tourist destinations (e.g. Australia - "... an island of stability in an ocean of uncertainty", Wei 1998: 53).
Terrorism, as the most visible, and perhaps the most powerful symbol of the "vulnerability" of tourism, is discussed in more detail in chapter 3.

Less directly, but perhaps more insidiously, other socio-political developments, such as the 1996-1998 "Hanson phenomenon", and the so-called "smog haze" in Sumatra and Sulawesi, separately (or in coincidence with other factors) can significantly damage tourism sectors in particular destinations or regions. They can also provide tourism opportunities for neighbouring countries or regions.

These two examples demonstrate the coincidence of PEST factors in different tourism destinations, and their similar yet diverse impacts. Thus, prior to the Asian economic crisis of late 1997, and at a time of increasing Asian inbound tourism flows to Australia, the anti-Asian comments of the then Independent MP, Pauline Hanson, reportedly ".. decreased tourism to Australia, threatened employment in the tourism industry and had a negative effect on trade .." (Herald Sun 18.10.96: 21). The Japanese newspaper, "Asahi Shimbun", reported her comments widely in Japan, to the possible detriment of Australia's $A2 billion annual Japanese inbound tourism trade (Herald Sun 19.10.96: 9), and a Queensland tourism report concluded that ".. slumps in Asian tourism coincide with Hanson's rise in politics" (The Age 27.5.97: A5). Some other observers felt that the Hanson phenomenon had had minimal effect on tourism numbers (The Australian 11.2.97: 22). Given the coincidence of other regional events with the "Hanson phenomenon" it is impossible to ascertain the accuracy of these predictions.

Regardless of the truth, or otherwise, of these claims, subsequent events (e.g. the Asian economic crisis, including Japan and Korea; the relative demise of Pauline Hanson and her One Nation Party) rendered these projections irrelevant. However, the coincidence of several socio-political and economic events, each with potentially significant adverse effects on the Australian tourism
industry, illustrates the need for (and complexity of) sophisticated analyses of the strengths, weaknesses, opportunities and threats of the industry and its various business environments - i.e. its "vulnerability" and "sustainability".

The "smog haze" in Sumatra and Sulawesi in mid 1997, the product of socio-political and economic factors, reportedly cost Southeast Asian destinations "billions of dollars" (*The Australian* 7.10.97: 29), in inbound tourism from Australia, Europe, the United States and Hong Kong, not only to Sumatra or Java, but also to Phuket, Singapore, Kuala Lumpur and even Bangkok. Accompanied by severe (and unusual) droughts in Indonesia, Malaysia and Thailand, scores of tourists were deterred from formerly popular destinations, and tourism infrastructure (e.g. water, sewerage) was threatened (*AFR* 6.10.97: 14). ASEAN was concerned enough by the possible tourism industry consequences in affected nations to coordinate a "recovery program for the industry" (*AFR* 13.10.97: 8), a difficult exercise at a time when Thailand, Singapore and Malaysia were in political conflict with Indonesia, and when subsequently both Indonesia's and Malaysia's political elites were under threat. The eventual disappearance of the haze in early 1998 coincided with currency devaluations in Thailand, Malaysia, Indonesia and Singapore, making at least three of these tourist destinations more attractive to inbound European and Australian tourists, perhaps at Australia's expense. The rumour of a tsunami (tidal wave) in Phuket in mid 1998 frightened residents, but appeared to have had little adverse effect on tourist flows (*TAT* 1998).

Indonesia, on the other hand, suffering from the combined effects of the smog haze, currency devaluation, and evident political instability, appears to have almost disappeared as a regional tourism competitor, for both inbound and outbound travel, with the possible exception of Bali and Lombok, and limited business travel.
The final element in the PEST analytical framework is that of the impact of new technology on the operations and structures of the tourism industry. Some of the more recent global developments in tourism technology (e.g. Computer Reservation Systems (CRS) - hotels, airlines, car rentals, tours; Global Distribution Systems; Tourism Expert Systems - e.g. "Tourism Companion", Singapore; "Yield Control", British Airways/Qantas; "Seat Allocation Advisor", Northwest Orient; New Zealand's "Tourism Activity Model" - Crouch 1989: 5, 14, APEC 1996) have been discussed earlier. Their objectives are primarily, to enhance market intelligence, and thence to align supply and demand side considerations; to enable more cost-effective and less labour-intensive industry operations; to provide higher levels of tourist safety; and consequently, to facilitate greater productivity and profitability.

Their effects have been to more closely match - or lead - consumer expectations of "seamless service", within and between the various tourism sectors, especially (but not exclusively) for business travellers and "niche" tourism markets (e.g. first class tourists, middle class and aging segments). "One Stop Shop" tour planning, competitive packaging, personalised trips, and a closer congruence between the approaches of different industry sectors (especially the public and private operators) has, to a large degree, been facilitated by such technological developments as Personal Flight Plan Schedulers, Transport Route Schedulers (Crouch 1989: 18), Electronic Travel Approved Visa Systems, E-ticketing, touch screens for hotel services and billing, credit card check-in systems (e.g. Formule 1 hotels), and audio-visual personalised facilities in museums and art galleries (APEC 1996). Airlines have installed in-seat telecommunications, video and gambling facilities, and the hospitality sector has successfully invested in satellite technology, voice message systems for both staff and guests, and even automated mini-bar facilities (Go and Pine 1995: 187). All of these systems provide the perception, and sometimes the reality, of enhanced guest service quality and efficiency. As the Chief Executive Officer of New World Hotels (Hong Kong) explains:
"The name of the game in the hotel industry is anticipation. Computers, especially good databanks, can help us to anticipate what is around the corner" (ibid).

The CEO of a competitor hotel in Hong Kong agrees:

"The prime motive for these developments is to improve productivity as much as possible - by improving quality, improving speed of jobs or by saving resources ... Hong Kong is very fortunate in that the money is generally available for upgrading, and upgrading (in all areas) is a constant process" (ibid). (our italics)

The italicised comment here is important, as it illustrates that the installation of new technology is dependent on the availability of appropriate funding, and by inference, that if such funding is not forthcoming (given the collusive nature of especially the hospitality and airlines sectors), then individual operators will find it increasingly more difficult to compete, or even to survive. This inference implies that larger capitalisation of hotel properties, and strategic restructuring of the industry towards global alliances, in both the hospitality and transportation sectors, will result in increased consumer attractiveness and higher levels of productivity and profitability. This conclusion, however, assumes that tourism markets overall are homogeneous, and flies in the face of some industry evidence that there are growing trends towards "boutique" hotels, "no frills" airlines and package tours.

As Tribe (1997) suggests, the former "golden rules" of tourism - i.e. that bigger is better; that moving upmarket equals "success"; that a strong product brand is the "panacea" for global markets; and finally, that only big hotel chains can afford new technology (p. 336) no longer apply, and that diversity (of markets, guest preferences and service-providers) is now the key to commercial success. Similar applications seem relevant in all sections of the tourism industry - e.g. Sea Canoe,
an ecotourism operator in Phuket (Thailand), Sri Lanka, Vietnam and the Pacific, has been significantly competitive in all locations at least in part because of its lack of technological sophistication (Shephard 1998).

Technology in tourism is undoubtedly important and has significant - if not crucial - competitive advantages, especially in relation to efficient guest service, the removal of former obstacles to flexible and diverse tourism plans (e.g., rigid travel packages, group tours), and more cost-effective utilisation of human resources. It also offers the possibility of more accurate and more comprehensive demand- and supply-side strategies.

However, some forms of technology (especially the Internet) provide serious threats to some sectors of the industry. In particular, the capacity of integrated reservations and tour planning systems to supplant the functions of travel agents almost entirely, as discussed earlier in this chapter, raises important structural issues. If CRS installed in airline or hotel companies can offer cost-competitive and comprehensive tourism packages, in person or via telecommunications facilities, in conjunction with direct Internet reservations and destination "virtual visits", then the future of travel agencies is far from assured. Some observers (Bull 1995, Evans 1998) suggest that travel agents may be able to reinvent themselves and their functions to recapture potentially declining tourist markets, but this view appears somewhat optimistic.

In addition, technology provides the potential for competition between actual, and "virtual" tourism via the Internet (e.g., ImaginOn's "WorldCities 2000" interactive systems - Business Wire 26.2.99). Whilst it is presently inconceivable that the latter will supplant, or even challenge, the former, given the propensity of tourists to desire actual visits to exotic or familiar destinations in order to gratify all their senses, social, economic and cultural factors may predispose future tourists towards the familiarity of virtual tourism. After all, the media assault on Australian and New Zealand audiences
of US television, Cable TV, the Internet and films over the last several decades has, to some degree, negated the need for travel to the United States and Canada.

2.1.7 Summary

This chapter has explored the unique and complex structure of the tourism industry - its diversity, fragmentation and segmentation; and the complicated relationships between its various sectors, stakeholders and clients - and the almost inherent "vulnerability" which it represents. It proceeds by way of a detailed examination of the business environments within which the industry operates - political, economic, socio-cultural, ecological, technological - and the consequent strengths, weaknesses, opportunities and threats, which will support (or endanger) tourism in diverse regional environments.

Several different regional tourism industries are used as case-examples (e.g. Indonesia, Thailand, Malaysia, Singapore, Australia), in order to illustrate their relative strengths and weaknesses, but primarily as comparative examples of the relationships between tourism demand and supply considerations. The "vulnerabilities" of tourism to consumer demand and market pressures, and the "sustainability" of its operators to respond to macro- and micro-pressures and threats, is the focus of chapter 3. It proceeds to develop a conceptual model which will both explain, and suggest strategic approaches, to the viability of the tourism industry as an important contributor to the economies of diverse nations.
CHAPTER 3: VULNERABILITY AND SUSTAINABILITY IN TOURISM: A CONCEPTUAL APPROACH

3.1 INTRODUCTION

Earlier chapters have explored the nature of the tourism industry – its definitions, parameters and research basis; its internal structures, products and processes; and the various and sometimes conflictual business environments in which it operates, and upon which it depends for survival. Discussion has focused on the almost inherent “vulnerability” of the industry due to its complexity, fragmentation and segmentation, and the dynamism of its operational business environments.

This chapter seeks to extend discussion of these operational issues towards conceptual notions of vulnerability and sustainability, and the application of strategic management theories to the tourism industry. Following consideration of these issues, the chapter proceeds to develop an analytical framework for the exploration of “vulnerability” within the industry as a whole, and with respect to its component sectors.

3.2 STRATEGIC MANAGEMENT THEORY

The analysis of an industry’s “vulnerability”, or indeed an individual organisation’s susceptibility, to the threats from competitors; changes in consumer markets; and national or international political, economic or social conditions is an essential part of a strategic planning approach to the management of business anywhere in the world. Peter Drucker in 1954, and Chandler in 1966, perhaps first crystalised the strategic planning process – “one can have strategies for tomorrow that anticipate the areas in which the greatest changes are likely to occur, strategies that enable a
business or public service institution to take advantage of the unforeseen and unforeseeable” (Drucker in Walker 1992: 9).

This might now be described as “scenario planning”, “... push down, pop up ..” (Evans 1998) and is made more possible by virtue of computer modelling techniques, but it essentially reflects accepted approaches to strategic business planning:

“... (the examination) of the relevant external and internal factors in the business environment in relation to the current situation. Conclusions are then reached on business definition, mission, vision, strategy, objectives, performance targets and action plans” (Walker 1992: 9).

Walker subsequently develops a model of strategic planning based upon these ideas (see Figure 3.1).
Figure 3.1: Steps in Defining Issues

1. Assess changes in the internal and external environment

2. Define issues in relevant business terms (e.g. gaps, questions, or problems to be resolved through action)

3. Select the most important issues to gain competitive advantage or to maintain parity

4. Address these issues in business strategies


By definition then, business strategies comprise "... all things necessary for the successful functioning of an organisation as an adaptive mechanism" (our italics - Richard Pascale in Walker 1992: 1), and require both the identification of environmental threats and opportunities, in relation to an organisation's strengths and weaknesses (e.g. SWOT and PEST analyses), and the subsequent formulation of appropriate organisational objectives and directions. This conceptual, and operational, process, is now well-defined in many industries, and has been supported by a host of management observers (e.g. Porter 1985, Mintzberg 1989, Butler et al 1991, Phatak 1992, Go and Pine 1995, Tribe 1997).

Strategic planning theory and practice is, however, apparently a relatively new idea for tourism managers. Faulkner (1993), for example, asserts that strategic planning is "... either not generally applied, or it is only applied in a partial sense" (p. 27) in the tourism industry. Some others (e.g.
Rovelstad and Blazer, cited in Tribe 1997: 16) agree, citing the relatively low level of strategic tourism planning compared with the manufacturing industry. Athiyaman and Robertson disagree, suggesting that tourism has ".. a level of commitment to strategic planning .. at least as strong as that in the manufacturing sector" (ibid). However, given the dearth of research data on this aspect of tourism management, the truth or otherwise of these assertions is difficult to ascertain.

And, in view of the complexity and fragmentation of the industry, it is hard to establish where such strategic planning should take place. Should it, for example, be at the peak industry and/or governmental level, at sector level or at service-provider level?

A further difficulty in the application of strategic management theory to tourism industry practice is provided by the emphases of most theorists on maximising the competitive advantage of individual organisations within their overall industry environments. Porter (1989) for example, focuses on 4 competitive business factors – viz. cost-leadership, product differentiation, niche markets and innovation – as the optional strategic choices for competitive advantage. Hamel and Prahalad (1994) revise Porter’s model to include organisational restructuring and image reinvention strategies, and both Chandler (1966) and Mintzberg (1989) emphasise an organisation’s structural characteristics in the development of business strategy.

However, whilst these factors may have relevance for individual tourism organisations (eg. hotels, airlines, tour operators, railway systems) within their sector, domestically or globally, they are insufficient to explain broad issues or assist operators within specific tourism destinations, dependent on many other tourism sectors (eg. hotels plus airlines plus tour operators plus restaurants etc) for their survival and sustainability. Nor do they really assist peak industry associations or national governments to formulate comprehensive and achievable tourism plans.
which will overcome potential obstacles, or ensure growth in guest markets and adequate returns on infrastructure and property investment.

This is by no means to imply that strategic management theory is less relevant in tourism than other industries, but rather to emphasise the added complexity of its applications in a fragmented, multi-layered, competitive and collaborative industry dependent on considerable public and private sector joint participation.

In fact, the basic principles of strategic management theory – eg. ".. issue identification and diagnostic processes" (Walker 1992: 9); environmental assessment, futures analysis (visioning); ".. an umbrella, a perspective, a frame of reference for future decisions .." (GA Steiner, in Phatak 1992: 70); the evaluation of strategic options, and the subsequent formulation of broad business strategies – are arguably even more crucial in tourism than in other industries. They may even hold the key to sustainability in both the short and longer term.

As Mintzberg (1989) explains:

"A fundamental dilemma of strategy-making is the need to reconcile the forces for stability and for change" (our italics, p. 35),

surely a major issue for tourism management at all levels. Other observers echo his views, suggesting that strategy encompasses:

".. 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 so as to meet stakeholder expectations .. (Johnson & Scholes, in Tribe 1997: 11)."
It has been suggested earlier in this chapter that strategic management theory is relatively new to the tourism industry, and that there is conflicting evidence about both its usage, and applicability to the complexities of the industry and its business environments. While there are undoubtedly individual examples of effective strategic planning within tourism sectors or by astute service-providers, there are few documented examples of successful strategic management approaches to tourism generally, by national governments or regional industry associations (eg. "Amazing Thailand", "Singapore Unlimited").

However, an interesting illustration of a flawed attempt to do so at the regional level is provided by ASEAN during the early 1990s. In a period of economic growth and relative socio-political stability, ASEAN formed a Sub-Committee on Tourism, which aimed to promote cooperation in the marketing of member countries as "the world's only 6 in 1 Tropical Paradise" (Timothy 1998: 246). This ultimately produced the ASEAN Tourism Association (ASEANTA) which was charged with responsibility for the promotion and marketing of Southeast Asia tourism, and the formation of the Singapore-Johore (Malaysia)-Riau (Indonesia) tourism growth triangle.

These rather grandiose, and perhaps inherently flawed, plans never eventuated, and ASEANTA was dissolved in the mid 1990s, due largely to differences in economic development between the member nations, tourism infrastructure differences, the lack of political commitment of the diverse countries, and competitive rather than collaborative approaches. Presently, "...few examples exist... that can attest to cooperation in tourism planning and development throughout ASEAN" (Timothy 1998: 247).
Singapore appears to have taken up the mantle in its recent “Tourism Unlimited” strategy (1998) which promises to deliver “Singapore to the World” (including all of ASEAN), and “The World to Singapore” (Lin 1998: 5).

However, while strategic management theory has considerable value for the tourism industry, especially in its emphasis on thorough analyses of the business environment prior to the formulation (and evaluation) of strategic plans, it is by itself altogether too rational to account for the erratic dynamics of tourism. Mintzberg (1989) provides a bridge between this heavily rational approach and the appealing (and arguably less responsible) inferences of “chaos” or “quantum” theories of management, favoured by some tourism operators – eg. “you can’t plan 9/10ths, and the 1/10th that you can, you’ll probably get wrong” (Evans 1998). He suggests that strategic management includes both deliberate (rational, proactive) strategies and developmental strategies – “. . . they can also emerge more or less . . . can ‘form’ as well as be ‘formulated’” (p. 29), and in so saying, reflects the blending of continuities and discontinuities of the tourism industry.

The management of the industry, at service-provider, sector, destination and governmental levels, demands a unique blend of strategic management theory and practice with a healthy dose of “crisis management” theory and its operational applications. An excellent synthesis of these two apparently conflictual approaches is included in Dexter Dunphy’s new Australian book, “The Sustainable Organisation” (1998), and recent journal articles.

3.3 CRISIS MANAGEMENT THEORY

Crisis management theory was inductively developed from observation and analysis of dramatic global events (eg. the Achille Lauro cruise-ship terrorism attack, the Challenger Space Shuttle disaster, terrorist attacks on the Olympic Games) or “creeping crises” including oil spills (eg. the
Exxon Valdez disaster), and has often focused on the public-private sector interface responses to such crises. Its focus its aptly described as the “.. shear un-ness” of crises – “.. un-scheduled, un-
expected, un-planned, un-pleasant, sometimes un-imaginable and nearly un-manageable” (Rosenthal and Kouzmin 1993: 5).

Crises can include economic or currency dislocations such as the 1997-1998 Asian problems, the 1997 “smog haze” in Sumatra, political and social instability in Indonesia and Malaysia (1997-
1998), airline disasters or specific terrorism attacks. They can, accordingly, have either short term or long term effects, and in combination (eg. a series of airline disasters in Indonesia in 1997, coupled with the currency crisis and significant political instability can spell the temporary cessation of whole tourism industries (eg. Bali and Lombok have virtually ceased operations due to the negative perceptions of potential tourists, Sempati Air and Garuda may be terminally threatened).

In these situations, strategic planning is of minimal value until order can be effectively restored. With respect to the two most significant threats to the maintenance of a nation’s tourism industry – i.e. airplane disasters and terrorism – some destinations (eg. Egypt, several European countries during the 1980s, Iraq) may find it almost impossible to recover from the negative impressions of potential tourist markets for several decades.

As Medlik (1991) explains, travel is (almost by definition) associated with vulnerability, at once its attraction and its nemesis. Tourists travel because of the lure of the “exotic”, the potentially dangerous, and as an escape from the mundanities of their normal lives. However, in some destinations, such dreams become nightmares as terrorists seek to exploit the vulnerability of tourists – eg. hotel “belts” concentrate tourists and their attractions, making them easy targets; tourism infrastructure (eg. good transportation systems, streamlined financial/currency exchange
systems) provides useful escape and money-laundering mechanisms; and, above all, tourists represent immense "symbolic value .. as the indirect representatives of hostile or unsympathetic governments .." (Medlik 1991: 322), Such was the fate of India and the Maldives in the early 1990s; Switzerland, Italy and France in the mid 1990s; and more recently, Egypt, in the 1990s.

Similarly, infrequent airline disasters – ".. individuals who fly 10,000 miles a year would have to travel 938,000 years on average before a fatal commercial accident" (Usher 1997: 56) – can taint tourism destinations for many years. As examples, the Garuda crashes in 1997, the Silk Air disaster in the same year, and the more recent Thai Airways crash at Surat Thani will no doubt have significant effects on tourism demand in these destinations. It appears, however, that such events and their subsequent impacts on tourism depend, at least partly, on consumer perceptions of the overall security and relative attractions of particular destinations. Singapore, for example, appears to have been less affected than Indonesia by its recent airline disaster.

The point here is that no amount of strategic planning will protect tourist destinations from the effects of ".. multi-linear, exponential and erratic patterns .." (Rosenthal and Kouzmin 1993: 5). It needs the complementary addition of crisis management theory, in order to remediate the adverse effects of, or to capitalise upon the opportunities provided by such occurrences. As Kouzmin, Jarman and Rosenthal (1995) encapsule it, strategic management theory is subject to the "vulnerability paradox .. the more perfectionist the previous schemes and safety measures, the more dramatic will be the effects of minor disturbances" (op cit: 25).

3.4 VULNERABILITY AND SUSTAINABILITY IN TOURISM

Much contemporary literature has focused on the notion of the "sustainability of tourism", variously defined as ".. a form of tourism that supports and encourages the continued survival of individual
cultures while impacting the environment as little as possible” (Sorensen 1997: 262), or “an approach to (tourism) planning which displays a concern for the long-term future of resources, the effects of economic development on the environment, and its ability to meet present and future needs” (Page and Thorn 1997: 59).

This emphasis has been given impetus by the World Travel and Tourism Council’s (1992) Agenda 21 – “Towards Environmentally Sustainable Development” – and has been expressed in many recent regional tourism conferences (eg. APTA 1996, 1997, 1998) and by authors such as Butler(1991),May(1991),Ding and Pigram(1995), Harris and Leiper(1995) and Buckley(1996). The increase in “ecotourism” operations throughout Southeast Asia (eg. Vietnam, Laos, Cambodia, Thailand, Malaysia and Indonesia), the Pacific, Australia and New Zealand; the (perhaps superficial) “greening” of the hotel industry (eg. reductions in detergent usage, towel recycling); even “adventure tourism” and “new age” tourism, owe much to this global trend.

Some observers (eg.Hall 1997, Page and Thorn 1997,Dore 1998,Timothy 1998, Tyrell 1998) question the motives and efficacy of some of these initiatives, suggesting that they may represent little more than operators’ image reinvention (a cynical public relations exercise), or an opportunity to carve out new niche tourism markets. Certainly, some of the ethics of ecotourism and adventure tourism operations have been seriously questioned (eg. Shephard 1998, Berno 1998).

Notwithstanding these ethical and operational criticisms, more serious concerns might be raised about the narrow parameters of this perspective of “sustainability”, and its inference that tourism planning can proceed without even the most rudimentary attention to environmental analysis. Page and Thorn (1997), for example, observe that there is little agreement even on the “precise definitions, focus and methodology of sustainable tourism” (p. 59), and further, that it presupposes the existence and strength of collaborative strategic plans of public and private sector tourism
stakeholders. As earlier discussed, this assumption is by no means sustainable (eg. Hall and Jenkins 1995, Fayos-Sola’ 1996). In fact, as has been discussed in preceding chapters, the complexity of the industry, and the ongoing conflicts between public and private sector tourism players, almost negate the possibility of such long-term collaboration. As they point out:

"it is recognised that the development of tourism will not be optimal if it is left in the hands of private sector entrepreneurs, for they are motivated by the profit and loss accounts. But on the other hand, if tourism development is dominated by the public sector, then it is unlikely to be developed at the optimal rate from the economic point of view" (Page and Thorn 1997: 61).

This is a classic view of the different perspectives of the public and private sector, and their difficulty in collaborating in overall strategic planning initiatives. As the following diagram illustrates, however, sustainable tourism development, even in its micro-focus on the development – socio-cultural/ ecological preservation dilemma, is a multi-faceted and complex phenomenon.
Diagram 3.1: Sustainable Tourism: A Venn Diagram

SOCIAL GOALS
- Community Benefits
- Participation
- Education
- Health
- Employment
- Visitor Satisfaction

ECONOMIC GOALS
- Economic Benefits to local and other stakeholders
- Economically Viable Industry

COMMUNITY-BASED ECONOMIES

SUSTAINABLE TOURISM
- Conservation with Equity
- Integration of Environment with the Economy

ENVIRONMENTAL & RESOURCE GOALS
- Resource Benefits
- Minimal Resource Degradation
- Acceptability of Resource Values
- Marketing of Supply & Demand

The diagram not only reflects the complexity of planning for “sustainable” tourism development, but also the multiple stakeholders (i.e. governments, private operators, and the broader “communities” involved), and the reality that “tradeoffs” (Harris and Leiper 1995, Dore 1998: 264) are required between economic, socio-cultural and ecological goals.

However, these observations only reinforce the need for tourism planners, at whatever levels, to more broadly, and perhaps more logically, address the business implications of sustainable tourism development i.e. the analysis of the threats and challenges of all of the environments for the tourism industry; including its own internal structures, products, processes and markets; and, only consequently, to formulate strategies which will effectively address its predominant vulnerabilities and opportunities. This will involve both the implications of strategic management theory and crisis management theory.

A starting point for this endeavour may well be the thorough analysis of a nation’s (or a destination’s, or an operator’s) several business environments, and its accordant strengths, weaknesses, opportunities and threats in response to dramatic developments or “creeping crises”. There is little evidence in the relevant literature that such approaches are commonplace in the tourism industry, unlike other industries, but sustainability (in its broadest sense) will not be achievable without such strategies.

The following table (Table 3.2) encapsulates some of the major environmental issues which may threaten industry sustainability, and by inference, suggests practical strategies which may be adopted – by both public and private sectors – to effectively address identified challenges.
Table 3.2:

AN AGENDA FOR CONTIGENCIES & CRISIS MANAGEMENT

<table>
<thead>
<tr>
<th>Corporate Sector</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dramatic market shifts</td>
<td>• Environmental Crises</td>
</tr>
<tr>
<td>• Product Failure</td>
<td>• Crowd &amp; Leisure Centre Disasters</td>
</tr>
<tr>
<td>• Hardware/Software &amp; Communication breakdown</td>
<td>• Hardware/Software &amp; Communication breakdown (eg. Y2K)</td>
</tr>
<tr>
<td>• Project Vulnerabilities (mega)</td>
<td>• Riots and Socio-Political Turmoil</td>
</tr>
<tr>
<td>• Transnational project vulnerabilities</td>
<td>• Transnational organised crime</td>
</tr>
<tr>
<td>• Industry restructuring and reorganisation</td>
<td>• Industry restructuring and reorganisation</td>
</tr>
<tr>
<td>• Mergers and hostile takeovers</td>
<td>• Policy Fiascos</td>
</tr>
<tr>
<td>• Boycotts and Embargoes</td>
<td>• Boycotts, Embargoes &amp; Industrial Relations issues</td>
</tr>
<tr>
<td>• Product (and product image) sabotage</td>
<td>• Implementation Failures</td>
</tr>
<tr>
<td>• Terrorism and Kidnappings</td>
<td>• Terrorism and Kidnappings</td>
</tr>
<tr>
<td>• Technological Transfer and Dependencies</td>
<td>• Technological Transfer and Dependencies</td>
</tr>
<tr>
<td>• Management Succession Issues</td>
<td>• Management (inc. political) Succession</td>
</tr>
<tr>
<td>• Natural Disasters</td>
<td>• Natural Disasters</td>
</tr>
<tr>
<td>• Financial/Currency Crises</td>
<td>• Financial/Currency Crises</td>
</tr>
</tbody>
</table>


By so doing, the industry may in time become better-equipped to “.. tackle the big issues of planning, sustainable development, security and quality, so that our dreams and the dreams of our customers can come true” (Antonio Savignac, Secretary General of WTO 1996, cited in Elliott 1997: 257).

It was with these broad themes in mind – i.e. the overall sustainability of the tourism industry, in view of its internal and external vulnerabilities, and by using both strategic management and crisis management theories – that the following conceptual model of vulnerability was developed.
3.5 A CONCEPTUAL MODEL OF VULNERABILITY IN THE TOURISM INDUSTRY

As an aid to industry planning, the following analytical model of vulnerability was developed in response to both short and longer-term occurrences in the Asia-Pacific region, with applications to all such industries on a global basis. It recognises that threats to the tourism industry may be “.. acute, sudden and self-evident, but (that) they may also be creeping, emergent and ambiguous” (Rosenthal and Kouzmin 1993:4), and that “what is crisis to some, may be an opportunity to others” (ibid). Consistent with such crisis theory, it also accepts that different threats or opportunities demand different public or private sector responses (eg. centralisation/decentralisation, formal/informal), but that all such circumstances require appropriate and timely responses based upon thorough examination of the relevant factors and issues before strategic plans for sustainability can be put in place.

In all cases, subsequent tourism development plans must reflect both short and long term imperatives – i.e. “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Tyrell 1998: 29).

The instrument proposed to provide an analytical framework for the exploration of the “vulnerability” of the tourism industry is discussed subsequently, but it attempts to include all relevant variables in its various business environments, and thus to permit governments, regions, specific tourism destinations and individual operators, to examine threats and opportunities in relation to future strategic plans for sustainable development. It has proceeded from a relatively simple framework, through several iterations, towards an increasingly sophisticated model which includes the complex variables of the tourism industry discussed in some detail in earlier chapters.
Chapters 4 and 5 exclude both some empirical illustrations of the model's applicability, and suggestions as to its contributions to strategic planning.

3.6 VULNERABILITY AND SUSTAINABILITY: AN ANALYTICAL FRAMEWORK

Earlier chapters have been concerned with the need for the tourism industry to adopt a more strategic approach to planning and management, in order to ensure its ongoing sustainability in the face of increasing threats, pressures and opportunities.

An important component of such an approach is the identification, evaluation and analysis, of pertinent short and long term risks and vulnerabilities, both internal and external, in an attempt to formulate proactive business strategies (and contingency plans) which will contribute to the sustainability of the industry as a whole, and its constituent sectors and service providers.

To this end, the following “vulnerability” framework has been developed, through several phases, as both a plotting device and a planning tool, as an aid to industry strategists in the formulation of their responses to future industry and environmental developments. It is designed for use by national governments, regional tourism authorities, public and private sector service providers, and as a tool for both strategic and crisis management purposes.

Diagram 3.2 (“An analytical framework for vulnerability in the Tourism Industry”) below illustrates the first phase of the development of such an industry planning tool.
<table>
<thead>
<tr>
<th>THREATS OR OPPORTUNITIES</th>
<th>POLITICAL</th>
<th>ECONOMIC</th>
<th>SOCIAL</th>
<th>MARKET PRODUCTS &amp; INDUSTRY STRUCTURE</th>
<th>GEOGRAPHIC</th>
<th>PHYSICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>TORRENT</td>
<td>Ideology</td>
<td>Global eco. &amp; Regional &amp; domestic features</td>
<td>Experiences &amp; Attitudes</td>
<td>Historic &amp; new trends in products &amp; tourism</td>
<td>New vs old locations &amp; Leisure vs bus. travel</td>
<td>New vs old properties &amp; Ease of travel</td>
</tr>
<tr>
<td>CASCADE</td>
<td>Levels of stability &amp; change</td>
<td>Eco. Health &amp; Buying power of nationals &amp; regionals</td>
<td>Internal vs International choices</td>
<td>National &amp; global (alliances &amp; collusions)</td>
<td>Travel &amp; Time to .....</td>
<td>Ecological features</td>
</tr>
<tr>
<td>RIPPLE</td>
<td>Industry priorities &amp; support &amp; Security &amp; terrorism</td>
<td>Historic &amp; new trends in products &amp; tourism</td>
<td>Tangible vs Non-tangible products &amp; Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**INDUSTRY** (Macro)

**INTERFACE** (Mosaic)

**ORGANISATION** (Micro)
Using the motif of a tsunami (or tidal wave), to illustrate the sometimes dramatic effects of natural events, industry structural characteristics and business environment issues (eg. political, economic, and business environment issues (eg. political, economic, social, markets, physical and geographic features of particular destinations), this initial framework encompasses a broad range of factors, and attempts to estimate or predict their level of impact on industry sectors, destinations or individual service providers, as “torrent”, “cascade” or “ripple” effects.

*Political* factors include prevalent government ideologies and policies towards tourism; levels of stability and change; and specific infrastructure, marketing and economic incentives. *Economic* issues encompass the global (and regional) economies, particular regional and national economic circumstances, the tourism preferences and capacities of domestic and international consumers. *Social* factors reflect both the attitudes and current trends of tourists, and the expectations of tourism destination populations. *Market and Product* issues include product life-cycle aspects (eg. the decline of ‘older’ destinations such as Phuket and Bali, the reinvention of Singapore and Thailand, the rise of Bintan and Lombok); the dilemma posed by the “tangible-intangible” tourism product and process conundrum; and the threats and opportunities posed by new technology with respect to greater efficiency and effectiveness, or “virtual tourism” alternatives.

*Industry structure* factors encapsulate many of the issues discussed in chapter 2 – i.e. fragmentation, segmentation, sectoral interface difficulties, changing alliances and ownership and definitional aspects.

*Geographic and Physical* categories can perhaps be combined, to include all features of the tourism industry which concern destination – specific characteristics (eg. ecological, topographical, proximity to likely guest markets, ease of travel, etc).
Whilst this framework represents a useful and illustrative initial attempt to reflect the threats and opportunities faced by the tourism industry, it proved inadequate for practitioner use, and on the basis of subsequent reviews of the literature, needed both additional (and more logical) categorisation, and the recognition that threats to one destination can provide opportunities for others, or that both threats and opportunities can have differential levels of tourism impacts on different destinations.

Accordingly, a more sophisticated framework seemed necessary to analyse, explain and predict the effects of different environmental events on the sustainability of the tourism industry in different destinations.

Phase 2 of the project involved – the inclusion of more categories; the more logical ordering of vulnerability variables; and the gradation of impact levels.

Diagram 3.3 presents the revised version of a “Vulnerability Scale” for the tourism industry.
Diagram 3.3: A 'Vulnerability' Scale for the Tourism Industry (Phase 2)

Levels of Intensity

XII
XI
X
IX
VIII
VII
+ VI
V
IV
III
II
I

0 ....................................................... * See Over * ...........................................................

I
II
III
IV
V
VI
VII
VIII
IX
X
XI
XII

Vulnerable Factors
(i.e. Threats & Opportunities)
<table>
<thead>
<tr>
<th>Vulnerable Factors (i.e. Threats &amp; Opportunities)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>INDUSTRY ISSUES</th>
<th>POLITICAL ISSUES</th>
<th>ECONOMIC ISSUES</th>
<th>SOCIAL ISSUES</th>
<th>TECHNOLOGY</th>
<th>PHYSICAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Structure</td>
<td>• Ideology</td>
<td>• Global economy &amp; Regional domestic features &amp; Economic health &amp; Consumer buying power</td>
<td>• Markets (e.g. historic vs new, trends) &amp; Tangible vs non-tangible &amp; Cultural factors</td>
<td>• Effectiveness &amp; efficiency &amp; Alliances &amp; Virtual tourism</td>
<td>• New vs old properties &amp; Ease of travel &amp; Ecological issues</td>
</tr>
<tr>
<td>• Products &amp; Processes</td>
<td>• Levels of stability &amp; change &amp; Priorities funding &amp; Security &amp; terrorism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Interface Issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As can be noted, not only are the pertinent categories reordered, and more specific categories included, but the inclusion of a (modified) “Modified Mercalli Scale” (See Appendix 1) replaces the earlier vaguer “torrent”, “cascade” and “ripple” effects with more quantifiable criteria (see Appendix 2), and suggests that impacts can be both positive and negative. “Interface” issues have been subsumed under “Structural” aspects, and the PEST framework (see chapter 2) has been incorporated in the overall model. Of perhaps greater importance, the tsunami motif (short term, unpredictable) has been replaced with an “earthquake” motif (i.e. both short and longer term, differential impacts, and both predictable and unpredictable effects).

Modifications have meant that the analytical framework has more practical usage, and is, at least potentially, more valuable as both a plotting device, a strategic planning and a crisis management tool. Its applications are empirically explored in chapter 4.

Summary

This chapter has examined the nature of, and contributions to, strategic management and crisis theory, as applied in the tourism industry. It subsequently develops a conceptual framework, through various phases, which attempts to analyse, explain and predict the impacts of the several threats and opportunities posed by the business environments of the industry. Empirical illustrations are provided in the following chapter.
CHAPTER 4: EMPIRICAL ILLUSTRATIONS OF VULNERABILITY AND SUSTAINABILITY IN TOURISM: APPLICATIONS OF THE MODEL

As the primary focus of this research project has been on the development of a conceptual model designed to facilitate strategic planning and crisis management in response to environmental threats and opportunities, initial empirical studies included a comprehensive literature review (attached), together with a series of semi-structured interviews with industry representatives (a strategic planner with an airline, a travel agent, a tour operator, and a senior tourism academic). This research was undertaken in order to formulate a clearer picture of the nature of the tourism industry and its various business environments, and forms a backdrop for the development of the subsequent model described in chapter 3.

Following the development of the model – or analytical framework – it seemed necessary to conduct a series of small empirical studies in order to test the utility of the model. As earlier discussed, the results of these studies included the revision of Phase 1 of the model to incorporate more variables; to encompass both positive and negative industry effects on different destinations and in response to diverse occurrences; and the replacement of the earlier “tidal wave” motif with an “earthquake” analogy, incorporating both dramatic events and more “creeping crises”. It also allowed the necessary inclusion of both strategic and crisis management concepts.

Accordingly, three research studies were conducted during late 1998 to assess the utility of the model. These surveys conveniently coincided with a series of dramatic events in the Southeast Asian region (eg. the 1997 “smog haze” in Sumatra; the 1997-1998 “Asian economic crisis”; the
political and social instability in Indonesia and Malaysia; and a number of isolated airline disasters – eg. Garuda Indonesia, Silk Air and Thai Airways).

Academic Study Leave spent at the Prince of Songkla University (Phuket, Thailand), together with contacts at the National University of Singapore, permitted surveys to be undertaken in Thailand and Singapore at a time of significant regional disturbance to the tourism industry. As an empirical illustration of the effects of “vulnerability”, it seemed most appropriate to survey hotel general managers in both tourism destinations, in order to assess their perceptions of the effects of these events on their properties, and their strategic and crisis management approaches. Some longer-term trends – rising guest and employee expectations – frequently mentioned in the tourism literature, were also included.

The findings from these illustrative studies, albeit essentially qualitative, reveal significant differences in both effects and strategies in different destinations, and demonstrate the conceptual and practical utility of the developed model, for both plotting and planning purposes. And whilst the studies – in Singapore, Phuket, and throughout Thailand – are focused on the hospitality sector, general principles can be extrapolated across other tourism sectors and at both governmental and private sector levels.

Detailed research findings are contained in Appendix 3, but brief results and exemplary illustrations follow.

4.1 RESEARCH METHODOLOGY

Overall, 365 hotel general managers were surveyed – 83 in Singapore, 82 in Phuket and 200 throughout Thailand – using a survey instrument comprising three sections (Company Profile,
Environmental and Operational Issues, Challenges and Threats). A sample survey questionnaire is included in Appendix 4. Surveys in Singapore and Phuket were conducted in English whilst those for greater Thailand were presented in the Thai language.

The research sample was randomly selected from the relevant local hotel guides in both countries, with a deliberate bias towards hotels with more than 100 rooms, to exclude establishments which have little or no international guests, and which therefore not be affected by the effects of the regional events (e.g. currency crises, smog haze, political instability, airline disasters, increased guest expectations) under study.

4.1.1 Research Sample

By the deadline, 66 usable responses (i.e. 18% of the entire sample) had been received (i.e. 18/83 – 21.7% of the Singapore sample; 14/82-17.1% of the Phuket sample; and 34/200 – 17% of the Thailand sample). Whilst this response rate is less than usual in comparable Western research, given the qualitative nature of the study and the reportedly low levels of response in Asian research studies of this kind (e.g. Wan 1996), it was considered adequate for the purposes of this research.
4.2 RESEARCH FINDINGS

This section contains a brief overview of Singapore, Phuket and greater Thailand as tourist destinations, and their characteristic strengths and weaknesses, followed by summaries of survey findings in the three categories of:

(1) Company Profiles

(2) Staffing Profiles, and

(3) Environmental and Operational Issues

All locations are parts of the “mosaic” (or “jigsaw”) of Southeast Asia, with well-established tourism destinations and infrastructure, arguably at the nadir of their tourist product life cycles. Both Singapore and Thailand have relatively stable social and political circumstances, and have had strategic tourism plans for several decades. Both have also suffered the brunt of the 1997-1998 currency crisis, albeit to significantly different degrees.

However, this is where the similarities end. Singapore, for example, has a centralist government with an authoritarian approach and compliant industry operators, whilst Thailand has a multi-layered governmental system (central government ministries, regional, provincial and local authorities), consonant with its more complex geographic and socio-cultural characteristics.

Singapore’s tourism attractions likewise are severely limited, often consciously invented (eg. Sentosa Island, breakfast with George the gorilla at Singapore Zoo, a newly sanitised Bugis Street); its infrastructure is highly developed; and it has arguably compromised its ‘Asian’ identity in order to attract broader western tourist markets.
Whilst less developed with respect to airports, transportation, hygiene, water and sanitation facilities, Thailand boasts significantly more varied tourist attractions; a more unique ‘Asian’ flavour (eg. food, physical environment, architecture, customs); and generally, a more ‘laid back’ tourist environment, in contrast to Singapore’s more visibly controlled society. With the possible exception of Bangkok, Thailand is also a more cost-effective tourism destination than Singapore, both before and following the recent currency crisis.

Both countries have displayed remarkable abilities to consciously reinvent their tourist images, albeit to somewhat different guest markets, as discussed earlier.

Inherently then, Singapore’s strengths lie in its political and economic stability, its efficiency and its tourism infrastructure. Its weaknesses include its relative lack of attractions, its comparative costliness and its “fine city” reputation. Thailand’s strengths rest with its greater range of tourism destinations and attractions, its relative cheapness and its more “laid back” atmosphere. Weaknesses include a less developed tourism infrastructure, considerably weaker English competence, and its more bureaucratic governmental structures.

Phuket, as a specific tourism destination in Thailand, displays all the strengths and weaknesses of greater Thailand, and, in contrast to Singapore, a significant imbalance between business and leisure tourism.

It should therefore be anticipated that the inherent “vulnerabilities” of these destinations would be paralleled in the impacts of the recent regional (and longer-term) events. However, as discussed below, some surprising findings reveal that this is not necessarily the case. Strategic planning approaches and crisis management remedial tactics can, apparently, reverse such expectations.
(1) *Company Profiles*

Overall, survey respondents in Thailand represent a relatively even breakdown of CBD (37.5%), "other urban" (31.2%) and resort (31.2%) hotel properties, not surprisingly in contrast to the Singapore's 100% CBD result. Phuket respondents, again not surprisingly, are largely resort properties (78.6%). The majority of all hotels are in the 3-4 star range (T-68.7%, S-44.4%, P-78.6%), but there are more 5 star hotels (T-25%, S-33.3%) in both the greater Thailand and Singapore samples.

Given the restriction to hotels with more than 100 rooms, it is similarly not surprising that most respondents run large hotels, (T-66/7%, S-77.8%, P-71.4%) of more than 200 guest rooms. Differences emerge in average occupancy rates, with the overall Thailand sample hovering around 60-80%, Singapore around 78%, and Phuket above 92%. Seasonal variations no doubt apply in all destinations. Thailand and Singaporean guest markets include both leisure and business travellers, whilst Phuket's markets are heavily leisure-focused (85%).

Similarly, guest markets to Thailand and Singapore are mixed between locals, Europeans, Australians and to a lesser extent, North Americans, but in Phuket, emphases are essentially on European guest markets.

(2) *Staffing Profiles*

Singapore hotels appear to employ more staff (78% have more than 250 employees) than their (overall) Thai (49%) or Phuket (58%) counterparts. This is quite surprising in view of comparatively higher salaries in Singapore, but may at least partly be explained by both the greater
expectations of business travellers in Singapore, different sizes of hotels for different markets, and the relatively higher proportions of part-time, seasonal and casual employees in Singapore. Thus, only half of Singapore respondents’ employees are employed on a full-time basis, as contrasted with 92% in Thailand generally, and more than 90% in Phuket. Labour scarcity in Singaporean hotels (Debrah, 1994) demands more creative solutions than in a comparatively labour tight Thailand market.

Singapore hotel employees appear to be more highly educated and unionised, less local and more willing to leave their employers than those in either greater Thailand or Phuket. Given the increasing educational levels of potential Singaporean employees generally, and the propensity of Singapore organisations to employ foreign labour for manual occupations (e.g. construction, manufacturing and hospitality), these differences are not altogether surprising.

(3) Environmental & Operational Issues

Table 4.1 and 4.2 below summarise responses from all destinations to several questions concerning the effects of a series of recent regional events, and some longer-term trends, on the sustainability of the tourism industry in the face of threats and challenges to its “vulnerability”.

As expected, the different destinations and their hospitality sectors, have both experienced different levels of impact, and have adopted diverse approaches to their resolution.
<table>
<thead>
<tr>
<th>ISSUES</th>
<th>Disagree</th>
<th>Somewhat Disagree</th>
<th>TOTALS</th>
<th>Somewhat Agree</th>
<th>Agree</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The currency crisis has affected this hotel’s profitability adversely</td>
<td>12 (26.1%)</td>
<td>8 (17.4%)</td>
<td>20 (43.5%)</td>
<td>11 (23.9%)</td>
<td>15 (32.6%)</td>
<td>26 (56.5%)</td>
</tr>
<tr>
<td>2. There has been an increase in business in this hotel due to the recent political developments in Indonesia and Malaysia</td>
<td>6 (12.8%)</td>
<td>5 (10.6%)</td>
<td>11 (23.4%)</td>
<td>16 (34%)</td>
<td>20 (42.5%)</td>
<td>36 (76.6%)</td>
</tr>
<tr>
<td>3. The Smog haze in Sumatra in 1997 adversely affected this hotel’s business</td>
<td>3 (6.7%)</td>
<td>10 (22.2%)</td>
<td>13 (28.9%)</td>
<td>16 (35.5%)</td>
<td>16 (35.5%)</td>
<td>32 (71.1%)</td>
</tr>
<tr>
<td>4. Infrastructure development has been positive in attracting tourists</td>
<td>1 (2.1%)</td>
<td>2 (4.2%)</td>
<td>3 (6.2%)</td>
<td>10 (20.8%)</td>
<td>35 (72.9%)</td>
<td>45 (93.8%)</td>
</tr>
<tr>
<td>5. The promotional activities by the government and related bodies are adequate</td>
<td>2 (4.2%)</td>
<td>2 (4.2%)</td>
<td>4 (8.3%)</td>
<td>17 (35.4%)</td>
<td>27 (56.2%)</td>
<td>44 (91.7%)</td>
</tr>
<tr>
<td>6. Economic incentives provided by the government and related bodies are adequate</td>
<td>2 (4.2%)</td>
<td>5 (10.6%)</td>
<td>7 (14.9%)</td>
<td>17 (36.2%)</td>
<td>23 (48.9%)</td>
<td>40 (85.1%)</td>
</tr>
<tr>
<td>7. The standard of hotel school graduates in hospitality/tourism is below average</td>
<td>7 (15.5%)</td>
<td>6 (13.3%)</td>
<td>13 (28.9%)</td>
<td>23 (51.1%)</td>
<td>9 (20%)</td>
<td>32 (71.1%)</td>
</tr>
<tr>
<td>8. Guests have shorter stays. The result is a negative impact on our profitability</td>
<td>12 (46.2%)</td>
<td>5 (19.2%)</td>
<td>17 (65.4%)</td>
<td>6 (23.1%)</td>
<td>3 (11.5%)</td>
<td>9 (34.6%)</td>
</tr>
<tr>
<td>9. Rising standard of service demanded by hotel guests has affected this hotel’s profitability adversely</td>
<td>13 (27.6%)</td>
<td>10 (21.3%)</td>
<td>23 (48.9%)</td>
<td>14 (29.8%)</td>
<td>10 (21.3%)</td>
<td>24 (51.1%)</td>
</tr>
<tr>
<td>10. There has been an overall increase in employee expectations in this hotel</td>
<td>1 (2.1%)</td>
<td>3 (6.2%)</td>
<td>4 (8.3%)</td>
<td>10 (20.8%)</td>
<td>34 (70.8%)</td>
<td>44 (91.7%)</td>
</tr>
</tbody>
</table>

(N=48, except in questions 1 (46), 2 (47), 3 (45), 6 (47), 7 (45), 8 (26) and 9 (47), due to lack of responses).
Table 4.2: Environmental & Operational Issues (Singapore and Phuket Sample)

<table>
<thead>
<tr>
<th>ISSUES</th>
<th>SINGAPORE</th>
<th></th>
<th>PHUKET</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DISAGREE</td>
<td>AGREE</td>
<td>DISAGREE</td>
<td>AGREE</td>
</tr>
<tr>
<td>1. The currency crisis has affected this hotel's profitability adversely</td>
<td>1 (5.6%)</td>
<td>17 (94.4%)</td>
<td>5 (35.7%)</td>
<td>9 (64.3%)</td>
</tr>
<tr>
<td>2. There has been an increase in business in this hotel due to the recent political developments in Indonesia and Malaysia</td>
<td>12 (66.7%)</td>
<td>6 (33.3%)</td>
<td>6 (42.8%)</td>
<td>8 (57.2%)</td>
</tr>
<tr>
<td>3. The Smog haze in Sumatra in 1997 adversely affected this hotel's business</td>
<td>N.A</td>
<td>N.A</td>
<td>5 (35.7%)</td>
<td>9 (64.3%)</td>
</tr>
<tr>
<td>4. Externally, the hotel industry faces greater competition from the region</td>
<td>1 (5.6%)</td>
<td>17 (94.4%)</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>5. Infrastructure development has been positive in attracting tourists</td>
<td>0 (0%)</td>
<td>18 (100%)</td>
<td>3 (21.4%)</td>
<td>11 (78.6%)</td>
</tr>
<tr>
<td>6. The promotional activities by the government and related bodies are adequate</td>
<td>8 (44.4%)</td>
<td>10 (55.6%)</td>
<td>4 (28.6%)</td>
<td>10 (71.4%)</td>
</tr>
<tr>
<td>7. Economic incentives provided by the government and related bodies are adequate</td>
<td>10 (55.6%)</td>
<td>8 (44.4%)</td>
<td>6 (42.8%)</td>
<td>8 (57.2%)</td>
</tr>
<tr>
<td>8. The standard of hotel school graduates in hospitality/tourism is below average</td>
<td>13 (72.2%)</td>
<td>5 (27.8%)</td>
<td>3 (25%)</td>
<td>9 (75%)*</td>
</tr>
<tr>
<td>9. Guests have shorter stays. The result is a negative impact on our profitability</td>
<td>3 (16.7%)</td>
<td>15 (83.3%)</td>
<td>9 (64.3%)</td>
<td>5 (35.7%)</td>
</tr>
<tr>
<td>10. The rising standard of service demanded by hotel guests has affected this hotel's profitability adversely</td>
<td>12 (66.7%)</td>
<td>6 (33.3%)</td>
<td>7 (50%)</td>
<td>7 (50%)</td>
</tr>
<tr>
<td>11. The ability to retain past customers is strongly advocated in this hotel</td>
<td>0 (0%)</td>
<td>18 (100%)</td>
<td>N.A</td>
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<tr>
<td>12. There has been an overall increase in employee expectations in this hotel</td>
<td>6 (38.9%)</td>
<td>11 (61.1%)</td>
<td>3 (21.4%)</td>
<td>11 (78.6%)</td>
</tr>
<tr>
<td>13. Tangible benefits (such as monetary investments) are preferred to intangible benefits (e.g. training and career advancement by our staff)</td>
<td>3 (16.7%)</td>
<td>15 (83.3%)</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>14. The Commonwealth Games in Malaysia (1998) will lead to an increase in Singapore’s hotel occupancy</td>
<td>15 (83.3%)</td>
<td>3 (16.7%)</td>
<td>N.A</td>
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</table>

(NB. Singapore Sample, N=18 and Phuket, N=14, unless otherwise * specified).
As the tables illustrate, the currency crisis has had a perceptible impact on the profitability of many hotels, but properties in Phuket and greater Thailand appear to have been less severely affected than their counterparts in Singapore. This is no doubt largely due to the devaluation of the Thai baht, and the consequent greater value for money of holidays in Thailand, as against the relative strength of the Singapore dollar.

Given the higher occupancy levels in Singapore hotels, the impact is perhaps even more dramatic. However, many Thai hotels (especially in resort locations such as Phuket), unlike their counterparts in Bali and Lombok, maintained their guest markets by not quoting room costs in US$, so their retention of market-share may have been obtained at the expense of profitability and returns on investment.

Similarly, both Phuket and greater Thailand hotels appear to have benefited more from regional social and political instability than the Singapore sample. This is perhaps a little surprising given Singapore’s location, the re-routing of many flights into Southeast Asia through Singapore – encouraged by its “Tourism Unlimited” (1998) campaign to become the “gateway” to the region – and the reported flight of many Chinese Indonesians to Singapore during the May 1998 riots in Jakarta.

Whilst similar data are not available from Singapore, both Phuket and greater Thailand hotels report adverse effects from the late 1997 Smog Haze in Sumatra, no doubt to differing degrees according to their proximity to Sumatra. The impact appears to be an essentially short term, if periodic, effect.

Interestingly, all samples appear very satisfied with their governments’ attention to tourism infrastructure, marginally greater in Singapore and slightly less in Phuket. As earlier discussed, both governments have, for several decades, formulated strategic tourism plans in order to provide
enhanced airport, transportation, tourism information and support systems, in recognition of the industry's contribution to their economies. Singapore's size and centralisation has undoubtedly ensured greater industry satisfaction than would be possible in Thailand overall, or provincial destinations such as Phuket in particular.

Somewhat surprisingly, Thai respondents seem to be more satisfied with their government's tourism promotions than the Singapore sample. As both governments launched new tourism campaigns in 1998 – see earlier – it may be that issues such as the effects of currency crises and regional political instability, enhanced (or interfered with) the success of such programs in different ways in the two nations.

Whilst there is apparently considerable satisfaction in greater Thailand with government economic incentives for tourism (85.1%), such is not the case either in Phuket (57.2%) or Singapore (44.4%). Again, this result is somewhat surprising, especially in Singapore with a generally supportive and efficient governmental structure. Phuket respondents' perceptions may reflect the more complex, and perhaps more 'political', government bureaucracies in Thailand.

Another obvious difference between the Singapore and Thailand samples concerns the standard of hotel graduates provided by their respective training institutions. Thai hoteliers in general (71.1%), and Phuket respondents in particular (75%) are considerably less satisfied than their Singapore colleagues (27.8%), perhaps reflecting the more organised vocational educational systems in Singapore.

With respect to guest expectations of hotel service standards, results from Thai respondents are equally balanced, but Singapore hotels do not appear to be greatly affected. This is in conflict with much contemporary tourism literature, referred earlier. Similarly, the majority of Thai hotels
sampled do not appear to have been affected adversely by shorter guest visits, but Singapore respondents have apparently suffered. This result may reflect both locational and guest purposes issues (eg. leisure vs business, sophisticated vs first-time tourists).

All samples, however, agree that employee expectations (eg. salary, conditions, training) are increasing, with consequent effects on the ability to recruit and retain staff, albeit in quite diverse labour markets. These trends appear greater in all Thai destinations than in Singapore hotels, perhaps reflecting the lower salary bases in Thailand, greater union representation of employees in Singapore, and less developed labour laws in Thailand. It is, however, an important issue for both countries, given the centrality of tourism to the Thai economy and the reported difficulty of Singaporean hotels in attracting suitable staff (Debrah 1994).

Other findings, specific to the Singapore sample, include the intense regional competitiveness of hotels (94.4%), the importance of guest retention, and the monetary reward motivations of Singaporean employees.

Overall then, both short term regional crises, and longer term industry trends, have apparently affected these different tourism destinations differentially, according to their inherent vulnerabilities, their responsiveness to immediate and longer term events, and their recognition of the need for flexibility in the face of constant industry and guest market changes.

4.2 APPLICATION OF THE MODEL

Given the above empirical studies, it is now appropriate to illustrate the utility of the model developed in the previous chapter, as both an analytical framework and a plotting device, in remedial crisis management approaches. It is important, however, to recognise that its major
intended use is as a strategic planning instrument for all industry stakeholders, to analyse the underlying vulnerabilities of particular service-providers, destinations or national governments in their overall tourism planning. Combined with SWOT or PEST analyses, the model graphically illustrates the threats and challenges, and may assist with the formulation of subsequent planning and management strategies.

However, in this instance, its use will be illustrated by an examination of the relative impacts of the designated recent regional events on the hospitality sectors, and overall tourism industries, of Singapore, Thailand and Phuket. Whilst the focus of the empirical studies was on the hospitality sector, given the interdependence of the industry, impacts may be extrapolated to these whole tourism destinations.

Table 4.3 below plots the impacts of the various short- and longer-term events and trends on the hospitality sector, and the overall tourism industry in Singapore. It is an illustrative, rather than a mathematically-based model, and consequently contains a degree of subjectivity, as of course does strategic (or crisis) planning and management itself.
Table 4.3: Impacts of Selected Events and Trends on Singapore's Tourism Industry

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<tr>
<th>LEVEL OF IMPACT</th>
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- Currency Crisis
- Political Devts
- Infrastructure Devt.
- Gov't Promotion
- Eco-Incentives
- Guest Stays
- Employee Demands

X indicates impact on tourism industry.
Whilst, as this exercise illustrates, the impact scale best suits macro-planning for the whole tourism industry in a particular destination or region, individual service-providers may choose to substitute these broad descriptors with more specific operational criteria (e.g. room occupancy, productivity or profitability indicators). Having established the degrees of impact, industry planners at whatever level, can then determine the relative importance of each event and consequent financial (e.g. reduction of room rates, closure of rooms, ‘package’ or group tours), marketing (e.g. active promotional campaigns, different guest markets, loyalty incentives) and management (e.g. staff reductions, automation of some functions, employee training) strategies.

Table 4.4 illustrates the similar, but different impact of the same events and trends on the Phuket hotel sample, and by inference on Phuket as a sustainable tourism destination. Again, plotting of the impacts of the same events and trends indicates differences between Singapore and Phuket as sustainable tourism destinations and suggests broad directions (or specific operational strategies) which might be adopted to address the negative impacts and reinforce the positive features of tourism in Phuket. Similarities and differences are also evident between both the Phuket and Singapore samples, and the greater Thailand study, illustrated in Table 4.5 below.
Table 4.4: Impacts of Selected Events and Trends on Phuket’s Tourism Industry

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<tr>
<th>Levels of Impact</th>
<th>Currency Crisis</th>
<th>Political Devts</th>
<th>Smog Haze</th>
<th>Infrastructure Devt.</th>
<th>Govt. Promotion</th>
<th>Eco-Incentives</th>
<th>Guest Stays</th>
<th>Employee Demands</th>
<th>Events &amp; Trends</th>
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Table 4.5: Impacts of Selected Events and Trends on Thailand’s Tourism Industry

<table>
<thead>
<tr>
<th>LEVELS OF IMPACT</th>
<th>CURRENCY CRISIS</th>
<th>POLITICAL EVENTS</th>
<th>SMOG HAZE</th>
<th>INFRASTRUCTURE DEVT.</th>
<th>GOVT PROMOTION</th>
<th>ECO-INCENTIVES</th>
<th>GUEST STAYS</th>
<th>EMPLOYEE DEMANDS</th>
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Table 4.6: Comparative Impacts of Selected Events and Trends on the Tourism Industries in Singapore, Phuket or greater Thailand

<table>
<thead>
<tr>
<th>LEVELS OF IMPACT</th>
<th>EVENTS &amp; TRENDS</th>
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<tr>
<td>X- Phuket</td>
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<td>X- Singapore</td>
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<tr>
<td>O- Thailand</td>
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Legend:
- Phuket
- X - Singapore
- O - Thailand
Table 4.6 illustrates the comparative impacts of the selected regional events on all three destinations. Thus, there are similar impacts on the tourism industry in Phuket and greater Thailand with respect to the currency crisis, government infrastructure development, changes in the length of guest stays and employee demands. Significant differences, however, appear with respect to the effects of regional political changes and economic incentives, with only marginal difference concerning governmental marketing campaigns. Both destinations differ markedly from Singapore in all aspects except the effects of government infrastructure development.

These applications of the model demonstrate its utility as a graphic plotting device for the analysis of the effects of crises and longer-term trends on the tourism industries of different nations, albeit somewhat subjectively, and dependent on the perspectives of various levels of industry planning. They also illustrate the differences in impact (both positive and negative) in diverse tourism destinations, and would be enhanced with the inclusion of the plethora of constant- and dynamic-variables which constitute the business environments of the industry in its different national and local circumstances.

Further development of the model would require computer modelling, in order to incorporate all relevant variables, their cross-correlations, and implications for strategic and crisis management within the tourism industry. However, this development of the model is beyond the scope of this exploratory research, which is primarily focused on raising the awareness of tourism industry planners towards the need for, and their ability to, adopt similar business techniques to those of companion industries.

The following (and final) chapter of this project briefly examines how industry planners can use such vulnerability analysis techniques to determine appropriate business strategies which will assist their sustainability and growth within dynamic and multi-faceted operational environments. It also
summarises the broad themes of the project and presents some suggestions for subsequent industry research and development.
CHAPTER 5: MANAGING VULNERABILITY IN TOURISM  –
SUMMARY AND CONCLUSIONS

The major part of this project is concerned with a detailed analysis of the vulnerability of the tourism industry, and the threats, challenges and opportunities which confront its future sustainability.

As an almost uniquely interdependent industry - between its constituent sectors, and between public and private sector agencies - its definitional, structural, market and environmental characteristics render it especially susceptible to global, regional and domestic changes, trends and crises. Earlier chapters have discussed these aspects in considerable detail, but such an interdependent industry, and one which has acquired immense economic and social importance in recent years, appears remarkably ill-equipped to cope with the effects of such developments.

Lacking precise definitions of its players and stakeholders, and the parameters of its domain, and unsupported by a solid research base, the tourism industry is beset by significant fragmentation and segmentation of agencies within and between sectors; unclear relationships between public and private sector stakeholders; shifting and fickle guest markets; and ill-defined products and processes. These industry issues are further complicated by the industry's relationships with the various business environments (i.e. economic, political, social, cultural, ecological) in which it operates, and upon which its sustainability is predicated. Unlike other industries, dream or fantasy elements, and their marketing, appear to predominate over pragmatic management issues and practices.

Much contemporary literature on the industry focuses on "sustainability", but the bulk of this, as earlier discussed, is concerned with the tourism development - ecological preservation dilemma (arguably a 'product' definitional issue), at the expense of more comprehensive and broader
sustainability issues such as overall management and planning strategies for the industry in response to the challenges posed by global and national environmental factors. In many cases this focus is not only myopic but also preemptive, in the absence of comprehensive analyses of the vulnerabilities described earlier. Several authors (e.g. Faulkner 1993, Go and Pine 1995, Rovelstad and Blazer 1995, Tribe 1997, Elliott 1997, Tyrell 1998) comment on this deficiency in both industry literature and practice, confirming the necessity for such a diverse industry to adopt more strategic approaches to sustainability, as a matter of urgency, as in other industries. As Ackoff (in Walker 1992: 70) explains:

"...planning is a process that involves making and evaluating each of a set of interrelated decisions before action is required, in a situation in which it is believed that unless action is taken, a desired future state is not likely to occur, and that, if appropriate action is taken, the likelihood of a favourable outcome can be increased."

Surely this is the real challenge for the sustainability of the tourism industry i.e. to develop a mature and strategic planning approach which incorporates broad definitions of its desired outcomes, comprehensive analyses of its present circumstances, and the evaluation of a series of possible business strategies which will progress its objectives and outcomes?

Chapter 3 examines the benefits of strategic management theory and its applications in the tourism industry, and indicates that these are essential for future sustainability, at service-provider, sector, destination, national government and international levels. Notwithstanding the difficulties in doing so, including the plethora of unpredictable factors, government-private sector interface issues, inter-sectoral problems and changing business environments, not to do so is an abrogation of management responsibility on the part of all tourism industry managers.
A series of regional tourism destination examples have been used to illustrate the difficulties, and suggest practical solutions, to these problematic but essential industry approaches. As Steiner (cited in Walker 1992: 70) suggests, at the very least, such approaches represent ".. an umbrella, a perspective, a frame of reference .. for future decisions", and at best, a foundation for subsequent sustainability.

As Page and Thorn (1997) comment, such approaches ".. may require the .. industry to take a hard look at its future to assess its own capability in .. growth and development, and to make some difficult decisions on the future scope and scale of tourism activities .." (p. 61).

Chapter 3 also canvasses the need of the industry to recognise, identify and develop remedial strategies, short- or longer-term, in response to regular 'crises' which disrupt or interfere with, tourism in various regions or destinations. The application of such crisis management theories and practices, in association with more strategic approaches, is also mandatory, and is discussed with reference to an illustrative, but by no means comprehensive, sample of recent regional events which had the capacity to undermine national tourism in the recent past.

In addition, chapters 3 and 4 address the development of an analytical framework, or conceptual model, which encourages tourism industry stakeholders to explore their agencies' vulnerability to a range of events which may threaten, or enhance, their subsequent sustainability. An important feature of the framework is that it recognises that the effects of such occurrences can be adverse for some tourism destinations and beneficial to others. Both aspects should, necessarily, be factored into strategic planning and crisis management responses. It might be noted here, as Mintzberg (1989: 29) suggests, that ".. strategies need not be deliberate - they can also emerge, more or less ..". In other words, responses to immediate crises can ultimately become strategic plans for iterative occurrences (e.g. ongoing political instability, terrorism, airplane disasters, economic crises).
As Mintzberg (1989) again explains, "a fundamental dilemma of strategy-making is the need to reconcile the forces for stability and for change .." (p. 35).

The lessons from this project are several:

1. The tourism industry must, as a matter of urgency, define its products and processes more precisely, and adopt (or adapt) usual industry approaches to such definitions;

2. The interdependence of the industry - both within and between sectors, between public and private sectors, and with its various business environments - should be both recognised and operationalised with the inclusion of a significant element of collaboration as well as its trademark competition;

3. Rigorous data collection, the encouragement of business-focused research, and the application of such material to industry operations and plans should become a priority for industry managers;

4. The utility of the proposed analytical framework, or model, should be tested at several industry levels in order to gauge its relevance;

5. An appropriate blend of strategic and crisis management approaches and techniques at several industry levels, should become a normal feature of operations; and

6. "Sustainability" as a concept, and as a framework for operational practice, should form the focus of tourism industry endeavours.
If all, or even some, of these approaches are adopted by the tourism industry, in whatever locations, then the likelihood of a growing and developing business sector, if not assured are certainly enhanced. In the words of French et al (1995):

"The future growth of a quality tourism industry...will require considerable national and local government effort and planning as well as the acceptance by those in the industry of the need for planning to take place within a regulatory framework" (p. 318).
APPENDIX 1: THE MODIFIED MERCALLI INTENSITY SCALE

The effect of an earthquake on the Earth's surface is called the intensity. The intensity scale consists of a series of certain key responses such as people awakening, movement of furniture, damage to chimneys, and finally - total destruction. Although numerous intensity scales have been developed over the last several hundred years to evaluate the effects of earthquakes, the one currently used in the United States is the Modified Mercalli (MM) Intensity Scale. It was developed in 1931 by the American seismologists Harry Wood and Frank Neumann. This scale, composed of 12 increasing levels of intensity that range from imperceptible shaking to catastrophic destruction, is designated to Roman numerals. It does not have a mathematical basis; instead it is an arbitrary ranking based on observed effects.

The Modified Mercalli Intensity value assigned to a specific site after an earthquake has a more meaningful measure of severity to the nonscientist than the magnitude because intensity refers to the effects actually experienced at that place. After the occurrence of widely-felt earthquakes, the Geological Survey mails questionnaires to postmasters in the disturbed area requesting the information so that intensity values can be assigned. The results of this postal canvass and information furnished by other sources are used to assign an intensity within the felt area. The maximum observed intensity generally occurs near the epicenter.

The lower numbers of the intensity scale generally deal with the manner in which the earthquake is felt by people. The higher numbers of the scale are based on observed structural damage. Structural engineers usually contribute information for assigning intensity values of VIII or above.

The following is an abbreviated description of the 12 levels of Modified Mercalli intensity.
I. Not felt except by a very few under especially favorable conditions.

II. Felt only by a few persons at rest, especially on upper floors of buildings.

III. Felt quite noticeably by persons indoors, especially on upper floors of buildings. Many people do not recognize it as an earthquake. Standing motor cars may rock slightly. Vibrations similar to the passing of a truck. Duration estimated

IV. Felt indoors by many, outdoors by few during the day. At night, some awakened. Dishes, windows, doors disturbed; walls make cracking sound. Sensation like heavy truck striking building. Standing motor cars rocked noticeably.

V. Felt by nearly everyone; many awakened. Some dishes, windows broken. Unstable objects overturned. Pendulum clocks may stop.

VI. Felt by all, many frightened. Some heavy furniture moved; a few distances of fallen plaster. Damage slight.

VII. Damage negligible in buildings of good design and construction; slight to moderate in well-built ordinary structures; considerable damage in poorly built or badly designed structures; some chimneys broken.

VIII. Damage slight in specially designed structures; considerable damage in ordinary substantial buildings with partial collapse. Damage great in poorly built structures. Fall of chimneys, factory stacks, columns, monuments, walls. Heavy furniture overturned.

IX. Damage considerable in specially designed structures; well-designed frame structures thrown out of plumb. Damage great in substantial buildings, with partial collapse. Buildings shifted off foundations.

X. Some well-built wooden structures destroyed; most masonry and frame structures destroyed with foundations. Rails bent.

XI. Few, if any (masonry) structures remain standing. Bridges destroyed. Rails bent greatly.

XII. Damage total. Lines of sight and level are distorted. Objects thrown into the air.
APPENDIX 2: IMPACT DESCRIPTORS FOR A 'VULNERABILITY' SCALE FOR THE TOURISM INDUSTRY

<table>
<thead>
<tr>
<th>Level of Intensity</th>
<th>Impact Descriptors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Minor, short-term effect on a single tourism agency in a single country or region.</td>
</tr>
<tr>
<td>2</td>
<td>Minor, short-term effect on an entire tourism sector, in a single country or region</td>
</tr>
<tr>
<td>3</td>
<td>Minor, short-term effect on more than one tourism sector, in a single country or region</td>
</tr>
<tr>
<td>4</td>
<td>Minor, short-term effect on more than one tourism sector, in more than one country or region</td>
</tr>
<tr>
<td>5</td>
<td>Medium-term effect on a single tourism agency in a single country or region</td>
</tr>
<tr>
<td>6</td>
<td>Medium-term effect on an entire tourism sector, in a single country or region</td>
</tr>
<tr>
<td>7</td>
<td>Medium-term effect on more than one tourism sector, in a single country or region</td>
</tr>
<tr>
<td>8</td>
<td>Medium-term effect on more than one tourism sector, in more than one country or region</td>
</tr>
<tr>
<td>9</td>
<td>Long-term effects on a single tourism agency in a single country or region</td>
</tr>
<tr>
<td>10</td>
<td>Long-term effects on an entire tourism sector, in a single country or region</td>
</tr>
<tr>
<td>11</td>
<td>Long-term effects on more than one tourism sector, in a single country or region</td>
</tr>
<tr>
<td>12</td>
<td>Long-term effects on more than one tourism sector, in more than one country or region</td>
</tr>
</tbody>
</table>

(Adapted from the Modified Mercalli Scale, 1931)

* The levels of intensity, as in the original Mercalli Scale, are not mathematically based, but a ranking based on observed effects, which necessarily contain a subjective element. They can be of positive or negative value, as Table 2 shows.

* Again, the descriptors are qualitative rather than quantitative and depend on the perceptions of tourism agency managers. However, there are observable criteria which can be incorporated in the planning process (e.g. decline in sales, reduced occupancy levels, decline in profit margins etc.)
APPENDIX 3: SAMPLE SURVEY

INTERNATIONAL SURVEY

OF

HOTEL MANAGEMENT PRACTICES

IN THE

ASIA-PACIFIC REGION

- PRINCE OF SONGKLA UNIVERSITY, PHUKET, THAILAND
- UNIVERSITY OF WESTERN SYDNEY, NEPEAN, AUSTRALIA
Part A: Hotel Characteristics

1. Where is your hotel located?
   - City - CBD
   - City - Other
   - Resort Location
   - Other (please specify)

2. What is your star-rating?
   - 5 or more stars
   - 3 to 4 stars
   - 2 or less stars
   - Other (please specify)

3. How many guest rooms does your hotel have?
   - 500 or more
   - 200 - 499
   - 100 - 199
   - 99 or less

4. What is your average occupancy rate?

5. Approximately, what percentage of your guests stay at your hotel for:
   - Business
   - Leisure
   - Group tours
   - Other (please specify)

6. Please estimate the percentage of guests from the following regions:
   - Local/Domestic
   - East Asia (e.g. Korea, Japan)
   - South Asia (e.g. India, Pakistan)
   - Southeast Asia (e.g. Malaysia, Indonesia)
   - The Americans (e.g. USA, Canada)
   - Europe
   - Australasia (e.g. NZ, Australia, Pacific)
Part B: Staff Profile

7. On average, how many staff does your hotel employ per year?

8. What percentage of these are:
   - Full-time
   - Part-time
   - Casual
   - Other (please specify)
   %
   %
   %
   %

8. Of your total annual staff, what percentage are:
   - Local national
   - Foreign national*
   %
   %

10. Please indicate the percentage of:
   - Female employees
   - Male employees
   %
   %

11. What are the educational qualifications of your current employees:
   - High/Secondary School only
   - Technical college Qualification
   - Specific tourism/Hotel Qualification (e.g. hotel school, university)
   - None of the above
   %
   %
   %
   %

12. What percentage of your employees belong to a union?
   %

13. What is your annual turnover rate of employees?
   %
Part A: Hotel Characteristics

For each statement below, please indicate your extent of agreement/disagreement.

<table>
<thead>
<tr>
<th>Issues</th>
<th>Disagree</th>
<th>Somewhat Disagree</th>
<th>Somewhat Agree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Infrastructure development (such as airport, roads and telecommunications) has been positive in attracting tourists to Phuket.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. The promotion activities in attracting tourists to Phuket government and related bodies are adequate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Economic incentives provided by the government have resulted in higher growth potential of hotels in Phuket.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The &quot;smog haze&quot; in Indonesia affected Phuket's Tourism.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. The currency crisis has affected this hotel's profitability adversely.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Political events in Indonesia or Malaysia have affected Phuket's Tourism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. The standard of hotel school graduates in hospitality/tourism in Thailand is below average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Guests have shorter stays. The result is negative impact on our profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. The rising standard of service demanded by hotel guests has affected this hotel's profitability adversely.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. There has been an increase in employee expectations in this hotel (e.g. satisfying jobs, higher salary/wage levels, career opportunities, more access to training and development options, etc)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Part D: Comments

1. Please comment on any problems you have experienced with your staffing practices in the last 12 months and how have you attempted to deal with these problems?

2. Please comment briefly on any difficulties (or opportunities you have experienced in the last 12 months) as a result of social changes (e.g. demographic issues, rising educational levels, cultural, religious factors, etc) and how have you attempted to deal with them?

Thank you for your participation.

Please indicate whether you would like to receive a copy of our final report.

*Yes ☐ No ☐

(*If "yes", please include a business card or details of your name and address separately. This information will be separated from the survey questionnaire).
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HUMAN RESOURCE MANAGEMENT STRATEGIES

AS

COMPETITIVE ADVANTAGE:

A Case Example of the Hospitality Sector in

Southeast Asia & the Pacific Rim

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"Human Resource Management Strategies As Competitive Advantage: A Case Example Of The Hospitality Sector In Southeast Asia And The Pacific Rim"

Abstract

This article analyses the vulnerability of the hospitality sector of the tourism industry in relation to its multiple business environments. Using recent regional economic and socio-political events as a catalyst for discussion, it suggests that the sustainability of this sector is largely dependent on its internal management practices. It argues that, of all management practices, its human resource management (HRM) strategies provide the key to future competitiveness.
Introduction

The hospitality sector of the tourism industry, unlike almost all others, is especially labour-intensive and traditionally resistant to the automation and downsizing characteristic of other industries such as manufacturing, retailing, transportation and agriculture. Despite its recent impressive growth and financial success globally, the hospitality sector is also perhaps the most sensitive to a wide range of external and internal factors which at times threaten its very survival. (eg Faulkner 1993, Go and Pine 1995, Elliott 1997, Tribe 1997)

In Southeast Asia and the Pacific Rim, this inherent vulnerability has been amply illustrated by a series of recent positive and negative developments. Thus forest fires in Sumatra adversely affected hotels and resorts in Singapore, Phuket and Kuala Lumpur; currency crises, on the other hand, in Thailand, Malaysia and Indonesia enhanced the attractiveness of these destinations; the preparations for Olympics 2000 raised the profile of Australian properties, but fluctuating exchange rates deterred potential visitors to Australia from Indonesia, Malaysia and Singapore. Hong Kong’s attraction declined with its resumption by the People’s Republic of China, but government initiatives in Vietnam increased its tourist appeal. An interesting example of the complexities of tourism and hospitality is the case of Malaysia in 1997 - adverse effects of the smog from forest fires in Sumatra were expected to be counterbalanced by exchange rates favourable to non regional tourists. However, “a combination of overbuilding and soaring labour costs” (Asian Business Review, 1998; 14) may threaten the sector. Such may also be the case for Sydney after the Olympics.
As a heavily labour-intensive industry then, hospitality presents an excellent case-example of the management of human resources within a dynamic and often volatile external and internal industrial environment. Apart from the plethora of external factors which buffet this industry sector - political, economic, social, global and regional competition, guest market preferences - there are also a number of unresolved internal dilemmas which affect the success of the hospitality sector in all countries. Most, if not all, of these pressures impact on the effective management of a hotel’s human resources.

The Nature of the Hospitality Sector

Whilst in their simplest form, all hotels offer similar services - accommodation, restaurants and bars, ancillary facilities (eg. shopping, gyms and fitness centres, hairdressing, etc) - competition and diverse guest markets (eg. leisure, business, individual or group tourists) demand that the sector provides a broad variety of accommodation types, from youth hostels/backpacker rooms through guesthouses, family inns, bed and breakfast properties, to the grander “boutique” and five star hotels. In addition, there is a clear distinction drawn between city and resort hotels.

Even within these categories, some hotels focus on services for business travellers, others purely on leisure travellers, and some on both guest markets. In the resort hotel category for example, a property in Penang (Malaysia) may rely almost exclusively on repeat guests from Europe whilst resorts on Sentosa Island (Singapore) will attempt to cater for broader guest
markets for leisure and business from Southeast Asia, Australia, Japan, the United States and Europe.

Apart from this very diversity of guest markets, regional locations and levels of “service”, hospitality managers may be bound by their membership of global hotel chains (eg. Hilton, Sheraton, Mandarin, Ramada, Shangri-La, etc) to provide product-branded services, regardless of location or specific guest markets, on a global basis, whereas others may decide to distinguish their property from competitors by offering esoteric service with value-added regional or local characteristics. This latter phenomenon is often seen in locations such as Phuket (Thailand), Darwin (Australia), Hanoi (Vietnam) and Medan (Indonesia).

Further complexity in both their relative attraction to different guest markets and the consequent service standards of hotels is added by the interaction between owners/investors and actual hotel management. Whilst franchising is not yet usual in this industry, at least in Southeast Asia (Go and Pine 1995, Contractor and Kundu 1998,), it is quite common to find that hotel managers are employed by a global management group quite separate from the hotel’s actual owners or shareholders who simply own the physical property. In other cases, the owners also own the business and constitute the board of directors to whom the actual managers are responsible (Contractor and Kundu 1998). In the case of global hotel chains, such relationships may be even more complicated.

Such structures provide substantial, and often problematic, dilemmas for those charged with the direct responsibility for operating the daily functions of their hotel in a highly competitive (global, regional, national and local) sector. This dilemma is not assisted by existing “star”
rating systems, usually regulated by national governments and closely related to accommodation pricing systems. Thus, a “five star” hotel traditionally charges considerably more than a one or two star property, based almost entirely on the facilities provided (eg. restaurants, bars, gyms, swimming pools, 24 hour room service, etc). These ratings are predetermined by industry bodies (eg. Michelin Guides, Automobile Associations) and sanctioned by both the industry and government authorities, and largely fail to take account of the qualitative “service” aspects of the industry which, by their own reports, effectually distinguish one property from its competitors. What is to differentiate a Hilton hotel from a Mandarin or a Shangri-La property in the same location if not its service quality? A room is a room!

However, this labour-intensive and often fiercely competitive industry sector, dependent on a guest market preferences and travel agency alliances, often fails to account for (or even properly define) the dimensions of this competitive edge, its sole bargaining advantage. The studies of Frederick Taylor (1911) in manufacturing, however passe they may be, could at least potentially be of value in applying quantitative models to the production of hotel “service”, should hoteliers be predisposed to apply them. In essence, if “service” is, as many hotel managers suggest (Gronroös 1990, Go and Pine 1995), the defining element of their attraction to their guest markets, what is their “product” and subsequently, how should their “product processes” be structured through their human resource management strategies to ensure guest satisfaction, repeat business and continuing productivity (and profitability)?

The following sections of this article explore some of these macro- and micro-issues in a variety of Southeast Asian and Pacific Rim hotels based upon extensive literature reviews and
recent empirical research conducted by the author. *Macro-issues* include the impact of political, economic, social and guest market factors, and *micro-issues* encompass industry characteristics such as "service quality" criteria, the problematic interaction between hospitality and tourism, internal systems dilemmas, and the gamut of human resource management (HRM) functions and perspectives which continue to bedevil the effective management of the hospitality sector. The final section of the article proposes a series of strategic, and integrated approaches which may enhance labour productivity, competitiveness and profitability within the hospitality sector of the tourism industry.

Whilst focused on the hospitality sector, this case-example may also suggest ways in which similarly labour-intensive and service-based industries in the Asia Pacific region can improve their performance and competitiveness.
Macro-Issues in the Hospitality Sector

Unlike almost all other industries, the hospitality sector (as perhaps the most vulnerable of all tourism industry segments) is especially susceptible to the impacts of global, regional and national factors including political stability, economic vagaries, social trends and the fickleness of their various guest markets. All these issues heavily impact on both the staffing levels of particular hotels and their overall viability.

Whole nations, or their particular regions, are susceptible (to a greater or lesser degree) to economic factors (eg. dramatic currency “collapses” in 1998); changing government policies (eg. bed taxes on capital city hotels in Australia; special tourism taxes in Indonesia; financial support to tourism in several regional countries), to the perceived (or actual) political instability of some regions (eg. Myanmar, Laos vs Singapore or Sydney) or even to the relative physical security of certain locations. As an example, Hong Kong’s hospitality sector has apparently suffered a significant decline in the months following its resumption by the People’s Republic of China. Six months after the July 1 handover to China, tourism in the former British Colony is in crisis. Monthly visitor arrivals have plunged an average 25% year-on-year since then ... The travel and tourism industry accounts for fully 8% GDP and 12% of jobs ... pulling in $13.5 billion ... Hotel occupancy rates in Hong Kong slipped to an average of 69% between July and November, compared with 88% in all of 1996” (Far Eastern Economic Review, 15.1.98; 51).
Brunei has been constrained from tourism and hospitality development until recently due to Islamic restraints. Jakarta has not yet attained the popularity of Bali or Lombok, perhaps due to lack of effective marketing, a perceived deficiency in tourism infrastructure, or because of occasional political disturbances. Phuket’s relative lack of popularity compared with Penang, Langkawi, Bali or Pattaya can at least partially be explained by a lack of marketing or financial support from its central government.

Economically, perhaps the most crucial issue for the hospitality sector (and indeed tourism itself) is the currency exchange factor. The viability of the hospitality sector in Southeast Asia (including Australia and New Zealand) is directly linked to the relative value of their currencies against United States, Japanese and European counterparts. This has been dramatically illustrated during mid 1997 to early 1998 with the Asian currency “collapse”, directly involving Thailand, Indonesia, Malaysia, Korea and the Philippines but with repercussions for Australia and New Zealand (eg *The Age* 27.5.97, *The Australian* 27.10.97, *AFR*, 24.10.97, *SMH* 7.11.97). This collapse also illustrates the complex interrelationships of political, economic and geographic factors on the viability of the hospitality sector. Favourable exchange rates for US, UK, European and Australian tourists should have provided a much-needed boost for hospitality operators in Southeast Asia, especially during the winter season in the northern hemisphere. However, due to the impact of the regional forest fires, doubts about political instability in Indonesia and Thailand, the promises of increased hotel occupancy in these regional countries have not been fulfilled (eg Nankervis, Wan and Ong 1999). Even intra-regional tourism has been reduced due to currency exchange rates and active attempts by the Indonesian and Malaysian governments to dissuade external travel and encourage inbound tourism. In the depths of its economic difficulties, and largely
because of them, the Thai government launched an extraordinary, "Amazing Thailand" tourist campaign, based upon its recognition that "the flotation of the baht will bring more visitors to Thailand" (Far Eastern Economic Review, 15.1.98; 50). The optimistic predictions of the Tourism Authority of Thailand (TAT) included an increase in tourist arrivals by 6.3% (7.7 million people) in 1998 and another 7.3% in 1999, with revenue of 582 billion baht between 1998-2000. Surely an example of turning a misfortune into an advantage.

Undoubtedly, such government pressures reflect social imperatives and reinforce them. In addition, negative perceptions of hotel occupations (eg. Singapore, Malaysia, Indonesia, Australia and New Zealand) and associated cultural factors (eg. "face", status, collectivism) provide difficulties for hoteliers in attracting high quality employees. This problem is exacerbated by the nature of hotel employment (discussed in detail later in this chapter) which is most commonly characterised by low wages, casualisation of the workforce, gender differentiation and the absence of incentives for long-term, integrated, hotel career management.

As an illustration of the poor image of hotel occupations, the author's research in hotels and resorts in several regional locations (eg. Indonesia, Singapore, Malaysia, Australia and New Zealand) discovered that in all these countries, the notion of "service", and in particular service in the hospitality sector, is almost universally regarded as unfavourable (Nankervis 1993). As one former Singaporean researcher (Debrah 1994) found that, "... serving people has traditionally been perceived as degrading work in Chinese culture... low social status. There is also a moral element. Many conservative parents do not want their children to work
in hotels. Similarly, many men do not want their wives to work in hotels. *These people see hotel jobs as one step from working in a nightclub.*"

The image of hotel occupations is, however, variable between different locations within the Southeast Asian region. Whilst status and “morality” issues may be crucial in locations such as Singapore, Hong Kong and Brunei, the below-average salaries offered and the relative lack of career opportunities are of more importance in countries such as Australia and New Zealand.

Negative images of “service” work, especially in hospitality, have to a degree been addressed in countries such as Australia and New Zealand by proactive government and industry association promotional strategies, a burgeoning hospitality trade training sector, and continuing high levels of unemployment in other industries. Malaysia and Thailand have both actively promoted the advantages of hospitality careers, and at various times, recycled the notions of the “natural” friendliness of their nationals (eg. “Thailand - land of smiles”, “Amazing Thailand”, etc).
Micro Issues in the Hospitality Sector

Service Quality as Product

The defining characteristic of this sector, its “hospitality” (or “service quality”), is at once its greatest strength and its most vulnerable Achilles heel. However, except at the lowest end of the sector (eg. backpacker and youth hostels, small family-run guesthouses), industry professionals have been unable, or reluctant, to accurately define the nature, dimensions and outcomes of their “product” and associated “production processes”. Even the applications of such systems frameworks, unlike manufacturing and retailing, have historically been resisted by many hoteliers, perhaps due to snobbishness or the perceived difficulty of the task.

It is therefore perhaps not too surprising that managers “... appear to have easily succumbed to the short-term pressures of property owners by focusing on cost-minimisation rather than productivity improvement strategies...” (Timo and Nankervis 1995:24)

However, as many industry authors (eg. Zemke and Albrecht 1985, Gronoöö 1990, Heskett et al 1990, Callan 1996) have pointed out, the service encounter or the “moment of truth” (Carlzon, 1987:12) is simultaneously the product and the production process of the hospitality sector, unlike the differentiation present in other industries such as banking, retailing or transportation. It is also the competitive edge - whether between hotel categories or within the same category, and is provided by an establishment’s human resources. Therefore, if individual hotels are unable to distinguish their unique style and dimensions of service quality, they will be consequently unable to recruit, train, develop promote, reward
and manage their employees' performance in ways which ensure the continuing (and often elusive) service quality so crucial to repeat business and ongoing profitability.

The author's recent research into perceptions (and work dimensions) of service quality, in five star hotels in Singapore, Malaysia, Indonesia, Australia and New Zealand (Nankervis 1993,1994), suggests that very few hoteliers have actually quantified (or specified in job measurable terms) their expectations in this crucial area.

Only one of twenty-five hotel general managers surveyed was able to articulate his vision for service quality further than generic statements about "five star standards", "high quality" or "excellence". This particular manager had translated such broad statements into departmental service missions, from which streamed a series of specific task-related service standards for each employee and each service encounter (e.g. standard responses to guest requests, timed service schedules, room cleaning criteria and luggage delivery times). This particular hotel also completed the service "loop" by actively seeking guest feedback (e.g. check-out questionnaires, guest cocktail parties, general manager - guest contacts, etc). Whilst the specification of service quality "products", and their quantification, is certainly desirable, guest perceptions of the friendliness, approachability and responsiveness of hotel staff, may in some cases override such realities. Thus, hotels in countries such as Malaysia, Indonesia, Thailand and the Philippines may benefit from guest perceptions of the genuine 'friendliness' and approachability of local employees, arguably a cultural phenomenon.

The literature on hospitality research in the last decade or so does, however, provide some guidelines which could usefully assist such hoteliers. Several authors (e.g. Lehtinen and
Lehtinen 1982; Nightingale 1985; Martin 1986; Lewis and Klein 1988) have conducted studies attempting to define the nature of the hospitality “product”. Lehtinen and Lehtinen (1982), for example, divided the service encounter into “physical”, “interactive service” and “corporate quality” dimensions, later refined by Gronroos (1984) as “technical”, “functional” and “image” aspects. Martin (1986) divided the essential components into the “procedural” and the “convivial”, the first more able to be quantified, prescribed and measured than the second.

Zeithaml et al (1990) developed these notions further with their useful, if imperfect, SERVQUAL model which clearly divides service quality into two major components - the tangibles and the intangibles. Tangibles, on the one hand, encompass the “physical”, “technical”, “functional” and “procedural” elements. Intangibles, on the other hand include the “interactive service”, “corporate quality”, “image” and convivial” dimensions of other authors.

The greatest contribution of the SERVQUAL model is in its focus on the elements of the “intangibles” components of the hotel service encounter. The authors divide the intangible factors into nine variables, all of which are capable of translation into quantifiable measures of employee performance - viz. reliability, responsiveness, competence, access, courtesy, communication, credibility, security and “understanding and knowing the customer” - which can then be specified, observed, measured, and appropriately rewarded.

The model lends itself to a competency based approach to the measurement of service quality, including service delivery deadlines and the "completeness" of the service provided; specified
knowledge and skills (e.g., demonstrated problem-resolution and adaptability skills); predetermined guest communication frameworks (including in-room technology & regular guest contacts); cultural sensitivity competencies (e.g., linguistic skills & food preferences); and regular reviews of (especially) repeat guest preferences (e.g., daily reports on ________ guest requirements). Examples of the latter were provided by several of the Southeast Asian hotels studied (Nankervis 1993) which hold daily staff meetings to review personalised guest needs.

All too often, however, it seems that hotel managers and their departmental managers are unwilling (or unable) to operationalise such frameworks in their day to day service encounters with guests.

Arguably, the tangibles are similar within the same hospitality category throughout the region, and act merely as “hygiene” rather than “motivational” factors for all guest categories. Some hotel chains in the region (e.g., Hilton, Mandarin, Southern Pacific Hotels, Sheraton, Hyatt) consciously ensure that their properties conform to global standards of facilities wherever they are located. In many cases, the star rating of such properties (a limited definition of service quality) is predetermined on these bases by the accrediting authorities (e.g., Michelin Guides, Automobile Associations). Thus, a hotel chain with properties in Kuala Lumpur, Penang, Bangkok, Phuket, Singapore, Jakarta and Sydney is likely to have similar facilities and physical standards in all locations. The Hilton chain, in particular, commonly provides reassurance by its physical appearance and standard facilities throughout the world.

The challenge for the hospitality sector in all regions of Southeast Asia is, however, to differentiate individual properties in different locations on the basis of their unique intangible
“products”, related to geography, culture, social factors and the professionalism of their service providers, their employees.

Service Quality as a Production Process

As earlier discussed, the hotel service encounter (the product), rather than being a single ‘experience’ between the guest and the hotel service providers (at check-in, at the restaurant or bar, or at check-out), is really an interactive process involving a series of such encounters which is the best managed hotels appears to be a seamless system of micro-services. This is the “production process” of hospitality, analogous to the manufacturing, delivery and distillation systems of more traditional industries. Few hotels fully achieve this goal, partly because of their failure to recognise the integratedness of their service delivery systems, and partly because of the rigid structures and demarcation between the various hotel departments.

A quantitative approach to this production process might, for example, specify service times for guest check-in, luggage delivery deadlines, synchronisation between room allocation and room cleaning schedules, and the accuracy and efficiency of check-out and billing procedures. In this way, the guest experiences the qualitative satisfaction of feeling that the hotel is efficient, well-prepared, internally consistent and universally welcoming. Certainly, in recent years, the efficiency of all these procedures has been significantly enhanced through computerised communication systems between front office and housekeeping departments, guest access to their accounts via room computers, express check-out and procedures and special systems for dealing with check-in and check-out for disparate guest markets (eg. leisure vs business guests, group tours, etc).
However, the “seamlessness” of hospitality process is not so much tested by the friendliness or efficiency of each individual service encounter, but rather by the apparent linkages between them. Thus, check-in procedures might be performed effectively according to pre-determined and routinised systems but the room allocated might not be ready for occupancy or the luggage delivery slow or inaccurate. Conversely, all these single service encounters might be satisfactory for the guest, but check-out is slow or the bill incorrect.

Some of these problems may be caused by poor communication between front office, housekeeping or food and beverage departments, or a lack of cross-skilling which results in a lack of understanding between staff in different departments. The hospitality industry, in many countries in Southeast Asia, Australia and New Zealand still suffers from a “silo” mentality with few attempts to encourage empathy or experience across the silos. This lack of understanding is exacerbated by substantial proportion of employees employed on casual or part-time basis with only minimal motivation towards holistic guest service. (Timo 1993)

In Indonesia, Thailand and Malaysia (to a lesser extent), the solution to this problem has been to “throw” people at the issue. Most large Indonesian and Thai hotels, for example, employ three or four times the number of staff normally employed in Australian and New Zealand hotels, due to favourable wage levels (Nankervis 1993). Singapore, conversely, has traditionally suffered from labour security in hospitality, together with rising salary levels. Whilst Australian and New Zealand hotels have not in recent years experienced a shortage of available employees, due to considerably higher salary levels and minor pressure, managers have reduced staffing levels and opted for significant “casualisation” of employees primarily
for cost reasons. The following figure (Table 1) illustrates the comparative employee costs between Australian and Asian hotels, the justification for what has been described a “culture of casualisation” (Timo 1993) in Australian hotels, an important determinant of service quality in the hospitality production process.

**Table 1: International Labour Cost Comparison**

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Far East Asia</th>
<th>North America</th>
<th>Europe</th>
<th>United Kingdom</th>
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</thead>
<tbody>
<tr>
<td><strong>Payroll per Available Room (US$):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rooms</td>
<td>4,028</td>
<td>1,962</td>
<td>2,836</td>
<td>3,551</td>
<td>3,430</td>
</tr>
<tr>
<td>F &amp; B</td>
<td>5,325</td>
<td>3,158</td>
<td>4,078</td>
<td>5,989</td>
<td>5,851</td>
</tr>
<tr>
<td>A &amp; G</td>
<td>1,813</td>
<td>1,280</td>
<td>1,236</td>
<td>1,847</td>
<td>1,779</td>
</tr>
<tr>
<td>Market</td>
<td>523</td>
<td>450</td>
<td>643</td>
<td>384</td>
<td>445</td>
</tr>
<tr>
<td>Maint.</td>
<td>614</td>
<td>350</td>
<td>675</td>
<td>629</td>
<td>568</td>
</tr>
</tbody>
</table>

**Payroll as a % of Sales:**

<table>
<thead>
<tr>
<th></th>
<th>Rooms</th>
<th>F &amp; B</th>
<th>Tele.</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>23.4</td>
<td>44.0</td>
<td>21.4</td>
<td>13.0</td>
<td>19.3</td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td>13.0</td>
<td>31.0</td>
<td>11.9</td>
<td>18.0</td>
<td>34.7</td>
<td>30.7</td>
</tr>
<tr>
<td></td>
<td>43.5</td>
<td>30.2</td>
<td></td>
<td></td>
<td>13.4</td>
<td>11.7</td>
</tr>
</tbody>
</table>

**Total Payroll as a % of Total Revenue**

<p>| | | | | | |</p>
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<tr>
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<tbody>
<tr>
<td></td>
<td>37.2</td>
<td>25.8</td>
<td>34.7</td>
<td>31.2</td>
<td>28.3</td>
</tr>
</tbody>
</table>

**Note:**  
(1) All amounts are medians  
(2) All dollar amount stated in US$

**Source:** Horwath International.

**NB:**  
“A & G” refers to Administration/General Staff  
“Market” refers to Sales & Marketing Staff  
“Maint.” refers to Maintenance Staff  
“Tele” refers to Telephonists, receptionists etc.

**Table 1: Payroll as a percentage of revenue & per room**
Whilst the actual number of employees is not necessarily directly related to service quality - eg. several Indonesian and Malaysian hotels report poor guest responsiveness and service reliability, despite large employee establishments (Nankervis 1993) - guest perceptions of hotel efficiency can be enhanced by the sight of ‘busyness’ in the hotel foyer. Job reduction (ie. the distribution of job tasks normally included in a single job description to several employees), often a function of “hidden unemployment” in some countries, is an inefficient practice but can have perceptual advantages. Thus, a guest arriving at an Indonesian or Thai hotel will no doubt be favourably impressed to be greeted by a porter, a bell-boy to open the foyer doors and perhaps even a concierge, having had to carry their own luggage to the front office and perhaps even to their rooms at a hotel in Darwin, Auckland or Sydney. Such perceptions may, however, be destroyed by subsequent experiences.

As this brief discussion indicates, there are numerous inherent problems facing the hospitality sector in all regional countries which need to be addressed, and which can be addressed, through the effective management of their human resources, in order to achieve satisfactory guest market standards as well as predetermined competitiveness, productivity and profitability targets. These issues, and some suggestions for their resolution, constitute the remainder of this article.

**Human Resource Management in the Hospitality Sector**

As Table 1 illustrates, payroll costs alone account for a substantial proportion of overall room costs in all hospitality establishments throughout the world, albeit to different degrees in
different regions. The level of such basic human resource costs in Australia is alarming, especially in view of the minimal staffing levels of most Australian hotels and resorts, and the fact that hospitality workers are amongst the lowest paid of all employees in Australia.

In recent years, some of these costs have been proportionally reduced due to the removal of weekend and evening penalty rates and the negotiation of annualised salaries through newly-determined workplace (or individual employee) agreements in Australia - eg. Sheraton Towers Agreement; Movie World, Sea World, Palm Royale Casino, Crown Casino and Offshore Islands Resorts Industrial Agreements - (Timo and Nankervis 1995). Similar kinds of agreements have been negotiated in Singapore and Malaysia to take account of escalating labour costs, albeit in a more consensual industrial relations climate than in either Australia and New Zealand.

High labour costs are often cited by hoteliers and industry associations as a brake on profitability levels, and this is true, to varying degrees in different countries due to the inherent labour intensiveness of the sector. However, in other cases, it has merely been a convenient excuse for inadequate human resource management (HRM) practices. An argument can be mounted that, especially in developed countries such as Australia and New Zealand, higher wages and incentives remuneration schemes might result in better qualified and more productive (and profitable) employees - the "peanuts and monkeys" argument.

Even in Singapore and Malaysia, where the image of hotel occupations has been less than favourable, and where salary levels have been rising in recent years, competitive salaries are
likely to attract more professional and committed career employees, with consequent benefits for their employers and guests. (Nankervis 1993; Debrah 1994).

Apart from these obvious labour costs, there is a broad range of HRM issues which adversely contribute to add-on labour costs, and thus deprive hoteliers of the profitability levels which they undoubtedly deserve. These issues, and some suggestions for their amelioration, constitute the remainder of this article.

We have already discussed the need for hospitality managers in all regions to more clearly define (and quantify) the nature of their service “product” and associated “production processes”. If the product cannot be specified, the service will not be effectively delivered. This conundrum reflects itself in inaccurate job descriptions, poor job design, inadequate recruitment and selection procedures, unfocused training and development programs and a distinct lack of career and succession planning.

*Job Design, Competencies and Job Descriptions*

In Australia, Tourism Training (Australia) and Standards Australia, together with the Vocational Education Training and Accreditation Board (VETAB), have (to their credit), developed a series of generic hospitality occupational competencies to guide and assist hoteliers with respect to all hotel positions, and to allow employee career development between establishments but still within the industry. In Singapore, the Singapore Hotel Association Training and Education Centre (SHATEC) has similarly attempted to train hospitality employees according to designated and prescribed standards. Malaysia, Thailand
and Indonesia have also developed vocational and tertiary education courses to assist the sector in this regard, as have Australia and New Zealand.

Thus, hoteliers in all parts of Southeast Asia and the Pacific should be well-equipped to design appropriate duty statements, adapted to local guest market and cultural conditions, in order to guide their subsequent HRM practices. Some hotels do have such statements and attempt to operationalise them as a contribution to enhanced productivity and profitability. However, specific and measurable job descriptions are only the first step in maximising employee productivity and organisational profitability.

_Casualisation and the image of Hospitality Work_

Thus, whilst hotels in Thailand, Malaysia and Indonesia are often successful in attracting employees who aim to stay with the same employer for long periods of time (Nankervis 1993), hotels in Singapore and Australia are often forced by labour market issues, seasonal guest markets, or conscious management strategies, to employ large proportions of casual, on-call or part-time employees (e.g. Debrah 1994; Timo 1992, 1994). By definition, casual employees have the advantage of flexibility and short-term costs, but the significant disadvantages of lack of commitment, low productivity, unwillingness to retrain and lack of knowledge of (or interest in) the holistic production process within their employing hotels. As an example, many resort hotels in Australia (e.g. Gold Coast, the Whitsundays, Darwin, Barrier Reef) are able to attract large numbers of itinerant travellers, university students on their long vacations, people "between" jobs, or simply those who desire a short-term "holiday" in an attractive location. With an emphasis on youth, energy and natural
friendliness, these employees often perform well for a limited period and then desert the resort for more attractive designations or more permanent positions.

It can be argued that the time (and associated costs) of constantly recruiting these casuals, despite their relative cost-effectiveness, is more a drain on profitability than an advantage. Committed career employees with professional skills and experience are likely to be more productive, and in the long-term, to indicate the false economics inherent in such “casualisation” strategies. There are, however, some advantages to be obtained from a degree of “casualisation” in seasonal locations such as Penang, Phuket, the Blue Mountains (Australia) and the Genting Highlands (Malaysia). Astute hoteliers will strive to achieve an appropriate balance between a majority of career employees and a smaller, but reliable, cohort of regular casuals or on-call employees.

The appropriate levels of “productivity” required from individual employees, or particular hotel occupations, are closely related to the quantified definitions of service quality discussed earlier.

“Casualisation” as a conscious management strategy can be either as the result of short-term cost-cutting imperatives, or as the result of desperation. In the former case, as already discussed, and depending on the levels of casual employees, it can have adverse morale, service and financial consequences. This is notably the situation in some Australian and New Zealand hotels, especially as the potential hospitality market is increasing with high unemployment levels and a growing number of hotel training institutions (Fryer, Bretherton,
Haynes 1993). In some Australian hotels, the rate of casuals can be as high as 50% (Burgess 1996).

Desperate “casualisation” strategies are employed in Singapore, with the short-term employment of numerous non-Singaporeans (eg. Thais, Malaysians, Indians, Filipinos) due to the unfavourable image of hotel occupations and rising educational levels amongst Singaporeans (eg. Nankervis 1993, Debrah 1994). There have been some tentative moves towards part-time (rather than casual) employees in some Singapore hotels, but this is by no means common (Wan, 1996).

Some other ‘regional’ countries (eg. Thailand, Indonesia) appear to have few difficulties in attracting hotel workers, even at low wages and with few opportunities for career development. This appears to be due to the relatively easier tasks of the hospitality sector (compared to construction, transport or manufacturing occupations), rather than to a favourable image of or a cultural propensity towards service occupations. Few societies or religions encourage “service” mentalities, and some of the cultural characteristics of Indonesia, Malaysia and Thailand actively discourage such activities. Australian traditions of individuality, masculinity and low power distance (Hofstede 1984, Hofstede and Bond 1988) similarly have provided significant obstacles to the attraction of potential employees to the hospitality sector.
Departmental Interface Issues

Apart from the initial distaste of some potential employees for hotel occupations, and at least part of the reason for reportedly high levels of employee turnover (Deery and Iverson 1994), appears to be in the distinct segregation between departments or functions within individual hotels. Many, if not most, hotels, for historic or accounting reasons, clearly separate the functions which constitute the production process of service. Thus, the front office department is separated from the housekeeping and food and beverage departments. Administration, reservations, and maintenance are distinct entities with little apparent relationship to more central functions. Accordingly, staff are rarely exposed to the difficulties or required skills of the separated functions, and seldom (if ever) rotated between hotel departments.

If, as earlier discussed, service is a continuous and seamless process (from the guests’ perspective). Such divisions inevitably reflect themselves in the quality of such service provided. It also has an adverse impact on the attraction of employees to hospitality as a career preference.

‘Internationalism’ of Hotel Employees

Some large hotel chains (eg. Hilton, Hyatt, Mandarin, Sheraton, etc) actively rotate some levels of employees through their various regional properties, in order to expose them to ‘international’ standards of service. Others deliberately encourage their employees to deal with “difficult” guests from different nationalities (especially Japanese, Americans and
Europeans). Both approaches are useful HRM devices to ‘internationalise’ their employees, many of whom (especially in Indonesia, Malaysia and Thailand) have little understanding or personal experience of the preferences of their guests. In Bali and Penang, for example, many hotel managers bewail the limited perspectives of their employees who have little experience beyond the “kampong” (Nankervis 1993). In Australia and New Zealand, understanding of the needs of Japanese or Korean guests may be similarly minimal.

However, in both capital city and resort hotels throughout Southeast Asia, Australia and New Zealand, increasingly the majority of guests will be from overseas, with expectations of ‘international’ or global standards of service quality. A variety of managerial strategies - rotation between properties, deliberate exposure to different guest nationalities, simulations and intensive training programs - are required to further ‘internationalise’ employees, together with internationally-focused hospitality training programs such as are offered, for example, at the Faculty of Hotel and Tourism Management, Prince of Songkla University (Phuket, Thailand), and the various International Hotel Schools throughout the region.

Training and Career Development

Partly as the result of the employment of large proportions of casual, part-time and “on call” staff in the hospitality sector, and partly due to the semi-skilled nature of many hotel occupations (eg. food and beverage, housekeeping), training and development activities have generally not been given a high priority in this sector. It has been assumed that the industry can rely either on “graduates” from an increasing number of vocational or industry functional
training institutions (e.g. TAFE Colleges, polytechnics, international hotel schools, SHATEC, Tourism Training Australia, etc), or on simple on-the-job training within particular hotels.

Both assumptions, however, ignore the complexity of the service-as-product (or as a series of production processes) argument and the need for individual hotels to “value add” their employees for both productivity enhancement and maintenance purposes. Training provides the means by which individual hotels can ensure the consistency and reliability of their (differentiated) service product, and assist in reducing overall aberrant employee turnover and wastage rates.

Properly conceived and implemented, training and development programs in this sector, regardless of their location, can provide three significant advantages to astute hoteliers. First, they can provide employees with performance incentives, and their guests with higher quality service through the timely provision of upgraded functional skills or competency development.

Second, if linked with cross-skilling (or job rotation) between the different departments of the hotel, such programs can effectively enhance the understanding of (and cooperation between) employees working in different departments towards the total hospitality “product”. This can have synergistic benefits on effectiveness, efficiency and overall productivity.

Third, a truly strategic human resource development plan would entail clear and individually-tailored linkages between specific training activities and subsequent career development programs for all employees. If successfully designed, such linkages would arguably both
increase the retention rates of good performers and enhance the quality of their service to guests. Inevitably, the association of training and development with career management also implies a linkage with employee remuneration and rewards systems, as discussed in a following section.

Hotel careers are rarely progressed between the discrete departments (eg. front office, food and beverage, administration, reservations, housekeeping) of their properties, mostly being confined within them. This is characteristic of hotels in all regional countries, including Australia, New Zealand, Singapore, Indonesia, Malaysia and Thailand (Nankervis 1993; Timo and Nankervis 1995). It may be an historic legacy of the hospitality sector from its Northern Hemisphere influences, but it is arguably old-fashioned, inefficient, and certainly contradictory to the objectives and self-interests of the hospitality sector.

Some studies (eg. Ladkin and Riley 1996) suggest that career management is not only severely restricted overall, but that the overwhelming majority of hotel general managers come from “food and beverage” departments, to the severe detriment of employees from housekeeping, front office, accounting and marketing departments.

Performance Management Issues

As discussed earlier, performance (and productivity) in the hospitality sector can only be successfully evaluated and effectively managed if the “performance” itself can be quantified and specifically determined. If not, then performance appraisal is only concerned with the
vague and qualitative (subjective) dimensions of service quality, the result of limited (and usually negative) guest feedback or occasional observation by hotel management.

Performance appraisal is notoriously subjective, unreliable and biased (Nankervis, Compton and McCarthy 1999) in all industries, but even more so in the hospitality sector with its indeterminate product, hierarchical traditions and segmented structures.

An additional problematic dimension is added in many Southeast Asian hotels with a cultural obstacle to appraisal, based upon the concepts of “face” and collectivism rather than individual responsibility (Hofstede 1984; Hofstede and Bond 1988; Brake and Walker 1995). If the process of service in hospitality itself is too difficult to accurately define, then the compounding influence of cultural disincentives renders performance appraisal, and performance management close to impossible. Associated functions such as discipline, counselling, or termination of employment, then become not only impossible but also destructive to group morale and productivity. Whilst these may be cultural issues in countries such as Indonesia, Malaysia, Thailand and Singapore, they assume industrial relations dimensions in Australia and New Zealand.

Performance management can, and should, be a positive and developmental process leading to future promotion and career development programs, but in the hospitality sector it remains hugely problematic.

*Remuneration and Rewards*
In most regional countries, with the possible exception of Singapore, the salary levels of hotel employees have historically been amongst the lowest of all industries. This situation reflects both the image of hospitality occupations, and their assumed tasks, and tends to reinforce both.

However, as the hospitality sector grows in prominence, and thereby assumes more sophistication in all regional countries, such conditions are likely to change. Recognition of the complex competencies required in service delivery combined with a desire to attract and maintain committed career employees will inevitably force an increase in the salaries of hotel employees, together with more attractive conditions. In Australia and New Zealand, enterprise-level agreements in hotels and resorts have already traded off penalty rates (eg. overtime, weekends and holidays) for annualised salaries, productivity bonuses and a range of non-monetary rewards. In other countries, wages may remain low, but incentive remuneration programs may supplement basic wages.

The establishment of both enhanced wage and salary packages for all levels of hotel employees, in all regional countries, together with a broader range of non-monetary rewards (eg. flexible leave provisions, access to hotel facilities, social occasions, employee recognition programs and greater job responsibilities and authorities) are likely to enhance both productivity and employee retention.

Managing Quality, Productivity and Performance in Hospitality
Foregoing discussions have highlighted the complex dilemmas confronted by this volatile and increasingly economically significant sector of all Southeast Asian and Pacific Rim nations. As a case-example, the hospitality sector of the tourism industry exemplifies the broad issues faced by all industries in the region in response to dynamic external and internal environments.

It demands innovative, entrepreneurial and commercially-focused solutions to ensure its viability and profitability. In particular, as an inherently labour-intensive industry, hospitality managers need to pay considerably more attention to the quality, performance and productivity of its service providers, its human resources. Unfortunately, as evidenced throughout this article, the human resource management (HRM) practices of the industry often leave much to be desired. One commentator goes so far as to suggest that “... innovative human resource management models and practices have appeared to largely pass this industry by ...” (Timo 1995:7).

There are, however, in some regions and at some individual hotels, examples of “best practice” HRM (eg comprehensive selection procedures, ongoing staff development, cross-departmental career plans and performance based remuneration systems and recognition schemes) which can illuminate the perceptions (and procedures) of astute hotel managers with respect to the management of their employees, and thence the overall management of their establishments. The ongoing success of the hospitality sector, whether in Australia, New Zealand, Singapore, Indonesia, Malaysia, Thailand or Vietnam will depend on the effective application of such strategies.
Overall, there is a series of broad HRM imperatives and practices which may assist the future success of the hospitality sector in all regional nations, undoubtedly implemented in socially and culturally different ways. Productivity and competitive pressures demand innovative and entrepreneurial responses. Labour utilisation, in particular, needs enhancement through increased flexibility - numerical, functional and financial (Atkinson 1984) - and the development of associated individualised performance pay systems as retention and motivational HRM tools. As examples, comprehensive Human Resource Planning (HRP) systems could be established to determine the actual numbers of employees required at any point in time, and appropriate systems developed to identify and prepare suitable employees when and where required. Numerical flexibility, to cater for the inherent seasonality of tourism, needs to be considerably more complex than the mere employment of on-call or casual employees in periods of high demand. Permanent part-time or job-sharing options could be further utilised in hotels in all regional countries to permit the necessary numerical flexibility of labour without the adverse effects of casualisation.

Functional flexibility implies multi- and cross-skilling within and across hotel departments (eg. front office, food and beverage, housekeeping) as a routine and systematic induction and employee development strategy, with its inherent benefits of inculcating a holistic perspective of hospitality production processes and providing all employees with a broader range of potential career options. This aids not only service quality and employee retention, but also employee morale and commitment, and may offset seasonal labour demands. In practice, especially in hotels in Singapore, Indonesia and Australia, such strategies can serve to regularise existing informal "dual" hiring arrangements - eg. the full-time front desk clerk who augments their income with casual "moonlighting" as a waiter in the hotel restaurant.
Financial flexibility, achieved in both the above strategies, can also enhance employee morale and productivity, with the implementation of performance-based pay systems which distinguish between 'high' and 'low' performers. These systems can be individually-based (in Australia and New Zealand), team-based (in Indonesia, Malaysia, Thailand) or provided in the form of bonuses based upon seasonal hotel financial performance. They can apply on weekly, monthly or annualised bases, and can be distributed as monetary or non-monetary (eg. prizes, gifts, special leave, vouchers for hotel services, etc) rewards. Necessarily, the nature of these schemes needs to be customised to particular regions or hotels. Financial flexibility also implies the need to comprehensively review the comparable salary rates of employees in all occupational categories, taking account of market factors such as qualifications, experience, skills development and prior performance.

A recent initiative in many Australian and New Zealand hotels, usually included in workplace agreements, has been the progressive recognition and reward of functional competency development through structured vocational training, accredited nationally (and potentially internationally) by registered industry associations (eg. Vocational Education and Training Board, Tourism Training Australia). Such schemes could potentially be extended in many regional countries and through the large hotel chains to permit employee mobility between hotels in different countries, thus enhancing their international understanding and occupational applications.

In Australia and New Zealand, hotels have recently benefited from a new spirit of cooperation and consultation between management and unions, allowing significant changes to previously
rigid employment conditions and remuneration systems. In Singapore, Indonesia, Thailand and Malaysia, cooperative unions provide an ongoing competitive advantage which should be carefully nurtured to ensure continued optimisation of the employer-employee relationship.

In addition, the image of hotel occupations as attractive, reputable and professional employers needs to be promoted, ensured and maintained by a combination of government policy, industry association campaigns and individual hotel HRM practices appropriate to local social and cultural circumstances. The provision of TAFE/Polytechnic and university training programs in Singapore, Thailand, Malaysia, Indonesia, Australia and New Zealand, has already gone far towards this objective. Successful outcomes can, arguably, be achieved by such HRM practices as clear but flexible job design; the multi-skilling of all levels of hotel employees; ongoing in-house training and monitoring; practical career pathing; and attractive reward systems. However, without associated and innovative HRM practices in individual hotels to reinforce this objective such initiatives will have been in vain.

The above broad HRM strategies are predicated on the ability of hotel managers to operationalise these imperatives, including the precise definition of their service product and its associated production processes, and thence to implement socially and culturally appropriate HRM systems which will attract, retain, motivate and reward professional service providers, according to the diverse needs of their guest markets.

By adopting a range of innovative and integrated human resource management strategies and practices - from job design, recruitment and selection, human resource development and remuneration and rewards - appropriately fine-tuned to the local conditions and labour market
characteristics, the hospitality sector can better position itself to withstand the vagaries of political, economic, social and guest market influences. In so doing, they will undoubtedly enhance the quality of their unique product, the continued satisfaction of their guests, and the profitability of their operations. Failure to do so will be tantamount to negligence.

Summary and Conclusions

This article has explored the dynamic nature of the hospitality sector in Southeast Asia and the Pacific Rim, its generic and esoteric characteristics. The immense challenges faced by this sector of the tourism industry in response to changing political, economic and social environment - globally, nationally and locally - demand the attention of hotel managers.

Amongst these challenges, and perhaps the greatest of them, is that of the management of human resources towards the delivery of “best practice” international quality guest service in all regional locations. HRM has historically not been the highest priority in this sector. However, as competition increases and profitability becomes paramount, astute hoteliers would be well advised to pay it crucial attention.

Labour flexibility, high quality hospitality services, cost-effectiveness and employee commitment are likely to be the outcomes of creative HRM strategies, regardless of local or regional differences. As Dunphy (James 1993) suggests:
“... cost-cutting is only the first bite of the productivity apple. The big question is, what do you do next to improve quality and timeliness and increase customer satisfaction?”

This is the mission of hospitality managers, should they choose to accept it.

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"DREAMS & REALITIES: VULNERABILITY & THE TOURISM INDUSTRY IN SOUTHEAST ASIA"

A FRAMEWORK FOR ANALYSING AND ADAPTING TOURISM MANAGEMENT TOWARDS 2000

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Graduate School of Business
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ABSTRACT

This paper presents an analytical framework for "vulnerability" in the tourism industries of Southeast Asia. Focusing on three specific regional case-examples - viz. currency crises, airline disasters and traveller experiences in overseas tourism - the paper examines the predominant trends which impact upon the tourism industries of countries such as Australia, Indonesia, Singapore, Malaysia and Thailand.

It represents a framework for the analysis of vulnerable factors in tourism and hospitality (eg. economic factors, geographic issues, political and social aspects, physical security and traveller preferences, the interfaces between travel and hospitality), and then proceeds to examine how these inherent "vulnerabilities" might be effectively addressed, in both the short- and longer-term.
A “Crisis Management” theoretical approach is used to illuminate potential problems and thence to infer appropriate solutions.

**Key Words**

INTRODUCTION

Recent currency crises in many Southeast Asian nations (eg. Thailand, Malaysia, Indonesia), perceptions of social or political instability (eg. Myanmar, Cambodia), ideological differences (eg. Vietnam, People’s Republic of China) and even smog levels (eg. forest fires in Sumatra and Kalimantan in 1997) inevitably have repercussions on regional tourism industries.

These effects may not always be adverse - currency fluctuations, for example, may actually enhance inbound tourism from less affected regions (eg. The Australian, 23.8.97, 9; Travel Week, 27.8.97, 4; Australian Financial Review, 30.10.97, 40); perceptions of political instability in countries like Myanmar and Cambodia may benefit more stable destinations such as Malaysia, Singapore or Australia; active promotional campaigns such as the recent “Marvellous Thailand” campaign (eg. TAT, 1998; Asian Business Review 1998) may attract foreign currency to redress the causes of the initial problem. Conversely, Australia’s tourism trade from Southeast Asian nations has been reduced as a consequence of unfavourable currency exchange rates (Tourism Task Force, 1998), and to a lesser extent, due to perceptions of physical danger in some locations (eg. Gold Coast, King’s Cross) and the ‘Pauline Hanson factor’ (eg. Herald Sun, 18.10.96, 21; Herald Sun, 19.10.96, 9). Singapore’s tourism potential has been lessened by perceptions that it is less exciting than neighbouring destinations. Despite admirable promotional efforts, Sentosa Island remains less attractive than Bali, Penang, Phuket or Pattaya.

Such pressures on the tourism industry may be either short-term or enduring, but they are seldom linear or simple. More often than not they result from extremely complex relationships between a host of global, regional, local and industry variables which contain both controllable and
seemingly uncontrollable factors threatening even the best laid strategies and plans of
government, industry and individual tourist agency managers. In essence, they highlight the
inherent fragility and complexity of this increasingly crucial sector of all regional economies
(Go, Jenkins 1997; Griffin T, Darcy S 1997).

This paper presents work in progress towards an analytical framework incorporating many of the
variables which characterise the tourism industry in all regional countries, and which almost
inherently predispose it to vulnerability (eg. BRW 1988, AFR, 1993). This framework
encompasses both external and internal industry factors, and suggests strategies which can be
adopted to protect and to buffer the industry from the most severe impacts of these pressures.
The “vulnerability” framework is derived from a variety of conceptual and empirical sources.
Conceptually, its origins lie in contingency, systems, chaos and crisis management theories. It is
empirically based on the limited amount of research on tourism management, both globally and
within the region. Potential applications of this framework when fully developed, both as an
analytical tool and as development methodology for tourism, are broad, but for the purposes of
this paper will be restricted to three disparate elements - viz. currency crises; airplane disasters;
and the relationships between tourism and hospitality.

NATURE OF THE TOURISM INDUSTRY

The tourism and hospitality industry, almost by definition, is characterised by a unique degree of
“vulnerability” at all levels of its operations (eg. Griffin T, Darcy S 1997; Hall 1994).
Considering vulnerability as the broad exposure to risk, the industry is inherently sensitive to
international, regional and national pressures and susceptible to the impact of political, socio-
economic and market developments. Ironically, even as it grows in size and economic importance, risk exposure increases rather than decreases.

Some, or all, of these risk factors increase the vulnerability of some (or all) levels of the industry either predictably or unpredictably (the “butterfly effect” of chaos theory). As examples, the recent smoke haze over much of Southeast Asia has, together with the currency crisis, perhaps both enhanced and threatened tourism in Thailand, Malaysia and Indonesia, inbound or outbound (eg. AFR, 6.10.97, 14; AFR, 13.10.97, 8). Similarly, the incorporation of Hong Kong into the People’s Republic of China (PRC) has apparently adversely affected tourism in Hong Kong but not the PRC (eg. ABR, 15.1.98, 14).

“Vulnerability” can be experienced at the industry (macro), the interface (mosaic), at the individual agency or organisational (micro) level, or at all three levels. “Interface” here refers to the often problematic linkages between industry sectors - eg. between travel agents, immigration officials, airline operators, hotels and tour operators. As an example, a first time traveller to Phuket may experience a series of unfortunate interface incidents from slow check-in procedures, delayed flights, lost luggage, abusive customs officials or health problems and unfriendly hotel staff, which predispose them against a repeat visit. The converse is hopefully (more often than not) also true, but the disparate and disconnected nature of tourism service providers cannot easily ensure this.

Risks are aggravated at all levels by the non-tangible qualities of the “product” (Zeithaml et al, 1990), and the “mosaic” (or “jigsaw”) rather than linear, configuration of its internal linkages. Thus, just as every service encounter is unique, so are the links between a series of such
encounters (i.e. a holiday or a business trip, involving reservations, travel, accommodation, tours and dining), and each stage is “managed” by a series of unrelated service providers.

AN ANALYTICAL AND DEVELOPMENT FRAMEWORK FOR “VULNERABILITY” IN THE TOURISM INDUSTRY

Figure 1 encapsulates our thoughts towards a framework which will assist managers in the tourism industry to analyse potential (and actual) macro- and micro-threats to their profitability and long-term survival prospects, and implies strategies which they may choose to adopt.

The horizontal axis encompasses the range of macro-issues which continually provide either threats or opportunities (and sometimes both) to the entire tourism industry or its component parts and regions. Thus, “vulnerability” may be exacerbated or reduced by such factors as:

- international, regional and national political issues (eg. level of security and stability, government priorities and funding, ideological factors)
- global and domestic economic issues (eg. currency fluctuations, comparative buying power of consumer markets)
- social and cross-cultural issues (eg. preferences for domestic and/or international tourism, xenophobic attitudes, religious priorities)
- guest market issues (eg. leisure/business travel, packaged tours vs backpacking, ecotourism and adventure travel); and
- tourism product issues (eg. new vs old locations or properties, service quality - pricing aspects, reliability and consistency factors)
Figure 1
An Analytical Framework for Vulnerability in the Tourism Industry

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cross-cultural issues

INDUSTRY (Macro)

INTERFACE (Mosaic)

ORGANISATION (Micro)
• **industry structural** issues (eg. relationships between tourism and hospitality segments, public vs private providers, strategic global and domestic operator alliances)

• **geographic** locational issues (eg. relative attractiveness, tourism infrastructure, images)

• **physical** issues (eg. new vs old properties, ease of travel, guest security, terrorism threats)

Most destinations and their tourism providers will be affected by some or all of these factors, often on ongoing bases. As examples, Singapore as a tourist destination has the perception of a politically stable, economically secure and relatively safe environment, Asian but also international. Jakarta, on the other hand, has been perceived as less politically and economically stable but with more long-term business possibilities and with access to a broader range of opportunities in Java and Sumatra. Sydney possesses relative political and economic stability, a broad range of add-on tourist facilities but with less “exotic” Asian characteristics.

While the horizontal axis of the framework illustrates the range of potential threats to the industry, the **vertical axis** reflects the depth of the impact of each variable on the discrete levels of the tourism industry - ie. industry, interface and individual organisation.

The calculation of the potential impacts of macro-issues on the separate levels of the tourism industry also involves some evaluation of the degree of their immediate and long-term effects, and should properly be built into strategic planning at all levels. These effects are included in the framework as “ripple”, “cascade” and “torrent” effects. “Ripple” effects generally affect several sectors, or regions, of the industry but minimally and only in the short-term. “Cascade” effects usually have an impact over more sectors or regions and can last longer, whilst “torrent” effects can have substantial and long-term consequences. As examples, the resumption of Hong Kong
by the People’s Republic of China in July 1997 appears to have had an adverse “ripple” effect on air travel and hotel bookings in Hong Kong (ABR, 15.1.98, 14); smog levels from Sumatran fires may have had a “cascade” effect on all tourism sectors in all surrounding countries (Australian, 7.10.97; AFR, 6.10.97); a series of air disasters in different parts of the world will undoubtedly have a “torrent” effect on all sectors of tourism throughout the world. The following three case-examples illustrate the analytical features of this paper’s framework (Figure 1) in relation to: Economic (Case 1: Currency Crises), Physical (Case 2: Security) and Industry Structure (Case 3: Traveller Trends and Preferences).

CASE 1: CURRENCY CRISES AND TOURISM IN SOUTHEAST ASIA

Tourism in Southeast Asia has historically attracted travellers from outside the region, between and within regional countries, and itinerant commuters on the “Kangaroo route” from Australia and New Zealand bound for the United States, United Kingdom and Europe (and vice versa). A mixture of business and leisure guests, backpackers, honeymooners, would-be joint venturers, expatriates, nervous university students and retired, wealthy tourists have frequented the numerous five star hotels, guesthouses and youth hostels spread from Bali and Jakarta; to Singapore, Kuala Lumpur, Penang, Phuket, Pattaya, Bangkok; thence to more ‘adventurous’ locations such as Myanmar, Cambodia, Laos, Vietnam and the People’s Republic of China. The comparative safety, ‘internationalism’ of facilities and associated infra-structure, competitive pricing and breadth of add-on tourist sights in all Southeast Asian countries have ensured repeat guest business and the consequent centrality of tourism to national economic prosperity (eg. Go and Jenkins 1997; Griffin and Darcy 1997).
A significant attractor to increasing tourism in Southeast Asian destinations in recent years has been the favourable currency exchange rates for visitors from the United States, the United Kingdom, Europe and Australasia. In addition, sunny climates, friendly and attentive hotel employees, the prospect of "exotic" locations and 'bargains' (e.g. clothing, food, electronic goods, etc) have provided powerful incentives for visitors to locations such as Bali, Kuala Lumpur, Pattaya, Penang, Phuket and Bangkok. The perceived political stability of most of these countries, together with their relative physical security has assured tourists of the attractiveness of these destinations. With differentiated but regular guest markets, both resort and capital city locations in Southeast Asia have benefited from these characteristics (e.g. Seow, Tucker and Sunberg 1984).

In late 1997 and early 1998, however, guest perceptions have begun to change, with the association of currency and socio-political instabilities. Whilst the depreciation of the Thai and Indonesian currencies should have increased the levels of tourism within those countries and their tourist destinations, especially for non-regional inbound tourism, the associated concerns about political and social instability may have simultaneously deterred nervous tourists and business travellers (e.g. AFR, 12.12.97, AFR, 24.10.97, 92; SMH, 7.11.97, 4).

Broad economic pressures on the various governments in the region have provoked diverse responses in relation to the tourism industry. Thus the Thai government has proactively sought to attract more inbound tourism, and thence more foreign currency, both within and outside Southeast Asia, with its "Marvellous Thailand" (TAT, 1998) promotional campaign. Both Malaysia and Indonesia have focused on restricting overseas outbound tourism. Dr Mahathir, for example, has urged Malaysians to stay home (Far Eastern Economic Review 15.1.98), and
Indonesia has launched a “love the rupiah” campaign and provided limits on the amount of currency that can be taken outside the country. Anecdotally, all three countries, far from reducing holiday or business traveller costs to induce tourist spending, have either increased local prices for intending travellers and/or quoted costs in US dollars in order to recover some financial advantage.

Arguably, both inbound and outbound tourism provide significant financial returns to local providers, including income for airlines, governments, travel agencies and hoteliers in their various destinations. In Indonesia, for example, specified tourism taxes (eg. 2% taxes on hotel accommodation as a tourism surcharge) and a departure levy for outbound locals (US$150) have for some time provided a valuable return to government agencies, both subsidising associated costs and adding to overall revenue. Disincentives to travel from Indonesia, without associated incentives (as in Thailand) for inbound tourism only serve to diminish the overall contribution of the industry to its faltering economy. At this time of unstable regional currencies, tourism may provide one of the means by which financial stability can be assisted. Given the centrality of tourism to many regional economies, now should be the time for proactive economic policies to redress downturns (eg. TAT, 1998; Go and Jenkins 1997).

For the hospitality sector, in particular, disincentives to inbound tourism provide substantial threats for individual hoteliers, resort operators or even entire regions. Disincentives for outbound business or leisure travel from Southeast Asia also have significant short- and long-term effects on the profitability of Australian and New Zealand hotels. If joint venture opportunities between Southeast Asia and Australasia are to recede as a consequence of
fluctuating exchange rates, then both geographic regions will suffer, within the context of the global economy (eg. Griffin and Darcy 1997).

Already, Australian tourism peak bodies (eg. Tourism Task Force, Tourism Council of Australia) are predicting substantially reduced levels of tourism (and thence hotel occupancy) to Australia from Southeast Asian nations stretching to the Olympic Games in 2000 (eg. The West Australian, 25.10.97, 5; AFR, 12.12.97, 42; AFR, 24.10.97, 92). In the immediate term, the Commonwealth Games in Kuala Lumpur in 1998 may be adversely affected. On the other hand, supportive government policies such as those implemented in Thailand may prove effective in reversing this negative trend. In an already competitive regional tourism industry, Thailand may be the “winner” as a consequence of the more proactive policies adopted by its government (eg. TAT, 1998).

In relation to the proposed framework of “vulnerability”, Thailand’s relative political stability (less than Malaysia, but more than Indonesia) may be the determining factor for enhancing tourism to its discrete destinations. At this time of uncertainty, the prime imperative of hoteliers should be to emphasise the security, relative economy and unique attractions of their locations and properties, and to optimise their comparative advantages against their competitors. As examples, hoteliers could focus on their traditional target markets (eg. older, wealthier and longer-term guests in Penang, Phuket and Sanur; younger, short-term travellers to Bali and Pattaya; business visitors to Singapore, Bangkok and Sydney) and maximise their comparative regional advantages (eg. political stability in Thailand, Malaysia, Singapore and Sydney).
The currency crisis can be characterised as a short-term “cascade” (rather than a longer-term “torrent”) effect with significant advantages for inbound tourism, provided that all hotel guests are assured of their personal safety, enjoyment and satisfaction within defined parameters well-communicated to travel agencies, government authorities and tourism operators. In this way, the perceptions of their diverse guest markets may be reassured and the continuing returns of hoteliers guaranteed. If these outcomes cannot be achieved, the tourism industries of Southeast Asian nations will inevitably suffer from the adverse perceptions of their potential guests.

Some regional countries (eg. Malaysia, Thailand, Singapore, Australia) are better positioned than others (eg. Indonesia, Myanmar, Cambodia) to benefit from these endeavours, but all tourism industries (and their component parts) will need to develop appropriate strategies which will enable them to overcome, and profit from, the opportunities and disadvantages offered by such currency exchange rate fluctuations. If they fail to do so, it will be the result of short-sighted government policies, inappropriate industry strategies or unresponsive hospitality managers (eg. Go and Jenkins 1997, Griffin and Darcy 1997).

CASE 2: AIRPLANE DISASTERS AND TOURISM IMPACTS

Whilst it can be argued that currency fluctuations have a short-term cascade effect on all components of the tourism industry, and that some (at least) of these effects can be beneficial to the countries involved, the impact of airplane disasters are more long-lasting, and combined with other factors (eg. political instability, social problems, physical security issues) can provide torrent impacts on the entire tourism industries of the concerned countries.
As examples, the two domestic airline disasters which occurred in Indonesia during 1997 (Garuda Indonesia crashes in Java and Sumatra) and the single Silk Air crash in Sumatra, have arguably affected the tourism industries of Indonesia and Singapore in different ways.

Whilst the Garuda disasters were domestic, and the Silk Air crash international, the impacts on tourism have been both similar and different. Usher (1997; 56) suggests that: ".. the terror of cruising through the clouds one moment and nose diving earthwards the next is as primordial and petrifying as the nightmare of (a shark’s) dorsal fins and triangular teeth”, notwithstanding the statistics on airplane safety (eg. 15 times safer than driving, and 300 times safer than riding a motorbike - UK Flight Safety Foundation). However, passenger perceptions of the relative safety of regional airlines and their destinations’ security and attractiveness plays a large part in their choice of subsequent locations and carriers.

Thus, Garuda Indonesia (international) has a relatively unblemished record in the last decade, whilst Silk Air is a new international/regional carrier. Garuda is, however, associated (in potential traveller’s minds) with the socio-political unrest in Indonesia, recent smoke haze problems and the comparatively less attractive tourist destinations in Java and Sumatra. Silk Air, by contrast, is closely associated in travellers’ minds with its parent company (Singapore Airlines), and with the political stability, orderliness and efficiency of the Singaporean state. Singapore is also perceived by international travellers as the “hub” of Southeast Asia, which Singapore Airlines and Silk Air services.

Of consequence here also is the proliferation of alternative airline service which serve the different regions in which both Garuda Indonesia and Silk Air operate. For example, Bali, and to
a lesser extent, Lombok, are the destinations of choice for Australian, regional, and European tourists. Qantas and Ansett airlines (Australian) compete vigorously with Garuda Indonesia on these routes, but no such similar competition is experienced by Silk Air in its esoteric regional routes - eg. Phuket, Jakarta, Penang.

Accordingly, it is perhaps not too surprising that the effects on Garuda Indonesia and Silk Air, as a consequence of their recent airline disasters, has been quite diverse. Garuda has experienced a dramatic reduction in traveller demand whilst Silk Air (and Singapore Airlines) have experienced only a short-term decline.

In these cases, it may have been more useful for both airlines (and their governments) to emphasise their previous good safety records, to reduce travel charges, or to provide attractive and competitive tourism “packages” emphasising both the comparative advantages of their airlines and the “exotic” features of their destinations. Neither airline has so far capitalised on these features nor promoted the advantages of flying with these airlines (Rosenthal U, t'Hart P, Kouzmin A, 1991; Rosenthal U, Kouzmin A 1993).

CASE 3: TOURISM AND HOSPITALITY: A FRAGMENTED INDUSTRY

Unlike the two previous examples, this case study illuminates the inherent fragmentation and segregation of the tourism industry, and illustrates the impact of “vulnerability” on all of its sectors. It can be empirically demonstrated and will subsequently be, but in this paper it is based upon a theoretical analysis of the problematic interfaces between its disparate elements.
As earlier inferred, the tourism industries of all countries in the region (and globally) are characterised by interdependence between nations, and between sectors of the industry. Thus, inbound tourism to Thailand or Malaysia may be associated with leisure and/or business tourism to Singapore, Australia, the United States or Europe. Such tours inevitably combine travel arrangements with hotel bookings, restaurant visits, and/or associated business and leisure packages. Almost all such combinations will involve the merging of public and private sector tourism agencies (e.g. immigration/customs officials, taxi and coach services, hospitality institutions, travel agents and regional airlines) within a fragmented but apparently integrated “system” of tourism service delivery. Both public and private sector agencies may attempt to provide the optimum service quality (Zeithaml et al., 1990) in their discrete contributions to the tourism “product” - integrated by the responsible government coordinating and promotional campaigns - but few of the relevant “actors” in this process can guarantee the maintenance of consistent customer orientation (e.g. Heskett et al., 1990) and quality across the various tourism components which constitute the industry in any regional country (or across diverse nations).

The multiple “interfaces” between the travel agents’ best laid plans; the relative efficiency of travel and tourism operators; the equity or friendliness of immigration or customs officials; the timeliness and safety of airlines; and the service quality of hospitality institutions, will affect (positively or negatively) the experiences of erstwhile tourism clients. Even in the relatively simple first overseas visit of a tourist from Japan to Australia, the perceptions and actual experiences of this interface may be crucial.

As an illustrative example, the naive tourist leaves Japan, singly or as part of a group tour, having planned for a pleasurable and safe one-week visit to Bali, Sydney and Cairns. His (or
her) experience includes a pleasant and efficient flight to Denpasar, some “hassles” from suspicious immigration officials, a mild case of gastroenteritis in Bali but overall a friendly reception amongst the shopkeepers and restaurateurs, and subsequently, a robbery in Sydney and a delayed return flight to Japan. Will this tourist recommend Bali or Sydney to his (or her) friends and relatives in Japan? What can the tourism “industry” in either country do to redress (potential) negative perceptions? Will they even be aware of these issues?

The issue here is that the complex “interfaces” between the diverse (and often dissociated) sectors of tourism are often acknowledged, but seldom effectively addressed, to the detriment of the industry as a whole. In the case of tourism industries between disparate countries, these issues are almost never confronted. Whilst such anecdotal examples are seldom perceived as “crises”, given the importance of “word of mouth” marketing within the industry (and the fragmentation of the promotional campaigns of diverse industry sectors), the problematic “interface” between tourism industry components assumes major importance, in both the short and longer term. The “vulnerability” impact here may be categorised as a “ripple”, “cascade” and (possibly) a “torrent” effect, depending on the degree of perceived (or actual) impact. Crisis management theory (Rosenthal and Kouzmin, 1993) implies both short term solutions, and longer term strategies, based upon clear identification of the relevant linkages and practical techniques for the amelioration of such interface issues. Will the tourism industries of regional countries be so adaptable?
CONCLUSION

The preceding three case-examples are presented as illustrations of the (potential) applications of the analytical framework of “vulnerability” in the tourism industry. Whilst different in nature, each case-example reflects common issues which require attention by industry associations, governments, individual tourism and hospitality operators, or preferably a combination of these.

Crisis management theory (Rosenthal et al 1991; Rosenthal and Kouzmin 1993) suggests that each case demands both short-term and more strategic responses - “in many crises, there will be a need to explore long-term consequences even though the situation at hand may seem to ask exclusively for immediate short-term action” (Rosenthal and Kouzmin 1993; 5). Thus, in the case of currency crises, long-term solutions (e.g. government and international economic strategies, restructuring of banking and finance systems), as well as shorter-term tourism initiatives (e.g. promotional campaigns, reduced travel and hotel pricing) may assist the resolution of the problem.

In the case of airline disasters, both strategies will be required, to reinforce the safety and cost-benefit features of both the specific tourism destinations and the suppliers. Case three merely serves to illustrate the long-term advantages (and disadvantages) of tourism and travel operators in integrated promotional campaigns, and the responsibilities of their destination countries in developing both their similarities and unique differences in response to identified tourist markets. As crisis management theorists explain it, the “.. multi-linear, exponential and erratic patterns ..” (Rosenthal and Kouzmin 1993; 5) of tourism provide significant challenges for governments, tourism industries, individual travel agencies and tourism/hospitality operators. Whilst the
framework provides few answers to these dilemmas, its primary purpose is to raise awareness of the multi-faceted potential (and actual) “vulnerability” of the fragmented and segmented tourism industry throughout the Southeast Asian region, and by inference to alert astute tourism managers to some of the probable problems they face, and hence to suggest both short- and longer-term solutions to their dilemmas. As Rosenthal and Kouzmin (1993) put it, no other industry is so directly faced with the “...sheer ‘un-ness’ of crisis...un-scheduled, un-expected, un-planned, un-pleasant, sometimes un-imaginable and nearly un-manageable...” (p. 5).

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Vulnerability & Sustainability In
The Hotel Industry

A comparative study of recent regional events on
the hotel sector in Singapore and Phuket

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Abstract

The tourism industry is arguably the most globalised of all industries. It operates in almost all countries and regions in the world, and its employees and clients represent a diverse sample of the world’s population. In addition, many segments of the tourism industry (eg. airlines, hotels, travel agencies, tour operators) have branches, subsidiaries or strategic alliances in several different continents and regions.

It is a growing industry, surpassing automotive parts, petroleum and oil income (Eliott 1997) throughout the world in recent years, and employing more staff than any other industry (Sorensen 1997). Its impacts are felt in social, political, economic, cultural and employment terms, at international, national and local levels. In many countries, the tourism industry is fast becoming the premier income-producer (Gee and Fayos - Sola 1997), with growth predicted to further increase in the next few decades.

Given this scenario, it is of considerable concern that the tourism industry is highly vulnerable to a series of internal and external forces and pressures which, almost continuously, threaten its success and, at times, its very survival. As an industry which produces both "tangible" and "intangible" products (Zeithaml et al 1990), using sometimes indefinable processes and practices (Nankervis 1993, 1995), within a symbiotic but fragile interdependent framework of tourism suppliers, intermediaries and associated services, it is uniquely susceptible to vagaries in its own structures and relationships.
Thus, the tourism industry comprises an eclectic blend of public and private sector service - providers, regulators, financiers and suppliers in the transportation, accommodation, tours and conventions sectors. All of these are mutually dependent, and all are subject to frequent changes caused by internal restructuring (eg mergers, gostile takeovers, new alliances), and external socio-economic, political or technological developments. In addition, almost all industry functions are affected (positively or adversely) by changes in the nature or perspectives of its host environments.

Unfortunately, the industry has to date not been supported by either consistent international or national regulation or funding (Elliott 1997), or by comprehensive research on these issues of vulnerability and sustainability from a management perspective (Faulkner 1993). The first issue is directly related to the global and cross-border nature of the industry and its components, and the second to the 'newness' of tourism research and its focus on "sustainability" defined in ecological terms, rather than on broader industry sustainability and management aspects (eg. WTO 1996, Gee and Fayos-Sola 1997).

This paper attempts to address this deficiency by analysing the "vulnerability" of the industry, its unique characteristics and problematic management issues, in relation to a series of short and longer term events in the Asia Pacific region during the late 1990s. As a template for future discussion on the factors which lead to the overall sustainability of the industry, its analyses the impact of events such as the Asian "economic crisis", political developments in Indonesia and Malaysia, the Sumatran "Smog haze", government funding and promotional campaigns and staffing
issues, on the management of hotels in the similar but different tourism destinations of Singapore and Phuket. It is based upon empirical studies in both locations.

In this process, the article challenges the micro focus of much earlier research on sustainability, towards a broader perspective of the internal and external factors which help to sustain the global tourism industry as a significant contributor to national and international economic growth and progress.

The empirical studies reveal that, within the same tourism region, the two destinations experienced quite diverse impacts. Singapore hotels, for example, suffered considerably more than those in Phuket from both the economic "crisis", and from political developments in Indonesia and Malaysia, but have benefited more from government funding and promotional campaigns, despite proactive initiatives in both countries (TAT 1998, Lin 1998). Diverse impacts are undoubtedly related to the differences in size, political developments and relative tourist popularity of the two locations, but the study supports the need for all sections of tourism industries to comprehensively analyse the vulnerability and sustainability of their destinations in relation to their external business environments.

Whilst focused on two particular tourism destinations within a specific region, the article raises relevant management issues, and makes several practical suggestions, designed to enhance the sustainability of the global tourism industry in any location.

Keywords: Vulnerability - Sustainability - Environments
Much contemporary literature on the tourism industry is preoccupied with the issue of "sustainability", especially as it refers to the preservation of the cultural or ecological characteristics of tourism destinations in the face of industry developments. Sustainability, defined as "...being capable of being prolonged or endured..." (Cooper and Wanhil 1997:23), has strong connotations associated with the World Travel and Tourism Council's (1992) Agenda 21 - "Towards Environmentally Sustainable Development" (Tyrell 1998:29) - which addresses the symbiotic relationships between tourism development and its constituent physical (or cultural) environments. Arguably this is a somewhat myopic focus, which is disproportionately biased towards quick solutions, at the expense of more comprehensive analyses of the broader "vulnerabilities" of the overall business and socio-cultural environments of the tourism industry. "Sustainability" as a concept is capable of being applied across all these environments, and is dependent on thorough, and long-term, analyses of the structural, definitional, market, socio-political, economic and ecological characteristics of the industry as a whole, and of its various operational environments.

As Faulkner (1993:27) suggests:

"The emergence and contribution of tourism as a dynamic and viable industry is dependent upon the adoption of a strategic approach to planning and marketing. The hallmark of such an approach is the inclusion of a systematic and structural analysis of the broader environmental factors affecting tourism." (our italics)

Other authors (Go and Pine 1995:50, Tribe 1997:55) agree with Faulkner that many tourism decision-makers, at both governmental and service-provider levels, fail
to incorporate such "broader environmental factors" in their strategic plans. On this point of strategic planning for tourism, various observers disagree about the extent to which it is undertaken within the industry. Rovelstad and Blazer, (Elliott 1997:16) for example, assert that strategic plans are less evident in the tourism industry than in manufacturing. Athiyaman and Robertson (ibid) disagree, citing ".a level of commitment to strategic planning in the tourism industry at least as strong as that in the manufacturing sector".

Regardless of the truth of these assertions, it is undeniable that tourism is growing in size and significance, in political, economic and social terms-estimates include annual global sales of US$2.5 trillion and 117 million employees (6.7% of the working population)(Sorensen 1997:12); 10.7% of GDP, 250 million jobs (12% of the workforce) (Elliott 1997:29). Accordingly, the industry will need to adopt sophisticated business planning techniques used by companion industries in order to clearly identify its "vulnerabilities", and thence to sustain itself within its "dynamic, diverse, difficult and dangerous" (Tribe 1997:45) operating environments.

Tourism is, almost by definition, a highly vulnerable industry characterised by a diffuse and fragmented structure; multiple (tangible and intangible) (Zeithaml et al 1990) and often ill-defined products and processes; the "highly discretionary" nature of tourism demand and an associated ".sensitivity to both transitory shocks and long-term trends in the broader environment" (Faulkner 1993:27); and arguable imbalances in data and focus between its demand and supply sides.
As Antonio Savignac, Secretary General of the World Tourism Organisation (1996) explains: "We need to tackle the big issues of planning, sustainable development, security and quality, so that our dreams and the dreams of our customers can come true." (Elliott 1997:257). In other words, the industry as a whole and individual operators, will need to perceive sustainability as an operational framework which encompasses macro and micro-analyses of its business environments; the identification of overall and sector-specific vulnerabilities, threats and opportunities; and the subsequent development of strategic and sustainable tourism plans, not merely the protection of particularly fragile cultures or ecologies.

This challenge is by no means an easy one, given the dearth of industry data, the fragmentation and segmentation of tourism - "...many companies, hundreds of authorities, scores of related agencies and organisations." (ibid) - and the difficulty often experienced in the development of long-term tourism strategies by governments and private sector tourism service-providers. (Faulkner 1993).

As part of a longitudinal international study of the "vulnerability" of the tourism industry, this article reports on two practitioner surveys conducted in Singapore and Phuket (Thailand) in late 1998, designed to elicit the attitudes of a sample of hotel general managers towards the effects of recent regional events (eg. the "smog haze" in Sumatra in mid 1997, the 1997-1998 "currency crisis" in Southeast Asia, political and social instability in Indonesia and Malaysia during 1997-1998, and changing guest and employee expectations) on their businesses. It is a joint research project between the University of Western Sydney, Nepean, the Prince of Songkla University (Phuket, Thailand) and the National University of Singapore.
Methodology

A three (3) page survey questionnaire in English, targeted at the General Manager, was mailed to 165 hotels (83 in Singapore, 82 in Phuket) randomly sampled from the local hotel directories in both locations. Whilst overall a random sample, only hotels with 100 rooms or more were included in the survey, as it was considered that these would be the most affected by regional events, given their international guest markets.

The research instruments used in Singapore and Phuket were identical, with some additional questions added in Singapore for specific local purposes. The three sections of the survey comprised questions regarding:

(a) Company Profile
(b) Environmental and Operational Issues
(c) Challenges and Opportunities

Usual confidentiality provisions were included and one faxed reminder conducted.

Research Sample

By the deadline eighteen (18) responses (22%) were received in Singapore, and fourteen (14) responses (17%) in Phuket. While the response rates are low by usual research standards, survey research in Singapore normally yields between 10-15% response and research experience in Phuket is extremely limited. Given the exploratory and essentially qualitative nature of this study, such response levels were felt to be adequate for general observations to be made.
Singapore and Phuket-Similar but Different

The choice of two more or less equally-sized islands - Singapore and Phuket - for a comparative study on the impact of recent disruptive events on the hospitality sector, was determined as much by their similarities as by their differences. Notwithstanding the primary difference that Singapore is an independent nation whilst Phuket is merely part of provincial Thailand, both are established tourism entities arguably at the nadir of their product life-cycle. As part of the "jigsaw" (or "mosaic") of Southeast Asia, and consequently affected by the currency crisis of 1997-1998, they have both been largely insulated from the direct effects of the political and social instability in Indonesia and Malaysia. However, these developments may have affected their tourism industries differently, according to their diverse guest markets and locational factors.

Both have consciously tried to reinvent themselves during 1998, through the "Tourism Unlimited" (Singapore) (Lin 19998) and the "Amazing Thailand" (TAT 1998) campaigns, promoted by relatively stable political systems and membership of ASEAN. However, their differences as tourism destinations far surpass their likenesses. Phuket’s guest markets are primarily Western (e.g. Europe, Australasia, the United States), whilst Singapore’s location, on the airline and sea routes between the northern and southern hemispheres, yields a much more catholic tourism trade. Phuket as a resort location, attracts hotel guests primarily for relatively long-term vacations, whilst Singapore’s tourism tends to be shorter-term, a mixture of business and leisure guests and transit travellers en route to other Southeast Asian or European/Australasian destinations.
With respect to tourism infrastructure, Singapore has an arguably more efficient transportation and more responsive resource-allocation system than Phuket, English competence is more widespread, and it boasts comprehensive tourism and hospitality training facilities. On the other hand, Phuket’s tourist attractions are considerably more diverse (e.g. beaches, nightlife, topographical features and tours), it has a more "laid back" and laissez-faire tourism culture, and has generally been less expensive than Singapore.

While both Singapore and Phuket were, and are, affected by the recent Asian currency crisis, the Thai baht fell against the US dollar by almost two thirds of its value between 1997-1998 but the Singapore dollar declined by only 6%. (Montes 1998 : xiv) As a consequence of this crisis, all Southeast Asian economies "...are now being treated as extremely unreliable locations for investment..." if favourable as inexpensive leisure destinations. While data on hotel occupancy in Phuket is not readily available, some Singapore data suggests that visitor arrivals fell by 11.7% in August 1998 compared to the same period in 1997, average hotel occupancy rates dropped by 7.5%, and room rates by 13.4% (The Straits Times 1998) It was with these effects in mind that the research study was undertaken in late 1998.

**Research Findings**

1. **Respondent Profile**

While all Singapore hotels, not surprisingly, are located in the central business district (CBD), only 21.4% of Phuket hotels are, with the majority (78.6%) at various seaside locations.
Most of the Phuket respondents (78.6%) are 3-4 star properties, with less in Singapore (44.4%) and more 5 star (33.3%) and "boutique" (22.2%) properties. The majority, in both samples (S 77.8%, P 71.4%) have more than 200 guest rooms, and reported annual occupancy levels appear higher in Phuket than in Singapore (e.g. 92.8% of Phuket hotels cv 77.8% of Singapore hotels claim more than 50% annual average occupancy).

As expected, 92.8% of Singapore hotels report a majority of business tourists, whereas in Phuket only one respondent had a significant proportion of such travellers (42%). Of the remainder, 84.6% reported high levels of leisure tourists (from 56-100%) as well as some group tours. Whilst similar data is not available for Singapore, Phuket's tourists largely come from Europe, Australasia and East Asia (i.e. Korea, Japan and Taiwan) with considerably less domestic, American, Southeast or South Asian tourists. Phuket's current tourism markets are East and South Asia.

2. Staffing Profile

Nearly 78% of Singapore respondents employ more than 250 employees (or 58.3% in Phuket), perhaps reflecting the greater diversity of hotel types in the latter or the different staffing requirements of urban business hotels vs resorts. The great majority of Phuket employees are local nationals (no respondent reported less than 96% of Thai employees) with only 53% of Singapore hotels having more than three quarters local employees and 47% with less than three quarters. These differences undoubtedly reflect the labour scarcity in Singapore hotels, especially at lower levels (Debrah 1994), compared to Phuket, different educational standards and government policies on the employment of foreign labour. Of overall employees, Phuket hotels
appear more evenly balanced on a gender basis than Singapore, where 68.7% of respondents report that more than half of their employees are male. This is perhaps a little surprising, given the nature of many hotel jobs and the reportedly disdainful attitudes of many locals to hotel work. (Nankervis and Debrah 1995).

The great majority of hotels in Phuket employ their staff on a full time basis (e.g. no hotels have less than 90% full timers), whereas the level in Singapore is closer to half, with greater proportions of part-time, casual and seasonal staff. Salary differences and labour market factors no doubt account for this divergence. Without exception Phuket respondents report no union membership amongst their employees, as compared to Singapore where levels are higher (e.g. 29.4% of the sample have over 50% membership, 47% have less than half). Diverse industrial relations systems and labour markets again probably account for these differences.

While similar data is not available from Singapore, more than half (57%) of the Phuket employees have completed high school, 15.4% possess a technical college qualification and nearly 8% have a specific hotel/tourism degree. Staff turnover rates are higher in Singapore (e.g. 35.7% of respondents have more than 50% annually) than in Phuket (86% report a rate of less than 10%).

3. Environmental & Operational Issues

This part of the survey is essentially the focus of our study, seeking to elicit respondents’ attitudes to the effects (both positive and negative) of a series of recent
events on the hotel industries in Singapore and Phuket. As a primarily qualitative exercise, and given the relatively small samples, its findings provide a flavour of industry attitudes and approaches rather than a definitive picture. The issues canvassed include:

- the Asian "currency crisis" (1997-1998)
- political developments in Indonesia and Malaysia (1997-1998)
- the "smog haze" in Sumatra (1997)
- regional competition
- tourism infrastructure issues
  - airports, roads, telecommunications etc
  - government promotional campaigns
  - economic incentives
  - tourism and hotel training
- changing guest preferences (e.g. shorter guest visits, increasing expectations)
- rising employee expectations (e.g. salaries, training, careers)

Each of these issues will be discussed separately in relation to their effects on the vulnerability or sustainability of the hotel sectors in both destinations. Table 1 below illustrates the major comparative findings of the study. In view of the small sample size, "agree" includes "somewhat agree", and "disagree" includes "somewhat disagree".
**TABLE 1: ENVIRONMENTAL & OPERATIONAL ISSUES**

<table>
<thead>
<tr>
<th>ISSUES</th>
<th>SINGAPORE</th>
<th>PHUKET</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DISAGREE</td>
<td>AGREE</td>
</tr>
<tr>
<td>1. The currency crisis has affected this hotel’s profitability adversely</td>
<td>1 (5.6%)</td>
<td>17 (94.4%)</td>
</tr>
<tr>
<td>2. There has been an increase in business in this hotel due to the recent political developments in Indonesia and Malaysia</td>
<td>12 (66.7%)</td>
<td>6 (33.3%)</td>
</tr>
<tr>
<td>3. The Smog haze in Sumatra in 1997 adversely affected this hotel’s business</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>4. Externally, the hotel industry faces greater competition from the region</td>
<td>1 (5.6%)</td>
<td>17 (94.4%)</td>
</tr>
<tr>
<td>5. Infrastructure development has been positive in attracting tourists</td>
<td>0 (0%)</td>
<td>18 (100%)</td>
</tr>
<tr>
<td>6. The promotional activities by the government and related bodies are adequate</td>
<td>8 (44.4%)</td>
<td>10 (55.6%)</td>
</tr>
<tr>
<td>7. Economic incentives provided by the government and related bodies are adequate</td>
<td>10 (55.6%)</td>
<td>8 (44.4%)</td>
</tr>
<tr>
<td>8. The standard of hotel school graduates in hospitality/tourism is below average</td>
<td>13 (72.2%)</td>
<td>5 (27.8%)</td>
</tr>
<tr>
<td>9. Guests have shorter stays. The result is a negative impact on our profitability</td>
<td>3 (16.7%)</td>
<td>15 (83.3%)</td>
</tr>
<tr>
<td>10. The rising standard of service demanded by hotel guests has affected this hotel’s profitability adversely</td>
<td>12 (66.7%)</td>
<td>6 (33.3%)</td>
</tr>
<tr>
<td>11. The ability to retain past customers is strongly advocated in this hotel</td>
<td>0 (0%)</td>
<td>18 (100%)</td>
</tr>
<tr>
<td>12. There has been an overall increase in employee expectations in this hotel</td>
<td>6 (38.9%)</td>
<td>11 (61.1%)</td>
</tr>
<tr>
<td>13. Tangible benefits (such as monetary investments) are preferred to intangible benefits (e.g. training and career advancement by our staff)</td>
<td>3 (16.7%)</td>
<td>15 (83.3%)</td>
</tr>
<tr>
<td>14. The Commonwealth Games in Malaysia (1998) will lead to an increase in Singapore’s hotel occupancy</td>
<td>15 (83.3%)</td>
<td>3 (16.7%)</td>
</tr>
</tbody>
</table>

(NB. Singapore Sample, N=18 and Phuket, N=14, unless otherwise * specified).

- **The Asian Currency Crisis**

While almost all respondents in Singapore who completed this question agree (or "somewhat agree") that the 1997-1998 economic crisis has adversely affected their occupancy and profitability levels, Phuket respondents are more circumspect (64%
agree, but nearly 36% disagree). The differences in occupancy levels mentioned earlier may provide evidence of these differential effects.

- **Political Developments in Indonesia and Malaysia**

Similar discrepancies appear with respect to the effects of these events in Singapore and Phuket. Singapore respondents (66.7%) largely disagree that such occurrences have benefited local hotels, whilst in Phuket a small majority (57%) agree.

- **The "Smog Haze" in Sumatra**

Singapore data on this relatively short term, seasonal issue is unavailable, but in Phuket its impact appears significant - 64.3% of respondents agree (or "somewhat agree") that this event adversely affected hotel occupancy, at least in the short term. Phuket is more directly susceptible to such climatic effects than Singapore, due to its location, its leisure emphasis and proximity to Sumatra. As an illustrative, if anecdotal, example of its sensitivity, a totally unfounded rumour of an impending tsunami (tidal wave) to hit Phuket in mid 1998 caused the cancellation of several group tours from Japan, together with the abandonment of their jobs by numerous hotel employees.

- **Regional Competition**

Data from Phuket is not available on this issue, but 94.4% of Singapore responses agree (or "somewhat agree") that their businesses are threatened by regional competition. This response is no doubt a real concern given its precarious location, and is the reason for its almost continuous image reinvention (e.g."Singapore Unlimited" 1998).
• Infrastructure Issues

All Singapore respondents agree that government tourism infrastructure (e.g. roads, transport, airports, telecommunications) developments have made positive contributions to the industry. Phuket respondents are less enthusiastic, as only 78.5% agree. This result no doubt reflects the differences between a centralised and relatively authoritarian Singapore government, and a more diffuse and multi-layered Thai political system.

In contrast, 71.4% of Phuket respondents agree (or "somewhat agree") that central government initiatives (e.g. the Tourism Authority of Thailand's 1998 "Marvellous Thailand" campaign) have positively affected the hospitality sector, while only 55.6% of hotels in Singapore agree. Both samples (S 55.6%, P 57.2%) are equally divided on the issue of government economic incentives to support the sector. With respect to the training systems for hotel employees, Singapore respondents are more satisfied (72.7%) than their Phuket counterparts (25%). The supply of hotel graduates from the hotel training institution (SHATEC) far surpasses that from the sole Phuket provider.

• Changing Guest Preferences

While this is a considerably broader and less dramatic issue than some of the others, respondents were asked their opinions about the effects of a series of tourist phenomena observed in recent literature (i.e. shorter guest visits, rising expectations, repeat business) (Croncer and Shaw 1991, Elliott 1997). Reflecting different guest markets and destination - specific variables, the length of guest visits to Phuket appears only marginally changed (64% of respondents disagree or "somewhat
disagree"), in stark contrast to the Singapore sample, in which more than 83% of respondents agree that guests have reduced their length of stay, with consequent adverse effects on hotel profitability levels.

With respect to rising guest expectations, both samples are ambiguous - Phuket respondents are 50:50 in support or against the statement, Singapore hotels in the majority (66.7%) disagree. All Singapore hotels agree with the need to focus on repeat guest visits as a priority, but this is perhaps a "motherhood" issue.

- **Rising Employee Expectations**

Both Singapore and Phuket respondents generally agree (S 61%, P 78.5%) that their employees' expectations of salaries, working conditions and career opportunities are rising, in Phuket from a lower base. The relative difference here is perhaps attributable to different labour market conditions (e.g. Singapore's "labour scarce" hotels vs Thailand's overall labour surplus); current economic and industrial relations circumstances (i.e. Singapore's capacity and willingness to pay higher wages, negotiated between hotels and unions; Phuket's lower economic base and absence of unions); and perhaps also the relative attractiveness for employees of resort vs CBD locations.

Certainly, Singaporean employees appear to be highly motivated by monetary rewards (83% of respondents agree). Similar data on Phuket employees is not available. Despite the difficulties of hotel recruitment in Singapore, unlike Phuket, staff turnover is not regarded as a significant issue in either sample.
4. Hotel Challenges & Strategies

The final section of this survey comprised three (3) open-ended questions concerning anticipated challenges (business, regional threats and staffing issues), and subsequent strategies to be adopted by hoteliers in both locations. Qualitative responses included the following:

**Singapore**

- maintaining and improving the business, in particular looking for new tourist markets
- the "reinvention" of Singapore as a regional hub for Southeast Asian tourism, building upon the relative strength of Singapore’s currency
- maximising the benefits of expatriate relocation from politically less stable countries such as Indonesia and Malaysia
- streamlining and consolidating hotel operations, including reengineering processes and relocating or terminating expatriate staff - e.g. Accor Asia-Pacific Hotels, for example, has put 34 hotel projects "on hold" (The Business Times 1998) while the Marco Polo Hotel in Singapore has plans to shut half of its 600 rooms in view of low occupancy rates (The Straits Times 1998).

**Phuket**

Overwhelmingly, comments here include the effects on employees and their work conditions caused by the economic crisis in Thailand. These include the maintenance of 1997 salary levels, bonuses not being paid and the freezing of "annual merit adjustments" - "...the message or main idea is..that there is no 'layoff'..in this hotel, no salary decrease, even though there is no increment, which is impossible right now..

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The flavour of such comments appears to reflect a paternalistic management style, concerned to explain to employees how their contributions can assist hotel survival during a period of economic uncertainty.

Other areas of concern for Phuket respondents include:

- the inadequacies of current hotel training systems
- inconsistent service standards, due to "language barriers" (i.e. English competence); the "easy-going" nature of local employees; interpersonal difficulties between Phuket and other Thai employees ("...the local Southern people sometimes insult other staff whose origin is from the Northeastern part."); or occasionally, staff misconduct.

Solutions adopted by Phuket respondents include more frequent communication meetings between managers, supervisors and employees, additional training, more specific job descriptions and recruitment techniques, and human resource planning. No Phuket respondents suggested the termination of existing employees.

5. Discussion

Like all sectors of the tourism industry, the hotel sector is highly susceptible to the vagaries of its operational environments, ecological, socio-cultural and business. In fact, vulnerability to political, economic and social change can be seen as perhaps the defining characteristic of an industry which is both sectorally interdependent and
destination-specific, and different tourism destinations will be affected differently by these changes.

Current debates about "sustainability" arguably contribute little to the development of the industry if they fail to encompass comprehensive analyses of the threats and opportunities facing particular destinations, nations, sectors or individual service-providers, or if they are merely confined to the tourism development - ecological protection dilemma. As earlier suggested, the true sustainability of the tourism industry involves strategic planning, on the part of tourism peak bodies, national and regional governments, and all tourism operators, which includes both broad environmental analyses and the formulation of remedial industry strategies to address identified present and future industry issues. As Go and Pine (1995:368) suggest:

"..hotel companies will have to cultivate managers who can capitalize on the opportunities the global market offers and deal with opportunities both in 'domestic and global markets'.

And, as Faulkner indicates, this is only possible, as in other industries by means of a strategic approach which includes "..a systematic and structural analysis of the broader environmental factors affecting tourism" (1993:27). It is with this perspective in mind that this study of two similar but different tourism destinations, within a common region, was conducted. Our findings are exploratory rather than conclusive, illustrative rather than prescriptive.

Thus, as a result of a series of unexpected, coincident regional events in 1997 and 1998, Singapore and Phuket experienced different effects on hotel occupancy,
competitiveness and profitability. A strategic planning perspective demands thorough analyses of such effects, on individual properties and on the destination as a whole, and the subsequent development of contingency plans to capitalise on the benefits and to remediate the adverse consequences.

The two studies indicate both similarities and differences in the effects on the hotel sectors in Singapore and Phuket, as a result of economic, social, cultural and guest market factors.

Phuket hotels appear to have suffered less than hotels in Singapore following the currency crisis, at least with respect to occupancy levels. The severe devaluation of the Thai baht against foreign currencies and compared with the Singapore dollar, appears to have maintained its attraction for western guest markets, whereas Singapore’s more catholic tourist markets and relatively more expensive prices have had a more adverse impact.

Singapore hoteliers report their greater vulnerability to competition from the region than Phuket, at least partly due to the limited scenic and leisure attractions in Singapore.

Similarly, Phuket hoteliers appear to have benefited more from the recent political unrest in Indonesia and Malaysia than their counterparts in Singapore, a somewhat surprising result in view of anecdotal and media reports of the mass exodus of Chinese Indonesians to Singapore following the May 1998 riots in Jakarta.
In contrast, Phuket hotels seem to have been more adversely affected by the 1997 smog haze in Sumatra.

The ability of the Singapore government to coordinate its tourism plans and strategies more tightly than is possible in the more diverse tourism industry of Thailand has apparently resulted in a supportive infrastructure, although Phuket hotels are marginally more satisfied with their government's marketing and economic initiatives. Certainly, the "Amazing Thailand" campaign of 1998 appears to have been beneficial. Neither sample of hotels is, however, entirely happy with their governments' economic support.

Longer term issues, such as changing market expectations and rising employee requirements, have also apparently affected both destinations differently. Singapore hotels report significant adverse effects as the result of shorter guest visits, unlike Phuket. This is undoubtedly due to their different guest markets and the greater cost-effectiveness of holiday packages in Phuket. Neither destination seems greatly affected by an increase in guest expectations.

With respect to enhanced employee expectations, Singapore hoteliers, in a tight labour market, agree that these factors are important, especially demands for higher salaries and better conditions, as do Phuket respondents. However in the latter case, emphases appear to be more on job security and the maintenance of current wages within a looser and more precarious labour market.
6. Summary

Overall, both studies illustrate the differential effects of broad environmental changes on the profitability, and sustainability of the hotel sector as a component of the tourism industry. Some issues are long term and predictable, others are dramatic and short term in nature. All require comprehensive analysis by peak industry bodies, governments and individual tourism operators, in an effort to develop strategic and operational plans which will ensure the effective maintenance and future growth of the tourism industry in response to its inevitable threats and challenges.

Properly addressed, the industry will then be in a position to "...tackle the big issues of planning, sustainable development, security and quality.."(Elliott 1997:257).
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VULNERABILITY & SUSTAINABILITY in the HOSPITALITY INDUSTRY:

A Case Example of the Thai Hotel Sector

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Abstract

This article reports the findings from a recent survey of Thai hotel managers' perceptions of the impacts of a series of regional events, and some longer term trends, on their operations and profitability.

It serves as an illustration of the need for the hospitality sector, and indeed the whole tourism industry, to adopt increasingly more sophisticated and proactive business planning strategies, in order to ensure its future sustainability. And, perhaps the most important aspect of such planning is the implementation of comprehensive "vulnerability" analyses, at all levels of the industry, which will enable the identification of risks and their likely effects as well as appropriate business responses.

As such, the article extends definitions and applications of "sustainability" beyond the current tourism development-environmental protection dilemma.

Keywords: vulnerability, sustainability, environments
Introduction

Much contemporary literature on the tourism industry is preoccupied with the issue of "sustainability", especially as it refers to the preservation of the cultural or ecological characteristics of tourism destinations in the face of industry developments. Sustainability, defined as "...being capable of being prolonged or endured..." (1), has strong connotations associated with the World Travel and Tourism Council's (1992) Agenda 21-"Towards Environmentally Sustainable Development" (2) - which addresses the symbiotic relationship between tourism development and its constituent physical (or cultural) environments.

Arguably, this focus is both myopic, and disproportionately weighted towards premature industry responses, at the expense of more comprehensive analyses of the broader "vulnerabilities" of the business and social environments of tourism. Sustainability as a concept can be applied across all these environments, and is based upon thorough explorations of the structural, definitional, market, socio-political, economic and ecological characteristics of the industry as a whole and its various operational environments.

As Faulkner(3) suggests:

"The emergence and contribution of tourism as a dynamic and viable industry is dependent upon the adoption of a strategic approach to planning and marketing. The hallmark of such an approach is the inclusion of a systematic and structural analysis of the broader environmental factors affecting tourism."

Both Faulkner and others (4,5) agree that many tourism decision-makers, at both governmental and private operator levels, at their peril fail to incorporate these "broader environmental factors" in their strategic plans. On this latter point, strategic planning for tourism, commentators disagree about the degree to which it is undertaken within the industry. Rovelstad and Blazer (6), for example, assert that strategic plans are less evident in
the tourism industry than in manufacturing. Athiyaman and Robertson (7) disagree, citing "...a level of commitment to strategic planning in the tourism industry at least as strong as that in the manufacturing sector".

Regardless of the truth of these assertions, it is undeniable that tourism is growing in size and significance, in political, economic and social terms—estimates include annual global sales of US$2.5 trillion and 117 million employees (6.7% of the working population) (8); 10.7% of GDP, 250 million jobs (12% of the workforce) (9). Accordingly, the industry will need to adopt sophisticated business planning techniques, already used by companion industries, in order to identify its "vulnerabilities", and thence to sustain itself within its "...dynamic, diverse, difficult and dangerous..." (10) operating environments.

Tourism is, almost by definition, a highly vulnerable industry, characterised by a diffuse and fragmented structure; multiple (tangible and intangible) (11) and often ill-defined products and processes; the "highly discretionary" nature of tourism demand and its associated "...sensitivity to both transitory shocks and long term trends in the broader environment" (12); and arguable imbalances in both data and focus between its demand and supply sides.

However, as Antonio Savignac, Secretary General of the World Tourism Organisation (1996) explains:

"We need to tackle the big issues of planning, sustainable development, security and quality, so that our dreams and the dreams of our customers can come true".

(13)

In other words, the industry as a whole, as well as individual operators, will need to perceive sustainability as an operational framework which encompasses macro- and micro-analyses of the entire business environment; the identification of overall and sector-specific vulnerabilities, threats and opportunities; and the subsequent development of strategic and
sustainable tourism plans, not merely the protection of particularly fragile cultures or ecologies.

This challenge is by no means an easy one, given the dearth of industry data, the fragmentation and segregation of tourism - "...many companies, hundreds of authorities, scores of related agencies and organisations.." (14) - and the difficulty often experienced in the formulation of long term strategies by governments and private sector tourism providers. (15)

As part of a long term international study of the "vulnerability" of the tourism industry, this article reports on an empirical survey conducted in Thailand in late 1998 designed to elicit the perceptions of a sample of hotel general managers towards the effects of a series of recent events (e.g. the "smog haze" in Indonesia in late 1997; the 1997-1998 "economic crisis" in Southeast Asia; political and social instability in Indonesia and Malaysia during 1997-1998; and changing guest expectations) on their businesses. It was a joint research project between the University of Western Sydney (Nepean), Australia and the Prince of Songkla University (Phuket Campus), Thailand.
Methodology

A three page survey questionnaire in the Thai language, targeted at the General Manager, was mailed to 200 hotels, randomly sampled from the local hotel guide in Thailand. While overall random, sampling was deliberately restricted to larger hotels (100+ rooms), as it was considered that these would be the most likely to be affected by broad regional issues, given their international guest markets.

The research instrument comprised three sections:

(1) Company Profile
(2) Environmental & Operational Issues
(3) Challenges & Opportunities
Tourism and the Hotel Sector in Thailand

Tourism has been a major contributor to Thailand's economic growth for more than three decades, replacing rice as the largest foreign exchange earner in 1983 (16). In 1995 Thailand rose to 19th on the World Tourism Organisation's forty top tourism destinations (from 26th in 1985), with nearly 7 million annual tourist arrivals, and 10th on the basis of international tourism earnings (i.e. US$7,556 million, up 31% from 1985) (17).

Much of Thailand's success in attracting tourists against the aggressive competition of its regional neighbours (e.g. Singapore, Malaysia, Indonesia) has undoubtedly been due to the central importance accorded tourism strategies in the Kingdom's successive National Economic and Social Development Plans. As an example, the 6th National Plan (1987-1991) included a "..master plan for Thailand's tourism development and promotion" (18), progressed actively by the Tourism Authority of Thailand(TAT) which has in recent years assumed ministerial responsibility for tourism planning.

If, as Richter suggests.".. where tourism succeeds or fails is largely a function of political and administrative action and is not a function of economic or business expertise" (19), then Thailand's tourism industry appears to have a bright future. However, like similar industries in other nations, the sustainability of Thailand's tourism sector is heavily dependent on a series of complex factors, including its ability to actually implement its plans within its diverse socio-political, cultural and geographic environments; its capacity to continuously reinvent itself as a competitive destination, against regional threats and challenges; and its responsiveness to ongoing domestic and regional crises.

With respect to the first issue, successive Thai governments have demonstrated their capacity to develop new and increasingly innovative tourism marketing plans (e.g. "Visit
Thailand" 1992, "Amazing Thailand" 1998) based on broadbrush and cohesive packages of attractions - e.g. scenery, culture, shopping, eco- and adventure tourism, business tourism etc.

However, despite identifying 510 primary tourist attractions and proposing their development "...in a manner which will preserve and enhance the social, cultural and historic aspects of Thailand..." (20), the multi-layered central and local government structure of the Kingdom has not always delivered on the promises of such plans. As examples, plans to eliminate beach pollution in Pattaya, to reduce cultural and ecological destruction in Phuket or to preserve Ko Samui for exclusive local use, have been largely unsuccessful (21). In addition, Chiang Mai and Hua Hin have been over-developed, apparently partly as the result of TAT's "...insufficient attention to the quality of the tourists and to the effects of mass tourism on Thai society and the environment" (22), and partly due to "...the lax administration of law and the relaxed attitude to policy implementation" (23).

Despite these difficulties, there are signs that such past damage is being addressed. Dowling for example, cites some tourism operators-e.g. the Thai Hotels Association's "Green Leaf" Program, TAT's environment-friendly hotel design program, the Electricity Generating Authority of Thailand's energy-saving assistance to hotels and Sea Canoe's ecotourism initiatives (24) - which have taken remedial steps.

Unlike some regional competitors which have the advantage of fewer levels of government more centralised control or more compliant tourism operators, Thailand's tourism industry is subject to the influences of many government departments (e.g. Prime Minister and Cabinet, National Economic and Social Development Board, Board of Investment, Budget Bureau; Interior, Finance, Transport, Communication, Agriculture and Cooperatives Ministries). The implementation of national tourism policies is heavily influenced by provincial, regional and local authorities, often with conflicting objectives. Like Singapore, Thailand is promoting itself as a "gateway" for tourists to emerging destinations such as Vietnam, Myanmar,
Cambodia and Malaysia (24). This may prove to be an effective regeneration strategy, similar in nature to Singapore's 1998 "Tourism Unlimited" (25) program.

Whilst tourism planning in Thailand has generally been proactive, in recognition of the industry's economic significance, it has also reacted rapidly to domestic and regional events. For example, the "Visit Thailand" marketing campaign was mounted soon after the political unrest in Bangkok in 1992, and the 1998 "Amazing Thailand" closely followed the devaluation of the Thai baht, and the subsequent currency crisis, in late 1997 (26). The aim of the latter campaign is to increase foreign visitor arrivals to 17 million (1998-1999) and to boost tourism income from 240 million baht (1997) to 600 million (1999) (27), an ambitious target indeed.

The success (or otherwise) of this campaign remains to be seen, but it represents an enthusiastic response to the industry's present "vulnerabilities", and an apparently genuine attempt to maintain its sustainability. As at least one observer notes:

"The Thai model, despite its failures and problems, has still been one of the phenomenal success stories since the 1970s in terms of growth and investment... the quality of the public tourism product has been improved, such as immigration, customs, and airport services..." (28).

The following report on an empirical study conducted in Thailand during late 1998 illustrates some of these features, in response to a series of dramatic regional events and some longer term trends. It focuses on the effects caused, and some of the responses developed by Thai hoteliers to ensure their sustainability.

**Research Findings**
Of the 200 hotels surveyed, forty-eight provided usable responses (24%). Whilst by no means a valid sample by usual research standards, given the qualitative nature of this research, it was considered relatively healthy by Asian research experience (28). Responses were received from a broad range of tourism destinations throughout Thailand - e.g. Bangkok, Pattaya, Nakorn Pathom, Phuket, Trang, Muang Phrae, Kanchanaburi, Chiangrai Nakornratchasima and Ubonratchatani, amongst others - which provides a flavour of hotels throughout Thailand.

1. Company Profile

Respondents are more or less equally balanced between urban CBD (37.5%), "other urban" (31.2%), and resort (31.2%) locations, and the greater majority (68.7%) are 3 or 4 star properties, with only a minority of 5 star hotels (25%). This grading bias was not surprising, given our sample restriction to hotels with more than 100 rooms.

Accordingly, it is also not surprising that 54.2% of respondents have between 200-499 guest rooms, 31.2% between 100-199, and only 12.5% have more than 500 rooms. Average occupancy levels range from 60-80% (1/2 of respondents), through less than 50% (22.9%) to a distinct minority with over 80% occupancy (10.4%). It is not clear whether these comparatively low levels reflect current economic and political events.

The purposes of guest visits vary according to hotel locations, as expected, from emphases on leisure, business or some combination of these, but the diversity of destinations does not allow any conclusions to be drawn. For similar reasons, guest markets are quite mixed, with an apparent imbalance towards Europe, Australasia and East Asia (e.g. Japan and Taiwan), at the expense of South Asia, Southeast Asia and the Americas. TAT's current strategy to attract "quality" tourists from South Asia and East Asia may help to redress this imbalance.
In summary, the sample represents middle to upper range hotels located in a variety of CBD and resort destinations throughout Thailand, with average occupancy levels, and largely international guest markets from outside the region. This is an appropriate sample to measure the impact of recent regional events on the sector.

2. Staffing Profile

Most hotels (80%) in this study employ between 100-499 staff - 47.5% have between 100-299, and 32.5% have more than 300 employees. Nearly 92% of these employees are full-time, with only minimal levels of part-time or seasonal staff (no more than 10%). Similarly, most hotels primarily employ Thai nationals - 98% report that 90% of staff are locals — with foreigners only in specialist managerial or professional positions.

There appears to be an imbalance between males and females, with almost 70% of hotels reporting more than 58% female employees. Qualifications appear predominantly at secondary school level, in contrast to technical college (21.4%) or specific tourism/hotel credentials (2.2%). There also appear to be significant numbers of hotel staff without even high school qualifications (e.g. half of the sample have 30% or less unqualified staff).

Union membership in Thai hotels appears almost non-existent - 92% of respondents report that none of their employees belong to a relevant association—and staff turnover is reported to average less than 20% annually.

3. Environmental & Operational Issues

This section of the study sought the opinions of general managers on the effects of a range of recent regional events, and some longer-term industry issues, on the future sustainability of their properties. In particular, it asked for respondents' opinions on the effects of:
• the currency crisis in Thailand and Southeast Asia (1997-1998)
• political developments in Indonesia and Malaysia (1997-1998)
• the Smog Haze in Sumatra (1997)
• government support to tourism
  - infrastructure development
  - promotional activities
  - economic incentives
• the adequacy of hotel school training
• guest market issues
  - the effect of shorter guest visits
  - rising expectations of hotel service
• increased employee expectations

Overall results of this section are contained in Table 1, and briefly discussed below.
The currency crisis

Responses to this question reflect the "double-edged sword" phenomenon, with a small majority (56.5%) agreeing that their profitability has been adversely affected by the Thai, and broader regional, economic situation. However, a quite large minority (43.5%) disagree perhaps reflecting the greater capacity of their foreign guest markets to visit Thai destinations due to the devaluation of the baht against their stronger national currencies, and perhaps also the effectiveness of the "Amazing Thailand" promotion. Different effects may also reflect the relative cost-effectiveness of different Thai destinations (e.g. Pattaya and Phuket vs Bangkok).
### TABLE 1: ENVIRONMENTAL & OPERATIONAL ISSUES

<table>
<thead>
<tr>
<th>ISSUES</th>
<th>Disagree</th>
<th>Somewhat Disagree</th>
<th>TOTALS</th>
<th>Somewhat Agree</th>
<th>Agree</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The currency crisis has affected this hotel's profitiability adversely</td>
<td>12 (26.1%)</td>
<td>8 (17.4%)</td>
<td>20 (43.5%)</td>
<td>11 (23.9%)</td>
<td>15 (32.6%)</td>
<td>26 (56.5%)</td>
</tr>
<tr>
<td>2. There has been an increase in business in this hotel due to the recent political developments in Indonesia and Malaysia</td>
<td>6 (12.8%)</td>
<td>5 (10.6%)</td>
<td>11 (23.4%)</td>
<td>16 (34%)</td>
<td>20 (42.5%)</td>
<td>36 (76.6%)</td>
</tr>
<tr>
<td>3. The Smog haze in Sumatra in 1997 adversely affected this hotel's business</td>
<td>3 (6.7%)</td>
<td>10 (22.2%)</td>
<td>13 (28.9%)</td>
<td>16 (35.5%)</td>
<td>16 (35.5%)</td>
<td>32 (71.1%)</td>
</tr>
<tr>
<td>4. Infrastructure development has been positive in attracting tourists</td>
<td>1 (2.1%)</td>
<td>2 (4.2%)</td>
<td>3 (6.2%)</td>
<td>10 (20.8%)</td>
<td>35 (72.9%)</td>
<td>45 (93.8%)</td>
</tr>
<tr>
<td>5. The promotional activities by the government and related bodies are adequate</td>
<td>2 (4.2%)</td>
<td>2 (4.2%)</td>
<td>4 (8.3%)</td>
<td>17 (35.4%)</td>
<td>27 (56.2%)</td>
<td>44 (91.7%)</td>
</tr>
<tr>
<td>6. Economic incentives provided by the government and related bodies are adequate</td>
<td>2 (4.2%)</td>
<td>5 (10.6%)</td>
<td>7 (14.9%)</td>
<td>17 (36.2%)</td>
<td>23 (48.9%)</td>
<td>40 (85.1%)</td>
</tr>
<tr>
<td>7. The standard of hotel school graduates in hospitality/tourism is below average</td>
<td>7 (15.5%)</td>
<td>6 (13.3%)</td>
<td>13 (28.9%)</td>
<td>23 (51.1%)</td>
<td>9 (20%)</td>
<td>32 (71.1%)</td>
</tr>
<tr>
<td>8. Guests have shorter stays. The result is a negative impact on our profitability</td>
<td>12 (46.2%)</td>
<td>5 (19.2%)</td>
<td>17 (65.4%)</td>
<td>6 (23.1%)</td>
<td>3 (11.5%)</td>
<td>9 (34.6%)</td>
</tr>
<tr>
<td>9. Rising standard of service demanded by hotel guests has affected this hotel's profitability adversely</td>
<td>13 (27.6%)</td>
<td>10 (21.3%)</td>
<td>23 (48.9%)</td>
<td>14 (29.8%)</td>
<td>10 (21.3%)</td>
<td>24 (51.1%)</td>
</tr>
<tr>
<td>10. There has been an overall increase in employee expectations in this hotel</td>
<td>1 (2.1%)</td>
<td>3 (6.2%)</td>
<td>4 (8.3%)</td>
<td>10 (20.8%)</td>
<td>34 (70.8%)</td>
<td>44 (91.7%)</td>
</tr>
</tbody>
</table>

(N=48, except in questions 1 (46), 2 (47), 3 (45), 4 (47), 5 (45), 6 (47), 7 (45), 8 (26) and 9 (47), due to lack of responses).
Political developments in Indonesia and Malaysia

Respondents are more decisive on this issue. More than 76% of hotels agree that social and political instabilities in both countries have benefited some Thai destinations, as foreign tourists choose to visit Phuket, Pattaya, Chiangmai or Bangkok, in preference to Jakarta, Bali, Lombok or Kuala Lumpur. Anecdotal evidence of hotel occupancy levels in Bali and Lombok in mid 1998 confirms such impressions. However, 23.4% of respondents disagree, no doubt reflecting specific locational or other issues.

The Smog Haze in Sumatra

A similar proportion of respondents (71%) report that the smog haze in 1997 had an adverse effect on their businesses. Dependent on climatic factors, it is not surprising that different destinations will experience different effects of such phenomena. Proximity to Sumatra (e.g. Phuket, Pattaya and Southern Thailand) is a determining factor, as are the perceptions of prospective tourists. Sometimes the perceptions are more important than the realities, as anecdotal evidence illustrates—a rumour of a tsunami to strike Phuket in mid 1998 caused the cancellation of several group tours and the flight of many hotel staff!
Government Initiatives

Strong support is given by the majority of hotels for the government’s attention to tourism infrastructure development (93.8%) and for its promotional and marketing initiatives (91.7%), with slightly less enthusiastic support for economic incentives (85.1%). The highly visible government tourism strategies discussed earlier no doubt contribute to this very positive perception.

Industry Training

No such positive views appear to be held with respect to the adequacy of current hotel training systems. Seventy one percent of respondents are dissatisfied with the overall standards of hotel school graduates, although nearly 29% are satisfied. The relative newness and small number of such institutions may account for this perception, but it is an area of concern, which requires industry and government attention.

Guest Expectations

Two questions were asked here, concerning the reported global reduction in the average length of guest visits and their rising expectations of hotel service standards. Respondents generally disagree (65.4%) that tourist stays are shorter than previously, or that it has had an adverse effect on profitability levels, although 34.6% have experienced such effects. Discrepancies may reflect regional variations, travel purposes, or package tour structures. With respect to the second issue - rising guest expectations - respondents are equally divided (51% agree, 49% disagree) perhaps due to different locations or guest markets. It might, for example be inferred that guests in resort destinations are either more tolerant of, or less experienced in, service quality standards, than their business counterparts in Bangkok or
Haadyai. The cost-effectiveness of package tours in some locations may represent a trade-off for five star service.

Rising Employee Expectations

As a global phenomenon, and given the importance of tourism, it is perhaps not surprising that most respondents (91.7%) agree that the expectations of hotel employees are continuously increasing. Even in the parlous economic circumstances faced by Thai hotels, respondent comments suggest that employees are self-interested rather than concerned to understand the difficulties faced by their employers, and still demand what respondents consider to be unrealistic salary levels and working conditions. Some recognise the opportunities offered by present circumstances to upgrade employee skills, and to choose the best from a broader employment market.

Specific issues raised include:

- a lack of experienced, and lower level, employees, and professionals
- imbalances in staffing between hotel departments
- the lack of a "service mind", English competence, or arguments between employees from different provinces
- a lack of punctuality, dishonesty, or a lack of "tolerance"
- the effect of new Thai labour laws, including the regulation of salaries and working hours

Solutions adopted include:

- the multi-skilling of employees ("many duties in one person")
• training-for greater efficiency, understanding of the financial difficulties, job rotation, and to promote the message that "...there is no layoff yet in this hotel, no salary decrease."

• shorter probation periods, discussions with unions, employee counselling and problem-solving sessions, staff seminars and meetings

• negative recruitment, salary reductions and retirement of older hotel staff.

Discussion

This study sought to examine the effects of a series of recent events on the hospitality sector in Thailand through the perceptions of a sample of hotel general managers. Its aim was to illustrate the need, and capacity, of industry planners to analyse their particular business environments in relation to both short and long-term vulnerabilities, and thence to develop strategies, which will ensure sustainability. This approach represents "...a systematic and structural analysis of the broader environmental factors affecting tourism..." (30), not merely the tourism development-ecological protection dilemma, and goes some way towards the "big issues of planning, sustainable development, security and quality" (31).

An analysis of the impacts of these regional events on the Thai hotel sector, through the perspectives of general managers, provides some interesting illustrations of the differential consequences in diverse tourism destinations. A relatively homogeneous, middle range hotel sample within the same country experiences both similar and different effects.

Thus, some hotels actually benefited from the 1997-8 currency crisis, as the result of their relative attractiveness against competitors, the devaluation of the baht against foreign currencies, and perhaps the success of the "Amazing Thailand" promotion. Others suffered reduced occupancy and profitability levels. Similarly, some hotels appear to have been
unaffected by the political unrest in Indonesia and Malaysia, whilst others have benefited through the redirection of tourists.

The 1997 smog haze in Sumatra appears to have had a largely adverse short term impact on many Thai hotels, although some destinations were less affected. All of these environmental issues can be seen as short term, dramatic and "one-off" in their effects. However, a range of other industry factors are longer term in both their development and impact, and can be perceived as "creeping crises" (32) which require strategic industry responses. These include government infrastructure development, promotional campaigns and economic incentives; industry training issues; and changing guest and employee expectations.

On the first factor, respondents appear generally satisfied with the supportive actions of the Thai government, even though implementation has not always matched TAT’s Master Plan objectives (33). Negative perceptions of the effectiveness of hotel training suggest that government and private sector authorities need to redress this situation as a matter of some importance. An increase in the expectations of service by hotel guests, widely discussed in the tourism literature, or reductions in the length of their visits, is not borne out in this study.

In contrast, the majority of sampled hotels have experienced increasing employee expectations (e.g. salary, training, and careers), in line with experiences throughout the world, and in spite of the current economic difficulties. In addition Thai hotels are confronted with a lack of skilled staff, legal constraints on flexible employment and the usual range of operational problems.

**Summary**

This study of a sample of Thai hotels illustrates the effects of a series of regional events, and some longer term trends, on the sustainability of the industry. As an exploratory study, its essentially qualitative findings suggest that the hospitality sector, and indeed the whole
tourism industry, can benefit from a more strategic approach to its management which includes a thorough analysis of its vulnerabilities as well as the formulation of appropriate remedial and longer term business strategies. Only in this way can the industry sustain itself, in its broadest sense, as a primary contributor to international and national economic and social growth and development.
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