

# **The Search for Greener Outcomes: A Strategic Approach to Transforming Tourism**

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# THE SEARCH FOR GREENER OUTCOMES: A STRATEGIC APPROACH TO TRANSFORMING TOURISM

## Introduction

This paper considers ways to optimise the tourism sector's resilience and adaptability to uncertain futures by taking a strategic approach to identifying significant long-term challenges and establishing practical pathways and toolkits to improve economic performance, while achieving greener outcomes. The proposed transformation, using New Zealand as a case study, is to respond to the context of dynamic global conditions by:

- constructing and testing a set of scenarios or 'tourism futures' at the national level and also at regional (sub national) and tribal levels;
- assessing the potential impacts (opportunities and threats) of those futures on the tourism industry;
- establishing mechanisms to maintain an evergreen and vigilant scenario planning system at national and regional levels for future application;
- establishing the capacity of tourism organisations and enterprises to mitigate threats and optimise opportunities through scenario thinking and innovation; and
- building capability-enhancing tools for tourism organisations and support agencies, as well as for enterprises and operators.

## Problem (negative impacts and challenges)

Sustainability, encompassing environmental, economic, social and cultural aspects, is a central concern in strategic thinking, planning and management of tourism development (Newsome, et al. 2002:20). In New Zealand (NZ), sustainability issues apply to the tourism sector as a whole (New Zealand Tourism Board, 2007) as well as to destinations and tourism businesses (Blaschke, et al. 2006). Public debates typically relate to the impacts of tourism on natural, built, social and cultural environments, particularly at the local level (Taylor and Warren 2001). An integrated approach to planning and management of tourism, however, has to account for complex, interrelated development issues requiring coordinated and integrated application of a range of tools (Warren, et al. 2003). A research programme completed in 2007 used an internet based toolkit to advance thinking and application of integrated planning and management for tourism (Warren, et al. 2008). This paper extends that thinking more explicitly to the enterprise level.

The tourism industry's contribution to economies can be substantial. In NZ it represents 9.2% of the total GDP, 18.3% of export earning and supports around 10% of employment (Ministry of Tourism 2007 and Tourism Research Council NZ 2008). However, the recent spike in fuel prices, global recession and swine flu pandemic are reminders that continued growth, essential to NZ's continued economic wellbeing, cannot be taken for granted. In any period of turbulence and uncertainty, past trends no longer provide a reliable insight into tourism's future. Forecasts that anticipated future steady growth in international and domestic tourism (albeit at lower rates of growth than previously), now have less substance. To secure a productive future for tourism, considerable attention needs to be given to finding ways to accelerate the recovery of the industry to maintain even modest growth rates. However, growth alone is an insufficient objective: the industry needs to be more adaptable, profitable and sustainable. The tourism industry will have to work smarter (Ministry of Tourism 2007 and Tourism Research Council NZ, 2008). Smart growth requires harnessing creativity to achieve innovation, environmental sustainability and adaptability. More radical thinking is needed. The tourism industry should learn from other sectors about how to address financial vulnerability, low profitability, productivity and product quality. Ways are needed to maximise the unique opportunities from the natural environment and Māori (cultural) tourism to differentiate NZ tourism products in the international market.

Successful world economies focus on creativity and innovation to transform. Governments are talking about creative or experiential economies where businesses lift their economic performance through being creative, innovative, environmentally sustainable and adaptive to consumer aspirations (Bruce and Bessant 2002; Cox 2005; Office of the Minister for Economic Development 2006 and World Economic Forum 2003). Scenario planning and impact assessment, coupled with design science, provide a basis for transforming traditional ways of business thinking and operating to be more entrepreneurial, innovative and “green” at the enterprise level.

**What needs to be done**

What is needed is a planning and management approach that can improve decision making, enhance organisational learning, and improve performance across economic, social, cultural and environmental parameters. Design science helps make the important link between macro and regional scenario planning and grassroots, enterprise-level cultural shifts, operational efficiencies and product innovation. The design process, as a creative and integrative problem-solving process, is an important enabler to turn creativity into innovation with a consumer-centric focus at enterprise and organisational levels. Scenario and design thinking, together with impact assessment applied to strategies of adaptation and management, act as a catalyst for innovative productivity and greener outcomes.

We propose an approach that has three components. These include Tourism Futures, Scenario Planning and Response, and Innovation by design. These components have been designed around three sets of key questions, as set out in the framework below.

Key Questions:	Components of the approach:
<p>What are the key international, domestic, socio-economic, environmental and geopolitical trends that will impact on tourism in the next 2 to 3 decades?</p> <p>What are the impacts on tourism industry’s markets, product development and other strategic development considerations of the trends likely to emerge over the next 2 to 3 decades?</p>	<p><b>Component 1:</b> Tourism Futures: To enhance the tourism industry to optimise the future using scenario planning to: (a) establish the factors likely to impact on NZ tourism; (b) identify the range of impacts and optimal responses to different tourism futures; and (c) identify the tourism industry’s capacity to adopt success-directed responses.</p>
<p>What is the capability and capacity of the tourism sector to adapt to these impacts and optimise responses in the context of changing international and domestic conditions and uncertainties?</p>	<p><b>Component 2:</b> Scenario Planning and Response: To enhance the tourism industry’s capacity to monitor and respond to identifiable trends, unforeseen shocks and other uncertainties by (a) establishing processes, practices and tools used internationally to future-proof and optimise business performance; and (b) demonstrating the efficacy of those processes, practices and tools to meet the challenge presented by the scenarios developed in Component 1.</p>
<p>What tools and products will enhance the sector’s resilience and ability to generate high value tourism products and increase economic performance in the context of both uncertainty and already identifiable global trends?</p>	<p><b>Component 3:</b> Innovation by Design: To improve the capability of the tourism industry to respond to future trends and uncertainties by developing and implementing three futures response products: (a) 2020 Tourism Futures Toolkit that sets out a variety of scenarios and effects, including the threats and opportunities each poses for the tourism industry; (b) a Scenario Planning and Response Toolkit designed for tourism enterprises and industry organisations to identify and reflect on their specific niche and regional positions into the future, and (c) an Innovation by Design Toolkit that assists tourism organisations and enterprises to use scenario and design thinking to adapt and respond to threats and opportunities.</p>

The approach, drawing on design science in the application phase, will boost the tourism sector's transition from theory (constructing scenarios and projecting impacts) to practice (thinking and acting proactively in new and innovative ways). The approach needs to (a) maximise the engagement of the industry in the scenario construction and implementation processes, (b) develop indicators that the industry can understand and recognise for monitoring tourism outcomes against the scenarios, and (c) validate and up-date the scenarios so that they can be used for ongoing tourism strategic development and capacity building.

***Building scenario practice:*** The approach utilises and builds on scenario planning techniques for targeted application to tourism as a pathway to improving economic performance at an individual tourism enterprise level (Chermack 2005; Chermack, and Payne 2006; Hiejden, Van Der. et al. 2002; Shoemaker 1995) while ensuring green outcomes. This application is primarily at national and regional levels, but could also include a tribal level given the potential for long term and intergenerational planning at this level. Each process can inform the practice of the other. The toolkits should also encourage and guide tourism organisations and individual enterprises to engage in their own scenario thinking and planning.

Scenario planning is a tool for building and considering multiple views of what the future might turn out to be, given social, technological, economic, environmental and political changes. The key outputs of the process are plausible, alternative stories about the future. Because stories tend to be easy to remember, scenarios are potentially a very effective tool for capturing and transferring complex information in a way that is easy to consider and act on. Scenario planning is intended to be transformational, to provide organisations, enterprises and individuals with new insights that can lead to innovation and improved economic performance (Chermack 2005).

Scenarios are aimed at identifying trends and influences (and challenging assumptions) at a macro level rather than focusing on micro level issues such as individual organisational processes or local-level impacts. However, vision-driven scenario planning can be a trigger for individual organisations and enterprises to think about their own possible futures and what they might need to do at regional, sub-sector or micro levels to remain competitive and viable and enhance their environmental performance. Such scenario building requires thorough analysis to explore national and international trends and influences (including uncertainties) to understand their interdependencies, the potential strength of their individual and collective impacts on tourism in the medium to long term and the nature of the risks involved. For NZ tourism, these influences include global economic trends, e.g., the current global recession and possible recovery pathways; aviation policy and supply and demand patterns; climate change and other environmental issues; socio-demographic trends in principle markets and their impacts on visitor values and aspirations; market shifts; technological developments and take-up patterns; political forces; and future shocks (e.g., the current swine flu pandemic).

***Embedding scenario thinking at the micro level:*** The scenario planning process needs to apply to the immediate issues the tourism industry faces to ensure that the transformational potential is maximised within the tourism sector as soon as possible (Ministry of Tourism 2007 and Tourism Research Council NZ 2008). While a number of practice-based management approaches have potential to maximise and accelerate scenario thinking, design science has the most potential. It provides a basis for structuring and accelerating the embedding of scenario thinking at organisational and tourism enterprise levels to achieve more innovative, responsive and profitable operators. While its application to enhancing economic performance is not new to NZ, it is new to the tourism sector. Successful applications internationally (Bruce and Bessant 2002 and Cox 2005) have prompted NZ to develop and adopt design thinking and processes in export-oriented companies, with most of the focus on manufacturing, to embed innovation and consumer-driven futures thinking (NZ Trade and Enterprise Design Taskforce 2003 and NZ Institute of Economic Research 2003). However, there is growing recognition of

the need for and value of testing and adapting such approaches for other industry sectors, particularly in the broad service area, including tourism.

Despite the obvious potential for design science to embed scenario thinking at a micro level, its potential to transform the tourism sector is largely untested. Design science provides a platform for changing the culture of an organisation, to enable new thinking and better decisions through managing all business processes to satisfy visitor aspirations and achieve sector outcomes. For tourism to be resilient and responsive to trends and influences it needs to be consumer-centric. That is, operators need to create products that simultaneously fulfil *and* shape consumer desires (Meza 2007). It is well established that application of design science has reinvigorated manufacturing and provided the pathway for manufacturing to move from volume-based and niche marketed production to expanding its returns through added value (Office of the Minister for Economic Development 2006). Companies that have integrated design science into their business operation report measurable benefits such as significant increases in turnover and/or profit, the attraction of international partners, expansion into global markets, and substantial licensing fees and royalties (NZ Institute of Economic Research 2003).

Researchers and practitioners with expertise in scenario planning and other futures-thinking techniques, impact assessment, design science, business innovation and tourism must focus collectively on the future needs of tourism. Experience in developing integrated approaches to tourism planning and management shows clearly that single tools will be insufficient (Warren et al. 2008). Their collective work will result in new knowledge and practical toolkits that the industry can use at policy, organisational and enterprise levels to better anticipate and respond to rapidly evolving tourism markets and multiple influences.

#### **Potential benefits (beneficial impacts)**

In countries such as New Zealand, tourism planning and strategic thinking have been fixated on the singular objective of increased visitor numbers, with green outcomes a secondary goal, despite the “green” image portrayed in visitor marketing. The proposed approach will lead to improved tourism policy and practice decisions at national, regional and individual enterprise levels. It will provide the basis for tourism stakeholders to make sense of uncertain futures in a systematic way. This will lead them to challenge existing assumptions about sector growth, better anticipate and respond to market shifts and changing demand, and increase profitability through embracing innovation. It will also establish mechanisms and enhance capability to maintain an evergreen and vigilant scenario planning system so that scenario thinking can remain a relevant strategic development tool.

Benefits to the tourism sector can be inferred from successfully implemented transformational approaches used to maximise economic, social and environmental performance in other industry sectors (e.g., manufacturing). Tourism can take advantage of the lessons learned from other industry sectors’ adoption of structured futures thinking (NZ Trade and Enterprise Design Taskforce 2003).

To take advantage of investment in scenario planning requires radical rethinking rather than incremental change aimed at recovering or increasing previous growth rates focused on visitor numbers. Tourism could become a flagship for economic transformation in NZ based on fully harnessing its creativity and the emotional and experiential value from NZ’s unique national identity, cultural heritage and natural environment, in line with the “100 Pure”, green image currently portrayed.

The proposed approach will contribute to tourism’s ability to transform itself by establishing at the sector and operator levels: (a) how the practice of scenario planning can be developed further to enhance strategic development of the tourism sector; (b) what tourism might look like in the future, given a complexity of interrelated trends and influences; (c) how impact assessment can be applied proactively to assess likely effects, develop mitigation options and

monitor outcomes; (d) how design science can enhance the imbedding of scenario planning and impact assessment to maximise the industry's innovative potential and performance (broadly assessed); and (e) how test cases can be generalised and used to promote adoption of the approach at a sector-wide level.

A best practice approach applied internationally will develop mechanisms to maximise the engagement of the industry and stakeholders in the scenario construction, impact assessment and adaptive processes. The approach will develop indicators that the industry understand and recognise for monitoring tourism futures against scenarios, and validate and up-date the scenarios so that they can be used for tourism strategic development and capacity building into the future. There has to be progressive provision of practical information and toolkits to stakeholders. The approach has to be relevant to all elements of the wider tourism sector, including at enterprise, regional, sub-sector and policy levels. Outputs should address issues of real concern and urgency for which the tourism industry is seeking solutions and be well aligned with, yet challenge, governments and existing tourism strategies.

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