Tourism Management to Avoid Strategic Drift

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Background

- Global trends are influencing tourism demand and, on the supply side, have substantial implications for tourism management at both the destination and operator levels.

- Business strategies tend to be characterized by small strategic adjustments or ‘incrementalism’.

- However, these marginal adjustments of strategy within an organisation’s existing culture may lead to strategic drift reflecting strategies that are inconsistent with changes taking place in the external environment.

- This paper discusses these issues and presents seven areas of importance on which managers can focus to assist them to avoid strategic drift.
Global Trends

- Substantial change is taking place globally that will influence the types of experiences that tourists seek in the future.

- Major shifts in the leisure and tourism environment reflect changing consumer values, political forces, environmental changes and the explosive growth of information and communication technology.

- An understanding of the key trends affecting tourism demand and supply improves managerial decision-taking and reduces uncertainty.

- Tourism stakeholders can act strategically as 'future makers' rather than 'future takers'.
PEST and PEEEST

- The remote environment of an organisation comprises those factors over which it has very little or no control. These factors are often characterised as Political, Economic, Social and Technological (PEST).
- Given the importance of the natural Environment, the acronym PEEEST or STEEP is often now employed.
- PEEEST factors are useful for identifying and structuring some of the more important drivers of change and trends affecting tomorrow’s tourism and travel.
World Tourism Organisation Tourism Forecasts to 2020

- International tourism will continue to boom in the 21st century
  - increasing to almost 1.6 billion in 2020
  - This is 2.5 times the volume recorded in the late 1990s

- Annual average growth rate in international tourist arrivals is 4.1 per cent a year
  - well above the maximum probable expansion of around 3 per cent per year in the world’s wealth
  - But WTTC predicts growth of only 3.3% growth p.a in tourism’s contribution to GDP over this period
# Travel & Tourism Competitiveness Index

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Global trends affecting tourism

5 key global trends

- Globalization and long term economic trends
- Political trends
- Social and demographic trends
- Environment, Resources and Energy Trends
- Changes in Technology
Globalization and Long term Economic Trends

- Six factors that drive globalization, economic dynamism and growth
  - political pressures for higher living standards
  - improved macroeconomic policies
  - deregulation/liberalisation of international trade
  - rising trade and investment
  - diffusion of information technology
  - increasingly dynamic private sectors
Growing World Economy

• **rising income** is the most powerful generator of tourism flows

• continued growth of national economies will generate increased outbound tourism and, to a lesser extent, domestic tourism

• Economic growth and greater spending power, and with greater available leisure time, will give greater numbers of people the opportunity to travel
GFC: Possible consumer responses?

- Spend less, travel less (but shift to other products, debt reduction, savings?)
- Income elasticities of demand not known for sharp rises/falls
- Switch to closer destinations?
- Shorter lengths of stay?
- Extent of shift to domestic tourism?
- Some ‘trading down’? (e.g., towards LCC, lower standard hotels, business class to economy)
- Become more sensitive to price signals and differentials? (increased elasticity of demand for tourism products?)
- Will remote areas be differentially affected?
- Price level and exchange rate as (partially) offsetting income falls?

Answer = We simply don’t know enough about consumer travel behaviour to give definite answers to these questions
Political Trends

- the gap between the “haves” and “have-nots” will widen unless the “have-not” countries pursue policies that support application of new technologies
  - good governance
  - universal education
  - market reforms
Some Political Influences

- Destinations that are perceived to be less safe and secure will be avoided by tourists
- Globalisation Vs Localisation
  - Modernity Vs Identity
Environment, Resources, Energy Trends

- **climate change**
  - higher temperatures
  - ozone depletion
  - sea level rise
  - loss of snow cover and permafrost
  - glacial melt in the polar regions
  - extreme weather events, precipitation and hydrological changes

- **natural resource depletion** (energy, water)

- **land-use changes** (deforestation and desertification, salinity)

- **changes in biodiversity** (species loss)

- Implications for **New Zealand ???????**
Positive proof of global warming.

Some Environmental Influences on Tourism

- tourism both contributes to and is affected by climate change
- natural environments and climate will influence which destinations will be preferred by tourists
- climate change impacts on the profitability of the industry through increasing temperatures, energy and water use and increasing needs for adaptation
- Government policies will affect operator costs
- Long haul destinations particularly affected

Diminishing supplies of energy will impact on fuel costs, affecting transport costs and tourism flows. Implications for NZ 100% pure?
Social/Demographic Trends

Population and Ageing
Urbanisation
Changing Social Structures
Health
Aspirations and Expectations
Values and Lifestyles
Changing Work Patterns
Gender
Education
Social Influences on Tourism

- *Money rich-time poor*. Leisure time has become an increasingly scarce commodity.

- *Individualism*. Tourist behavior is becoming driven by a desire for customisation (pampering/hedonism).

- *Self improvement*. As more material needs are satisfied, tourists seek newer, richer, deeper, authentic experiences.

- *Seeking value for money*. The internet has lead to more knowledgeable consumers who seek best value for money and time.
Social Influences on Tourism

- **Experimental.** New tourists are extremely experimental, willing to try new products, foods and attractions, but too impatient to give a second chance to products or service that fail to satisfy initially.

- **Safety conscious.** Safety issues are becoming increasingly important.

- **Social and Environmental Concern.** Tourists are becoming more aware of political, social and environmental issues for different destinations.

- **Good service.** The tourist marketing battle is shifting from competitive pricing to service improvement.
Technological Change

- Technology is the foremost management tool for successful performance and competitive advantage in the new business operating environment.
Technological Influences

- Database management systems allow organisations to respond to individual preferences to stimulate tourism.

- New technologies give tourists more control over how they spend their time and money.

- New technology is improving the speed and comfort and reducing the real cost of travel.

- All aspects of tourism and hospitality organizations in all sectors are being dramatically changed by new technology.

- BUT --- the tourism industry generally has not taken an active role in developing or adapting new technology.
Taken together, these drivers and trends set the context in which the global tourism industry may be expected to develop to 2020

No single driver or trend will dominate the global future

each driver will have varying impacts in different regions and countries

in some cases, these trends work at cross-purposes
Strategic Incrementalism

• Organisations constantly need to adapt to changing circumstances to remain competitive.

• Managers attempt to cope with change through constant scanning, evaluation and learning by doing.

• When faced with pressures for change, managers often look for strategies, which are familiar to them.

• This may involve improving the ways in which they operate, but only piecemeal.

• Incremental change is an adaptive process to a continually changing environment.

• Corresponds to what is referred to as the ‘fit’ concept of strategic management.

• An Australian study confirmed this strategy is common among tourism businesses.
Incremental Change

![Graph showing incremental change over time]

- Environmental Change
- Incremental Change

Amount of Change vs. Time
An Australian Study

• Participants perceived themselves as 'strategists', continually proactively pursuing a strategic goal
  ➢ countering competitive moves
  ➢ adapting to their environment
  ➢ while not rocking the boat too much to maintain efficiency and performance.

• Their strategic stance can be characterized as 'incrementalist' and no different from other (non-tourism) managers in this respect.

• But - -does this make their organisation vulnerable to 'strategic drift'?
Problems with Incrementalism

- Improving ‘little by little’ might not be enough.
- Management may need to adapt to the bigger changes in the remote environment.
- Leads to **strategic drift:**
  - Organisations can gradually lose touch with changes in the business environment.
  - May be unable to retrieve the situation by incremental change.
  - Tourism organizations are particularly vulnerable.
Strategic Drift

Cumulative change

Environmental change
Strategic change

Strategic drift

Time
Incrementalism can lead to Strategic Drift

- Incrementalism can turn into a dangerously conservative influence preventing change.

- Organizational theorists talk of ‘bounded rationality’ to capture what actually happens in organizations.
  - Decision making reflects ‘satisficing’ rather than optimizing

- Environmental change may not always be gradual enough for incremental change to keep pace.
Survival or Demise?

Time

PHASE 1
Incremental Change

PHASE 2
Strategic Drift

PHASE 3
Flux

PHASE 4
Transformational Change or Demise

Amount of Change
7 Ways for Tourism Managers to Avoid Strategic Drift

1. Sustainable yield as an Objective of the Tourism Organisation
2. Importance of Customers
3. Proactive Adoption of New Technology
4. An Innovation Culture
5. Risk Management
6. Importance of Collaboration
7. Education and Training
1. Sustainable Yield

- Destination managers should measure success by ‘yield’ per visitor not numbers of visitors
  - Spaceship Culture Vs Cowboy Culture
- Studies of Yield in both Australia and New Zealand
- Operators should adopt a triple bottom line (TBL) approach to reporting to include social, environmental and economic information into decision making
- A sustainable yield focus would guide management decision making and foster a better understanding of changing environmental and social attitudes
2. Importance of Customers

- **Customer oriented businesses** create value through improved understanding of customer preferences.
  - Tourism industry must avoid a supply driven cargo cult mentality (‘build it and they will come’)

- The social and demographic changes taking place require **continual monitoring of tourist values, attitudes and needs**.

- Understanding shifts in tastes underpins effective marketing communication.

- A serious ‘customer orientation’ will greatly help tourism organization to avoid strategic drift.
3. Proactive Adoption of New Technology

- Managers should proactively try to create new products, new opportunities, new markets and new customer needs and expectations.

- Destinations and operators should monitor the extent to which new telework and video communication technologies affect business and personal travel.

- Products are increasingly consumer rather than product driven, so enterprises must rapidly respond to consumer demands.

- New technologies can play an essential role in helping tourism organisations avoid strategic drift.

- Smaller players can benefit from web technology.

- But -- despite proliferation of new technology, the tourism industry is often reluctant to adopt new methods and tools.
4. An Innovation Culture

- To be effective innovators tourism organizations need to foster an ‘innovation culture’, fostering new ideas, new product, and service development to better penetrate existing markets and develop new markets.
  - **Teamwork** is valued and encouraged.
  - **Open communication** within the organization vertically and horizontally.
  - Employees are **empowered, customer oriented, and ethical** in their dealings with all stakeholders.
  - To support innovation **Risk taking** is encouraged and rewarded.
  - **Management support** for individual initiative.

Neglected research area
5. Risk Management

- Tourists are increasingly safety conscious.
- Communicating a destination’s risk management strategies will be important to maintaining visitor attractiveness.
- Implementation of risk management strategies should be part of business management plans - sound business management in the face of uncertainties.
- Effective risk management requires organizations to carefully monitor the context in which travel and tourism operates at any given time.
- Need for more contingency planning also helps to correct for strategic drift.
6. Importance of Collaboration

- Managers must improve networking capabilities with other enterprises, government agencies and industry associations.

- Neglected research area

  - Tourism operators must be proactive in collaborating with enterprises that are developing, expanding, or franchising new entertainment or tourism products that fit with their market segments.
    - Think and act in terms of ‘value-chains’.
  
- Destinations must develop a comprehensive government and industry response to climate change.

- Market intelligence and market feedback are a crucial aid to decision making to avoid strategic drift.
7. Education and Training

- Managers must have the knowledge and adaptive capabilities to apply their knowledge in contexts of continuous change.

- Education and training can foster a more innovative tourism workforce to achieve destination competitive advantage.

- Tourism education must prepare students to play a proactive, leadership role in an industry that is undergoing rapid changes.

- Major challenge for tourism education is to convey to students - future leaders of the tourism industry - the nature of these ‘environmental influences’ and their implications for sustainable tourism development.

- Such understanding will enhance managerial decision making to avoid or eliminate strategic drift.
Conclusion

• Tourism will develop consistently with wider economic, social, cultural, political, technological and environmental trends affecting all countries.

• The challenge for tourism stakeholders in both the private and public sectors is to avoid strategic drift – Stay Alert !!!

• Special pitfalls for managers in emerging destinations.

• No Magic Formula for avoiding strategic drift!!

• But attention to each of the 7 areas of importance is a good starting point.
Thank you !!!!!
Think You !!!
Thunk you !!!
Thnk you !!!