Chapter objectives

After reading this chapter you will:

- Understand that tourism businesses have a range of objectives.
- Be familiar with the causes of globalisation.
- Recognise the responses of tourism businesses to globalisation.
- Appreciate the benefits of knowledge management for tourism businesses.
- Realise the explanatory power of network analysis for understanding the tourism industry.
- Be aware of the importance of embedding within networks for tourism businesses.
- Recognise the distinction between small businesses and entrepreneurs.
- Understand the characteristics of tourism small businesses.
- Appreciate the critical importance of human resources to tourism businesses.
- Be aware of the challenges facing tourism human resources.

Introduction

In this chapter we turn to the contemporary tourism industry and identify and expand upon five key issues facing the industry. We begin with the challenges posed to the contemporary tourism industry by globalisation. This section identifies the key drivers of globalisation, particularly the lowered cost of travel and technology. Tourism businesses are responding to globalisation by internationalising and building alliances and partnerships, whilst the public sector is concerned to protect small businesses threatened by the shifting competitive landscape that globalisation delivers. We then consider the fact that the tour-
The Tourism Industry: Contemporary Issues

Tourism industry has been slow to embrace the benefits of the knowledge economy, particularly in terms of adopting knowledge management practices and boosting competitiveness through utilising knowledge for innovation and new product development. Both globalisation and the knowledge economy demand that tourism businesses are well networked. Only in this way can they ensure that they benefit from both global trends and the flexible specialisation that characterises the industry. Network analysis can be used to examine networks of destination and tourism business and to diagnose problems and weak links. Embeddedness within networks is identified as a key strategy for survival for the contemporary tourism business. The chapter then turns to small businesses, the lifeblood of tourism destinations, and makes the distinction between small businesses and entrepreneurs. A particular feature of the tourism industry – the lifestyle entrepreneur – is then examined. Finally, the chapter examines the crisis facing human resources in tourism, a crisis partly due to demographics and partly to the nature of tourism jobs and their working conditions.

Tourism businesses

The contemporary tourism industry comprises a range of businesses each with different objectives. Bull (1995) summarises these objectives as:

- **Profit maximisation**, requiring a long term view of revenue and cost, a perspective often absent in tourism.
- **Sales maximisation**, which is often the default option for service businesses and tourism due to capacity constraints.
- **Empire building or prestige**, here as businesses grow there may be a separation of ownership and control and non-monetary objectives emerge.
- **Output maximisation**, which is more relevant for product-oriented businesses where volume is more important than yield.
- **Satisficing**, where the goal is to set satisfactory level of revenue or profit.
- **A quiet life (profit minimisation)** where the business is small, often family owned and may be run for life style reasons.

Together these businesses form the contemporary tourism industry, an industry difficult to define as noted in the previous chapter. Debbage and Ioannides (1998) state that this machinery of tourism production manipulates and permits the tourist experience to happen, and in recent years has been restructured. This has been in response to technology, changing consumer demand, increasing concentration in the industry (albeit off a low base), and the demands of flexible specialisation creating networks of supply and destinations with vertical, horizontal and diagonal integration.

In this chapter, rather than examining the industry sector by sector we have adopted a thematic approach, drawing out and analysing five key issues which characterise the contemporary tourism industry.
These issues are:
1. Globalisation
2. The knowledge economy
3. Networks
4. Small businesses
5. Human resources.

The globalising contemporary tourism industry

Globalisation is a fundamental consideration for all tourism businesses. Globalisation can be thought of as *boundarylessness* and has various organisational responses to it (Parker 1998): responses that are characterised by speed, flexibility, integration and innovation (Wahab & Cooper 2001). Globalisation not only reduces borders and barriers for trade between nations, but it also renders these boundaries permeable both within and between organizations. Globalisation therefore demands a different perspective and position to be taken on the management and operation of tourism businesses. It also demands a response from the public sector in terms of networked governance. This is because globalisation creates an interdependent world – think for example of the financial and economic crisis that began in 2008 and spread to become a global issue and problem. Of course, whilst tourism businesses themselves are affected by globalisation, so too they enhance and sustain the process of globalisation (Diamantis & El-Mourhabi 2004).

Contemporary drivers of globalization

There are a number of drivers of globalisation that impact upon the tourism industry, although these are often outside the control of individual businesses. We can identify six inter-related drivers of globalisation:

1. **Technological drivers** Globalisation has been facilitated by two technologies:
   - Transport technology has reduced both the monetary and the time-related costs of travel and acted as a ‘space shrinking’ technology, in turn breaking down geographical boundaries and constraints.
   - Communication technology with the synergy between the processing power of computers and the transmission capabilities of digital media has boosted both the speed and capacity of communication. Tourism has certainly been influenced by the revolution in global communications, allowing fast and cheap international communication, the development of global distribution systems and increasing the reach of small businesses.

2. **Economic drivers** Economic drivers of globalisation include the shifting patterns of production and consumption across the world, which are challenging traditional economic assumptions of world trade and markets.
3 Political drivers Political events have fuelled globalisation, creating a new world order. As the traditional core-periphery pattern no longer explains the location and success of businesses and nations, Dicken (1992) argues for a multi-polar economy with three economic regions dominant – North America, the European Union and the economies of Asia. A key issue here is the way that developing countries are being marginalised in the global trading environment. The resultant trade tensions in the global market place have prompted a response by the World Trade Organization to draw up the General Agreement on Trade in Services (GATS). The GATS has a range of impacts upon tourism businesses including:

- Promoting free movement of labour globally.
- Enabling the international development of, and access to, computer reservation systems.
- Removing barriers to overseas investment.

Despite some success in encouraging developing country exports to the developed world as a result of the reduction in tariffs and quotas, there is still a long way to go. This is partly due to the technical problems that developing countries face in meeting the technical standards demanded of exports, and their lack of capacity to produce the goods. In response, the World Trade Organization has encouraged ‘Mutual Recognition Arrangements (MRAs) which reduce the technical burden on exporters and have attempted to reduce the technical barriers to trade (TBT). MRAs have been applied in tourism, particularly in the areas of technical qualifications for cross-border workers.

4 Cultural drivers The rise of global culture impacts significantly upon tourism. Many resorts are criticised for their uniform landscape of fast food restaurants, international hotels and chain stores. This coca-cola-isation or McDonalds-isation of destinations is a consequence of the globalisation process, converging business practices and communication of both ideas and brands through the media.

5 Environmental drivers The natural environment is a global resource for tourism and non-sustainable practices in one destination impact upon others. Whilst globalisation does have positive consequences for the environment, there are also a number of problematic issues:

- The reduced effectiveness of governments acting unilaterally weakens those who regulate and prevent pollution.
- In an increasingly market-based economy, externalities will not be addressed.
- Environmental problems do not respect traditional political boundaries, and there will be a blurring between economic and environmental boundaries.
- Rapid tourism growth in Asia means that governments are grappling with the impacts upon both environments and cultures.