

TOURISM IN A GLOBAL CLIMATE

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Abstract

Over the next decade, the global tourism environment is likely to be increasingly volatile and aggressively competitive, attributable to the current global financial crisis and unpredictable forces such as climate change. The degree to which these changes impact on regional tourism destinations is directly linked to how destinations adapt and manage their resources. This paper discusses the importance of inter-entrepreneurial and community relationships in regional tourism networks and clusters in terms of influencing business processes and economic viability in the knowledge economy. Underpinned by technology, strong network cohesion can lead to inclusive and transformational knowledge creation needed for sustainable destination development and innovation. Related implications for policy initiatives conclude the paper.

Introduction

Over the next decade, the global tourism environment is likely to be increasingly volatile and aggressively competitive, attributable to the current global financial crisis that has led to falls in consumer confidence (Wray et al, 2010) as well as unpredictable forces such as climate change. While tourism remains firmly integrated in the consumption patterns of many countries and tied to the global norm to go away from home for travel and leisure purposes (World Tourism Organisation, 2003), a decline in tourism demand on the one hand and growing tourist concerns about tourism's carbon footprint on the other are contributing to a changing tourism climate.

Having reviewed tourism and climate change on an international scale, Becken and Hay (2007) identified considerable vulnerability for the industry vis-à-vis climate change. The degree to which climate change impacts on a regional tourism destination in terms of economic and non-economic effects is directly linked to its ability to adapt to climate change and the effectiveness of its management of (natural) resources (Becken & Hay, 2007). This goes well beyond the development of so-called sustainable tourism, such as nature-based and eco-tourism, which tend to address local environmental and social impacts. As Winter & Frew (2010) point out, to date alternative tourism has failed to address the impact of greenhouse gases emitted by the fossil fuel based transport such as air travel used by travellers to reach a destination.

Hall (2007) posits that if tourism is to be truly sustainable, a radical change in thinking is required, involving comprehensive and incremental policies and processes. Since tourism is a key economic driver for many local economies, Hall (2007) further argues that in making changes to current destination planning and practices, tourism cannot rely on top down policy and government intervention alone and in future must be concerned with the incorporation of bottom up community and social concerns as well as 'the soft aspects of development, social and intellectual capital, trust, cooperation and networks' (p. 406), which engages both tourism operators and the wider community in wider social learning.

Enter the knowledge economy, a strategic combination of many factors with networks, communication and knowledge platforms, value creation and relationships underpinning competitive advantage. Enabled and driven by connectivity, the knowledge economy has been challenging conventional business practices and traditional marketing disciplines. In order to compete in the knowledge economy, companies of all sizes must be prepared to use technology-mediated channels, create internal and external value, formulate

technology convergent strategies, and organise resources around knowledge and relationships (Rayport & Jaworski, 2001). Thus, the exploration of social and intellectual capital, trust, cooperation and networks (Hall, 2007) is a perfect fit for any destination seeking to be sustainable and remain relevant in the knowledge economy.

The influence of communication and information technologies (ICT), networks and relationships as critical factors in shaping the distribution of economic advantage is relevant to tourism, as it directly impacts on interactions between local and global forces (Giddens, 1990). The realities of global competition require an understanding on the local level of global trends, markets and the complexities of interactions with multiple stakeholders along global supply and value chains (Youngdahl & Loomba, 2000). Today's tourism destinations are expected to possess the ability to mobilise information and capture knowledge that contributes to the augmentation of product or value along global value chains. Well resourced large and vertically integrated industry players in the tourism sector have been steadily upgrading and globalising their network systems, building on long-established relationships between key tourism services such as attractions, transport, accommodation and hospitality for competitive advantage (Braun, 2004).

The dynamics are quite different for freely assembled destinations, predominantly made up of small and medium size enterprises (SMEs) and micro tourism operators, where network strategies and knowledge transfer is often ad hoc or absent (Braun, 2005). It is nonetheless these same networks that can play a significant role in the positioning of a tourist region in the global economy (Castells, 2000), because of the benefits that can be gained from industry clustering or the proximity to other firms in the region (Enright & Roberts, 2001). Especially for micro business entrepreneurs and managers of small and medium size enterprises (SMEs), for whom joining the global market as a sole trader may entail an overwhelming leap into the future, local networks provide a means of supplementing and complementing limited resources and represent a potentially complementary response to insecurity arising from global economic developments (Doloreux, 2004).

As outlined above, cooperation, networking and clustering are integral to the knowledge economy as the new technology-enabled landscape provides the capacity for firms to collaborate with former competitors, and potentially achieve “competitive co-evolution, enhanced by digital platform features” (Ordanini & Pol 2001, p.282). However, many tourism SMEs are lifestyle entrepreneurs, who do not consider themselves part of

the industry and whose lack of skills result in a high level of business failure (Braun & Hollick, 2005). In the past it has also been suggested that smaller operators generally have limited experience of new and innovative technologies and how these might be applied in their businesses (Buhalis & Demeizo, 2003). These days tourism SMEs demonstrate a better practical understanding of ICT, although they still fall short in terms of using ICT for improved decision making and strategic positioning of their business (Burgess et al, 2009), let alone for collaborative approaches across the destination or region. Although the danger exists that individualistic operators may remain lost in the electronic marketplace, collaboration-minded entrepreneurs and destinations, regardless of their size or location, are well placed to take advantage of the opportunities that connectivity, (virtual) clusters and networks have to offer.

Clustering

There is longstanding evidence that the performance of small enterprises is significantly improved by clustering (Rosenfeld, 1997). By networking and sharing knowledge, small firms are able to compete for and access specialised resources and information systems as well as internalise competencies and assets that typically are internalised by large firms with economies of scale (Porter, 2000). Porter discusses a cluster's competitive advantage as being created and sustained through a highly localised process that cannot be duplicated by global partnering. Clustering hence provides SMEs benefits that would be unavailable or be available at a greater cost to non-clustering members. Clusters and networks are interdependent, whereby small business network structures underpin the growth and sustainability of clusters (Rosenfeld, 2003).

There are various clustering forms that may ensue to optimise competitive advantage. In horizontal clustering companies within the same industry sector are co-located in a particular geographic area and might share an industrial or technological base, operate within a common market and use a common purchasing and/or distribution channel. Vertical networks include horizontal cluster participants as well as supply chain members such as suppliers, consumers and related services. Diagonal clustering refers to the concentration of complementary or symbiotic activities, whereby each firm adds value to the other, thus creating a value chain (Braun, 2005). As a cluster gains an identity, such as a recognised tourism brand, it becomes an attractant to new entrants and creates major external economies for cluster participants (Rosenfeld, 2003). With the exception of virtual clustering, where geographic proximity is not necessarily applicable, much of the cluster

literature emphasises the importance of local networks, social capital and trust for competitive advantage (Braun, McRae-Williams & Lowe, 2005). Trust as the basis of collaboration is conducive to information and knowledge flows, which in turn improves cluster efficiency and effectiveness, either formally or through spillovers, and may spur innovation (McKinsey and Co, 2000). Constraints that affect cluster development and innovation include lack of leadership, low levels of collaboration, and lack of trust between firms.

Typically, firms and individual actors within a cluster are embedded in a variety of formal and informal professional, social and intellectual exchange networks (Granovetter, 1973). The extent and importance of these networks usually relate to firms' or individual actors' horizontal and vertical relationships, network culture and strategic complementarity. Network cohesion, common culture, commitment and trust among network stakeholders are key features to facilitate collaboration for mutual understanding and benefit (Håkansson & Snehota, 1995; Putnam, 2000).

Trust and social capital are attributes not only of industry networks but also of entire geographic regions. When these characteristics are present and underpinned by connectivity, collaborative and associative network forms can enhance the economic competitiveness of a destination and enable regional and local community building. Hence trust is a useful lens through which to examine the levels of social capital within a wider business community, as it is generally believed to be not only a good indicator of network cohesion, but also of related exploration of economic opportunities (Fukuyama, 1995). High levels of network cohesion and trust create embeddedness, strong ties and dependable behaviour, enabling open exchange of knowledge and ideas across the cluster or region, which in turn fosters high levels of localised collective learning, competitive advantage and innovation. Conversely, as illustrated in Figure 1, the nature of how entrepreneurs work can impact on trust and network formation (Braun & Lowe, 2005).

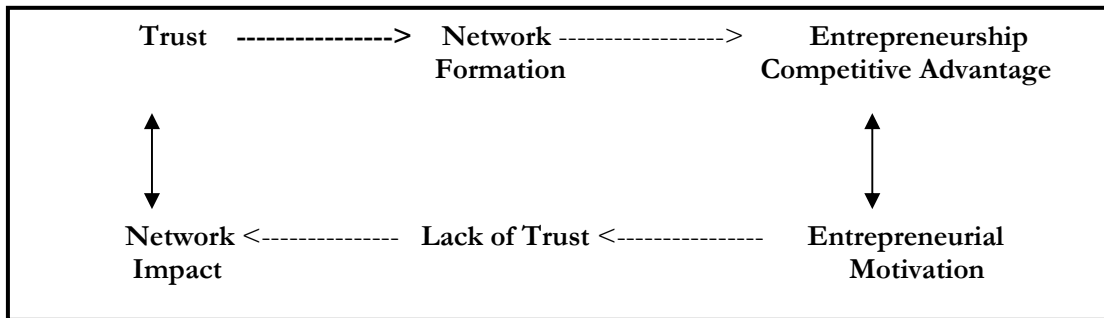


Figure 1
Network-Entrepreneur Interaction

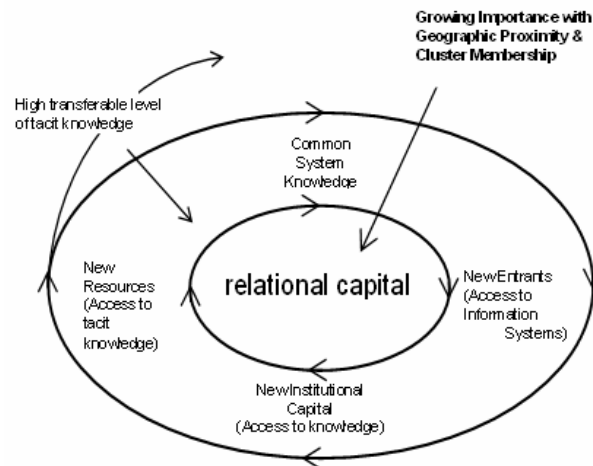
Destinations interested in investing in a sustainable future would do well to embrace collaborative practices and collective learning that incorporates aspects of bottom up sustainable development, social and intellectual capital (Hall, 2007).

Learning and Knowledge Creation

The concept of collective learning lies at the base of innovative and creative milieu theory, whereby the presence of common knowledge goes beyond the individual firm yet remains within the boundaries of the milieu or, as the case may be, destination or tourist region (Cumbers, 2003). Collective learning is generally defined in the literature as “a social process of knowledge accumulation” (Capello, 1999, p. 720), whereby knowledge creation through interaction and continuity provides an important vehicle for the transfer of knowledge over time. Through collective learning, regional networks and clusters can reduce uncertainty, foster innovative milieux, and augment creative capacity for firms by way of knowledge diffusion throughout the local network (Braun et al, 2005).

Turning ourselves into collective communities of learning is, however, not an easy task (Brown & Duguid, 2000). Collective learning and knowledge creation are spiralling processes of interaction fusing explicit and tacit knowledge. Interaction creates new knowledge when actors bring their knowledge to a shared space and transcend their own limited perspective or boundary (Nonaka and Konno, 1998). Based on the Swann et al (1998) virtuous clustering model, which positions relational capital at the core of cluster strength, it is proposed in this paper that destination knowledge creation is a cyclical process, with different types of knowledge being exchanged at different points of cluster

maturity. In other words, a certain amount of codified data and information has been captured by the system, which is augmented by new entrants, which leads to increased ‘institutional’ or destination knowledge, which in turn creates more tacit knowledge and attracts new resources (and entrants). The model cycles upward (indicating innovation and growth) as the steps are repeated (Figure 2).



Knowledge becomes more important with geographic proximity and cluster membership, whereby a distinction is made between access to data captured in a common system (e.g., using a search engine on the Internet, which is accessible to all) versus access to data captured in an industry-centric information system, which is part of institutional knowledge and becomes tacit knowledge. To access and understand data captured within an industry-centric information system, geographic proximity is desirable, if not necessary. Knowledge might for example be obtained through tourism industry association membership, making institutional capital highly location- and boundary specific (you have to be there to be ‘in the know’), whereby tacit knowledge is embedded within the local system, industry and community. To disseminate and access tacit knowledge proximity is required, e.g., the very reason why tourism association membership and cohesive local networks are important.

The literature tells us that small tourism firms tend to limit their external contacts to compulsory contacts (e.g., local government and tax agencies) and direct support actors and agencies (e.g., customers, accountants and banks); voluntary membership of trade organisations and networks is a low priority for SMEs (Evans, 1999). Given the often atomistic nature of tourism firms it is not unusual for SMEs to fear opportunistic behaviour from competitors and refrain from cluster/network involvement. Accordingly,

knowledge exchange within a tourism region will only be as good as its regionally embedded network conditions.

In times of financial uncertainty and climate change, it is particularly important to assess what knowledge is available at the destination or regional level that can be used towards climate change adaptation and future sustainable development. This knowledge may be vested in local government, local climate action or environmental groups, educational institutions and community members. Examining existing knowledge and intended adaptive approaches of Australian destination communities to climate change based on 2020, 2050 and 2070 scenarios, Turton et al (2010) found uncertainty and scepticism surrounding climate change and a tourism sector far from ready to invest in climate change adaptation, instead relying on the public sector for leadership on future measures. Not surprisingly, bigger tourism operators were more likely to be planning and implementing adaptation strategies now than SMEs and micro operators. There was an overwhelming view that tight-knit communities and networks need to be heavily involved in the planning and implementation of adaptation strategies.

To further understand the level of network cohesion necessary within a particular destination or tourism region to move from an old economy model into a networked knowledge economy destination, the role individual entrepreneurs can be examined. Generally, entrepreneurs operate in three different types of networks depending on the industry on the one hand and the motivations of the entrepreneur on the other. Borrowing from the leadership and network literature (e.g., Håkansson & Snehota, 1995; Hersey & Blanchard, 1977), these networks may be typified as transactional networks, situational networks and transformational networks.

Transactional networks are contractual arrangements based on the exchange of goods for dollars. Transactional networks function on an expectation of 'just' treatment, e.g., value for money. This type of network is viable in either the old or knowledge economy, but does not necessarily lead to competitive advantage. Entrepreneurs in service sector industries such as tourism are suited to transactional networks. Situational networks provide services to fit the situation or adjust to the situation at hand, e.g., situational networks provide opportunities for entrepreneurs who may not display evidence of significant process or product innovation, but who might wish to avail themselves of certain marketing applications or opportunities. Such opportunistic transactions may be achieved through minimal interaction. This type of network perpetuates an old economy

status quo. Atomistic entrepreneurs in industries such as tourism are suited to situational networks. Transformational networks are based on common goals, trust and the exchange of information and knowledge to optimise the supply or value chain. Transformational networks are effective in times of (economic, social, environmental) change, when innovation is pivotal for sustained development and competitive advantage based on new values. This type of network is ideally suited to the knowledge economy. Entrepreneurs in goods oriented industries such as the wine industry are well suited to transformational networks, whereas involvement in transformational networks by tourism entrepreneurs would likely need to be fostered.

Type of Network		Characteristics		
Transactional	Based on expectation	Just treatment	Contractual	Old/new economy
Situational	Contingent on situation	Horses for courses	Opportunistic	Old economy status quo
Transformational	Based on exchange & trust	Common goals	Effective	New economy innovation

Figure 3
Network Characteristics

Future Directions

Destinations, like networks, are dynamic organisms with ever-changing actors and transformation needs that should be recognised to achieve sustainable destination futures. In the face of a global decline in tourism demand and growing tourist concerns surrounding tourism’s carbon footprint, destination planning needs to move beyond the local context towards local-global economic, technological and social convergence.

Economic convergence requires commitment from destination stakeholders to eliminate a competitive-exclusive culture and a move towards a collaborative destination mindset that takes advantage of horizontal, vertical and diagonal clustering aspects, whereby each industry and firm adds value and become complementors in creating the regional market. Economic convergence enables technological convergence such as collaborative online marketing platforms and tools. Social convergence is sustained by commitment to augment social network capital, which is the store of goodwill and

cooperation in communities. Socialisation is the foundation of knowledge creation and trust. Trust in turn can lead to a commitment to inclusive learning and purposeful knowledge creating needed to create sustainable destination development and innovation.

While wider tourism planning now is a local-global exercise, climate change adaptation strategies are distinctly localised and contextual processes as they are subject to regional conditions, resources and network cohesion. In examining a destination's assets vs. its dependency on climate and the potential future impacts of climate change on its infrastructure readiness, activities and operational costs, ensuing adaptation options might, for example, range from risk and disaster management, to better management of built and natural resources, to community-themed adaptation strategies revolving around promoting local produce or products, targeted green or stay-at-home destination building and marketing campaigns. The process is an iterative and dynamic one, with neither knowledge production nor action undertaken for its own sake; rather, knowledge is created through action. Scenario planning is one tool that helps stakeholders understand destination vulnerabilities, activities and behaviours and how these might affect future tourism patterns.

Some networks have better social cohesion than others and hence have more collaboration or cluster potential than others. Clustering policies often overlook this important fact. Clusters will grow if a critical mass of firms, strategic infrastructure, inclusive networks, leadership, a pool of skills, entrepreneurship and knowledge flows are in place to create unique sets of core competencies, product and branding. However, as indicated, networks and value are not always naturally established and may need to be fostered. To foster an inclusive cluster culture for regional tourism firms, an appropriate balance needs to be struck between autonomy and competition. Moreover, since networks and clusters are critical for tourism entrepreneurs in terms of survival, value creation and sustainable destination development, policies directed towards small firm capacity building should always include network building and skilling aspects. While such policies cannot compel tourism entrepreneurs to network and collaborate, they can help augment relational capital, promote leadership, and benefit overall regional regeneration processes.

The uncertainty surrounding climate change may present significant adaptation challenges, but embracing these proactively and collectively as an opportunity for change will lead to realistic adaptation solutions and early mover advantage for regional tourism destinations.

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