

New Trends in Business Management and Possible Applications in International Tourism

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Abstract

Globalisation and the increase in the number of products and new technologies in the fields of information and communication have lead to a dramatic change of the competitive environment. This study tackles the main trends in top business management in order to identify the most important evolutions and ideas in management which have had an impact on business in the first decade of the new millenium, as well as the challenges and certain current problems in the global market. The key element of success of the India Way management concept is the social aim which truly motivates employees and assures increased company performance. Another study based on answers of renowned scholars from the university environment has indicated some trends that manifest themselves in the management of business among which we find sustainability, social corporate responsibility, the study of psychology and the development of business ecosystems.

Keywords: *leadership, sustainable tourism management, business environment, ecosystems*

JEL classification: M10, M16

Introduction

In a pragmatic and popular approach, embraced and developed by numerous economic theorists and practitioners, the goal of an organization is the attainment of profit and maximizing of it. The entrepreneur looks for ways to gain profit, according to which he will pragmatically set his own strategy, represented by means, resources and leads to follow. However, in the opinion of famous management theoretician Peter Drucker, the final goal of an organization must be the creation of a client. It is a goal much better grounded than the achievement of profit because its completion will subsequently lead to profit thru the recurrence of the act of buying.

In order to achieve the set goal we need to establish some basic action guidelines, and these ways are given by the strategy thru the series of actions

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especially conceived and planned. Throughout the literature dedicated to this field and with the passing of time, two school of strategic thought have developed (Allaire & Fîrşirotu, 1998). The first one is known as the School of strategic analysis of industries and competition and its basis was created in the beginning of the `80 by Michael Porter, the renowned specialist in strategic management, his approach focusing on competition, product and markets. Professor at Harvard Business School, Michael Porter is a global authority in the field mentioned before and also in company, region and state competitiveness.

The second school of strategic thought emerged after a decade, its theoreticians being C.K. Prahalad and Gary Hamel (Prahalad & Hamel,1996) who set the foundation to what would become known as the School of Resources and Strategic Competences. The new language of strategic management has its accent on strategic competence. The two schools are complementary to each other; while the first one highlights the likeness of business with a game of chess in which the move of each company are determined by the actions of the competition, the second one is centered on company resources and its ability to combine them on the basis of the strategic competences highlighted by Prahalad and Hamel thus obtaining the competitive edge Porter was talking about in his theory.

However, beyond the theoretical aspects, the inspiration and talent of top international business managers have lately become clear elements of an upper hand over the competition. For example, lets analyze the solutions brought about in the case of India, which has found the way to achieve success that can become model of future development for many of the world's economies.

1. Context

The dissolution of national borders and continuous development of connections between national economies, processes accelerated by the unprecedented impact of technology has led to profound mutation in the business environment. As the article *The Most Important Management Trends of the (Still Young) Twenty-First Century*, from *Research & Ideas* edited by Harvard Business School (2011) notes, in all its forms info tech now reaches every aspect of business strategy and organizational management. The expansion of emerging economies such as China, India and Brazil raises some questions over western development models. Furthermore it has open a new path to a leveled business arena in which the developments from one side lead to a spiral effect in the other as recent events have shown.

The economic and financial recession started in 2008 has had significant effects over the business environment, affecting tourism, more precisely the demand for tourist services. Overall, the number of international tourists arrived in Europe, the main tourist destination of the world, has dropped by 5,6 percent in 2009, however in some regions, especially in eastern and northern Europe a drop of up to 8 percent has been recorded (UNWTO, 2010). Even if they did not give up their holidays, individuals have adapted their behavior to the new conditions,

especially by selecting closer destinations, reducing the time allotted to holidays and expenses. Adding to this, in 2010 volcanic ash from Iceland generated problems by interrupting air traffic which substantially affected travel in Europe and created great losses to airlines, travel agencies and tourists. Some estimates give a number of up to 2 million tourist entries canceled and direct losses of up to one billion euros for tour operators. These are just some of the problems recorded in recent years in European tourism related activities.

The rehab of global economy was felt only at the beginning of 2010, after the hardest period in recent history. Tourism can also be put in the same trend with an important increase of 7% which led to a record high number of tourists on a global scale of 940 million, and later, in 2012, with the breaking of the one million tourist mark, with a delay of 2 years compared to the pre-recession estimates of World Tourism Organization (UNWTO, 2010). In the face of new global threats, among which we can mention the terrorist threat but also that of ever increasing social and political tension which have left and evermore visible mark in hotspots on the globe, tour operators find themselves in the need to reposition in order to keep the performance markers from the last two decades.

The increase of competition on the tourist market by the growing number of tourist offers on the global level makes indispensable the development of a better market oriented thinking, at the operator level, as well as at the tourist destinations. In short, any attempt in this direction must have as a starting point the complex study of the market (analysis and estimation) determining the main segments of interests (market and targeted markets), the evaluation and selection of the service packages with the setting of offer prices and selection of the best channels of distribution. The transformation of the sellers' market into a buyers' market, as an effect of the change of the ratio between the supply and demand, has made it so the management of tourist activities manifests itself evermore clearly as a „marketing in action”. Studies made at World Tourism and Travel Council expert level shows four great engines of transformations represented by macro-trends on which the future of travel and tourism will rely on (WTTC, 2012):

- Global connectivity
- Population growth pressure
- Eco-limits
- Socio-economic development and well-being.

For many economies around the world, this injection of visitor spending (brought by development of tourism industry) represents a significant contribution to national GDP, but for achieving this objective is needed a well inspired and efficient implemented strategy. UNWTO has implemented the program of *Management Destination* in order to respond accordingly to the increase need of systematic multidisciplinary and inter-sectoral strategies for local, regional and national tourism. Such an approach, on a practical perspective, can bring a series of gains. Destination management institutes the competitive advantage, assures the durable character of tourist development, achieves the dissemination of benefits, improves efficiency and builds a strong and percussive brand identity. This is also

the reason why the UNWTO special program aims to stimulate the appetite and capacity for managerial performance of destinations, to delivered de know-how and good practices related to competitions and optimizing management of the tourist management, consultancy and assistance regarding decentralization and localization in the field of destination management with major involvement of private sector.

2. Case study: India, lessons for managers elsewhere

With growth rates bigger than those of the most developed countries, not being a country possessing many resources, however having an extremely divers population and also an overbearing bureaucracy, India surprisingly and relatively quickly became a first rate player on a global level. The new way of leading business transformed the country into a strong competitor through the boom of last decades. The secret of success can be found through an innovative, unconventional and exportable set of management principles called The India Way. (Cappelli, 2010). A study realized by interviewing 150 top managers from India shows at a first glance a surprising aspect: they placed in the ranking of priorities the maximizing of shareholder value on fifth place, while on first place we find the feeling of responsibility to all stakeholders.

In the opinion of the authors of that study, professors Peter Cappelli, Harbir Singh and Michael Useem from Wharton School of the University of Pennsylvania, *India Way* could have a similar impact on the world industry to that created by the Japanese managers through *Toyota Way*, more specifically it could change the practice and goal of management on a global scale: they overcome barriers through improvising, they serve massively disadvantaged markets, they choose administering on the long term and transform social aspects in a business priority. This performance of *India Way* can be translated in a two figure percentage growth which it accomplished in a full global recession. Let's not forget India has the second largest population in the world (after China), with 1,15 billion inhabitants is the biggest democracy of the world and has a geographical extent of 3.187.590 sq. km., truly a country of contrasts.

In short, the two-year study of Indian business leaders found four distinctive elements of managing (Singh & Useem, 2010):

1. *Holistic engagement with employees. These companies are viewed as organic enterprises, and sustaining employee morale and building company culture are nothing else than critical obligations. People are considered assets to be developed, not costs to be reduced.*
2. *Improvisation and adaptability to any change of a complex and often volatile environment with few resources and maddening red tape.*
3. *Creative value propositions: Indian business leaders learned to be highly creative in developing and delivering entirely new products and services with extreme efficiency. A case in point: Tata Motors now produces the Nano automobile at a price of just \$2,500.*

4. *Broad mission and purpose: a special emphasis on personal values and on having a vision of growth and strategic thinking.*

According to Peter Cappelli, professor of management at Wharton University of Pennsylvania, one of the most important things is that Indian leaders lead with a sense of social purpose. Every leader interviewed gave a specific social purpose as being the goal of their business, in order to really motivate workers. Those purposes ranged from improving healthcare in India, to getting cell phones to people who don't have access to communication tools, and proving to the international community that Indian companies can lead in IT (Singh & Useem, 2010). It is no surprise that Indian business leaders take pride in enterprise success but also in family prosperity, regional advancement and national renaissance.

A special attention is devoted to training and perfecting personnel. Indian firms invest an enormous amount in their employees' training and development, and IT firms typically allocate sixty days of formal training for new hires and companies often spend months training even experienced workers hired from other firms.

3. Main tendencies in business management

One of the most important tendencies in business management in the new millennium is the growing importance given to emerging markets. The current wave of globalization has determined profound and strong changes in the business environment assisted by the accelerated development rate of information technology. The major effect of these technological developments is represented by the dramatic change suffered by markets. As professor Teresa Amabile considers: "Customers are courted and supply chains are managed via websites, social media, and email; marketing, manufacturing, and distribution processes are managed by sophisticated real-time information systems; colleagues working 12 time zones apart can see and hear each other as they work at their desks - or in airport lounges on opposite sides of the planet." A study based on answers given by renowned scholars indicated some central elements which are identifiable in business management sector. From those we need to retain the following: sustainability, corporate social responsibility, psychology study and the development of business ecosystems.

From the analysis of results belonging to the two above mentioned studies we can state that the classical task of leaders, that of exploiting efficiently various talents, is changing. It's becoming more and more about modeling the environment through which the communities of practitioners willing and able to innovate are assisted and cultivated to answer the opportunities of the future. In order for future businesses to be sustainable, emphasis is being placed on the application of the management principles for finding the solutions to complex social problems such as maintaining the durability of environment, energy security, providing medical assistance. As a matter of fact the most visible expansion in the business

environment of the last decade is the spectacular growth of the number of companies concerned with social and corporate social responsibility, as well as a strong diversity of efforts made towards that goal.

From the classic model of charity donations or encouraging consumers to buy their products by donating a fixed percentage to charity new models amplify client involvement through strategies like choosing fields and project to be aided and even to naming individuals who are going to benefit from the social implication of the corporation. Consumers are thus stimulated to truly interact with the brand and corporations are rewarded with the growth of loyalty towards their brand. Thus charity aspects can prove more efficient than traditional marketing alongside sponsorship actions and participating in public social events.

The ever growing dimension of this commitment can be seen in the even larger number of companies that have intensified their corporate social responsibility (CSR) activities and in the way they commit to action. There is a natural transformation from corporate philanthropy to a more direct and efficient involvement. Expansion models have gained a more social touch. Large companies publicly and transparently collect project which they present to the public for evaluation. The citizens are the ones who decide which project will benefit from the company assistance (for example „Țara lui Andrei” project conducted by Petrom Romania).

The most fertile area of business research is becoming psychology. Through a more in-depth understanding of human emotions, motivations and behaviors the management could adjust the products and the services in order to precisely answer a number of unsatisfied/undeclared/unrecognized needs. More specifically, tourism services providers, the ones who „build” tourism products, must make a deeper study of the reasons and logic behind the psychological aspects which determine the choice of the holiday options which will satisfy at its best the tastes and preferences of the modern tourist: evermore self-centered, more sophisticated and harder to satisfy. Through his nature man is inclined to explore all that is different from his way of life. Especially the differences in culture and civilization are the reasons that make him want to venture out on the road. On a global market it is natural that cultural differences are the ones that attract massive number of foreign visitors and are the first to be taken into account when putting together an offer.

Over the business environment there is a series of multidisciplinary influences. The studies of perception, motivation, behavior and performance have become the key pillars of organizational management. From human resources to consumer satisfaction and social engagement, reaching the business goals requires practical studies or analysis of individual and organizational psychology. Theory and research from the field of psychology are better and better integrated in the academic business environment and management practices. With ever more evolved instruments and access to larger and larger databases, managers will be able to significantly improve their performance and as a consequence they will increase the standard of living in a society.

In the trends that have had the most significant impact on business management in the last decade we find the growth of business ecosystems. Those are defined as groups of organizations (profit and nonprofit) that together provide complex and connected services that satisfy the needs of the users in an entire value chain, one example being the integration between mass-media, technology and telecommunications companies. These are a new type of economic organization that is replacing the big vertically integrated companies that have dominated the mass production era. The most notorious examples of ecosystems are telecommunications and computers, medical assistance and finances.

The companies are not the only entities that participate in the new ecosystems. The Internet and social media have determined a dramatic decrease of the cost of communication and collective action. Users play an ever more active role as co-designers and administrators of products and services that they consume. Innovation thus continues in a way lot different in the business ecosystems than on the industrial markets and separates corporations.

The society in which we live is strongly influenced by the explosive volume of information. It is a real challenge for those who aim to satisfy individual desires through a growing personalization of products and services, while in parallel recruiting and selecting better motivated personnel. Putting together a high performance will determine or will give a plus in creativity and naturally competitive advantages.

One of the forces that are redefining the future of modern management, the imperative of business sustainability is manifested within integration of sustainability and CSR into management education (McDonald 2011). Also in travel industry case, the imperative we have is managing sustainable tourism. In fact, all tourism should be sustainable economically, socially and environmentally (Buckley, 2012). This is already the key guiding principle in the management of human activity in many countries. A more recent and comprehensive definition shows that tourism may be defined as the sum of the processes, activities and outcomes arising from the relationships and the interactions among tourist, tourism suppliers, host governments, host communities and surrounding environments that are involved in attracting, transporting, hosting and the management of tourists and other visitors. (Newsome, Moore & Dowling, 2013). There are many aspects that describe the tourism system from several different perspectives. For example, „the functioning tourism system” (Gunn & Var, 2002) consists of a number of interrelated components.

As Vaida and Căndea (2010) consider that sustainable development is a macroeconomic concept concerning the objectives at the level of the society and human communities, in the case of tourism it means politices, practices and programmes that take into account not only the expectations of tourists regarding responsible natural resource management (*demand*), but also the needs of communities that support or are affected by tourism projects and the environment (*supply*) (UNEP, 2011). The governments, tourism operators, local communities tourists themselves should all play a part not only in conserving natural areas, but

also in their enhancement, because according to Newsome, Moore & Dowling (2013) the ecotourism industry faces the paradoxical situation that the more popular the product becomes, the more difficult it becomes to provide.

Conclusions

To access and conquer the gigantic market such as the global tourism market you need companies with great financial power. Horizontally and vertically integration have been the preferred strategies of tourist companies which have however proven to have a series of limitations in the new conditions of the markets. On the other hand, the success of top tourist destinations is the result of particular integration strategies, especially the application of the new concept of destination management and marketing. The global economic context created as a result of the economic recession followed by a wave of global effects needs a reconsideration of strategies previously thought to be classic at the level of company as well at the level of tourist destination. Being an industry with a highly competitive character, tourism requires a coordinated management approach based on a collective vision and the strong partnership with clearly defined objectives, unanimously accepted and sustained through public and private efforts. Tourism companies should be public about their sustainability commitments. Encouraging high standards in service providing is a normal part of doing business and delivering solid projects on the ground to drive change. An important lesson learned from the recent recession, but also from the experiences of the most efficient managers is that long term interests must not be sacrificed for short term benefits, strongly tied more to speculation and stock market fluctuations rather than to business plans and long term objectives.

Ecosystems can be a good solution for a sustainable development in the case of tourism. Implementing the policies and touristic plans in order to create or relaunch a tourist destination requires long term efforts. Stakeholders must prevent tough issues of tourism such as negative environmental impact and cultural degradation. Coordinated support is essential in this case. In the current context of global markets, continuous innovations and state support for the entrepreneurs are two central elements for creating new jobs in the long term. The international knowledge in demand is the main trend. Not at all randomly, North American and British educational systems cultivate the education of the new generation in the spirit of innovation and entrepreneurship, two solutions that are at hand for the economic and social environment scared by a strong crisis of the job environment.

Global companies are focusing on becoming more competitive by any means connected more or less directly to growing productivity, as a key factor of performance, as well as innovation. First of all, the most valuable asset of the 21st-century institution (whether business or non-business) will be indeed its *knowledge workers* and their productivity (Drucker, 1999). This however means fewer jobs. Creating new jobs is in fact found mostly in startups. In USA companies with less than five years of activity have generated all the real increases in jobs from 1970 to

present (Kane, 2010). Not randomly at all, the US government decided to invest 477 billion dollars in *American Jobs Act* - a plan to create more jobs on US and also a plan in which entrepreneurship plays the essential role. Getting the most of the opportunities that they identify or create, entrepreneurs are the ones that generate social and economic value. They represent the best opportunity to rescue the economy from its critical current state in which it has plunged as a result of the financial/economic recession of the recent years.

From the management point of view, innovation differs greatly from the traditional vertical integration. Each organization in the ecosystem must be aware of the big picture. Innovation in business ecosystems requires a collective action to invent as well as to evaluate, to make more efficient, to create fluxes of knowledge and the good administration of the inherited systems, having as a base different complementary platforms. It is so that in the next decade investigating the structure and dynamic of the innovative ecosystems will concentrate most academic research.

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