

# Borgma Reviewer

## Introduction of Business

### Business

- refers to all economic activities that involve the **production, distribution, and exchange of goods and services.**

### Scope of Business

- refers to the **range of activities and areas** covered by business operations.

#### 1. Production of Goods

- This involves creating or **manufacturing tangible products** by transforming **raw materials into finished goods.**

#### 2. Provision of Services

- Service businesses provide **intangible goods** that satisfy customer needs.

#### 3. Trade (Buying and Selling)

- involves the exchange of goods and services between buyers and sellers.

##### a. Internal Trade

- Wholesale trade
- Retail trade

##### b. External Trade

- Import trade
- Export trade
- Entrepôt trade

#### 4. Commerce

- supports the smooth flow of goods and services from producers to consumers.

-

It includes: **Trade**

**Aids to trade**, such as:

- Transportation
- Communication
- Banking and finance
- Insurance
- Warehousing
- Advertising

#### 5. Industry

Industry refers to activities related to the **production and processing** of goods.

Types of industries include:

- **Primary industries** (agriculture, mining)
- **Secondary industries** (manufacturing, construction)

- **Tertiary industries** (services, including tourism)

**Tourism** mainly belongs to the **tertiary sector**, but it depends on all sectors

### **6. Profit and Wealth Creation**

- a major objective of business and a reward for risk-taking.
- Ensures business survival and growth
- Encourages innovation and expansion

### **7. Risk and Uncertainty**

- Business activities involve risk due to:
  - Changing customer preferences
  - Market competition
  - Economic conditions
  - Natural and man-made disasters

### **8. Social Responsibility**

- Modern businesses go beyond profit-making to consider their impact on society.
  - Employment generation
  - Environmental protection
  - Community development
  - Ethical practices

## **Organization**

- is a structured group of people who work together in a **coordinated manner** to achieve **common goals**.

### **Scope of an Organization**

#### **1. Objectives and Goals**

- Organizations are created **to achieve specific objectives**.

#### **2. Division of Work**

- Division of work involves breaking down organizational activities into **smaller, specialized tasks**.

#### **3. Departmentation**

- is the grouping of related activities into departments.

#### **4. Authority and Responsibility**

- Organization defines the **authority** to **make decisions** and the **responsibility** to **perform tasks**.
  - Authority flows from top to bottom
  - Responsibility must match authority

#### **5. Hierarchy and Chain of Command**

- Hierarchy refers to the levels of management in an organization.

- Top management
- Middle management
- Lower-level management

## 6. Coordination

- ensures that **all departments** and **individuals work together harmoniously**.

## 7. Communication System

- An organization **establishes formal communication channels**.

- Upward communication
- Downward communication
- Horizontal communication

## 8. Human and Physical Resources

The **organization brings together**:

- **Human resources** (employees, managers)
- **Physical resources** (buildings, equipment, technology)

## 9. Formal and Informal Organization

- **Formal organization: Official structure** with **defined roles and authority**
- **Informal organization: Social relationships** and **interactions** among employees

## 10. Adaptation and Growth

Organizations **must adapt** to:

- Environmental changes
- Technological advancements
- Market competition

# Business Organization and Management

- is the art and science of **coordinating human, financial, and physical resources** to **create a seamless travel experience**.

## 1. Business Organization: The Structural Framework

- Organization refers to **how a tourism entity is "built."**

### Common Structures in Tourism

- **Functional Structure:** The **most common setup** for hotels or airlines.
- **Product-Based Structure:** Used by **large tour operators**.
- **Territorial Structure:** Essential for **global brands**

### The Concept of the "Internal Chain"

- **Front of House**

- staff **who meet the guests**

- **Back of House**

- **kitchen, maintenance, accounting**

## **2. Business Management: The Strategic Process**

- Management is the "**action**" side, It involves the **POLC** cycle.

- **Planning:** Managers **must predict "high seasons" and "low seasons."**

- **Organizing:** This is the **tactical deployment of resources.**

- **Leading:** Management must **motivate staff** to maintain high emotional intelligence.

- **Controlling:** Using **Key Performance Indicators (KPIs)** to **measure success.**

## **3. Expounding on the "Service-Product" Relationship**

- Traditional business management. We often refer to the "**Four Is**":

- **Intangibility:** Management **must use branding and reviews to build trust** before the purchase.

- **Inseparability:** A guest is **present while the hotel room is being "used."**

- **Inconsistency:** Management's job is to use **Standard Operating Procedures (SOPs)** to ensure the **coffee tastes the same** in a Paris Hilton Hotel as it does in a New York one.

- **Inventory (Perishability):** This leads to **Yield Management**—the **practice of constantly changing prices** based on demand.

## **4. The Modern Shift: Sustainability and Tech**

- **Crisis Management:** Preparing for **pandemics, natural disasters, or political instability.**

- **Sustainable Management:** Ensuring that "**overtourism**" doesn't destroy the very destination the business relies on.

- **Digital Transformation:** Managing bookings through AI, **OTAs (Online Travel Agencies)**, and social media reputation

# **Fundamental Management Concepts in Tourism Organizations:**

## **1. Management**

- is the process of **planning, organizing, staffing, directing, and controlling** organizational resources to achieve set goals efficiently and effectively.

## **2. Planning**

- involves **setting objectives** and **deciding in advance** the actions needed to achieve them.

## **3. Organizing**

- is the process of **arranging tasks, responsibilities**, and **authority** in a **structured way**.

## **4. Staffing**

- refers to the **recruitment, selection, training, development**, and **retention of employees**.

## **5. Leadership**

- is the **ability to influence** and **guide employees** toward **achieving organizational goals**.

## **6. Motivation**

- refers to the **internal and external forces** that **encourage employees to perform effectively**.

## **7. Communication**

- is the **process of exchanging information** within the organization and with external stakeholders.

## **8. Coordination**

- ensures that **different departments and activities work together** toward common goals.

## **9. Decision-Making**

- involves **selecting the best alternative from available options**.

## **10. Controlling**

- involves **setting performance standards**, measuring actual performance, and **taking corrective action**.

## **11. Customer Orientation**

- emphasizes **understanding and meeting customer needs and expectations**.

## **12. Service Quality Management**

- focuses on **maintaining high standards of service delivery**.

## **13. Teamwork**

- involves **collaborative effort** among employees to achieve organizational goals.

## **14. Ethics and Professionalism**

- refer to **moral principles** that guide behavior
- **professionalism** relates to **conduct and standards**.

## **15. Sustainability**

- focuses on **balancing economic growth** with environmental protection and social responsibility.

# Chapter 1

## Tourism

- involves the **activities of persons traveling to and staying in places outside their usual environment** for:

- Leisure and recreation
- Business and professional purposes
- Education, health, religion, or culture

### 1. Service-Oriented Industry

- **Tourism provides intangible services** rather than physical goods.
- **Experiences** such as hospitality, comfort, and enjoyment **are central to tourism.**

### 2. Interdependence of Sectors

- Tourism **depends on several industries** working together, including:
  - Accommodation
  - Transportation
  - Food and beverage
  - Travel services
  - Attractions and entertainment

### 3. Perishability

- Tourism **services cannot be stored for future use.**

### 4. Seasonality

- **Tourism demand varies by season, climate, holidays, and events.**
- **This affects employment, pricing, and business planning.**

### 5. Labor-Intensive Industry

- Tourism **relies heavily on human interaction and service delivery.**
- **Well-trained staff are essential for customer satisfaction.**

### 6. Customer-Centered

- Tourism focuses on **meeting diverse customer needs and expectations.**
- **Personalization and service quality are key competitive advantages.**

## Components of the Tourism Industry

### 1. Accommodation

- Provides lodging to tourists.

- Hotels
- Resorts
- Guesthouses
- Lodges

### 2. Transportation

- Facilitates tourist movement.

- Airlines
- Railways
- Road transport
- Cruises

### **3. Travel Trade**

- Acts as intermediaries between tourists and service providers.
- Travel agencies
- Tour operators
- Online travel platforms

### **4. Attractions**

- Motivate travel.
- **Natural attractions** (beaches, parks)
- **Cultural attractions** (heritage sites, museums)
- **Man-made attractions** (theme parks, events)

### **5. Food and Beverage Services**

- Meet tourists' dining needs.
- Restaurants
- Cafés
- Catering services

### **6. Supporting Services**

- Enhance tourist experiences.
- Banking and foreign exchange
- Insurance
- Communication services
- Shopping and souvenirs

## **Types of Tourism**

- Domestic tourism
- International tourism
- Ecotourism
- Cultural tourism
- Adventure tourism
- Medical tourism
- Business and conference tourism

## **Economic Importance of the Tourism Industry**

### **1. Employment Generation**

- Tourism **creates jobs at different skill levels.**

### **2. Foreign Exchange Earnings**

- International tourism **brings foreign currency into a country.**

### 3. Regional Development

- Tourism **promotes infrastructure development** in rural and remote areas.

### 4. Contribution to GDP

- Tourism **contributes significantly to national income.**

### Environmental Impact of Tourism

- Tourism can have **both positive and negative effects:**
  - Conservation of natural resources
  - Environmental degradation if poorly managed

### Challenges Facing the Tourism Industry

- Seasonality
- Global crises and pandemics
- Environmental degradation
- Skilled labor shortages
- Technological changes

## Types of Tourism Organizations

- Tourism organizations are institutions and enterprises that **plan, develop, regulate, promote, and deliver tourism services.**

Tourism organizations can be broadly classified into the following types:

### 1. Public (Government) Tourism Organizations

- Public tourism organizations are established and funded by **national, regional, or local governments** to manage tourism development and promotion.

#### Examples:

- Ministry or Department of Tourism
- National Tourism Board
- State or Regional Tourism Development
- Corporations

#### Importance:

They provide strategic direction and create a favorable environment for tourism growth.

### 2. Private Tourism Organizations

- Private tourism organizations are **profit-oriented enterprises** owned by individuals or corporations that offer services directly to tourists.

#### Types include:

- Hotels and resorts
- Travel agencies and tour operators
- Airlines and transport companies
- Cruise lines
- Restaurants and entertainment facilities

**Importance:**

They are the main service providers and drivers of innovation and competition in tourism.

**3. Non-Profit Tourism Organizations**

- Non-profit tourism organizations operate **without the primary aim of profit**.
- Their focus is on **promotion, conservation, training, or community development**.

**Functions:**

- Promoting tourism awareness
- Preserving cultural and natural heritage
- Supporting community participation
- Conducting tourism research and training

**4. International Tourism Organizations**

- International tourism organizations operate at the **global or regional level** and support tourism development across countries.

**Functions:**

- Providing policy guidance and research
- Collecting tourism statistics
- Offering technical assistance
- Promoting sustainable tourism

**Examples:**

- World Tourism Organization (UNWTO)
- World Travel and Tourism Council (WTTC)
- International Air Transport Association (IATA)

**5. Travel Trade Organizations**

- Travel trade organizations act as **intermediaries** between tourists and tourism service providers.

**Types:**

- Travel agencies
- Tour operators
- Online Travel Agencies (OTAs)

**Functions:**

- Tour packaging and reservations
- Travel advice and documentation
- Customer service and itinerary planning

**6. Hospitality and Accommodation Organizations**

- These organizations provide **lodging and related services** to tourists.

**Types:**

- Hotels
- Resorts
- Motels
- Guesthouses
- Lodges and homestays

**Role:**

- They ensure comfort, safety, and hospitality, which are core elements of tourism.

**7. Transportation Tourism Organizations**

- Transportation organizations enable the **movement of tourists** from origin to destination.

**Types:**

- Airlines
- Railways
- Road transport operators
- Cruise and ferry companies

**Importance:**

Transportation is essential for accessibility and destination competitiveness

**8. Destination Management Organizations (DMOs)**

- DMOs are responsible for **planning, managing, and marketing destinations**.

**Functions:**

- Destination branding and promotion
- Coordinating tourism stakeholders
- Visitor information services
- Sustainable destination planning

**9. Community-Based Tourism Organizations**

- These are **locally managed organizations** that involve host communities in tourism development.

**Role:**

- Empowering local communities
- Preserving local culture and traditions
- Ensuring equitable distribution of benefits

**Examples:**

- Village tourism committees
- Community cooperatives

**10. Educational and Training Tourism Organizations**

- These organizations focus on **human resource development** in tourism.

**Functions:**

- Tourism and hospitality education
- Skill development and certification
- Research and innovation

## **Key Characteristics of Tourism Organizations.**

**1. Service-Oriented Nature**

- Tourism organizations primarily deal with services rather than physical products.
- Their outputs include travel experiences, destination promotion, visitor information, hospitality services, and tourism management.

- Services are intangible (cannot be touched or stored).
- Quality depends heavily on human interaction and customer satisfaction.

## **2. People-Centered and Customer-Focused**

- Tourism **organizations revolve around tourists, host communities, and employees.**

- Tourists' needs, preferences, safety, and satisfaction are central.
- Employees such as tour guides, planners, and marketers play a key role in service delivery.
- Host communities are involved to ensure tourism benefits local people and respects culture

## **3. Multi-Sectoral and Interdependent**

- Tourism organizations operate **within a network of related industries** such as **transportation, accommodation, food services, entertainment, and government agencies.**

- No tourism organization works alone.
- Success depends on coordination with airlines, hotels, travel agencies, local authorities, and cultural institutions.
- A failure in one sector (e.g., transport) affects the whole tourism system.

## **4. Public, Private, or Mixed Ownership**

- Tourism organizations exist in different ownership structures.

- Public organizations (e.g., Ministries of Tourism, National Tourism Boards) focus on policy, regulation, and national promotion.
- Private organizations (e.g., tour operators, travel agencies) aim at profit generation.
- Public-private partnerships combine government support with private expertise.

## **5. Planning and Development Function**

- A **key characteristic is their role** in tourism planning and destination development.

- They conduct research and feasibility studies.
- Develop tourism products and infrastructure.
- Ensure balanced growth that avoids over-tourism and environmental damage.

## **6. Marketing and Promotion Role**

- Tourism organizations **actively engage in destination marketing and branding.**

- They promote destinations through advertising, digital marketing, trade fairs, and media campaigns.
- Create destination images and brand identities.
- Target different tourist markets (domestic and international).

## **7. Regulatory and Coordinating Role**

- Many tourism organizations **have regulatory responsibilities.**

- Setting standards for hotels, tour operators, and guides.
- Licensing and accreditation.
- Coordinating tourism policies among different stakeholders and government levels.

## **8. Seasonality Management**

- Tourism organizations **must deal with seasonal demand fluctuations.**

- Tourist arrivals vary by season, climate, and festivals.
- Organizations plan events, promotions, and pricing strategies to reduce off-season impacts.
- Seasonality affects employment, revenue, and resource use.

### 9. Sustainability and Responsible Tourism Focus

- Modern tourism organizations emphasize sustainable and responsible tourism.
- Protect natural and cultural resources.
- Promote eco-tourism and community-based tourism.
- Balance economic growth with environmental and social responsibility.

### 10. International and Cross-Cultural Orientation

- Tourism organizations operate in a global and multicultural environment.
- Tourists come from different countries and cultures.
- Organizations must understand international markets, cultural sensitivity, and global tourism trends.
- Cooperation with international bodies (e.g., UN Tourism) is common.

### 11. Dynamic and Adaptive Nature

- Tourism organizations **must be flexible and responsive to change.**
- Tourism is affected by economic conditions, technology, health crises, and political events.
- Organizations adapt strategies to new trends such as digital booking, sustainable travel, and experiential tourism

### Role of Management in Tourism Enterprises

- Management plays a **central and strategic role** in the success of tourism enterprises such as hotels, travel agencies, tour operators, airlines, resorts, and destination management organizations.
- Since tourism is a **service-based and people-oriented industry**, effective management ensures quality service delivery, customer satisfaction, profitability, and sustainable development.

## Major Roles of Management in Tourism Enterprises:

#### 1. Planning

- is the **foundation of management** in tourism enterprises.

#### 2. Organizing

- involves **arranging resources** and **activities to achieve planned objectives.**

#### 3. Staffing and Human Resource Management

- Tourism enterprises are **labor-intensive**, making staffing a critical management role.

#### 4. Directing and Leadership

- involves **guiding** and **supervising employees** to perform their duties effectively.

#### 5. Coordination

- ensures that **all departments work together harmoniously.**

## 6. Marketing and Promotion

- plays a **vital role** in marketing tourism products and services.

## 7. Financial Management

- ensures the **economic sustainability** of tourism enterprises.

## 8. Quality Control and Service Standards

- **Maintaining service quality** is a core management responsibility.

## 9. Customer Relationship Management

- **Tourists are the backbone of tourism** enterprises.

## 10. Sustainability and Responsible Tourism

- **Modern tourism** management **emphasizes sustainability**.

## 11. Risk and Crisis Management

- Tourism is **vulnerable to risks** such as **pandemics, natural disasters, and political instability**.
- **Identifying potential risks** and **preparing contingency plans**.

## 12. Innovation and Technology Management

- Management **must adapt to technological changes**.

# Chapter 2:

Here is a detailed breakdown of the evolutionary stages of management thought.

## The Classical School (1880s – 1920s)

During the Industrial Revolution, **the goal was mass production**. Management was viewed as a science to solve the problem of "soldiering" (workers doing the bare minimum).

**Scientific Management (Frederick W. Taylor):** Taylor believed in finding *the "one best way"* to perform a task. He used **time-and-motion studies** to optimize every movement.

**Tourism Context:** This is seen in fast-food operations (e.g., McDonald's) where every burger is flipped and every fry is salted according to a timed, precise protocol.

## Administrative Management (Henri Fayol)

- He developed the 14 Principles of Management

## Bureaucratic Management (Max Weber)

- Weber proposed a **rigid hierarchy** based on competence rather than family ties or "who you know."

## Henri Fayol

- In the **early 1900s**, Henri Fayol, a **French mining executive**, developed **14 principles** that **became the foundation for modern administrative management**.
- For tourism students, these aren't just "rules" — **they are the blueprints used to run** everything from a local travel agency to a global resort chain.

### **1. Division of Work**

- **Work should be divided** among individuals and departments based on specialization.

### **2. Authority and Responsibility**

- **Managers must have the authority to give orders**, but they **must also accept responsibility for the outcomes**.

### **3. Discipline**

- Discipline is **essential for any organization to run smoothly**. It involves **respecting rules, agreements, and workplace norms**.

### **4. Unity of Command**

- An **employee should receive orders from only one supervisor**. Having multiple bosses leads to confusion and conflicting instructions

### **5. Unity of Direction**

- The entire **organization should be moving toward a single goal under one plan**.

### **6. Subordination of Individual Interest**

- The **interests of the company must come before the interests of an individual** employee or group.

### **7. Remuneration**

- **Compensation should be fair to both the employee and the employer**. It should include both financial and non-financial incentives

### **8. Centralization**

- This refers to **how much decision-making power is concentrated** at the top. The "right" balance depends on the size of the company

### **9. Scalar Chain (Line of Authority)**

- There should be a **clear hierarchy from the top management to the lowest ranks**. However, Fayol suggested a "**Gang Plank**" (**direct communication**) for emergencies.

### **10. Order**

- This **applies to both materials and people** ("A place for everything and everything in its place").

### **11. Equity**

- **Managers should be kind and fair** to their subordinates. **Treating employees with equity builds loyalty**.

### **12. Stability of Tenure of Personnel**

- **High employee turnover is inefficient**. Management **should strive to minimize rotations and provide job security**.

### 13. Initiative

- Employees should be encouraged to conceive and carry out plans. This fosters creativity and improvement.

### 14. Esprit de Corps

- This means "**Team Spirit.**" Management **should promote harmony and unity among the staff.**

### The Behavioral (Neo-Classical) School (1930s – 1950s)

- As unions grew and the limits of "robotic" work were reached, **researchers realized that workers are social beings, not just economic one.**

### The Hawthorne Studies (Elton Mayo)

- A landmark study at Western Electric proved that **productivity increased simply because workers felt "observed" and cared for**, regardless of physical lighting or breaks. **This birthed the Human Relations Movement.**

### Maslow's Hierarchy of Needs

- **Abraham Maslow** suggested that **managers must satisfy lower-level needs (safety, pay)** before employees can reach "self-actualization" (true service excellence).

### Theory X and Theory Y (Douglas McGregor)

- This **challenged managers to look at their own assumptions.**

### The Human Relations Movement

- was a crucial turning point in management history. It shifted the focus from the "**machine**" (**efficiency and tasks**) to the "**human**" (**emotions, social needs, and group dynamics**).
- For tourism and hospitality an industry **built entirely on human interaction**—this movement is the foundation of modern service management.

### 1. The Catalyst: The Hawthorne Studies (1924–1932)

- Before this movement, it was believed **that workers were only motivated by money.** This changed when **Elton Mayo** and **his team conducted experiments at the Western Electric Hawthorne Works plant.**

### The Lighting Experiment

- Researchers **increased the light in the factory to see if productivity improved. It did.** Then, they decreased the light. Surprisingly, productivity still improved.

**The Discovery:** Workers weren't responding to the light; **they were responding to the attention they were receiving from the researchers.**

This became known as the **Hawthorne Effect: People perform better when they feel they are being noticed and valued.**

### 2. Core Pillars of the Movement

- The movement introduced several radical ideas that we now take for granted in the tourism industry:

**Social Needs over Economic Needs:** While pay is important, **workers are also motivated by belonging, recognition, and being part of a team.**

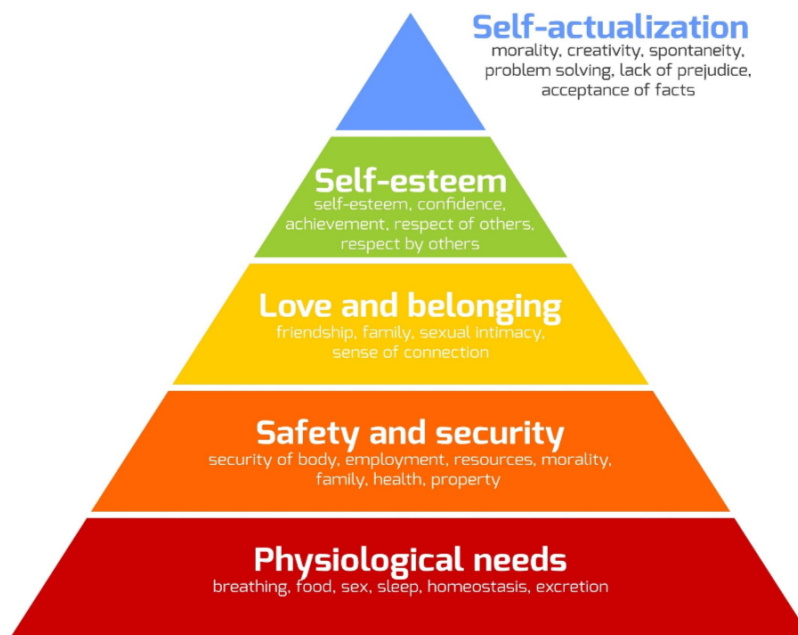
**The Informal Organization:** Within every **formal structure (Manager - Supervisor - Staff)**, there is an informal social group. This group has its own "**unwritten rules**" and **can influence productivity more than the boss can.**

**Participative Leadership:** Managers began to realize that **asking for employee input leads to higher morale and better cooperation.**

### 3. Key Figures & Theories

#### 1. Abraham Maslow (Hierarchy of Needs)

- Maslow argued that **humans have a pyramid of needs.**
- In a tourism setting, a **waiter who is worried about their basic safety** (Physiological/Safety needs) **cannot provide genuine, high-level "hospitality"** (Self-actualization)



#### 2. Douglas McGregor (Theory X and Theory Y).

- McGregor suggested **that a manager's behavior depends on their assumptions about people:**

**Theory X: The Authoritarian Model**

- Theory X is based on the "**Classical**" view of workers. It assumes that **people are inherently lazy and motivated only by external rewards (money) or fear (punishment).**

### **Theory Y: The Participative Model**

- Theory Y is aligned with the Human Relations Movement. It assumes that **work is as natural as play or rest**, and that **employees can be a source of great creativity and effort if treated correctly.**

### **3.The Quantitative & Systems School (1940s – 1970s)**

- Post-WWII, management began using mathematical modeling and "Systems Thinking."

**Systems Theory:** This theory views an organization as a **collection of interrelated parts (Inputs Outputs).** If **one part of the system fails, the whole organism suffers.**

#### **1. The Core Concept: The "Input-Output" Model**

- Systems Theory (**popularized in management by Daniel Katz and Robert Kahn**) suggests that every organization functions through a **continuous cycle of four elements:**

#### **2. Key Characteristics of Systems**

##### **A. Interdependence**

- **No department is an island.**
- In a resort, if the Housekeeping department (*System A*) fails to clean rooms on time, the Front Desk (*System B*) cannot check in guests, which leads to a backlog in the Lobby Bar (*System C*) and ultimately creates a negative Output (*Review*).

##### **B. Open vs. Closed Systems**

- **Closed Systems:** Do not interact with their environment. (In reality, almost no business can survive as a closed system).
- **Open Systems:** Constantly interact with the external environment.

##### **C. Synergy (1 + 1 = 3)**

- Synergy occurs **when the whole system produces a result that is greater than the sum of its parts.**

##### **D. Entropy (The System's Enemy)**

- Entropy is the natural tendency of a system to decay or run down.

#### **3. The "Subsystems" in Tourism**

- To manage a tourism business effectively, you must understand the three main levels of the system:

Subsystem	Focus	Example
Technical	The actual work/tasks.	The booking engine, the kitchen equipment, the aircraft.
Social	The people and culture.	Employee morale, teamwork, "The Spirit of Service."
Managerial	Coordinating the parts.	Scheduling, budgeting, and long-term strategic planning.

#### 4. Why This Matters for Future Managers

- For a tourism student, Systems Theory teaches you holistic thinking.
- Instead of blaming a waiter for a slow meal (Technical Subsystem), a Systems-thinking manager looks at the **Input** (Was the produce delivered late?), the **Transformation** (Is the stove broken?), and the **Environment** (Is there a local festival causing an unexpected surge in guests?).

#### 4. The Contemporary School (1980s – Present)

- In a volatile, digital world, rigid structures have given way to "Agile" management.

**Contingency Theory:** This argues there is no "one best way" to manage. The **best approach depends on the situation**

**Total Quality Management (TQM): Popularized by W. Edwards Deming,** this focuses on continuous improvement and "zero defects."

- Emerging in the 1960s, this theory argues that there is no single best way to manage an organization, lead a team, or make a decision. Instead, the most effective management style is contingent (dependent) upon the internal and external circumstances of the situation.

#### 1. The Core Idea

- If the **Classical School (Fayol/Taylor)** said, "*Follow these 14 rules and you will succeed,*" and the
- **Human Relations School** said, "*Treat people well and you will succeed,*"
- the **Contingency School** says: "*Look at your environment, your people, and your goals first – then decide which rules or treatments to apply.*"

#### 2. Key Factors (Contingencies)

- A **manager must analyze several variables before choosing a strategy.** In tourism, these are often shifting:

#### 3. Major Contingency Models

##### A. Fiedler's Contingency Model

- Fred Fiedler suggested that a **leader's effectiveness depends on how well their "natural style"** fits the situation.

##### B. Hersey and Blanchard's Situational Leadership

- This is highly popular in hospitality training. It suggests that **managers should adjust their style based on the readiness/maturity of the employee:**

#### 4. Application in Tourism Management

- Tourism is a "**high-contingency**" industry because it is **sensitive to external shocks.**

For tourism students, **TQM** is the "*Gold Standard.*" Since tourism is a service-based industry where the product is an experience,

#### 1. What does "Total Quality" mean?

- **Total:** Involves every employee, from the **General Manager to the part-time bellhop.**
- **Quality:** Meeting or exceeding guest expectations every single time.
- **Management:** The administrative system **used to plan, organize, and control quality.**

#### 2. The Core Pillars of TQM

- TQM is **built on several fundamental principles**, often attributed to pioneers like W. Edwards Deming and Joseph Juran.

##### A. Customer Focus

- The **customer (guest) is the ultimate judge of quality.** If the guest isn't happy with the "transformation process" (the stay, the meal, the flight), then quality has not been achieved no matter how fast the service was.

##### B. Total Employee Involvement

- Quality is not just the job of a "**Quality Inspector.**"
- In TQM, **every employee is empowered to identify and fix problems.**

##### C. Process-Centered Thinking

- **TQM shifts the focus** from "*who messed up?*" to "*what part of the process failed?*" It views the business as a series of connected steps.

##### D. Continuous Improvement (Kaizen)

- TQM is not a destination; it's a journey. The Japanese term **Kaizen** means "**change for the better.**" Businesses **must constantly look for small ways to improve efficiency and guest satisfaction.**

##### E. Fact-Based Decision Making

- **Managers shouldn't make decisions based on "gut feelings."** TQM relies on data (guest satisfaction scores, occupancy rates, average check totals) to drive improvements.

#### 3. The PDCA Cycle (Deming Wheel)

- To implement TQM, **managers use the PDCA Cycle.** This is a continuous loop used for the improvement of any process.

#### 4. Why TQM is Critical for Tourism

- The tourism industry faces unique challenges that make TQM essential:

- Inseparability: The service is produced and consumed at the same time. You can't "recall" a bad tour once it's over; you have to get it right the first time.
- Perishability: An unsold hotel room is lost revenue forever. TQM helps ensure processes are efficient enough to maximize occupancy and minimize waste.
- Intangibility: Since guests can't "try on" a vacation before buying, they rely on a brand's reputation for quality.

## **Tourism Ecosystem**

- is a **concept derived from biology** that views the tourism industry as a **complex network of interconnected and interdependent actors**.

### **1. Components of the Tourism Ecosystem**

- The ecosystem is generally divided into four main layers that interact constantly:

#### **A. The Core: Service Providers (The Value Chain)**

- These are the businesses that directly interact with the tourist.

- Transportation
- Accommodation
- Food & Beverage
- Attractions

#### **B. The Facilitators (The Intermediaries)**

- These actors connect the tourist to the service providers.

- Travel Agents & Tour Operators
- OTAs (Online Travel Agencies)
- GDS (Global Distribution Systems)

#### **C. The Regulators & Supporters (The Infrastructure)**

- The "bones" that hold the system up.

- DMOs (Destination Management Organizations)
- Government Policy
- Education

#### **D. The Host Community & Environment**

- The most vital—and often overlooked—part of the ecosystem.

- Local Residents
- Natural Resources

### **2. Key Dynamics: How the Ecosystem Functions**

#### **• Interdependence (The Ripple Effect)**

- The **ecosystem relies on linkages**. If the airport (Transportation) undergoes a strike, the hotels lose bookings ( Accommodation), the local tour guides lose their daily wage (Host Community), and the restaurants have food waste (F&B).

#### **• Competition vs. Co-opetition**

- In a healthy ecosystem, businesses compete for guests but also cooperate to improve the destination.

## Feedback Loops

- The **ecosystem is an Open System** (as discussed in Systems Theory). It takes in information from the outside world and **must adapt its "Transformation Process" to survive.**

## 3. The Digital Tourism Ecosystem (The "Smart" Shift)

- In 2026, the ecosystem is heavily digital. It includes:
  - The Internet of Things (IoT): Smart hotels where your phone is your key.
  - Big Data: DMOs tracking tourist movement via GPS to prevent "Overtourism" in fragile areas.
  - The Sharing Economy: Platforms like Uber or Airbnb that turned private citizens into service providers.

## 4. Threats to the Ecosystem

- Overtourism: When the number of "Inputs" (tourists) exceeds the capacity of the "Environment," causing the system to collapse.

**Economic Leakage:** When money spent in the ecosystem leaves the country (e.g., booking with a foreign hotel chain) instead of supporting the local community.

**Climate Change:** The biggest threat to the "Natural Resources" layer of the system.

# Management

- is the process of coordinating people, resources, and activities to achieve organizational goals efficiently and effectively.

The nature of management can be understood through three major dimensions:  
**functions, roles, and skills.**

## Functions of a Manager

- The **core functions of management** were systematized by *Henri Fayol*, who identified key managerial functions that remain foundational today. These functions describe what managers do.

### 1. Planning

- involves **setting objectives** and determining the best course of action to achieve them.

#### Key Elements:

- Setting organizational goals
- Forecasting future conditions
- Developing strategies and action plans
- Budgeting and scheduling

### 2. Organizing

- involves **arranging tasks, workflows, authority,** and resources to implement plans.

#### Key Activities:

- Dividing work into tasks
- Assigning responsibilities

- Establishing authority relationships
- Allocating resources

### **3. Staffing**

- Staffing ensures that the organization **has the right people in the right positions.**

#### **Key Activities:**

- Recruitment and selection
- Training and development
- Performance appraisal
- Compensation management

### **4. Directing (Leading)**

- Directing involves **guiding, supervising, and motivating employees** to accomplish organizational goals.

#### **Key Activities:**

- Leadership
- Communication
- Motivation
- Supervision

### **5. Controlling**

- Controlling **ensures that organizational performance aligns with plans.**

#### **Key Activities:**

- Setting performance standards
- Measuring actual performance
- Comparing performance with standards
- Taking corrective action

### **□ Roles of a Manager**

These were identified by *Henry Mintzberg*, who grouped managerial roles into **Three Categories:**

#### **A. Interpersonal Roles**

- These involve interaction with people inside and outside the organization.

##### **1. Figurehead**

Performs ceremonial and symbolic duties (e.g., attending events, signing documents).

##### **2. Leader**

Motivates and supervises employees.

##### **3. Liaison**

Maintains networks and external contacts.

#### **B. Informational Roles**

- Managers act as information hubs.

##### **4. Monitor**

- Collects information about performance and environment.

### **5. Disseminator**

- Shares important information with employees.

### **6. Spokesperson**

- Represents the organization to outsiders.

### **C. Decisional Roles**

- Managers make strategic and operational decisions.

### **7. Entrepreneur**

- Initiates change and innovation.

### **8. Disturbance Handler**

- Resolves conflicts and crises.

### **9. Resource Allocator**

- Distributes resources such as budget and manpower.

### **10. Negotiator**

- Represents the organization in negotiations.

### **Skills of a Manager**

- skills describe what **managers must possess to perform effectively**. Management scholar *Robert L. Katz* identified three essential managerial skills:

#### **1. Technical Skills**

- These are job-specific knowledge and expertise.

#### **Examples:**

- Accounting skills for a finance manager
- Coding skills for an IT manager
- Production knowledge for an operations manager

#### **2. Human (Interpersonal) Skills**

- These involve the ability to work well with people.

#### **Includes:**

- Communication
- Emotional intelligence
- Team-building
- Conflict resolution

#### **3. Conceptual Skills**

- These involve the ability to understand complex situations and see the organization as a whole.

#### **Includes:**

- Strategic thinking
- Problem-solving
- Decision-making
- Systems thinking

# Chapter 3

## Environmental forces

- are the internal and external factors that influence an organization's decisions, performance, strategy, and survival.

**Environmental forces are broadly classified** into:

- Internal Environment
- External Environment
- Micro (Task) Environment
- Macro (General) Environment

### 1. Internal Environmental Forces

- These are **factors within the organization** and are **generally controllable**.

- Organizational Structure
- Organizational Culture
- Human Resources
- Financial Resources
- Technology & Physical Resources

### 2. External Environmental Forces

- These are **outside the organization** and **usually uncontrollable**.

#### A. Micro Environment (Task Environment)

- These forces directly affect daily operations.

- Customers
- Competitors
- Suppliers
- Intermediaries
- Publics

#### B. Macro Environment (General Environment)

- These forces affect all industries broadly. A common framework used is PESTLE Analysis.

##### (1) Political Forces

- Government policies
- Tax laws
- Trade restrictions
- Political stability

##### (2) Economic Forces

- Inflation
- Interest rates
- Unemployment
- Exchange rates
- Economic growth or recession
- During recession:
- Consumer spending decreases
- Businesses reduce investment

### **(3) Social / Cultural Forces**

- Population demographics
- Lifestyle changes
- Education levels
- Social values

### **(4) Technological Forces**

- Innovation rate
- Automation
- Artificial intelligence
- Research & development

### **(5) Legal Forces**

- Labor laws
- Consumer protection laws
- Environmental regulations
- Intellectual property rights
- Non-compliance can lead to penalties and lawsuits.

### **(6) Environmental / Ecological Forces**

- Climate change
- Sustainability expectations
- Pollution control laws
- Resource scarcity
- Companies now focus on green practices.

## **Environmental scanning**

- is the **systematic process** by which an organization collects, analyzes, and **interprets information about internal and external environmental forces** to identify opportunities, threats, trends, and strategic uncertainties.

### **Objectives of Environmental Scanning:**

- Identify emerging opportunities
- Detect potential threats
- Understand competitors' strategies
- Reduce uncertainty
- Support long-term planning
- Improve adaptability

### **Components of Environmental Scanning**

Environmental scanning examines both:

#### **1. Internal Environment**

- Organizational structure
- Resources and capabilities
- Company culture
- Strengths and weaknesses

#### **2. External Environment**

##### **A. Micro Environment (Task Environment)**

- Customers

- Competitors
- Suppliers
- Intermediaries
- Public groups

## **B. Macro Environment (General Environment)**

Commonly analyzed using **PESTLE** Analysis:

- Political
- Economic
- Social
- Technological
- Legal
- Environmental

### **Types of Environmental Scanning**

- According to management theory, there are **four main modes**:

#### **1. Undirected Viewing**

- is the **most basic and informal type of environmental scanning**. It refers to the general, broad, and passive observation of environmental factors without a specific objective or focus.

#### **Purpose of Undirected Viewing**

- Develop general environmental awareness
- Detect early warning signals
- Identify emerging trends
- Recognize potential opportunities
- Sense possible threats

#### **Sources of Undirected Viewing**

- Managers obtain information from:
- Newspapers and business magazines
- Television and online news
- Social media
- Industry conversations
- Informal discussions
- Networking events
- General market trends

#### **Advantages of Undirected Viewing**

- Low cost
- Simple and easy
- Encourages open-mindedness
- Helps detect weak signals
- Promotes creativity and innovation

#### **Disadvantages / Limitations**

- Information may be vague
- Lack of focus
- May miss critical issues
- No systematic analysis
- Risk of information overload

## 2. Conditioned Viewing

- is the **second stage of environmental scanning**. It refers to a more focused and purposeful observation of selected environmental areas, based on issues identified during undirected viewing.
- In this stage, **managers pay special attention to specific trends**, events, or sectors **that appear important to the organization**
- Conditioned viewing is a **semi-systematic process** of monitoring particular environmental factors to identify patterns, trends, or emerging issues that may affect the organization.

### Objectives of Conditioned Viewing

- Identify emerging trends
- Track developments in selected areas
- Monitor competitors
- Reduce uncertainty
- Prepare for possible strategic changes

### Advantages of Conditioned Viewing

- More focused than undirected viewing
- Helps detect meaningful trends
- Supports early strategic thinking
- Reduces uncertainty
- Saves time compared to full research

### Limitations

- May overlook unrelated but important issues
- Still not fully systematic
- Interpretation may be biased
- Limited predictive accuracy

## Process of Conditioned Viewing

### Step 1: Identify Key Areas of Interest

- Based on earlier awareness (from undirected viewing), managers select important areas.

### Step 2: Gather Targeted Information

- Information is collected from:
- Industry reports
- Government publications
- Market surveys
- Trade journals
- Competitor websites
- Financial statements

### Step 3: Analyze Trends

#### Managers look for:

- Patterns
- Frequency of change
- Direction of movement
- Possible future impact

## 3. Enacting

- also known as **informal search**, is the **third stage of environmental scanning**. It occurs **when managers actively seek specific information about an environmental issue**, but in *a limited and informal manner*.
- Unlike conditioned viewing (which is mainly monitoring), enacting involves **taking action to investigate a particular issue**.

### **Why It Is Called "Enacting"**

- The term "*enacting*" suggests that **managers do not just observe the environment they interact with it**.

### **They may:**

- Ask questions
- Conduct informal interviews
- Talk to experts
- Meet customers
- Visit competitors
- They "enact" or explore the environment through action.

### **When Does Enacting Occur?**

- Enacting usually follows:  
*Undirected Viewing → Conditioned Viewing → Enacting*

### **Managers move to enacting when:**

- An issue seems important
- More clarity is needed
- A decision is approaching
- Risk appears significant

### **Advantages of Enacting**

- Quick information gathering
- Low cost compared to formal research
- Flexible and adaptive
- Provides practical insights
- Encourages managerial involvement
- Limitations of Enacting
- Information may be incomplete

### **Risk of bias**

- Lack of systematic data collection
- May rely heavily on personal judgment
- Limited reliability for long-term decisions

### **Process of Enacting (Informal Search)**

#### **Step 1: Identify Specific Issue**

Example: Decline in sales.

#### **Step 2: Conduct Informal Investigation**

Managers may:

- Talk to sales staff
- Contact customers
- Observe competitors
- Attend industry events

- Consult industry experts

### **Step 3: Interpret Findings**

- Managers analyze feedback and form initial conclusions.

## **4. Formal Search**

- is the **most systematic, structured, and comprehensive method of environmental scanning**.
- Formal search is a deliberate, systematic, and research-based process of collecting and analyzing specific environmental information to support long-term strategic planning and decision-making.
- It is the **final and most advanced stage of environmental scanning**.

### **When Is Formal Search Used?**

Organizations conduct formal search when:

- Major strategic decisions must be made
- Large investments are involved
- High uncertainty or risk exists
- Entering a new market
- Launching a new product
- Facing serious environmental threats

### **Advantages of Formal Search**

- Provides reliable and accurate information
- Reduces risk and uncertainty
- Supports major strategic decisions
- Identifies long-term opportunities
- Enhances competitive advantage

### **Limitations of Formal Search**

- Expensive
- Time-consuming
- Requires expertise
- May delay decision-making
- Environmental changes may occur during research

### **Process of Formal Search**

- Formal search follows a systematic research procedure:

#### **Step 1: Define the Problem**

Clearly identify what needs to be studied.

#### **Step 2: Set Objectives**

Specify what information is required.

#### **Step 3: Design Research Plan**

Select:

- Data sources (primary or secondary)
- Research methods (surveys, interviews, observation)
- Sampling techniques
- Budget and timeline

#### **Step 4: Data Collection**

Data may include:

##### **Primary Data**

- Surveys
- Interviews
- Questionnaires
- Focus groups
- Experiments

##### **Secondary Data**

- Government reports
- Industry publications
- Market research reports
- Financial statements
- Economic data

#### **Step 5: Data Analysis**

Use tools such as:

- Statistical analysis
- Forecasting models
- Trend analysis
- SWOT analysis
- PESTLE analysis
- Scenario planning

#### **Step 6: Interpretation and Decision-Making**

- Managers interpret results and formulate strategic plans.

##### **In formal search, the company:**

- Conducts nationwide surveys
- Studies government EV policies
- Analyzes competitor pricing
- Forecasts future fuel prices
- Evaluates infrastructure availability
- Based on findings, the company decides whether to invest.

## **The Local and International Business Environment of the Firm**

- A firm does not operate in isolation. It functions **within a complex environment made up of forces**, institutions, regulations, markets, and socio-economic factors **that influence its decisions and performance**. These environmental forces can be broadly classified into:

- Local (Domestic) Business Environment
- International (Global) Business Environment

### **1. The Local (Domestic) Business Environment**

- The local business environment refers to all factors **within a firm's home country that influence its operations, strategy, and performance**. It can be divided into **internal and external environments**.

## **A. Internal Environment**

These are **factors within the firm's control**.

### **1. Organizational Structure**

- Defines authority, responsibility, and communication flow. Affects decision-making speed and efficiency.

### **2. Corporate Culture**

- Shared values, beliefs, and norms.
- Influences employee motivation and performance.

### **3. Resources**

- Human resources
- Financial capital
- Physical assets
- Technology

## **B. External Environment (Domestic)**

- These are factors outside the firm's direct control. They are categorized into micro and macro environments.

### **Micro Environment**

- The micro environment consists of immediate actors that directly affect the firm.

#### **1. Customers**

- Demand patterns
- Preferences
- Purchasing power
- Brand loyalty
- Understanding customer behavior is key to product success.

#### **2. Competitors**

- Number and strength of rivals
- Pricing strategies
- Market share
- Innovation capability
- Competition drives efficiency and innovation.

#### **3. Suppliers**

- Availability of raw materials
- Pricing stability
- Reliability
- Supplier power affects production cost and continuity.

#### **4. Intermediaries**

- Distributors
- Wholesalers
- Retailers
- Agents

**The Local and International Business Environment of the Firm cont.**

## **Macro Environment (PESTLE Analysis)**

- The macro environment **consists of broader societal forces that affect all businesses.**

- Political Environment

Includes:

- Government stability
- Tax policies
- Trade regulations
- Labor laws

- Economic Environment

Includes:

- Inflation
- Interest rates
- Unemployment
- Exchange rates
- GDP growth

- **Social (Socio-Cultural) Environment**

Includes:

- Population demographics
- Education levels
- Cultural values
- Lifestyle trends

- Technological Environment

Includes:

- Automation
- Digital transformation
- Research and development
- Innovation trends

- Legal Environment

Includes:

- Consumer protection laws
- Employment regulations
- Environmental regulations
- Intellectual property laws

- Environmental (Ecological) Factors

Includes:

- Climate change policies
- Sustainability standards
- Environmental protection regulations

## **The International (Global) Business Environment**

- The international environment involves factors that influence firms operating across national borders. Globalization has made firms increasingly interconnected. Institutions like the World Trade Organization promote international trade by reducing trade barriers.

### **A. Global Political Environment**

Includes:

- Political stability in foreign countries

- Trade agreements
- Diplomatic relations
- Risk of expropriation or nationalization

## **B. Global Economic Environment**

Includes:

- Foreign exchange rates
- Global inflation
- International capital flows
- Global economic cycles

## **C. Cultural Environment**

Different countries have unique:

- Languages
- Religious beliefs
- Consumption patterns
- Work ethics
- Business etiquette

## **D. Legal and Regulatory Environment**

Each country has its own:

- Business laws
- Tax structures
- Labor laws
- Intellectual property rules

## **E. Technological Environment (Global)**

Technological differences across countries influence:

- Production standards
- Communication systems
- Innovation capability

## **F. Competitive Environment**

- International competition may come from multinational corporations such as Toyota Motor Corporation, Apple Inc., and Samsung Electronics.

## **Challenges in the International Environment**

- Exchange rate risk
- Political instability
- Cultural misunderstandings
- Trade barriers
- Legal complexity
- Global competition

## **Importance of Understanding the Business Environment**

- Helps in strategic planning
- Reduces uncertainty
- Identifies opportunities and threats
- Enhances competitive advantage
- Promotes sustainable growth

## **5. Rostow's Stages of Economic Development**

**Traditional Society:** Economy based on subsistence agriculture and low technology.

**Preconditions for Take-off:** Development of infrastructure and preparation for growth.

**Take-off:** Rapid industrial growth and rising investment.

**Drive to Maturity:** Advanced technology and diversified economy.

**Age of High Mass Consumption:** High income and focus on consumer goods and services.

## 6. Lewis Model

**Definition:** A theory explaining economic development through the transfer of labor from agriculture to industry.

**Key Idea:** Surplus labor moves to higher productivity sectors, increasing growth.

## 7. Modern Economic Development

**Phases:** Traditional → Industrial → Service → Digital → Sustainable Economy

**Focus:** Innovation, technology, human capital, and sustainability.

### Key Tips

Micro = close to business | Macro = big picture

SWOT = internal analysis | PESTLE = external analysis